Memorandum

To : SAC PX 58C41605 Date P 1/10/90

From : SA [redacted] b6 b7C

Subject : Allegations Against Senators Alan Cranston, etal

On 1/10/90 a friend of [redacted] SA, SOJ who didn't want his/her identity revealed, said that [redacted]

[redacted]

[redacted]

58C-PX-41605-32

SEARCHED [illegible] INDEXED
SERIALIZED MK FILED MK
JAN 26 1990
FBI

The info was passed on to SA [redacted] SARA-LA Dem. 1/10/90 b6 b7C

[redacted]

58C-PX-41605-34

SEARCHED ____ INDEXED ____
SERIALIZED MW FILED MW
FEB 13 1990

[redacted]

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602/279-5511

FD-448 (Rev 3-7-88)

Transmit attached by Facsimile

PRECEDENCE.
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION.
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

To: SAC, PHOENIX (58C-PX-41605)

From: SAC, LOS ANGELES
SANTA ANA R.A.

Date 2/5/90

Subject:

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☐ Teletype ☒ Other Memo re meeting on 2/14/90

Special handling Instructions:

Please deliver copies to

b6
b7C

Approved: _____

FBI/

TO: LISTED AGENTS

FROM: SA [redacted] b6 b7C

SUBJECT: POLITICAL CORRUPTION MEETING SCHEDULED FOR 2/14/90, ANAHEIM HILTON SUITES, SANTA ANA, CALIFORNIA

On 2/14/90, a meeting is scheduled for all individuals involved in the Political Corruption cases which have been generated from DESERT GEM; MAJOR CASE 24.

The meeting will be held at the ANAHEIM HILTON SUITES near the Santa Ana Resident Agency. It is suggested all attendees plan on arriving the afternoon or evening of 2/13/90 and schedule a return the afternoon or evening of 2/15/90. The following are all matters which will be discussed:

FILE: 56C-LA-101615

TITLE: 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 VIOLATION; OO: Los Angeles.

FOCUS: (1.) Conduit contributions to various federal politicians resulting in reimbursement to those conduits from KEATING or his organizations.

(2.) Tax exempt organizations initiated by Senator ALAN CRANSTON, [redacted] and their associates regarding the theory the organizations are actually partisan organizations which should be covered under the Federal Election Campaign Act. b6 b7C

FILE: 58C-PX-41605

TITLE: 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: PX/LA.

FOCUS: Allegations that five high ranking U.S. senators listed in the title corruptively attempted to and did in fact influence the FEDERAL HOME LOAN BANK BOARD in return for contributions to tax exempt organizations and to their various campaigns.

FILE: 194-LA-108012

TITLE: LAWRENCE W. TAGGART; FORMER COMMISSIONER OF THE CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN; CHARLES H. KEATING, JR.; dba LINCOLN SAVINGS AND LOAN, Irvine, California; CORRUPTION OF STATE AND LOCAL POLITICIANS - STATE LEVEL; OO: Los Angeles.

FOCUS: (1.) Relationship between TAGGART and CHARLES KEATING, JR., as it relates to approvals of direct investments granted by TAGGART and the ultimate investment by LINCOLN SAVINGS AND LOAN and the consulting contract with TCS companies.

(2.) The possible conspiracy involving TAGGART and former VERNON SAVINGS AND LOAN officer [redacted] as it relates to the attempted purchase of SHELTER ISLAND SAVINGS AND LOAN. b6 b7C

FILE: 58A-NEW

TITLE: [redacted] 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 - REGULATORY; OO: Los Angeles.

FOCUS: The relationship between [redacted] and CHARLES KEATING, JR., as it relates to [redacted] appointment on the FEDERAL HOME LOAN BANK BOARD and his attempt to change a regulation which would specifically benefit KEATING and LINCOLN SAVINGS AND LOAN.

The purpose and objectives of this meeting are as follows:

1. prioritize the above matters.

2. Prioritize investigation within each individual case.

3. Determine needed resources in investigating the above matters.

4. Identify, discuss, and assign detailed investigation to be conducted in each of the above matters.

Each attendee is requested prior to the 2/14/90 meeting to personally analyze all aspects of the above matters and to come to the meeting with definite ideas and suggestions concerning strategy, investigative priority of the above cases, investigative priority within each of the above cases, needed resources, and detailed investigation to be completed.

Although each attendee may be primarily concerned with one of the above cases or some particular aspect of each of the cases, it is very important that each attendee does not limit their thinking to that particular area of concern. It is essential the investigation concerning the above matters is a team effort and all ideas, suggestions, and strategies should be voiced and discussed. For example, regarding the file 58C-PX-41605, even though the agents working this matter may be primarily concerned with United States Senators within their state, it is important to analyze and discuss what leads and investigation should be conducted regarding the out-of-state senators. It will be very beneficial if all attendees can discuss and come to an agreement regarding leads to be sent out to other divisions who at this point may not be involved in the investigation.

Attendees

[redacted] SSRA, FBI Santa Ana
[redacted] SSA, FBI Phoenix
[redacted] SA, FBI Santa Ana
[redacted] SA, FBI Santa Ana
[redacted] SA, FBI Santa Ana
[redacted] SA, FBI Phoenix
[redacted] SA, FBI Phoenix
[redacted] AUSA, Los Angeles
[redacted] SA, IRS Los Angeles
[redacted] SA, FBIHQ Washington D.C.

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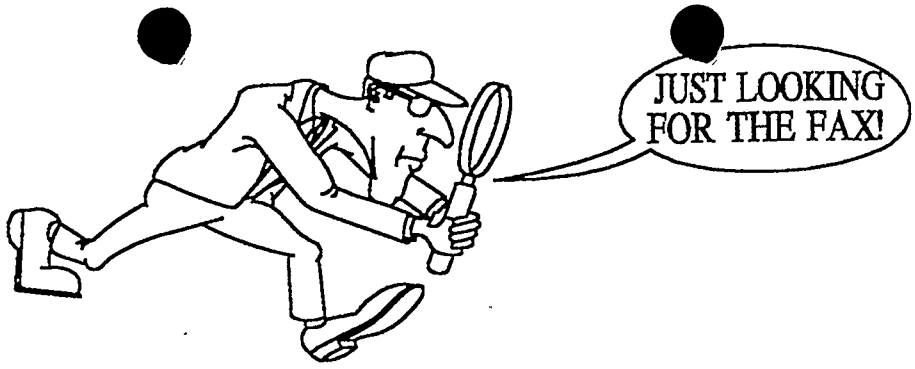

FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- ☐ Immediate
- ☒ Priority
- ☐ Routine

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

To: SAC, MILWAUKEE

From: SAC, PHOENIX (56C-PX-41605)

Date February 12,1990

Subject: ALLEGATIONS CONCERNING U.S.SENATORS ALAN CRANSTON,DENNIS D. DECONCINI, JOHN GLENN,JOHN McCAIN, DONALD REIGLE; CHARLES H. KEATING,JR.,DBA,ETAL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE; OO: PHOENIX/LOS ANGELES

11:40 RI

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☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☐ Teletype ☒ Other Grand Jury subpoena for [redacted]

Special handling Instructions: [redacted]

Residence address [redacted]
telephone [redacted] Direct questions to SA [redacted]
Phoenix Division.

Approved: JFA

FBI/DOJ

56C-PX-41605-35

SEARCHED MLR INDEXED
SERIALIZED MLR FILED MLR

FEB 1 [illegible] 1990

FBI PHOENIX

[redacted]

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b7C

AO 110 (Rev. 10/82)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court	DISTRICT CENTRAL DISTRICT OF CALIFORNIA
TO:	SUBPOENA FOR ☐ Person ☒ Document or Object

b3 b6 b7C

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

PLACE	COURTROOM
United States Courthouse 312 North Spring Street Los Angeles, California 90012	1346B
	DATE AND TIME March 1, 1990 9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):[1]

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK	DATE
LEONARD A. BROSKAN	January 31, 1990
(BY) DEPUTY CLERK	

This subpoena is issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

1) If not applicable, enter "none."

AGENT: S/A
S/A

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND

b6 b7C

ATTACHMENT

For the period [redacted] any and b3
all [redacted] any and b6
b7C

[redacted]

RETURN OF SERVICE[2]

RECEIVED BY SERVER	DATE	PLACE
SERVED	DATE	PLACE

SERVED ON (NAME)

SERVED BY | TITLE

STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

DECLARATION OF SERVER[3]

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on _____ (Date)

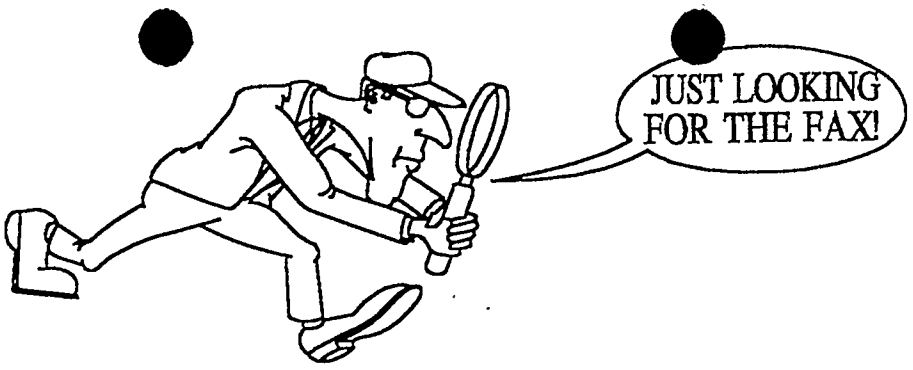
_____ (Signature of Server)

_____ (Address of Server)

ADDITIONAL INFORMATION

[2] As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

[3] "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof." Rule 45(c), Federal Rules of Civil Procedure, Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)"



FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- ☐ Immediate
- ☒ Priority
- ☐ Routine

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

To: ADIC, NEW YORK

From: SAC, PHOENIX, (58C-PX-41605)

Subject: ALLEGATIONS CONCERNING U.S.SENATORS ALAN CRANSTON, DENNIS D. DECONCINI, JOHN GLENN, JOHN McCAIN, DONALD REIGLE; CHARLES H. KEATING, JR.,DBA, ETAL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE; OO: PHOENIX/LOS ANGELES

Date February 12, 1990

11:45 18

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☐ Teletype ☒ Other Grand Jury subpoena for [redacted] b3 b6 b7C

Special h[redacted]

residence address [redacted]
Residence telephone [redacted]
Work telephone
Refer any questions to SA [redacted] Phoenix Division.

Approved: JFA

FBI/DOJ

58C-PX-41605-36

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]

FEB 1 ? 1990

[redacted]ENIX

[redacted] b6 b7C

AO 110 (Rev. 10/85)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court

DISTRICT: CENTRAL DISTRICT OF CALIFORNIA

TO:

SUBPOENA FOR:

- ☐ Person
- ☒ Document or Object

b3 b6 b7C

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

PLACE	COURTROOM
United States Courthouse 312 North Spring Street Los Angeles, California 90012	1346B
	DATE AND TIME March 1, 1990 9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):[1]

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK	DATE
LEONARD A. BROSKAN	January 31, 1990
(BY) DEPUTY CLERK /s/	

This subpoena is issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

[1] If not applicable, enter "none."

AGENT: S/A
S/A

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE. b6 b7C

RETURN OF SERVICE[2]

RECEIVED BY SERVER	DATE	PLACE
SERVED	DATE	PLACE

SERVED ON (NAME)

SERVED BY	TITLE

STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

DECLARATION OF SERVER[3]

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on _____
Date

_____
Signature of Server

_____
Address of Server

ADDITIONAL INFORMATION

2) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

3) "If the subpoena is issued on behalf of the United States or an officer or agency thereof, fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure, Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC §1825, Rule 17(b) Federal Rules of Criminal Procedure)"

ATTACHMENT

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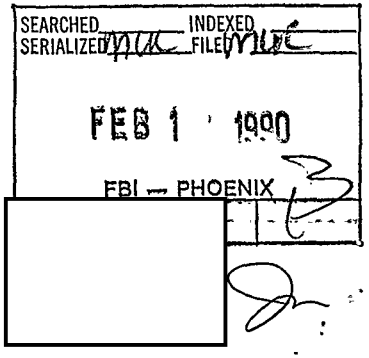
[redacted]

58C-PX-41605-37



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FEB 5 '90 15:59

AO 110 (Rev. 10/82)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court

DISTRICT: CENTRAL DISTRICT OF CALIFORNIA

TO:

SUBPOENA FOR

☐ Person

☒ Document or Object

b3

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

PLACE

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

COURTROOM: 1346B

DATE AND TIME: March 1, 1990
9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):[1]

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK: LEONARD A. BROSKAN

DATE: January 31, 1990

(BY) DEPUTY CLERK:

This subpoena issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

[1] If not applicable, enter "none."

AGENT: S/A
S/A

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE

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RETURN OF SERVICE[1]

RECEIVED BY SERVER	DATE 2-7-90	PLACE By fax to Washington Field Office Washington, D.C.
SERVED	DATE 2-8-90	PLACE [redacted]

b3
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b7C

SERVED ON (NAME) [redacted]

SERVED BY [redacted] TITLE Special Agent, F.B.I.

STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

DECLARATION OF SERVER[2]

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 2-8-90 [redacted]
Date Address of Server

ADDITIONAL INFORMATION

1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

2) Witness and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure, Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and certain indigent criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)"

ATTACHMENT

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[redacted]

58C-PX-41605-38

SEARCHED INDEXED
SERIALIZED FILED
FEB 1 " 1990
FBI — PHOENIX

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b7C

(Rev. 10/82)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court

DISTRICT
CENTRAL DISTRICT OF CALIFORNIA

SUBPOENA FOR
☐ Person
☒ Document or Object

b3
b6
b7C

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

AT
United States Courthouse
312 North Spring Street
Los Angeles, California 90012

COURTROOM
1346B

DATE AND TIME
March 1, 1990
9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):(1)

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK
EDWARD A. BROSNAN

DEPUTY CLERK
/s/

DATE
January 31, 1990

This subpoena is issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

(1) If not applicable, enter "none."

AGENT: S/A
S/A

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND

b6
b7C

RETURN OF SERVICE(1)

RECEIVED BY SERVER	DATE 2-7-90	PLACE By Fax to Washington Fie Office, Washington D.C.
SERVED	DATE 2-8-90	PL [redacted]

b3
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b7C

SERVED ON (NAME) [redacted]

SERVED [redacted] TITLE Special Agents, F.B.I.

T OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

DECLARATION OF SERVER(2)

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of [redacted]

Executed on 2-8-90
Date

ADDITIONAL INFORMATION

1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure, Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)."

ATTACHMENT

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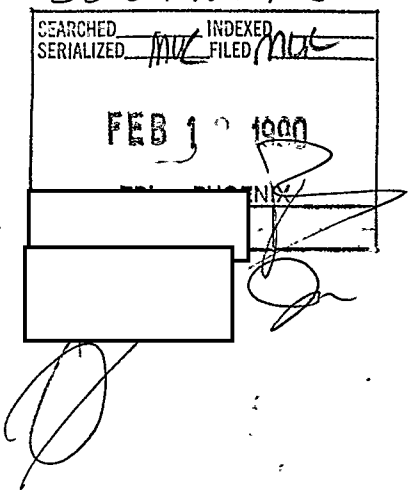
58C-PX-41605-39



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b7C

AO 110 (Rev. 10/85)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court

DISTRICT: CENTRAL DISTRICT OF CALIFORNIA

TO:

SUBPOENA FOR:
- ☐ Person
- ☒ Document or Object

b3

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

PLACE:
United States Courthouse
312 North Spring Street
Los Angeles, California 90012

COURTROOM: 1346B

DATE AND TIME: March 1, 1990 9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):[1]

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK: LEONARD A. BROSKAN

(BY) DEPUTY CLERK:

DATE: January 31, 1990

This subpoena issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY:

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

[1] If not applicable, enter "none."

AGENT: S/A
S/A
FBI (714) 542-8825

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENTS TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO SURRENDER THEM TO THE GRAND JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE.

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b7C

RETURN OF SERVICE[1]

RECEIVED BY SERVER	DATE 2-7-90	PLACE By Fax to Washington Field Office Washington, D.C.
SERVED	DATE 2-9-90	PLACE [redacted]

b3
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SERVED ON [redacted]

SERVED BY [redacted] TITLE Special Agents, F.B.I.

STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL

DECLARATION OF SERVER[2]

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 2-9-90
Date

[redacted]
Signature of Server

Address of Server

ADDITIONAL INFORMATION

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(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure, Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)."

ATTACHMENT

For the period [redacted] b3

[redacted]

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

11000 Wilshire Boulevard
Los Angeles, California 90024

February 7, 1990

b6
b7C

[redacted]
Assistant Inspector General for Investigations
U.S. Department of the Treasury
1201 Constitution N.W.
Washington, D.C. 20535

RE: [redacted]

Dear [redacted]

This letter confirms a telephone conversation on February 7, 1990, between [redacted] of your office and SA [redacted] of our office.

We understand that [redacted] is in possession of the file for an investigation conducted by the Inspector General of the Federal Home Loan Bank Board (FHLBB), the subject of which was former FHLBB member [redacted] For criminal investigative purposes, the Federal Bureau of Investigation (FBI) respectfully requests that you make this file available to FBI agents for review and copying.

[redacted] has agreed to provide, this week, the file for review and copying to SA [redacted] of the FBI's Phoenix Division.

Thank you for your courtesy.

Sincerely yours,

LAWRENCE G. LAWLER
Special Agent in Charge

BY: [redacted]
Senior Supervisory Resident Agent

1*

58C-PX-41605-40
SEARCHED
SERIALIZED
INDEXED
FILED
FEB 22 1990
PHOENIX
[redacted]

File - Serial Charge Out
FD-5 (Rev. 10-13-89)

Date _____

File 58CPX 41605 41
Class. Office of Origin Case No. Last Serial

☐ Pending ☐ Closed

Serial No.	Description of Serial	Date Charged
	Permanently	
	Charged out	
	To Sub C	

_____
Employee

RECHARGE Date _____

To _____ From _____

Initials of Clerk _____ Date _____

_____
Date charged

_____
Employee

_____
Location

U.S. GOVERNMENT PRINTING OFFICE 1990 – 262-209

AIRTEL

3/22/90

Director, FBI

SACs, Los Angeles (29D-LA-102009)
Phoenix (58C-PX-41605)

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

Enclosed for the information of Los Angeles and Phoenix are two copies each of a letter from [redacted] dated 3/9/90. b6 b7C

The enclosed letter is being provided for any possible assistance to the Los Angeles and Phoenix Divisions.

Enclosure

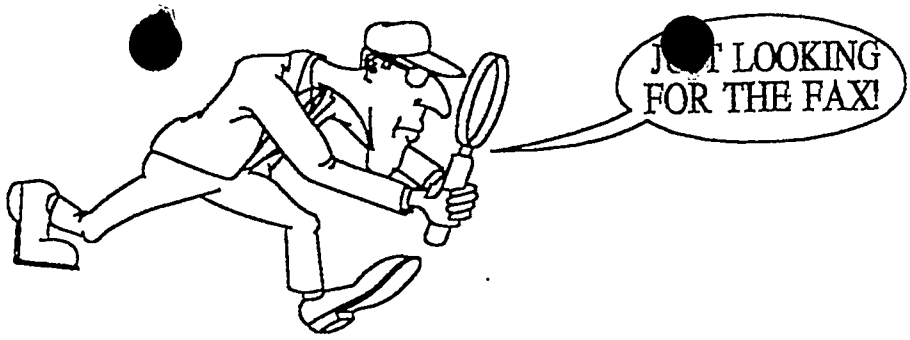
Copy of ltr to [redacted] SA 4/4/90

1 O ltr

58C-PX-41605-42

INDEXED
FILED

[redacted]



FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- [ ] Immediate
- [ ] Priority
- [ ] Routine

CLASSIFICATION:
- [ ] TOP SECRET
- [ ] SECRET
- [ ] CONFIDENTIAL
- [ ] UNCLAS E F T O
- [x] UNCLAS

To: SAC LA
Santa Ana RA 714-~~452~~-542-48825 b6 b7C

From: SAC DX (SA [redacted]

Date 4/4/90

Subject: Allegations against US Sens. Alan Cranston, et al

4:15 p.m.
KJ

- [ ] Fingerprint Photo
- [ ] Fingerprint Record
- [ ] Map
- [ ] Newspaper clipping
- [ ] Photograph
- [ ] Artists Conception
- [ ] Teletype
- [x] Other Letter

Special handling Instructions:

attn: SA [redacted]

Approved: [signature]

FBI/DOJ

Memorandum

To : SAC, PHOENIX (58C-PX-41605) Date 4/3/90

From : [redacted] b6 b7C

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

The following is a summary of investigation conducted during the period 2/22/90 - 3/15/90 by Phoenix FBI. On 2/22-23/90, [redacted] were interviewed in Washington, DC. [redacted] for U.S.A. Votes, Senator ALAN CRANSTON's partisan fund raising organization, through which CRANSTON raised $850,000 from KEATING in 1987 and 1988. [redacted] advised U.S.A. Votes was established by CRANSTON to raise funds by "non-partisan", tax-exempt voter registration groups targeting specific populations (as an example, black voters) that CRANSTON expected would vote Democratic. [redacted] claimed little or no knowledge of CRANSTON's contacts with KEATING. [redacted] provided information regarding KEATING's contributions to CRANSTON's tax exempt organizations, campaigns, and affiliated political action committees. [redacted] said it was not unusual for CRANSTON to arrange meetings with [redacted] or contributors such as KEATING. b6 b7C

On 3/6/90, [redacted] was interviewed in the presence of her counsel, [redacted] in Washington, DC. [redacted] for Senator DE CONCINI. [redacted] confirmed the fact that she prepared a 3/19/87 memo for Senator DE CONCINI. Senator DE CONCINI gave her 4-8 pages of documents plus the [redacted] letter to summarize. The 3/19/87 memo is her summarization of these documents. [redacted] initially indicated DE CONCINI told her he got these documents from KEATING but later during the interview stated she did not know who provided these documents to DE CONCINI. [redacted] further stated there are two additional documents she prepared concerning CHARLES KEATING dated 4/1/87 and 2/87. The 4/1/87 memo is a summary of the 3/19/87 memo prepared by [redacted] in preparation b6 b7C

3-Phoenix (2-58C-PX-41605)
(1-29D-LA-102009 SUB C)
REB:rh
(3)

58C-PX-41605-44

for the 4/2/87 meeting which included [redacted] of the Federal Home Loan Bank Board and the other U.S. Senators. [redacted] said the 2/87 memo was prepared after a meeting occurred in Senator DE CONCINI's office which he (DE CONCINI) did not attend that related to the effort of KEATING to sell LSL. The only U.S. Senator attending this meeting was CRANSTON. Staff members from Senator RIEGLE's Office along with KEATING associates participated in the meeting. [redacted] said the end result of this meeting was to have Senator DE CONCINI call [redacted] Federal Home Loan Bank Board regarding the proposed sale of LSL. [redacted] stated it is her understanding DE CONCINI did, in fact, telephone [redacted]

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[redacted]

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[redacted] further stated prior to the 4/2/87 meeting Senators MC CAIN and DE CONCINI met to discuss whether they should, in fact, attend the 4/2/87 meeting with [redacted] said the senators were concerned that [redacted] might "misrepresent" the meeting to the press.

[redacted] stated [redacted] had a reputation as a loose canon and this was of concern to the senators. MC CAIN apparently had spoken to other Republicans and they had informed MC CAIN of [redacted] potential for irrational behavior. [redacted] stated the only other senate staff member she had a discussion with concerning KEATING was [redacted] in MC CAIN's office. [redacted] received a copy of the 3/19/87 memo and she believes the memo was subsequently leaked by MC CAIN's office to the press. The press copy of this memo contained markings that [redacted] admitted placing on the memo. [redacted] further believes that [redacted] may have been present in the outer office during the 4/2/87 meeting with [redacted] and possibly the 4/9 meeting with the Federal Home Loan Bank representatives from San Francisco.

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On 3/7/90, GEORGE GOULD (former Secretary of the Treasury) said he met CHARLES KEATING on two occasions. The first occasion being a philosophical talk regarding the S&L industry. The second meeting KEATING "threw his weight around" because KEATING was aware GOULD was drafting legislation which would be supportive of [redacted] position. KEATING told GOULD he had significant influence in the senate and could help or hinder GOULD's effort to have legislation passed. KEATING further informed GOULD that GOULD was not "in line with administration's

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philosophy" on deregulation. GOULD told KEATING his (KEATING's) philosophy was to run a savings and loan association as your mutual fund with the FSLIC bearing the complete and total risk. KEATING responded, in fact, that he did feel this way. KEATING informed GOULD he had attempted to hire [redacted] away from the Federal Home Loan Bank Board in an effort to "help the country". GOULD, after the second meeting with KEATING, alerted appropriate security at the Department of Treasury not to allow KEATING or his associates back in the Treasury building for meetings with any Treasury personnel. GOULD further stated that upon the conclusion of the 4/2/87 meeting between [redacted] and the senators, informed him that the senators had attempted to influence him. [redacted] however, said it was forbidden by law for him to go into detail concerning this meeting and only informed GOULD of the meeting. b6 b7C

On 3/7/90, [redacted] former member of the Federal Home Loan Bank Board stated he was confirmed when [redacted] was being considered for a member of the bank board. [redacted] said on 12/18/86 the board was considering whether to continue, change, or abolish the direct investment regulation. [redacted] was completely unfamiliar with this regulation and had requested the current regulation be extended approximately 75 days allowing [redacted] time to review. According to [redacted] there had been an understanding between [redacted] that the regulation would, in fact, be extended, however, on the day the board was to vote this issue, [redacted] presented an 11-point plan which if adopted would have directly benefited LSL and San Jacinto S&L in Texas barring them to circumvent the direct investment regulation. [redacted] stated this was completely contrary to the agreement and understanding previously reached among the board members. b6 b7C

[redacted] said he had met CHARLES KEATING and other KEATING associates and no improper request or favor had been requested of him, however, he was invited by [redacted] (an attorney for KEATING) to Phoenix to review the KEATING operation. b6 b7C

On 3/13-14/90 and 3/20/90, the following employees of the Office of Thrift Supervision were interviewed:

[redacted]

[redacted] b6 b7C

The purpose of these interviews was to address statements made by [redacted] before the Housing Banking Committee in December 1989. These interviews concerned the position of the Federal Home Loan Bank Board, Washington, DC in 1987 regarding LSL. At that time, the Federal Home Loan Bank Board in Washington, DC agreed with the position taken by the San Francisco District as well as its recommendations. [redacted] the Federal Home Loan Bank Board, the attitude and position changed to the point where the Federal Home Loan Bank Board challenged every aspect of the San Francisco's March 1986 examination of LSL. It should be noted from 1984-1986, San Francisco supervised the receivership of over 32 S&L's and was never challenged by the Federal Home Loan Bank Board.

During these interviews it was also established that from the inception of the March 1986 examination until its completion in October 1986, there was considerable dialogue, both oral and written, between the 11th District (San Francisco) and the Federal Home Loan Bank Board including specific conversations which were frequent with [redacted] b6 b7C

[redacted] advised b6 b7C
that [redacted] b7D

The interviews with employees of the San Francisco Federal Home Loan Bank (11th District) determined that examiners of the '88 and '89 exam of LSL were concerned their findings would not be made part of the official report and therefore kept separate records of the findings. These individuals are [redacted] b6 b7C
It was determined [redacted] received the concerns of [redacted] who informed him that he [redacted] was concerned that his exam findings would not be included in the final report.

[redacted] instructed [redacted] to keep a separate set of records concerning his exam findings. Concerns also surfaced from within the California Department of Savings and Loan Association. The federal examiners were not addressing the important issues of the institution in 1988 and their exam appeared to be a white wash. b6 b7C

Mayor HERB DRINKWATER of Scottsdale, Arizona has been interviewed and admitted that he received campaign donations from KEATING, but they were returned. DRINKWATER stated that an associate, [redacted] actually had the contact with KEATING and would have the details concerning the amount of monies contributed and returned. DRINKWATER did, however, say on one occasion KEATING stated "You're the only one that never took any money." However, when DRINKWATER was pressed as to whose words these were, he indicated he could not recall specifically what KEATING said, however, the statement, "You're the only one that never took any money" are his (DRINKWATER's) and the statement reflects the sentiment of the statement made by KEATING.

The potential defendants in this case are CHARLES H. KEATING, JR., [redacted] and Senators DE CONCINI, MC CAIN, CRANSTON, RIEGLE, and GLENN. Criminal statutes are violations of: b6 b7C

Title 18, U.S.C.	Section,	201	Bribery
"	"	371	Conspiracy
"	"	2	Aiding and Abetting
"	"	1951	Hobbs Act
"	"	1505	Obstruction of Proceedings Before an Agency
"	"	1341	Mail fraud
"	"	1343	Fraud by Wire

The following are examples of KEATING's influence and attempted influence of the Federal Home Loan Bank Board:

a) the attempted appointment of [redacted] to the bank board to [redacted] 11-point plan presented to the bank board b6 b7C

b) KEATING's second meeting with [redacted]

c) the "secret" file that [redacted] described to [redacted] which was given to him by KEATING

d) [redacted] one-day firing

e) the appointment of [redacted] to the bank board

f) the attempted appointment of Professor [redacted] to the bank board b6 b7C

g) the transfer of supervisory authority from the 11th District to the Federal Home Loan Bank Board

h) the July 1987 meeting between KEATING associates and [redacted]

Additional examples are [redacted] denial of the Federal Home Loan Bank-San Francisco's request to conduct additional limited scope examination at LSL after he met with LSL representatives in DC without San Francisco's presence or knowledge of this meeting, the Memorandum of Understanding (MOU) proposed by LSL and ultimately accepted by the Federal Home Loan Bank Board, the 1988 and 1989 exam procedures (which are believed to have been limited in scope) denied the benefit of the 1986 exam findings, and KEATING's attempts to have [redacted] of the California Department of Savings and Loans (CDSL) fired because of their support for the March 1986 exam.

LEADS:

Interview of [redacted] (both of the 12th District-Seattle, Federal Home Loan Bank), [redacted] (of the Chicago Federal Home Loan Bank). Interview Federal Home Loan Bank Board employees, [redacted] and others and the setting of leads from the CHARLES KEATING agenda for interviews of other political figures who met with KEATING regarding the Federal Home Loan Bank Board. b6 b7C

Also, the subpoenas that have been requested of AUSA [redacted] for service on [redacted] will be obtained and served. b3 b6 b7C

SEARCHED ..... INDEXED
SERIALIZED ..... FILED .....
SEP 1[illegible] 1990
FBI - PHOENIX

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United States District Court

CENTRAL DISTRICT OF CALIFORNIA

TO: [redacted] b3

SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR:
☐ PERSON ■ DOCUMENT(S) OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE	COURTROOM
United States Courthouse 312 North Spring Street Los Angeles, California 90012	1346B
	DATE AND TIME September 25, 1990 9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

For the period [redacted] any and all records and documents relating [redacted] b3 b6 b7C

SA FBI PX

☐ *Please see additional information on reverse.*

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK	DATE
LEONARD A. BROSN[illegible]	September 6, 1990
(BY) DEPUTY CLERK	

This subpoena is issued on application of the United States of America

1051

LOURDES G. BAIRD
United States Attorney

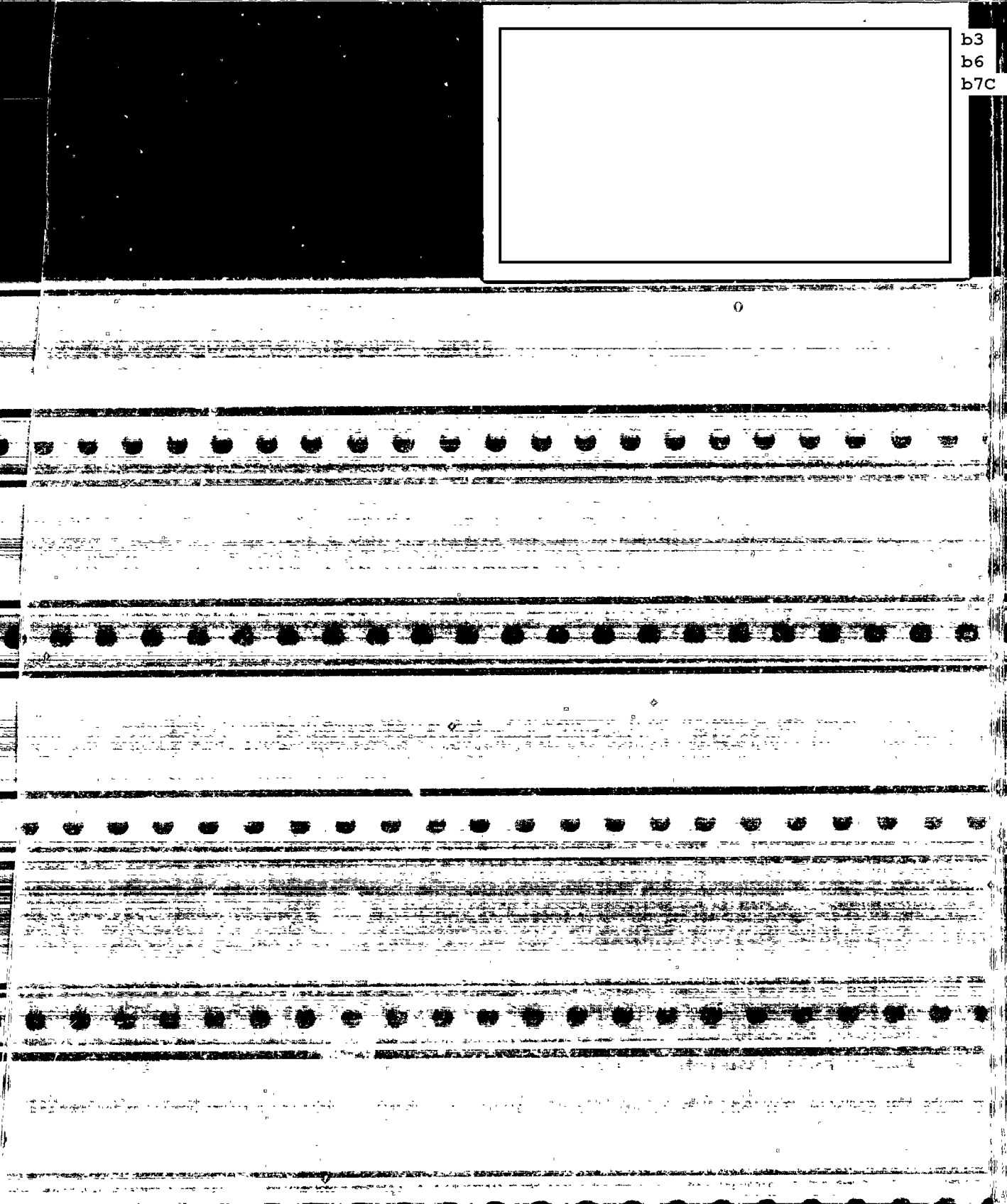
NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

AUSA: Stephen Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-6967

*If not applicable, enter "none."

AGENT: [redacted]
Tel. No. (714) 542-8825

NOTE: AN AGENT OF THE F.B.I [redacted] WILL DELIVER THE ABOVE-MENTIONED DOCUM[illegible] TO THE GRAND JURY SHOULD YOU DESIRE b6 VOLUNTARILY TO SURRENDER THEM TO THE b7C JURY IN ADVANCE OF THE GRAND JURY DATE INDICATED ABOVE.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Record Request
FD-125 (Rev. 5-31-88)

Date 10/3/90

☐ Birth ☐ Credit ☐ Criminal ☐ Death ☐ INS ☐ Marriage* ☐ Motor Vehicle ☐ Driver's License ☒ Other

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b7C

[redacted]

Buded

File number PX 58C41605

Name and al [redacted]

833-2267

Addresses
Residence Need address

Business [redacted]

Former

(Yes, the addr. is not in the book, but I got it from operator)

*Date and place of marriage (if applicable)

B

Race	Sex ☐ Male ☐ Female	Age	Height	Weight	Hair	Eyes

Birth date	Birthplace

Arrest Number	Fingerprint classification	Criminal specialty

Specific information desired	Social Security Number

Results of check

Req. 10-5-90. rfd
Subscriber received 10/8/90 rfd

58C-PX-41605 45

SEARCHED ..... INDEXED .....
SERIALIZED ..... FILED .....
OCT 11 1990
FBI - PHOENIX

(10-88)

U S WEST SECURITY OFFICE

AGENCY F.B.I. DATE 10/5/90
ADDRESS 201 E. Indianola CITY Phoenix, Arizona 85012
AGENTS NAME ISA [redacted] AGENTS TEL. # 279-5511
AGENCY PIN # 1D1273

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IF TELEPHONE NUMBERS WERE OBTAINED BY A PARTICULAR COURT ORDER INTERCEPTION, PLEASE SPECIFY COURT ORDER NUMBER:

PEN REGISTER # _____ **TRAP & TRACE #** _____

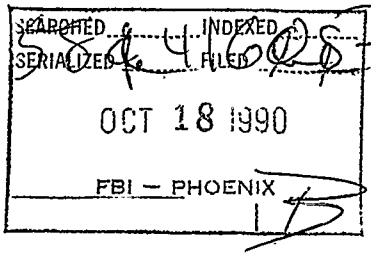
WIRE INTERCEPTION _____

In connection with an official investigation being conducted by this office, we request the following subscriber information.

_____ [redacted] _____

Date Required **Signature and Title**

Telephone Number	Listing	Telephone Number	Listing
833-2267			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INDEXED
SERIALIZED
FILED
OCT 18 1990
FBI — PHOENIX

AGREEMENT

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The following understandings exist as to the meeting of [redacted], ("Client") and his attorney, Assistant United States Attorney [redacted] and Special Agents [redacted] to be held at the office of U.S. Attorneys Office ("Office"), on October 10, 1990 ("the meeting"):

(1) Client will respond truthfully and completely to any and all questions or inquiries that may be put to him at the meeting;

(2) Should any prosecution be brought against Client by the United States Attorney for the Central District of California, the Government will not offer in evidence in its case-in-chief, or in connection with any sentencing proceeding for the purpose of determining an appropriate sentence, any statements made by Client at the meeting, except in a prosecution for false statements, obstruction of justice, or perjury;

(3) Notwithstanding paragraph (2) above, the Government may use (a) information derived directly or indirectly from the meeting for the purpose of obtaining and pursuing leads to other evidence, which evidence may be used in any prosecution of Client by the Government, and (b) statements made by Client at the meeting and all evidence obtained directly or indirectly from those statements for the purpose of cross-examination should Client testify, or to rebut any evidence offered by or on behalf of Client in connection with the trial and/or at sentencing, should any prosecution of Client be undertaken;

(4) This Agreement is limited to the statements made by Client at the meeting and does not apply to any statements made by Client at any other time, whether oral, written or recorded;

(5) No understandings, promises, agreements and/or conditions have been entered into with respect to the meeting other than those expressly set forth in this Agreement and none will be entered into unless in writing and signed by all parties.

Dated: Oct. 10, 1990, 1990. at Los Angeles, California.

LOURDES G. BAIRD
United States Attorney for the
Central District of California

By: [redacted]
Assistant U.S. Attorney

[redacted] FBI PO

[redacted] FBI, Santa Ana

[redacted] FBI Santa Ana

[redacted]

58C-PX-41605-47
INDEXED
SERIALIZED 15 FILED 95
OCT 21 1990
FBI — PHOENIX

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 9/11/90

FM FBI LOS ANGELES (58C-PX-41605)(SARA)(P)
TO DIRECTOR FBI/ROUTINE/
FBI WMFO/ROUTINE/
INFO FBI PHOENIX/ROUTINE/
BT
UNCLAS
CITE: //3410:0670//
PASS: BUREAU SSA [redacted] PUBLIC CORRUPTION UNIT.

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b7C

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, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

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

AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SA'S [redacted] AND PHOENIX SA [redacted]

JAJ/cpt
(1)

Approved: _____ Transmitted _____ (Number) (Time) Per _____

[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:

1. [redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB), REGARDING HIS CONTACTS WITH THE SUBJECT SENATORS. b6 b7C

2. [redacted] REGARDING DECONCINI'S OFFICE'S CONTACTS WITH THE FHLBB ON BEHALF OF CHARLES KEATING.

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

4. UNITED STATES REPRESENTATIVE CHARLES PASHAYAN, REGARDING HIS CONTACTS WITH KEATING.

5. UNITED STATES REPRESENTATION DOUG BARNARD, JR., AND [redacted] REGARDING THEIR CONTACT'S WITH KEATING.

6. [redacted] REGARDING KEATING'S CONTACTS WITH WILSON'S OFFICE.

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

8. [redacted] [redacted] REGARDING DECONCINI'S EFFORTS TO OBTAIN [redacted] APPOINTMENT TO THE FHLBB.

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

10. [redacted] (NOT YET LOCATED), FORMER LOBBYIST FOR KEATING. b6 b7C

PER REFERENCED TELCALL, SOME ASSISTANCE OF WMFO SA [redacted] [redacted] IS REQUESTED.

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

BT

1 CC To
29A-LA-102009

58C-PX-41605-48

SEARCHED ..... INDEXED .....
SERIALIZED 95 FILED 95
OCT 18 1990
FBI — PHOENIX

58CPX41605

File - Serial Charge Out
FD-5 (Rev. 6-17-70)

File 58C-PX-41605 _____ Date _____
Class. Case No. Last Serial

☐ Pending ☐ Closed

Serial No.	Description of Serial	Date Charged
48	Put in Sub E	5/1/90
49	C/O to Sub D	
50	Put in Sub E	

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b7C

RECHARGE Date _____

To _____ From _____

Initials of Clerk _____ Date _____

_____
Date charged

_____
Employee

_____
Location

★ U.S. GPO:1989-241-706/08023

(Rev. 8-29-85)

FBI

TRANSMIT VIA:
☑ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☑ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☑ UNCLAS

Date 4/13/90

FM FBI PHOENIX (58C-PX-41605) (P)
FBI HQ
TO FBI SACRAMENTO/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FOR FBIHQ SSA [redacted] HQ, Public Corruption Unit White Collar Crimes Section.

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b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; 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: PX LA.

FOR THE INFORMATION OF SACRAMENTO, THIS CASE ARISES FROM A MEETING OF THE FIVE U.S. SENATORS WITH [redacted] ON APRIL 2, 1987, AND THEN WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF

REB:kf

[redacted]

KFX0200.103

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

Searched.....
Serialized.....
Indexed.....
Filed.....

MRI: 34 JULIAN DATE: 106
ISN: 1 INCEPTED AT: 0211
FILTER FILE NAME KFX0200.105
OPERATOR'S INITIALS: CB

☆U.S. GPO. 1987 — 181-486

58C-PX-41605-49

SAN FRANCISCO, APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) [redacted] b6 b7C FEDERAL HOME LOAN BANK OF SAN FRANCISCO OFFICIALS, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

INVESTIGATION THUS FAR HAS SHOWN THAT THE SENATORS, FROM REVIEW OF DOCUMENTS AVAILABLE TO THE FBI, MET FREQUENTLY WITH KEATING AND SENATORS DE CONCINI AND CRANSTON AFTER HAVING LEARNED APRIL 9, 1987 THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL, CONTINUED TO CONTACT VARIOUS INDIVIDUALS CONCERNING LSL. THESE CONTACTS NOT ONLY INCLUDE OFFICIALS OF THE FHLBB IN WASHINGTON, D.C., BUT STATE OFFICIALS AS WELL.

ON APRIL 12, 1990, [redacted] ADVISED THAT HE b6 b7C LEARNED THAT SENATOR DENNIS DE CONCINI CONTACTED [redacted] [redacted] TRANSPORTATION AND HOUSING, WHICH OVERSEAS

THE STATE DEPARTMENT OF SAVINGS AND LOAN IN CALIFORNIA. THIS CONTACT WOULD HAVE BEEN IN MARCH TO APRIL OF 1989. AT THIS TIME, [redacted] WAS ATTEMPTING TO PURCHASE LSL. [redacted] WAS LATER DETERMINED BY THE FHLBB TO BE A "FRONT MAN" FOR CHARLES KEATING. [redacted] SAID THAT DE CONCINI TOLD [redacted] THAT [redacted] HAD SAID THAT [redacted] WOULD BE A PROBLEM WITH THE PROPOSED SALE. SENATOR DE CONCINI FURTHER STATED THAT LSL WOULD BE CONVERTED TO A FEDERAL SAVINGS AND LOAN, THEREFORE, CALIFORNIA WOULD HAVE NO JURISDICTION. [redacted] FURTHER STATED IT WAS HIS UNDERSTANDING THAT DE CONCINI EXPRESSED CONCERN THAT [redacted] WOULD LEAK THIS PROPOSED SALE TO THE PRESS. HE SPECIFICALLY REQUESTED THAT [redacted] REQUEST [redacted] NOT TO COMMENT ON THE SALE. [redacted] SAID THAT HE RECEIVED THIS INFORMATION FROM [redacted] HOWEVER, [redacted] DID NOT EXPRESS OR ISSUE ANY ORDERS TO [redacted] CONCERNING HIS ACTIVITIES, PUBLIC OR PRIVATE, CONCERNING THIS PROPOSED SALE.

[redacted] ALSO STATED THAT HE RECEIVED A TELEPHONE CALL FROM [redacted] TRANSPORTATION AND HOUSING AFTER [redacted] TELEPHONE CALL. [redacted] ASKED [redacted] SPECIFICALLY WHY THE [redacted] SALE WAS

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NOT GOOD AND THEN DISCUSSED THE PARTICULARS OF THE SALE IN DETAIL. [redacted] DOES NOT KNOW IF [redacted] ALSO RECEIVED A TELEPHONE CALL FROM SENATOR DE CONCINI OR HAD BEEN BRIEFED BY [redacted] BOTH [redacted] AND [redacted] HAVE A WORK ADDRESS OF [redacted] SACRAMENTO, CALIFORNIA. [redacted] BUSINESS TELEPHONE NUMBER IS [redacted] AND [redacted] TELEPHONE NUMBER IS [redacted]

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FOR THE INFORMATION OF SACRAMENTO, PHOENIX HAS OBTAINED THE AGENDA OF CHARLES KEATING AND REVIEW OF THIS DOCUMENT REVEALS THAT KEATING MET WITH [redacted] ON FEBRUARY 9, 1988 REGARDING THE LSL EXAMINATION. KEATING ALSO MET WITH [redacted] ON MAY 3, 1988 AT 11:00 AND WAS ACCOMPANIED BY [redacted]

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IT SHOULD BE NOTED THAT [redacted] ALSO ADVISED THAT [redacted] HAS PROVIDED AN AFFIDAVIT TO THE U.S. SENATE ETHICS COMMITTEE CONCERNING THIS MATTER. [redacted] WAS UNCLEAR AS TO WHETHER [redacted] HAD PROVIDED AN AFFIDAVIT OR THERE WAS A PROPOSED INTERVIEW BY THE SENATE ETHICS COMMITTEE.

SACRAMENTO DIVISION AT SACRAMENTO, CALIFORNIA. WILL INTERVIEW [redacted] AND [redacted] REGARDING THE TELEPHONE CALL FROM U.S. SENATOR DENNIS DE CONCINI IN REGARDS TO THE PROPOSED SALE OF LSL TO [redacted] AND THE MEETINGS IN 1988 WITH KEATING. A COPY OF [redacted] AFFIDAVIT SHOULD ALSO BE OBTAINED. INTERVIEW [redacted] REGARDING SOURCE OF HIS INFORMATION

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CONCERNING THE SALE OF LSL AND IF HE HAS BEEN INTERVIEWED BY THE SENATE ETHICS COMMITTEE. OBTAIN A COPY OF HIS [redacted] b6 b7C AFFIDAVIT. SACRAMENTO SHOULD ALSO INQUIRE THESE INDIVIDUALS IF THEY RECEIVED ANY OTHER TELEPHONE CALLS FROM ANY PUBLIC OFFICIAL REGARDING KEATING, HIS ASSOCIATES AND HIS BUSINESS ENTITIES.

BT

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☒ AIRTEL

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date 3/21/90

TO : DIRECTOR, FBI
(ATTN: SSA [redacted] PUBLIC CORRUPTION UNIT) b6 b7C

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

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DE CONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
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: PX/LA

Re Bureau tel to Phoenix dated 2/22/90 and Phoenix FD-761 and LHM dated 12/19/89.

For information of receiving offices, captioned matter addresses allegations of regulatory intervention by the above senators. KEATING and employees of his affiliated companies contributed approximately $200,000 to the election campaigns of the five senators, as well as over $1 million in additional funds to political action committees associated with the senators.

On 4/2/87, [redacted] Federal Home Loan Bank Board, [redacted] was summoned to the office of Senator Dennis DE CONCINI to meet alone with Senators DE CONCINI, CRANSTON, GLENN, and MC CAIN concerning issues involving a Federal Home b6 b7C

2-Bureau
2-Cincinnati
2-Los Angeles (SARA)
1-Miami (info)
1-Milwaukee (info)
2-Phoenix
JDN:rh (17)

1-New York (info)
1-San Francisco (info)
1-Seattle (info)
2-Springfield
2-WMFO

[redacted]

Approved: _____ Transmitted _____ (Number) (Time) Per _____

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JDN:rh

Loan Bank examination of LINCOLN SAVINGS AND LOAN (LSL) conducted by the San Francisco District. The senators lobbied on behalf of LSL and attempted to obtain concessions for LSL. On 4/9/87, regulators from the Federal Home Loan Bank of San Francisco met with Senators DE CONCINI, RIEGLE, GLENN, and MC CAIN as well as a brief appearance by CRANSTON, to discuss the findings of the Federal Home Loan Bank of San Francisco's examination of LSL. Again, the senators appeared to lobby the position of LSL by questioning regulatory findings and recommendations.

Subsequent actions and inactions on the part of the Federal Home Loan Bank Board to react to the recommendations of the Federal Home Loan Bank of San Francisco's examination findings and recommendations have resulted in allegations focused upon regulatory intervention with [redacted] and his successor, [redacted] [redacted] The issue was ultimately resolved by a July 1988 re-examination of LSL which disclosed numerous violations of regulatory guidelines and apparent criminal irregularities warranting the placement of LSL into conservatorship on 4/14/89. The potential loss to the insured deposit fund and the American taxpayer is reported to be approximately $2 billion. b6 b7C

Receiving offices provided with informational copies will be notified by Phoenix and Los Angeles Division's when investigation is to be conducted within their divisional boundaries and appropriate notification will be provided at that time with the necessary details.

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LEADS:

CINCINNATI DIVISION

AT COLUMBUS, OHIO

During the period of late 1985 to March 1986, KEATING and his affiliated companies contributed $200,000 to the National Council on Public Policy, a tax-exempt Political Action Committee (PAC) affiliated with Senator JOHN GLENN. Investigation has disclosed KEATING and his affiliated companies had already contributed the maximum allowable amount to registered tax-exempt PAC's for the year and therefore instructed GLENN's office the contribution should be applied to non-federal "soft money" purposes rather than federal "hard money" purposes. Senator GLENN stated the funds went to his non-federal political action committee to be used for state and local campaigns, while discussing the issue during a TV interview with DAVID BRINKLEY.

Cincinnati Division should contact the appropriate officials within the Ohio Attorney General's Office and conduct interviews concerning state reporting requirements and regulations for non-federal Political Action Committee activities as they pertain to state and local election campaigns. Once the state reporting requirements are disclosed, determine whether Senator GLENN's non-federal "soft money" Political Action Committee, which also does business under the name National Council on Public Policy, complies with all appropriate state regulations. Conduct all logical investigation necessary to disclose bank accounts, regulatory filings, and activities of said non-federal PAC which addresses state and local campaign issues under the name National Council on Public Policy. Should bank accounts be identified, notify Phoenix Division for issuance of Grand Jury Subpoenas.

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JDN:rh

[redacted] b6 b7C

SPRINGFIELD DIVISION

AT SPRINGFIELD, ILLINOIS

Sec. advised 4/9/90 to discontinue

Will locate and interview [redacted] of the Office of Thrift Supervision, formerly Federal Home Loan Bank, Seattle, Illinois, regarding his participation in the July 1988 examination of LSL and ACC. Issues to be addressed should be all aspects of the exam, to include but not limited to, instructions regarding the review of the 1986 Federal Home Loan Bank of San Francisco examination report and supporting work papers, the scope of the examination, discussions with other examiners, rumors of the examination being a "whitewash", reported claims that examiners were instructed to overlook certain aspects of the examination, and any other unusual circumstances surrounding the exam. It should be determined whether there was any attempt, implied or direct, to influence the examiners objectivity to critical issues. Additional issues should include the precedent for such an exam utilizing personnel from numerous districts, opinion of the 1986 San Francisco exam findings and whether their 1988 examination supported San Francisco District's findings and recommendations to the bank board, and whether a standard examination format was utilized in the 1986 San Francisco District exam and the 1988 examination in which TAYLOR participated. Finally, it should be determined if the 1988 examination differed materially from the 1986 San Francisco District examination in the areas of scope, findings, and resulting recommendations, and what the perceived underlying reasons for those difference may have been.

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WASHINGTON METROPOLITAN FIELD OFFICE

AT WASHINGTON, DC

1) Will contact the Office of Public Records, Room 1036, U.S. House of Representatives, Longworth Office Building, Capitol Hill, Washington, DC and obtain a listing of all lobbyists associated with a) CHARLES H. KEATING, JR., b) AMERICAN CONTINENTAL CORPORATION, c) LINCOLN SAVINGS AND LOAN ASSOCIATION, d) FIRST LINCOLN FINANCIAL CORPORATION, e) AMCOR FUNDING CORPORATION, f) AMCOR INVESTMENTS CORPORATION, g) PHOENICIAN FINANCIAL CORPORATION, h) LINFIN CORPORATION.

2) Will also obtain from the Office of Public Records, a listing of all lobbyists of record who were hired to lobby the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Company (FSLIC), Office of Thrift Supervision, as well as Senators ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, and DONALD RIEGLE.

3) Will locate and interview [redacted] b6 b7C of the Association of Thrift Holding Companies, Washington, DC, concerning his contacting of [redacted] in August 1986 to offer her a job with a California "member". [redacted] the Agency Group, Federal Home Loan Bank, San Francisco, California, shortly before [redacted] contacted [redacted] At the time [redacted] contacted [redacted] she was an attorney at the bank board in Washington, DC. When [redacted] learned that the California "member" was LSL, she became uneasy because of [redacted] new position as a regulator for the San Francisco District within which LSL is located. [redacted] continued to call her and she eventually had to ask [redacted] to stop calling.

WMFO should determine when [redacted] was hired to solicit [redacted] employment and who hired him for ACC/LSL. Full details concerning job duties, salary, fringe benefits, etc., which [redacted] was prepared to offer should also be obtained, as well as any instructions provided by ACC/LSL personnel pertaining to the solicitation. Further, as LSL is located in Irvine, California, with headquarters in Phoenix, Arizona, where did [redacted] propose that [redacted] work for LSL as no apparent branches are located within the San Francisco, California area.

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JDN:rh

Due to the complex and sensitive nature of caption investigation, the following leads will be conducted by Phoenix/Los Angeles Agents with the concurrence of the appropriate SAC's. A teletype will be submitted to the appropriate Division confirming SAC concurrence regarding travel of Phoenix/Los Angeles Agents. The teletype will also provide travel itineraries for Agents and outline the scope of the investigation being conducted within that Division.

PHOENIX DIVISION

AT PHOENIX, ARIZONA

1) Will interview [redacted] Federal Election Commission, Washington, DC, concerning all political action committees associated with the five senators, as well as attempt to identify non-federal political action committee affiliations. Investigation was conducted 2/8/90 and Phoenix Division continues its record review upon receipt of documents from [redacted] b6 b7C

2) Will serve Grand Jury Subpoena upon [redacted] for records relating to [redacted] Subpoena was served 2/8/90 and record review to follow upon receipt of records. b3 b6 b7C

3) Will subpoena OTS, Washington, DC, for records of Federal Home Loan Bank employees related to contacts with LSL, ACC, CHARLES H. KEATING, JR., or other affiliated companies. Subpoena was served to OTS, General Counsel, [redacted] on 2/8/90. Record review to follow upon receipt of documents. b6 b7C

4) Will subpoena National Council on Public Policy for records detailing donations, disbursements, etc. Subpoena was served upon [redacted] on 2/9/90. Record review to follow upon receipt of documents.

5) Will subpoena [redacted] former Federal Home Loan Bank Board member for records related to contacts with LSL, ACC, KEATING, and other affiliated companies and members of Congress. Subpoena was forwarded to the Milwaukee Division by facsimile on 2/12/90. Record review to follow upon receipt of documents.

6) Will subpoena [redacted] former Federal Home Loan Bank Board member for records related to contacts with LSL, ACC, KEATING and his affiliated companies, as well as members of Congress. Subpoena was forwarded to New York City Division by

facsimile on 2/12/90. Record review to follow upon receipt of documents.

7) Will review KENNETH LEVENTHAL AND COMPANY report dated 7/14/89 addressing 15 transactions of LSL from which they claimed $135 million in profit. Will interview officials associated with the examination, to include but not limited to [redacted] who testified before the Committee on Banking regarding said transactions and the financial concerns raised by the transactions. Wkended K L & C start/end review. b6 b7C

8) Will review original records and work papers of ARTHUR YOUNG, Certified Public Accountants, audits of LSL as scheduled for March 26, 1990. Will attempt to identify and obtain interviews of officials/personnel associated with the audit and determine what ACC/LSL expected from ARTHUR YOUNG, difference in accounting principles as they pertained to recognition of profit/loss and the conditions which led to ARTHUR YOUNG's dismissal/withdrawal from ACC/LSL audit. Will also attempt to obtain an interview with [redacted] who wrote the Senators regarding the unfairness of the Federal Home Loan Bank of San Francisco's exam of LSL and who reportedly met with Senator RIEGLE on February 26, 1987.

9) Will locate and review ACC/LSL records in the Phoenix, Arizona depository relating to business dealings between KEATING and [redacted] (Case subpoena b6 b7C

10) Will review ACC's pilot logs located within Phoenix Division evidence to obtain details of MC CAIN's vacations in the Bahamas and other travel at KEATING's expense. Will also attempt to identify travel by other senators utilizing ACC's corporate jets.

11) Will locate and review LSL records relating to loans made to R. A. HOLMES, a development company [redacted] two unpaid members of DE CONCINI's campaign staff.

12) Will serve Grand Jury Subpoena provided by Santa Ana RA upon [redacted] and attempt to obtain an interview regarding [redacted] b3 b6 b7C

WFO Serving Subpoena

13) Will interview former Arizona Governor BRUCE BABBITT concerning reportedly unsuccessful attempts by KEATING to influence BABBITT in his behalf.

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14) Will interview Scottsdale, Arizona, Mayor HERB DRINKWATER concerning reportedly unsuccessful attempts by KEATING to influence DRINKWATER in his behalf. done

15) Will interview [redacted] b6 b7C

AT TUCSON, ARIZONA

Interview [redacted] who has a reputation as a "traditionalist" operator of thrift institutions. It will be determined [redacted] purported duties as the new president of LSL in November 1987 as well as the circumstances surrounding his employment, short tenure, and subsequent resignation. ref'd to GO

AT MEQUON, WISCONSIN

Will interview [redacted], former member of the Federal Home Loan Bank Board regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Also to be addressed will be details surrounding a secret file provided by KEATING to [redacted] and other board members concerning the Federal Home Loan Bank Board's 11th District in San Francisco, California. done b6 b7C

AT NEW YORK CITY, NEW YORK

1) Will interview [redacted] former Federal Home Loan Bank Board member regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Will also address details surrounding the investigation of [redacted] and his reported association to KEATING and his affiliated companies. done

2) Will interview [redacted] former U.S. Treasury Department official regarding his reported comment that KEATING bragged to him about his political influence and his job offer to former Federal Home Loan Bank Board [redacted] done b6 b7C

AT SAN FRANCISCO, CALIFORNIA

Will review Federal Home Loan Bank Board, San Francisco District, 1986 examination report of LSL and available work papers dealing with critical issues and interview/re-interview San Francisco District examiners regarding issues raised by [redacted] as well as other

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Washington, DC supervision concerning San Francisco District's inadequate examination and lack of sufficient evidence to warrant the appointment of a conservator or a cease and desist order as recommended. Individuals to be interviewed/re-interviewed shall include but not be limited to [redacted] other officials associated with the 1986 examination of LSL. b6 b7C

AT WASHINGTON, DC

Will interview [redacted] b6 b7C b7D

AT SEATTLE, WASHINGTON

Will locate and interview [redacted] Principal Supervisory Agent, Office of Thrift Supervision, Seattle, Washington, concerning his opposition to a proposal that LSL's supervisory district be transferred from San Francisco to Seattle, Washington. b6 b7C

On 2/19/88, ACC/LSL personnel met with Federal Home Loan Bank of Seattle's supervision at the suggestion of [redacted] Acting Principal Supervisory Agent of the Office of Regulatory Activities, Federal Home Loan Bank Board, Washington, DC. [redacted] suggested that the Seattle supervision meet with LSL/ACC personnel to discuss the possibility of transferring supervision from the Federal Home Loan Bank of San Francisco to Seattle should LSL/ACC acquire an institution within the territory of the Seattle District. [redacted] has stated that after the Seattle District completed its review, the Principal Supervisory Agent contacted him to explain that Seattle District had decided to make a recommendation which would show support for a fellow district. On 3/11/88, the Federal Home Loan Bank of Seattle submitted a memorandum opposing the proposed transfer of supervision as it would set a bad precedent. Furthermore, the Federal Home Loan Bank of Seattle believed LSL was engaged in a delaying tactic to thwart regulatory action as long as possible.

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Will obtain details of the LSL/ACC contacts with the Federal Home Loan Bank of Seattle prior to the meeting of 2/19/88. It will be determined what proposals and concessions LSL/ACC made to the Seattle District in an attempt to gain their support for the proposal. Should any Federal Home Loan Bank of Seattle employees have received job offers from LSL/ACC near this time period, those individuals will be identified and interviewed concerning all aspects of the job offer.

Faulstich will be interviewed concerning any outside influence being exerted upon himself or others involved in the assessment, to include Washington, DC supervision. This questioning should include the overall nature of the request by DOCHOW for Seattle District to meet with LSL/ACC officials and discuss an issue with little or no precedence and whether undue criticism of Federal Home Loan Bank, San Francisco, was conveyed by [redacted] in an apparent effort to influence Federal Home Loan Bank, Seattle's recommendation. b6 b7C

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LOS ANGELES DIVISION

AT SANTA ANA, CALIFORNIA

1) Will subpoena California Democratic party for records relating to an $85,000 contribution by AMERICAN CONTINENTAL CORPORATION (ACC) in 1986, which was reportedly spent for Senator ALAN CRANSTON's re-election effort. Record reviews should follow along with interviews of appropriate California Democratic party officials. 60

2) Will interview [redacted] Los Angeles, California, regarding circumstances of a) $100,000 he reportedly raised for the Republican party from KEATING and his associates, b) $172,000 he reportedly raised for California Governor GEORGE DEUKMEJIAN from KEATING and his associates, and c) lobbying to be conducted on behalf of KEATING. b6 b7C 60

3) Will subpoena and review records of the Center for Participation in Democracy, Los Angeles, California, The Organizing Institute, Pacific Grove, California, The Forum Institute, Washington, DC, and U.S.A. Votes (New Dimension Resources), Washington, DC. Investigative leads will be set upon the conclusion of the record reviews. done

4) Will interview appraiser [redacted] Los Altos, California, and review real property records in connection with [redacted] appraisal of property located at 215 Main Street, Los Altos, California, showing title in the name of ALAN CRANSTON. Will also interview former LSL employee [redacted] concerning the contemplation by LSL to provide a loan to CRANSTON for the Los Altos property in October 1986. Interviews have been concluded by Santa Ana RA on January 31, 1990 and February 5, 1990, respectively. b6 b7C done

5) Will interview [redacted] Center for Participation in Democracy Fund Raiser regarding the $400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88. b6 b7C 60

6) Will interview [redacted] regarding a dinner she attended with [redacted] ALAN CRANSTON, and KEATING on 1/8/88. done

7) Will interview [redacted] regarding the $400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88. [redacted] to Phoenix when this contribution was solicited from KEATING. 60

done

8) Will subpoena relevant records in possession of [redacted] a U.S.A. Votes Fundraiser. [redacted] has already been interviewed by Santa Ana RA. b6 b7C

done

9) Will follow-up on source information that CRANSTON may have received two unsecured loans of approximately $200,000 each in 1988 from MERCURY SAVINGS, Los Angeles, California. No such loans were disclosed upon CRANSTON's Senate Disclosure Forms.

10) Will provide Phoenix Division with a Grand Jury Subpoena for [redacted] records regarding [redacted] done b3 b6 b7C

AT PHOENIX, ARIZONA

Will review Federal Home Loan Bank records stored at the Phoenix, Arizona Depository regarding contacts between regulators and the United States Senators. 60

AT WASHINGTON, DC

1) Will interview [redacted] regarding services she or CRANSTON performed on behalf of KEATING and his affiliated companies. b6 b7C

2) Will interview [redacted] regarding services [redacted] his staff, or CRANSTON performed on behalf of KEATING and his affiliated companies.

3) Will interview [redacted] who sought CRANSTON's assistance in obtaining Federal Home Loan Bank Board approval of his proposed purchase of LSL from ACC in 1989.

Upon the completion of the aforementioned investigative leads, the following investigation will be conducted by Phoenix/Los Angeles Agents with the concurrence of appropriate SAC's:

a) Re-interview [redacted] b6 b7C Federal Home Loan Bank Board, at Miami, Florida, regarding allegations he instructed [redacted] to leak confidential information regarding ACC/LSL, allegations concerning former Speaker of the House, JIM WRIGHT, and SARATOGA SAVINGS AND LOAN, [redacted] affair wherein [redacted] allegedly acted on their behalf and [redacted] support or criticism of the San Francisco District's March 1986 examination of LSL and their recommended actions.

b) Locate and interview [redacted] oversight and supervision of the Federal Home Loan Bank Board concerning his assessment of the San Francisco District's March 1986 examination of LSL and his support for action based upon this exam. It should also be determined whether [redacted] memorandum dated 7/23/87 recommending regulatory action against LSL led to his dismissal or resignation from the Federal Home Loan Bank Board.

c) Interview [redacted] Office of Thrift Supervision, b6 b7C Washington, DC, regarding her 407-Investigation of LSL concerning "file stuffing" to bolster and enhance inadequately documented loan files.

d) Interview [redacted] Washington, [redacted] regarding [redacted] conversations with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s political influence at the Federal Home Loan Bank Board in Washington, DC, and the pressure to remove the exam process away from the San Francisco District to the Washington, DC District.

e) Interview [redacted] Farm Credit Administration official, Washington, DC, who reportedly witnessed [redacted] conversation with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s influence with the Washington, DC Federal Home Loan Bank Board and the effort to move the exam process from San Francisco, California to Washington, DC.

f) Interview [redacted] Office of Thrift Supervision, Washington, DC, regarding the 1988 exam of LSL. The interview should address specific differences/similarities in the findings as compared to the March 1986 examination conducted by the San Francisco District. This interview will rely heavily upon the investigative findings set forth in leads above. b6 b7C

g) Interview the staff of [redacted] at the Office of Thrift Supervision, Washington, DC, directly associated with the 1988 examination of LSL to include but not limited to 1) [redacted] and other examiners including the Examiner in Charge.

h) Interview [redacted] Enforcement Regulatory Commission, Office of Thrift Supervision, Washington, DC with the detailed specifics of the San Francisco District's 1986 examination findings as compared to the Washington 1988 exam findings and address each issue she made during her 11/21/89 testimony to the committee on banking which discredited the San Francisco District exam and heaped laudatory praise upon herself despite the belated action taken against LSL.

i) Interview [redacted] Office of Thrift Supervision, Washington, DC, with detail specifics of the San Francisco District's 1986 examination findings as compared to the 1988 exam findings of LSL and address each issue he made during his 11/21/89 testimony before the Committee on Banking to discredit the San Francisco District's regulatory recommendations and justify the bank board's lack of action against LSL until 4/14/89. b6 b7C

j) Interview senators and congressmen who received campaign contributions raised by CHARLES H. KEATING, JR., and his affiliated companies and those who met with KEATING in order to learn whether KEATING solicited favors from these congressmen as well. Investigation to date has disclosed these politicians include Senators WILSON, HAWKINS, MATTINGLY, and WIRTH, as well as Congressman PASHAYAN, BARNARD, and former Congressman JACK KEMP, currently serving as Secretary for Housing and Urban Development.

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k) Interview former White House Chief of Staff, DONALD REGAN regarding his knowledge of 1) KEATING pressure upon [redacted] and 2) KEATING's influence on the nomination of [redacted] b6
and (FIRST NAME UNKNOWN) [redacted] to the Federal Home b7C
Loan Bank Board.

(Rev. 8-29-85)

FBI

TRANSMIT VIA:
☑ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☑ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☑ UNCLAS

Date 4/20

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

TO FBI NEWARK/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

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

FOR THE INFORMATION OF NEWARK, THIS CASE AROSE FROM A MEETING OF FIVE U.S. SENATORS WITH [redacted] b6 b7C

[redacted]

REB/mbh
RE

MBH001D.110

Approved: JFI/JF Transmitted _____ (Number) (Time) Per _____

MRI: 1544 JULIAN DATE: 110 4/20

ISN: 073 ACCEPTED AT: 1729

FILTER FILE NAME MBH001S0.110

OPERATOR'S INITIALS: CLY

☆U.S. GPO. 1987 — 181-486

FEDERAL HOME LOAN BANK BOARD (FHLBB), ON APRIL 2, 1987, AND WITH SUBSEQUENT MEETINGS WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FHLBB AND THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, OFFICIALS QUESTIONED THESE INDIVIDUALS CONCERNING LSLA. [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AND UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER. b6 b7C

AFTER [redacted] SHORTLY AFTER [redacted] THE SUPERVISORY AUTHORITY WAS REMOVED FROM THE ELEVENTH DISTRICT (SAN FRANCISCO) AND A NATIONAL EXAM TEAM WAS FORMED AND COORDINATED FROM THE FHLBB IN WASHINGTON, D.C.

INVESTIGATION HAS RECENTLY SHOWN THAT SOME OF THE NATIONAL EXAM TEAM MEMBERS VOICED CONCERN TO SUPERVISORS THAT THIS EXAM WHICH BEGAN IN JULY OF 1988 OF THE THRIFT AND THE HOLDING COMPANY

IN AUGUST OF 1988 WERE "WHITEWASHES".

[redacted] IS ONE SUCH EXAMINER THAT WAS ASSIGNED FROM THE SEATTLE DISTRICT OF THE FEDERAL HOME LOAN BANK. [redacted] WORKED FOR THE EXAMINER IN CHARGE OF LENDING AND REAL ESTATE INVESTMENTS, [redacted] WHO APPARENTLY INSTRUCTED [redacted] TO WRITE HER EXAMINATION IN A CERTAIN METHOD WHICH DID NOT MEET WITH AGREEMENT FROM HER. [redacted] APPARENTLY WROTE MEMOS EXPRESSING HER CONCERNING OVER BEING TOLD WHAT AND HOW TO EVALUATE HER FINDINGS.

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b7C

[redacted] IS CURRENTLY INVOLVED IN EXAMINATION OF TRIDENT SAVINGS AND LOAN ASSOCIATION OF LANOKA HARBOR, NEW JERSEY, AND CAN BE REACHED AT [redacted]

ON APRIL 18, 1990, PHOENIX CASE AGENT CONVERSED BRIEFLY WITH [redacted] AND IT WAS DETERMINED HER RESIDENCE IS PORTLAND, OREGON, HOWEVER, SHE WOULD BE RETURNING TO LANOKA HARBOR, NEW JERSEY, ON APRIL 24, 1990. [redacted] AGREED TO BE INTERVIEWED BY THE FBI UPON HER RETURN TO NEW JERSEY. SHE FURTHER STATED SHE WOULD BRING HER PERSONAL NOTES AND MEMOS WHICH REFLECT HER CONCERN FOR THE EXAM METHODOLOGY.

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NEWARK DIVISION AT LANOKA HARBOR, NEW JERSEY: INTERVIEW [redacted] WHO CAN BE REACHED THROUGH THE TRIDENT SAVINGS AND LOAN ASSOCIATION, TELEPHONE NUMBER [redacted]

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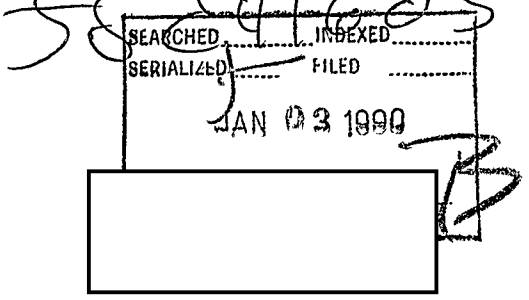
58-41605

SEARCHED ..... INDEXED .....
SERIALIZED ..... FILED .....
JAN 03 1990



[redacted]

b6
b7C

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
- [X] Teletype
- [ ] Facsimile
- [ ] _____

PRECEDENCE:
- [ ] Immediate
- [ ] Priority
- [X] Routine

CLASSIFICATION:
- [ ] TOP SECRET
- [ ] SECRET
- [ ] CONFIDENTIAL
- [ ] UNCLAS E F T O
- [X] UNCLAS

Date 2/8/91

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

TO FBI TAMPA/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3410:0670//

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, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

FOR INFORMATION OF TAMPA, THIS INVESTIGATION INVOLVES WELL-PUBLICIZED ALLEGATIONS THAT CAPTIONED U.S. SENATORS INTERCEDED ON SUBJECT CHARLES H. KEATING'S BEHALF WITH FEDERAL HOME LOAN BANK BOARD (FHLBB) REGULATORS, IN EXCHANGE FOR

JAJ/cpt
(1)

58C-PX-41605-56

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

PAGE TWO (58C-PX-41605)

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.

INVESTIGATION HAS REVEALED THAT CRANSTON OBTAINED AN APPROXIMATELY $250,000 UNSECURED LINE OF CREDIT FROM LSL IN OCTOBER 1986. CRANSTON OBTAINED THE LINE OF CREDIT TO PAY FOR LAST MINUTE ADVERTISING IN HIS 1986 SENATORIAL CAMPAIGN. THESE FUNDS WERE NOT NEEDED, SO CRANSTON DID NOT DRAW ON THE LSL LINE OF CREDIT.

[redacted] WAS A PARALEGAL IN LSL'S LOAN DEPARTMENT IN 1986, AND SHE PROCESSED THE CRANSTON LOAN APPLICATION. [redacted] SUBMITTED A SHORT AFFIDAVIT TO THE SENATE ETHICS COMMITTEE IN APRIL 1990. IN HER AFFIDAVIT, SHE SAID SHE DID NOT RECALL THE SPECIFIC TERMS OF THE CRANSTON LINE OF CREDIT. [redacted] ALSO STATED THAT SHE ARRANGED FOR THE PERSONAL DELIVERY OF THE LOAN DOCUMENTS TO CRANSTON BY PERSONALLY FLYING FROM PHOENIX, ARIZONA, TO LOS ANGELES, CALIFORNIA, WHERE SHE MET CRANSTON, CRANSTON'S ATTORNEY, [redacted] AND TWO OR THREE UNNAMED CRANSTON AIDES. CRANSTON'S ATTORNEY REVIEWED THE LOAN DOCUMENTS, AND [redacted] DROVE WITH THE CRANSTONS AND CRANSTON'S

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PAGE THREE (58C-PX-41605)

ATTORNEY TO DOWNTOWN LOS ANGELES WHILE CRANSTON [redacted] b6 b7C SIGNED THE DOCUMENTS.

LEADS, TAMPA DIVISION AT PALM HARBOR, FLORIDA: INTERVIEW [redacted] PALM HARBOR, FLORIDA, 34683, REGARDING HER KNOWLEDGE OF THE LSL LINE OF CREDIT TO CRANSTON. THE INTERVIEW SHOULD INCLUDE THE FOLLOWING POINTS: ASCERTAIN THE DATES ON WHICH [redacted] FIRST LEARNED OF THE CRANSTON LOAN FILE, AND WHEN SHE MET CRANSTON AT THE LOS ANGELES AIRPORT. WAS SHE INSTRUCTED TO EXPEDITE THE LOAN PROCESS? WAS THE LOAN PROCESS IN FACT EXPEDITED? WAS THE CRANSTON LOAN OTHERWISE HANDLED IN A TYPICAL MANNER? WERE NORMAL CREDIT CHECKS, ETC., COMPLETED? WAS THIS TYPE OF UNSECURED LINE OF CREDIT A TYPICAL LOAN OF LSL? IN HER MEETING WITH CRANSTON AND HIS AIDES, DID ANYONE MENTION WHAT CRANSTON HAD DONE OR WOULD DO FOR LSL? DID SHE EVER HEAR ANYONE AT LSL COMMENT ON THE CIRCUMSTANCES SURROUNDING THE ORIGIN OF THE CRANSTON LOAN, OR THE REASON WHY THE LINE OF CREDIT WAS EXTENDED?

BT

Memorandum

To : SAC, PHOENIX 58C-PX-41605 Date 3/6/91

From : SAA [redacted] b6 b7C

Subject: DONALD RIEGLE ET AL
PUBLIC CORRUPTION-LEGISLATIVE
(00:PX)

On 3/6/91 [redacted] telephonically contacted SAA [redacted] to state that CID of IRS, Detroit, Michigan has opened an information gathering assignment to which he is assigned out of the Pontiac, Michigan CID office. [redacted] advised he would be open to any exchange of information or join a criminal investigation if any foundation for IRS criminal involvement existed. [redacted] furnished his telephone number as [redacted] He furnished the CID Chief's name as [redacted] and his telephone number as [redacted] identified [redacted] as approving his assignment regarding [redacted] was advised the information would be passed on to the FBI agents working the matter and they would contact him if IRS CID was needed or if information of a tax nature was available for dissemination. b6 b7C

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IJF/jf

3/14/91

[redacted] would want any info that may come from HK Jr (if he roles) about $ to [redacted]

REJ

b6 b7C

58C-PX-41605-58

SEARCHED ___ INDEXED ___
SERIALIZED ___ FILED ___

MAR 6 1991

FBI — PHOENIX

[redacted]

FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

- △ Immediate
- △ Priority
- ☒ Routine

- ☐ Top Secret
- ☐ Secret
- ☐ Confidential
- ☐ Sensitive
- ☒ Unclassified

Time Transmitted
Sender's Initials
Number of Pages 10

To FBI Phoenix (Name of Office) Date 3/21/91

Facsimile number (602) 279-5511

Attn: (Name) (Telephone)

From FBI Los Angeles (Name of Office)

Subject: Allegations Concerning U.S. Senators Alan Cranston, Et Al; Corruption of Public Officials - Legislative; OO: Phoenix / Los Angeles.

Special Handling Instructions

Originator's Name: SA [redacted] Telephone (714) 542-8825

b6
b7C

Originator's Facsimile Number (714) 542-8825

Approved LBJ/JL

Teletype

58C-PX-41605-59

Searched .....

Serialized .....

Indexed .....

Filed .....

(Rev. 8-29-85)

FBI

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PRECEDENCE:
☐ Immediate
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CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 3/21/91

FM FBI LOS ANGELES (58C-PX-41605) (SARA-3) (P)

TO DIRECTOR FBI/ROUTINE/

FBI PHOENIX (58C-PX-41605)/ROUTINE/

BT

UNCLAS

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 - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX TELETYPE TO BUREAU DATED 3/7/91.

AUSA [redacted] LOS ANGELES UNITED STATES ATTORNEY'S OFFICE, HAS DECIDED THAT IT IS NO LONGER NECESSARY THAT THE INVESTIGATING AGENTS RECUSE THEMSELVES FROM ANY b6 b7C

JAJ/clm

Sent 3/21/91 at 3:00 pm

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

SENATE ETHICS COMMITTEE TESTIMONY FOLLOWING THE GRANT OF IMMUNITY TO [redacted] DECISION WAS BASED ON THE LACK OF EVIDENCE TO CHARGE [redacted] WITH ANY CRIMINAL VIOLATION. THUS, ADDITIONAL SENATE ETHICS COMMITTEE TRANSCRIPTS AND DOCUMENTATION ARE AVAILABLE FOR REVIEW BY THE INVESTIGATING AGENTS. b6 b7C

HOMEFED BANK, SAN DIEGO, CALIFORNIA, HAS RESPONDED TO A SUBPOENA DIRECTED TO HOMEFED FOR ANY RECORDS RELATING TO TRANSACTIONS WITH CRANSTON'S AIDE [redacted] THIS SUBPOENA WAS PROMPTED BY INFORMATION DEVELOPED BY AUSA [redacted] THAT [redacted] MAY HAVE HAD AN UNDISCLOSED FINANCIAL RELATIONSHIP WITH HOMEFED BANK. HOMEFED BANK REPORTED THAT IT HAS NO RECORD OF ANY TRANSACTION WITH [redacted] FOR THE PERIOD 1985 TO THE PRESENT.

A LEAD HAS BEEN SENT TO WMFO TO OBTAIN FINANCIAL REPORTS OF THE COMMITTEE FOR A DEMOCRATIC CONSENSUS (CDC) FILED WITH THE FEDERAL ELECTION COMMISSION. CDC IS A POLITICAL ACTION COMMITTEE AFFILIATED WITH CRANSTON. CRANSTON'S FUND RAISER [redacted] ALSO RAISED FUNDS FOR CDC. CDC RECORDS ARE BEING OBTAINED TO DETERMINE WHETHER CDC WAS USED AS A CONDUIT TO CIRCUMVENT FEDERAL ELECTION LIMITATIONS ON POLITICAL CONTRIBUTIONS. [redacted] CRANSTON'S 1986 b6 b7C

CAMPAIGN FINANCE CHAIR FOR SOUTHERN CALIFORNIA AND A SUBJECT OF A LOS ANGELES 29 INVESTIGATION INVOLVING FAILED FINANCIAL INSTITUTION FIRST NETWORK, HAS ADVISED THAT HE COLLUDED WITH [redacted] TO TRANSFER $4,000 FROM CDC TO CRANSTON'S PRESIDENTIAL CAMPAIGN THROUGH [redacted] POLITICAL ACTION COMMITTEE. LINCOLN SAVINGS' OUTSIDE ATTORNEY [redacted] HAS ADVISED THAT IN 1989, HE CONTRIBUTED $1,000 TO CDC AT THE REQUEST OF DELAWARE SENATORIAL CANDIDATE SAM BEARD. [redacted] HAD CONTRIBUTED $2,000 TO BEARD'S CAMPAIGN, BUT BEARD LOST IN THE PRIMARY, SO HAD TO REFUND $1,000 TO [redacted] BEARD THEN SUGGESTED THAT THE REFUNDED $1,000 BE CONTRIBUTED TO CDC. b6 b7C

FORMER LINCOLN SAVINGS LOAN DEPARTMENT PARALEGAL [redacted] WAS INTERVIEWED BY THE TAMPA DIVISION. [redacted] PREPARED THE LOAN DOCUMENTS FOR THE LINE OF CREDIT EXTENDED BY LINCOLN TO CRANSTON IN THE FALL OF 1986. [redacted] ALSO TRAVELED TO LOS ANGELES AND MET WITH CRANSTON TO HAVE THE LOAN DOCUMENTS SIGNED. [redacted] SAID SHE WAS INSTRUCTED TO NOT SHOW ON HER VOUCHER OR EXPENSE REPORT THE PURPOSE OF HER TRIP TO LOS ANGELES TO HAVE CRANSTON SIGN THE LOAN DOCUMENTS. [redacted] SAID SHE WAS NOT TO MAKE ANY REFERENCE TO CRANSTON ON ANY OF HER PAPERWORK, AND WAS TO MERELY IDENTIFY IT AS AIR TRANSPORTATION TO LOS ANGELES CONCERNING A POTENTIAL LOAN. b6 b7C

[redacted] STATED THAT THE CRANSTON LINE OF CREDIT RECEIVED SPECIAL ATTENTION BECAUSE CRANSTON WAS INVOLVED. SHE SAID THE LOAN WAS PROCESSED QUICKER THAN ANY OTHER LOAN THAT SHE HAD BEEN INVOLVED WITH. SHE SAID LINCOLN WAS OVERLY ACCOMMODATING, CITING HER FLIGHT TO LOS ANGELES TO HAVE THE PAPERWORK SIGNED. [redacted] EXPLAINED THAT ORIGINALLY THE LINE OF CREDIT WAS TO BE SECURED BY REAL PROPERTY, BUT THAT SOMETIME DURING THE APPROXIMATELY TWO WEEK PERIOD THAT THE LOAN WAS PROCESSED, IT WAS DETERMINED THAT THE LINE OF CREDIT WOULD BE UNSECURED, PROBABLY BECAUSE OF THE URGENCY.

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A MEETING WITH THE LOS ANGELES U.S. ATTORNEY'S OFFICE IS ANTICIPATED WITHIN THE NEXT TWO OR THREE WEEKS FOR THE PURPOSE OF AGREEING ON THE DIRECTION OF FURTHER INVESTIGATION OF THIS MATTER. IN PREPARATION FOR THIS MEETING, LOS ANGELES AND PHOENIX AGENTS ARE ORGANIZING AND SUMMARIZING THE EVIDENCE OBTAINED TO DATE. THE U.S. ATTORNEY'S OFFICE HAS INDICATED TENTATIVELY THAT THE INVESTIGATION SHOULD FOCUS ON CRANSTON, AND THAT PROSECUTIONS OF SENATORS MCCAIN AND GLENN ARE LIKELY TO BE DECLINED. THE U.S. ATTORNEY'S OFFICE ALSO INTENDS TO CONSIDER DECLINING PROSECUTIONS OF SENATORS DECONCINI AND

RIEGLE FOR LACK OF EVIDENCE THAT A VIOLATION HAS OCCURRED. IT IS EXPECTED THAT THE INVESTIGATION OF CRANSTON WILL CONTINUE.

BT

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☒ Routine

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

Date 4/5/91

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES (SARA)/ROUTINE/

BT

UNCLAS

CITE: //3630:0004//

PASS: FBIHQ, PUBLIC CORRUPTION UNIT, SSA [redacted] SANTA ANA RA, SA [redacted]

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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: PX/LA.

RE LOS ANGELES TEL TO THE BUREAU, 3/21/91.

THE FOLLOWING INVESTIGATION HAS BEEN CONDUCTED BY THE FBI SINCE REFERENCED TELETYPE AS FOLLOWS: THE FEDERAL ELECTION COMMISSION (FEC) HAS PROVIDED DISCLOSURE FORMS WITH RECEIPTS

REC/ch

58C-PX-41605-60

Searched .....
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Indexed .....

Approved: JPM/V Original filename: RXH001W.095

Time Received: 2021 Telprep filename: RXH00150.095

MRI/JULIAN DATE: 1613/095 ISN: 108

FOX DATE & TIME OF ACCEPTANCE: 2026

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 5/7/91

TO : SAC, LOS ANGELES

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

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

Enclosed under separate cover to Santa Ana R.A. Attention: SA [redacted] is evidence that was reviewed by SA [redacted] and has been requested to be sent to Santa Ana. b6 b7C

Items of evidence is marked as follows: 1B(25), (27), (34), (44), (45), (46), (47), (50), (51), (59) item R-1, R-2, R-4, 1B(62) item 1, 3, and 4, 1B(65) item 6, 9, and 14.

58C-PX-41605-61

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Indexed.....
Filed.....

3 - Los Angeles (1 package copy)
(ATTN SA Jaech)
(2) - Phoenix
JDN/skl
(5)

Mailed 5/7/91
R46145203

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No. 58C-PX-41605

11000 Wilshire Boulevard #1700
Los Angeles, CA 90024
May 8, 1991

[redacted] b6 b7C

Public Records Office
Federal Election Commission
999 E Street, Northwest
Washington, D.C. 20463

Dear [redacted]

This confirms a telephone conversation between Special Agent (SA) [redacted] of our office and [redacted] of your office on May 7, 1991, in which the following was discussed:

For investigative purposes, we request copies of records showing receipts and expenditures for the following organizations: (1) Cranston for President Committee for the years 1986 through 1990; (2) Cranston Super Celebration Inc. (connected to the Committee for a Democratic Consensus) for the years 1986 through 1990; (3) Friends of Sam Beard (C00214510) for the years 1989 and 1990; and (4) Pacific Pac (C00199851) for the years 1987 through 1990.

Our understanding is that these records will be provided without any cost to the Federal Bureau of Investigation (FBI). Please mail the copies to: Federal Bureau of Investigation, 901 West Civic Center Drive, Suite 400, Santa Ana, California, 92703, Attention: Jeffrey Jaech.

Thank you for your assistance.

Sincerely yours,

LAWRENCE G. LAWLER
Special Agent in Charge

[redacted] b6 b7C

BY: [redacted]
Supervisory Special Agent

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

JAJ/cpt
(3)

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MAY 17 1991

[redacted]

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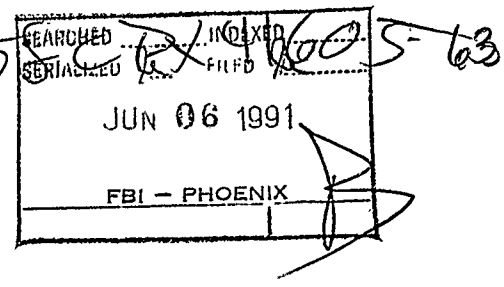
JUN 06 1991
FBI — PHOENIX



5 SEC 62 4605-63

OLWINE, CONNELLY, CHASE, O'DONNELL & WEYHER
SUITE 1000
1701 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006
TELEPHONE: (202) 835-0500
FACSIMILE: (202) 835-1591

750 SEVENTH AVENUE
NEW YORK, N.Y. 10019
(212) 261-8000

220 SUNRISE AVENUE
PALM BEACH, FL. 33480
(407) 833-8722

June 3, 1991

BY FEDERAL EXPRESS

Re: Senator Dennis DeConcini

Dear [redacted] b6 b7C

This letter responds to your request for information about charitable contributions made by Charles Keating, American Continental Corporation or Lincoln Savings and Loan at the request of [redacted]

It appears that [redacted] requested a charitable contribution from Mr. Keating on only two occasions. The first occurred in November 1985 and concerned the Phoenix Memorial Hospital Intergenerational Child Care Center, later known as "Young Company."

At the request of [redacted] b6 b7C the Phoenix Memorial Hospital Foundation, [redacted] participated in a joint effort to raise funds to open the Intergenerational Child Care Center on the hospital campus. [redacted] contacted approximately fifteen businesses in the Phoenix area to solicit large donations for the Center. [redacted] has long been interested in child care issues and she considered the proposed Center unique because persons over 55 years of age would be employed as part-time care givers.

In November 1985 [redacted] b6 b7C visited Mr. Keating to request a donation from American Continental Corporation. They approached Mr. Keating because, according to [redacted] he was a previous donor to the Hospital. [redacted] recollection is that Mr. Keating pledged a large amount -- probably in the range of $50,000, but possibly a greater sum to be paid over several years. Because [redacted] and the Foundation handled all administrative matters, [redacted] does not know whether American Continental Corporation in fact paid the promised amount, but she assumes it did because she has not heard otherwise. This was the only occasion on which [redacted]

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b7C

[redacted] personally visited Mr. Keating to ask for a charitable contribution.

[redacted] second and only other contact with Mr. Keating concerning charitable contributions was by telephone. In 1987 or 1988 at the request of the Seton Catholic High School in Chandler, Arizona, [redacted] telephoned Mr. Keating about contributing a large amount for a new gymnasium. [redacted] called Mr. Keating because she was told by high school officials that Mr. Keating previously had promised the school that he would build a gymnasium for it. However, Mr. Keating told [redacted] he would not be able to contribute because money was unavailable.

The attached testimomy of [redacted] before the Senate Ethics Committee suggests that, on more than one occasion, [redacted] successfully requested a charitable contribution from Mr. Keating. As the above discussion shows, that is not so. The Phoenix Memorial Hospital Intergeneration Child Care Center contribution is the only one Mr. Keating made at [redacted] behest.

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Please note that for many years -- and long before Senator DeConcini ran for office -- [redacted] has been an active fundraiser for charities that interest her. The following is a sample of the various organizations she has assisted in this fashion:

- US Senate Employees' Child Care Center: 1985-88
- The Catholic University of America, Washington, D.C.: 1985-87
- The Junior League of Tucson, Arizona, Inc.: 1960-1976
- The United Way of Tucson, Arizona: 1961-1964
- The Freedom from Hunger Foundation in Tucson, Arizona and Davis, California: 1982-89
- Kino School, Tucson, Arizona: 1975-90

b6
b7C

- "Young Company", an intergenerational child care center at Phoenix Memorial Hospital: 1985-86
- St. Mary's High School, Phoenix, Arizona: 1989-90
- The Brewster Home for unwed mothers, Tucson, Arizona: 1963-68
- Garden Park Enterprises for the mentally handicapped, Phoenix, Arizona: 1989-90
- The Volunteer Bureau, Tucson, Arizona: 1968-69

As this list demonstrates, [redacted] two approaches to Mr. Keating were not in any way unusual or out of character.

I trust that the above anwers your questions.

Sincerely,

[redacted]

[redacted]
Federal Bureau of Investigation
201 East Indianola
Suite 400
Phoenix, Arizona 85012

Enclosure

VRG05113

Unofficial Transcript

HEARING OF THE SENATE SELECT ETHICS COMMITTEE (see pp. 67-68)

SUBJECT: "KEATING FIVE" INVESTIGATION

CHAIRED BY: SENATOR HOWELL HEFLIN (D-AL)

WITNESS:

JAMES GROGAN,
LOBBYIST FOR CHARLES KEATING AND
FORMER VICE PRESIDENT,
AMERICAN CONTINENTAL CORPORATION

216 HART SENATE OFFICE BUILDING

P.M. SESSION
FRIDAY, DECEMBER 14, 1990

SEN. HEFLIN: Come to order. We apologize for the lateness in getting started, but we've been endeavoring to work out schedules, and it's quite a problem. So we'll get started. Now, I would anticipate that we will be in session tomorrow, and I just alert everybody in regards to that.

Mr. Bennett, proceed.

SEN. RUDMAN: Mr. Chairman, I just thought I might just ask Mr. Bennett just for the defense counsel and their planning purposes and just curious myself, is it Mr. Bennett's feeling that he will finish direct today?

MR. BENNETT: Yes. Oh, yes.

SEN. RUDMAN: So that tomorrow would be for cross, and we might well get it done conceivably earlier than a normal day -- possibly? I won't ask for a comment. I'm just making a speculation.

SEN. HEFLIN: In the form of a suggestion.

MR. TAYLOR: How is between 5:00 and 7:00 p.m., Mr. Vice Chairman? (Laughter.)

SEN. RUDMAN: The Chairman was advising was a speculation in the form of suggestion.

MR. TAYLOR: I was only suggesting that Mr. Bennett might --

SEN. RUDMAN: Right.

MR. BENNETT: (Off mike.) Would you locate the Special Counsel Exhibit 98, please? (Attaches microphone to tie.) What do you know about a fundraising event request for Senator Riegle to be sponsored by Mr. Keating or Lincoln?

MR. GROGAN: I recall a conversation I had with Jo Vincent.

MR. BENNETT: Who is Jo Vincent/

MR. BENNETT: At any time did Senator McCain communicate to you or to Mr. Keating that Senator DeConcini had asked him to do anything which he, Senator McCain, thought was improper?

MR. GROGAN: No. I never recall Senator McCain mentioning that to me, and I believe that I would recall it had that been an issue. I do not recall that being an issue because had that been raised that there was a conflict between Senator McCain and Senator DeConcini about the meeting, that's something -- that would have been my responsibility to work on that conflict, and I just do not have any memory of that being an issue.

MR. BENNETT: Did you or Mr. Keating or anybody else at Lincoln ever request Senator DeConcini to fly to San Francisco to see the regulators?

MR. GROGAN: No, sir.

MR. BENNETT: What knowledge do you have, if any, regarding Mrs. McCain's investment in an entity called Fountain Square?

MR. GROGAN: I have no personal knowledge. Fountain Square was a limited partnership that our company presented to investors. I do know that people in the company have told me that it maybe was financially the best economic deal that we had --

MR. BENNETT: Well that doesn't matter.

MR. GROGAN: -- and that she and her family invested in that deal in an arms-length transaction that had nothing to do with Senator McCain.

MR. BENNETT: Who in her family are we talking about?

MR. GROGAN: I believe it was her father.

MR. BENNETT: Let me ask you this as my final -- my final questions. You've testified at length about contributions of hard, soft, whatever.

MR. GROGAN: Yes, sir.

MR. BENNETT: Do you know if any of the senators under inquiry, any of the five senators under inquiry, have any -- and you've talked about Senator Cranston and that line of credit -- other than those, do you know of any transactions, agreements, financial relationships between any of the senators and Lincoln or ACC or any of their subsidiaries or wholly-owned subsidiaries or partially-owned subsidiaries or you or Mr. Keating called them?

MR. GROGAN: I know of none, and I believe there are none.

MR. BENNETT: What about as to staffs of these senators, to your knowledge?

MR. GROGAN: I know of none, and I believe there are none.

MR. BENNETT: Did any members of any of these senators'

families ever solicit from you or Mr. Keating or Lincoln any contributions of any kind?

MR. GROGAN: I know that Mrs. DeConcini is very active in the community in Arizona and volunteers on a variety of charitable organizations and at times she solicited charitable contributions from Mr. Keating, and I know that Kim (?) Cranston was very active in the voter registration efforts. I don't have a specific recollection of him specifically asking Mr. Keating for money, but I was at meetings where he discussed the voter registration and pitched, if you will, how important he felt it was.

MR. BENNETT: As to Mrs. DeConcini, when she would ask for these contributions for various charities, would Mr. Keating agree to contribute?

MR. GROGAN: Mr. Keating would know if he said yes or no, but I do believe that we did contribute at times. I have no knowledge that it was ever related in any way to anything to deal with Senator DeConcini.

MR. BENNETT: But contributions were asked for and honored?

MR. GROGAN: That's correct.

MR. BENNETT: And what about the Kim Cranston situation? Are you talking about ones other than what you've already --

MR. GROGAN: No, sir.

MR. BENNETT: Okay. That's all I have, Senators.

SEN. HEFLIN: All right, sir, we'll stand in recess --

MR. : Mr. Chairman --

MR. : Mr. Chairman --

MR. BENNETT: I must have made a mistake.

MR. : Senator Helms.

SEN. HELMS: Mr. Chairman, pursuant to a letter that I wrote to you and the distingished Vice Chairman about three weeks ago -- I'm not going to be able to be here tomorrow. I consented for the committee to meet, and I believe that arrangements have been to Federal Express me perhaps a tape or certainly a transcript, is that correct?

MR. : Both, if you'd like.

SEN. HELMS: Which I will review, and then we will decide about the future meetings this year of the committee, if any.

Let me say to Mr. Grogan that I've heard a lot of witnesses, but -- and you may have felt that I was stepping on you a little bit during your testimony, both yesterday and today --

Memorandum

To : SAC, PHOENIX (58C-PX-41605) (P) Date 7/3/91

From : SA [redacted] b6 b7C

Subject: ALLEGATIONS CONCERNING UNITED STATES SENATORS ALAN CRANSTON, ET AL; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE;
OO: PHOENIX
OO: LOS ANGELES

DENNIS DE CONCINI was first elected to the Senate in November of 1977. He ran successfully for re-election in November of 1982. DE CONCINI states in his deposition of 3/14/90, before the SENATE SELECT COMMITTEE ON ETHICS, page 12, line 11, that KEATING contributed money to his campaign and used his home for a fund raiser. KEATING AND ASSOCIATES raised $31,000.00 for DE CONCINI's 1982 campaign. KEATING or [redacted] b6 b7C approached DE CONCINI regarding the direct investment issue in 1984, after which DE CONCINI wrote a letter to Senator CRANSTON at the request of AMERICAN CONTINENTAL CORPORATION (ACC). DE CONCINI introduced an amendment in September of 1984 regarding direct investment; however, the amendment was never brought up. It should be noted that KEATING bought LINCOLN SAVINGS AND LOAN (LSL) in February of 1984.

DE CONCINI, in July of 1985, met with KEATING and [redacted] DE CONCINI, in his deposition, does not recall [redacted] being present, but his office records show that he was there. DE CONCINI testifies in his deposition before the SENATE SELECT COMMITTEE ON ETHICS, that the issue was direct investments. In July of 1985 DE CONCINI, at the request of KEATING, also wrote a letter to [redacted] the FEDERAL HOME LOAN BANK BOARD (FHLBB) regarding the direct investment issue. During the same time frame, KEATING and [redacted] also request DE CONCINI contact Senator JAKE GARN. GARN's affidavit dated 11/30/90, documents the DE CONCINI contact regarding direct investment, but does not recall any information that would have linked the telephone call to KEATING or LSL. GARN does not recall if DE CONCINI asked him to contact [redacted] (GARN was in full support of [redacted] and his policies). b6 b7C

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During the period 7/31/85 to 8/15/85, KEATING AND ASSOCIATES contributed $16,000.00 to DE CONCINI.

In 1985, DE CONCINI states in his deposition that he contacted DON REGAN and [redacted] regarding the incompetence of the FHLBB, and particularly [redacted] The exact date is not established by the FBI investigation or by DE CONCINI's recollection in his deposition. DE CONCINI does not state that calls to REGAN and [redacted] were at the direct request of KEATING. REGAN, during interview with the FBI, does not fix the date or the context of the contact by DE CONCINI. b6 b7C

On 6/6/86, DE CONCINI writes a letter to DON REGAN, which is in support of [redacted] for the nomination as a member of the FHLBB (bates #D000647, and follow up documents regarding [redacted] are bates #000648 and #000649). It should be noted that bates #000649 is a document which appears to be supplied to DE CONCINI by KEATING, which states reasons to support [redacted] and contains a biographical sketch of him.

On 7/23/86, DE CONCINI pairs his vote with Senator GOLDWATER, after KEATING lobbied him to support Judge DAN MANION in order that the White House would support [redacted] b6 b7C

On 8/20/86, KEATING AND ASSOCIATES contributed $10,000.00 to DE CONCINI.

From 8/20/86 until 3/3/87, when DE CONCINI dines with [redacted] there are frequent meetings between DE CONCINI, KEATING and [redacted] however, there is no evidence that DE CONCINI acted in any official capacity on behalf of KEATING during this time period.

On 3/3/87, [redacted] gives DE CONCINI $9,750.00 in checks, political contributions collected in Arizona for contribution to Senator DON RIEGLE. The checks are conveyed to Senator DE CONCINI by a letter which identifies the contributors as employees of ACC and affiliated companies. It should be noted that [redacted] in his 10/26/90 deposition, page 47, line 5, discusses in detail his campaign activities on behalf of RIEGLE in Arizona. DE CONCINI's deposition, page 44, line 11, also discusses the RIEGLE collection agreement, and on page 45, line 19, DE CONCINI says he "handed those checks to RIEGLE". On 3/18/87, Senators DE CONCINI and RIEGLE meet regarding LSL, and

at this time, RIEGLE suggests a meeting with [redacted] DE CONCINI also states in his deposition that KEATING, during this time frame, also suggested the meeting. On 3/19/87, Senators DE CONCINI and MC CAIN met to discuss the LSL situation. Also present at this meeting was DE CONCINI staffer, [redacted] b6 b7C

On 3/19/87, [redacted] writes a memo to DE CONCINI in which she states what ACC wants from [redacted] and what ACC is willing to do (bates #D00661).

On 3/24/87, KEATING and [redacted] meet with DE CONCINI, and the discussion concerns the [redacted] vendetta lawsuits and LSL issues. KEATING, at this time, is informed by DE CONCINI that a meeting with [redacted] was being set up (DE CONCINI deposition page 79, line 3).

On 4/1/87, [redacted] writes a memo to DE CONCINI stating what ACC would like and will do (bates #D00063). On 4/2/87, the meeting of the Senators with [redacted] (DE CONCINI in his deposition believes, but does not have specific recollection, that he called KEATING after the 4/2/87 meeting concluded). b6 b7C

On 4/3/87, [redacted] calls DE CONCINI regarding the meeting with the FEDERL HOME LOAN BANK (FHLB) of San Francisco people.

On 4/9/87, a meeting is held with the FHLB of San Francisco employees and "KEATING 5".

On 4/9/87, DE CONCINI, in his deposition, states that he called KEATING after the 4/9/87 meeting; however, he does not mention the criminal referrals to KEATING.

Following the 4/9/87 meeting, DE CONCINI has no official activity on behalf of KEATING. There are, however, final contributions ~~of $5,000.00~~ on 10/29/87, from [redacted] in the amount of $5,000.00. b6 b7C

On 9/24/87, KEATING meets with DE CONCINI at his office. On page 213, line 16 of DE CONCINI's deposition, he recalls the meeting; however, he does not recall the details of the meeting, however, he is certain that he does not discuss "the criminality" or "any great details of the meeting that we had with the regulators".

On 11/8/88, DE CONCINI is re-elected to the Senate. In December of 1988, DE CONCINI receives a call from KEATING regarding the sale of LSL (page 216, line 12 and page 217, line 6). KEATING asked DE CONCINI to call [redacted] to delay the audit

report publication so not to jeopardize the potential sale. KEATING further urges DE CONCINI to ask WALL to approve the sale.

In January of 1989, DE CONCINI calls [redacted] and discusses the sale of LSL (page 218, line 9). DE CONCINI's recollection (page 223, line 5) is that he believes he also discussed the ROUSSELOT sale in January of 1989. DE CONCINI recalls KEATING, [redacted] and EARL KATZ calling him regarding the ROUSSELOT sale. b6 b7C

In January of 1989, DE CONCINI also calls [redacted] a member of the FHLBB (page 226, line 5). During interview with the FBI, [redacted] believes that the call from DE CONCINI was in late March or early April, 1989. DE CONCINI, in his deposition, page 233, line 16, states that he discussed the LSL sale with Senator CRANSTON prior to calling [redacted] DE CONCINI further states on page 238, line 20 that he talked to KEATING before the [redacted] call and, in fact, a call was also suggested by KEATING.

On 4/7/89, DE CONCINI received a return telephone call from [redacted] and during this call, DE CONCINI raises the issue of the LSL sale. [redacted] recollection during his interview of 9/21/91 with the FBI states that DE CONCINI called him on 4/11/89, and asked [redacted] to "promptly consider the pending sale of LSL." (DE CONCINI discusses his call with [redacted] on page 245, line 17, as well as his discussion with KEATING). b6 b7C

During April of 1989, DE CONCINI calls [redacted] BUSINESS, TRANSPORTATION AND HOUSING AGENCY, State of California, regarding his belief that California was in a position to stop the sale of LSL to the ROUSSELOT group. [redacted] was interviewed on May 5, 1990, by the FBI; however, he could not fix the date of this call in April. DE CONCINI's deposition on page 239, line 20, is that he only asked [redacted] "if he objected to the sale". On page 245, line 4, DE CONCINI discusses his call with [redacted] with KEATING.

On 4/14/89, [redacted] makes a courtesy call to DE CONCINI to inform him that the FHLBB has seized LSL.

On 9/19/89, DE CONCINI states that he will return $48,000.00 contributed to him by KEATING AND ASSOCIATES. (The actual amount was $47,100.00, bates #D001162).

The things of value received by DE CONCINI from KEATING AND ASSOCIATES obviously were the campaign contributions; however, the official acts performed by DE CONCINI cannot be linked to these contributions.

Other things of value could be land and/or loans; however, none of these items can be attributed to monies from KEATING, his employees or affiliated companies. [redacted] in his deposition of 10/26/90, page 44, line 14, is asked about this area, and [redacted] responds that to his knowledge, DE CONCINI and family members had no financial deals or relation with LSL, ACC or KEATING. b6 b7C

[redacted] does, however, admit that he and KEATING have a business relationship (page 64, line 10). [redacted] is questioned about the DE CONCINI note to KEATING dated 12/18/84 (bates #D000621), where DE CONCINI writes a postscript, "Sorry we missed dinner. Thanks for helping [redacted] I have no monetary interest, only my friendship for [redacted] [redacted] states he does not know what DE CONCINI had in mind. DE CONCINI, in his 3/14/90 deposition, page 26, line 20, discusses this note; however, DE CONCINI talks around the issues, and does not clearly say why he wrote the postscript note.

[redacted] in his 10/26/90 deposition, identifies property and investments that he and DE CONCINI have joint interest in. [redacted] however, states that no KEATING money is involved. DE CONCINI, in his deposition on page 253, line 5, denies any such interest as well. [redacted] identifies the property as Pima/Bell Road property and Pinnacle Peak North property. [redacted] on page 66, line 21, states that DE CONCINI knew nothing of his [redacted] and KEATING's business dealings. b6 b7C

[redacted] on page 43, line 5, of his deposition says he first told DE CONCINI about his business dealings with KEATING in early 1989. DE CONCINI, in his deposition, page 28, line 6, states that [redacted] and [redacted] told him of their financial dealings with KEATING in December of 1988 or early 1989.

On 5/17/91, [redacted] declined to be interviewed by the FBI. The interview had been arranged to be conducted in his attorney's office; however, upon arrival [redacted] attorney indicated that he would not allow his client to be interviewed by the FBI, citing his abuse by the SENATE ETHICS COMMITTEE's council.

[redacted] solicited charitable contributions from KEATING on two occasions. In November, 1985, she solicited $50,000.00 for the PHOENIX MEMORIAL HOSPITAL INTERGENERATIONAL CHILD CARE CENTER, later known as "YOUNG COMPANY". In 1987 or 1988, she solicited money for a new gymnasium for the SETON CATHOLIC HIGH SCHOOL in Chandler,

Arizona; however, KEATING told her that funds were not available (see [redacted] letter to [redacted] dated 6/3/91). [redacted] also provided a list of other charities with which [redacted] has involvement. Review of documents available showing contributions that KEATING and his affiliated companies made, reveal that the only common charities that KEATING contributed to, that [redacted] had interest in, were the PHOENIX MEMORIAL HOSPITAL and ST. MARY'S HIGH SCHOOL (or ST. MARY'S CHURCH). b6 b7C

KEATING contributed to PHOENIX MEMORIAL HOSPITAL as follows: In 1986, ACC contributed $10,000.00 and LSL contributed $57,500.00, and in 1987 ACC again contributed $10,000.00.

In 1985, ACC contributed $5,000.00 to ST. MARY'S and AMCOR contributed $15,000.00 in 1986.

Investigation has not revealed any evidence that DE CONCINI promised any action for receipt of campaign contributions; no evidence of a quid pro quo.

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Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (SARA) (P) Date 7/2/91

From : SA [redacted] b6 b7C

Subject: ALAN CRANSTON;
ET AL;
OO: Phoenix/Los Angeles

I. THE PATTERN OF KEATING CONTRIBUTIONS AND CRANSTON SERVICES

A. OCTOBER, 1986 - DIRECT INVESTMENT LEGISLATION

THINGS OF VALUE RECEIVED BY PUBLIC OFFICIAL

CRANSTON sought re-election to the United States Senate on election day, 11/5/86. In 1985, KEATING and his associates contributed $23,000 to CRANSTON's campaigns, and in early August, 1986, they contributed an additional $11,000. On 10/8/86, AMERICAN CONTINENTAL CORPORATION (ACC) contributed $35,000 to the California Democratic Party (CDP) Get-Out-The-Vote (GOTV) efforts, and on 10/14/86, ACC contributed an additional $50,000. These contributions were solicited by CRANSTON and were primarily for his benefit. On approximately 10/17/86, CRANSTON's fund-raiser [redacted] requested a $300,000 line of credit from LINCOLN SAVINGS AND LOAN (LSL) for CRANSTON's campaign, and the unsecured line of credit was arranged within a week, although CRANSTON never drew on the line of credit. b6 b7C

OFFICIAL ACTS

On approximately 10/17/86, at ACC's request, CRANSTON and GLENN put an anonymous "hold" on the FSLIC recapitalization bill pending in the Senate, until Senator PROXMIRE agreed on 10/18/86 to drop a provision in the bill limiting direct investments. Sometime in September or October of 1986, CRANSTON asked PROXMIRE if there was some way to get KEATING's choice, [redacted] [redacted] confirmed by the Senate to the FHLBB before adjournment on 10/18/86.

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NEXUS BETWEEN OFFICIAL ACT AND THINGS OF VALUE RECEIVED BY PUBLIC OFFICIALS

[redacted] has advised that, in the same telephone conversation in which he asked [redacted] for CRANSTON's assistance to defeat PROXMIRE's direct investments legislation, [redacted] asked [redacted] about arranging the LSL line of credit for CRANSTON. b6 b7C

The $85,000 was given to the CDP and the LSL line of credit was arranged within at most ten days of when CRANSTON effectively killed the PROXMIRE legislation.

[redacted] agreed to keep the line of credit secret, and because the credit line was never drawn upon, public disclosure never occurred. LSL paralegal [redacted] who traveled from Phoenix to Los Angeles to obtain CRANSTON's signature on the loan documents, was instructed by her supervisor to not mention CRANSTON's name on her travel voucher.

B. MARCH - APRIL, 1987 - LEGISLATIVE AND REGULATORY HELP

THINGS OF VALUE

On 3/3/87, KEATING contributed $100,000 of LSL funds to USA Votes, a partisan organization founded by CRANSTON for the purpose of raising funds for voter registration projects.

OFFICIAL ACTS

On 3/18/87, LSL sued the FHLBB, challenging the FHLBB's authority to issue regulations limiting direct investments by state-chartered institutions such as LSL. Because of this lawsuit, Senator PROXMIRE proposed, on 3/25/87, an amendment to his FSLIC recapitalization bill that would have clarified FSLIC's authority to regulate direct investments of state-chartered institutions. On 3/26/87, CRANSTON demanded of PROXMIRE that this amendment be dropped, and PROXMIRE did so, but only after stating for the record that the amendment was unnecessary, because FSLIC already had such authority. On 3/27/86, CRANSTON's banking aide, [redacted] submitted for publication to the Congressional Record a CRANSTON statement, written by LSL outside attorney [redacted] that disputed PROXMIRE's statement of FSLIC's authority. CRANSTON's statement was later cited in LSL's litigation with the FHLBB. b6 b7C

On 4/2/87, CRANSTON and three other senators met with [redacted] to discuss LSL's regulatory woes. One week later, on 4/9/87, four senators met with San Francisco bank regulators regarding LSL. CRANSTON briefly attended the meeting and expressed agreement with the other senators' concerns. b6 b7C

NEXUS

CRANSTON's services on LSL's behalf occurred within 37 or fewer days after LSL's $100,000 check to USA Votes was written.

[redacted] wrote a "confidential" memorandum to CRANSTON dated 1/2/87, in which she said, "Now that we are back in the majority there are a number of individuals who have been very helpful to you who have cases or legislative matters pending with our office who will rightfully expect some kind of resolution." [redacted] then listed five individuals, including KEATING, who she said, "is continuing to have problems with the Bank Board and [redacted]

C. NOVEMBER, 1987 - LEGISLATIVE AND REGULATORY HELP

THINGS OF VALUE

On 9/24/87, CRANSTON solicited KEATING to contribute $250,000 to CRANSTON's voter registration projects and on 11/6/87, KEATING aide [redacted] delivered to CRANSTON two ACC checks, one to USA Votes for $25,000 and one to FORUM INSTITUTE for $225,000. FORUM INSTITUTE was a tax-exempt organization revitalized by CRANSTON, and it provided substantially all of the funding for the tax-exempt ORGANIZING INSTITUTE, which was founded by [redacted] in 1987, and for tax reasons, could not directly receive contributions until later. b6 b7C

OFFICIAL ACTS

Six days after receiving the $250,000 on 11/12/87, CRANSTON telephoned [redacted] and urged a quick resolution of the examination of LSL. On 5/1/87, the FEDERAL HOME LOAN BANK OF SAN FRANCISCO, which had conducted the LSL examinations, had recommended that LSL be placed in conservatorship, but the FHLBB had not yet acted on the recommendation.

On 11/13/87, CRANSTON wrote a letter to Senator BENTSEN proposing that the Internal Revenue Code's definition of a thrift qualifying for favorable income tax treatment be amended, to permit institutions with substantial direct investments such as LSL to qualify. This apparently resulted from [redacted] lobbying of CRANSTON's staff, and [redacted] has stated that CRANSTON's office produced what was requested by him. b6 b7C

NEXUS

In a memo dated 9/6/87, [redacted] wrote CRANSTON that a USA Votes fundraising meeting was scheduled for CRANSTON with KEATING on 9/24. She added, "I've attached an article from The Wall Street Journal which talks about the views of [redacted] views that obviously are good news to KEATING. You should ask KEATING for $250,000."

In CRANSTON's letter to KEATING dated 10/6/87, CRANSTON confirmed KEATING's pledge to contribute $250,000 to voter registration. In the letter's opening paragraph, CRANSTON wrote, "It was a pleasure to see you....and to hear that your meeting with [redacted] had gone so well."

D. EARLY 1988 - REGULATORY INTERFERENCE

THINGS OF VALUE

On 1/8/88, KEATING dined with ALAN [redacted] CRANSTON, when [redacted] solicited a contribution for [redacted] tax-exempt, voter-registration group, The Center For Participation In Democracy (CPD). On 2/10/88, [redacted] visited ACC in Phoenix, Arizona, and KEATING gave them two ACC checks, one payable to CPD for $400,000 and one payable to FORUM INSTITUTE for $100,000. b6 b7C

OFFICIAL ACTS

At the 1/8/88 dinner meeting, KEATING had asked CRANSTON to arrange a meeting for KEATING with [redacted] On 1/20/88, CRANSTON called [redacted] and suggested that [redacted] meet with KEATING on 1/28/88, and [redacted] did so. CRANSTON had another telephone conversation with [redacted] on 4/21/88 regarding LSL, and CRANSTON's notes indicate that [redacted] informed CRANSTON that the Enforcement Review Committee had met and would make a recommendation very soon.

On 5/5/88, KEATING became dissatisfied with the FHLBB's demands in its settlement negotiations with LSL, so KEATING called CRANSTON and asked him to call [redacted]. The next day, CRANSTON's aide [redacted] telephoned [redacted] top aides [redacted] and stated that CRANSTON was "very concerned" about some specific FHLBB negotiating positions with LSL. b6 b7C

NEXUS

In [redacted] memo to CRANSTON dated 1/18/88, she wrote that she was pleased that CRANSTON's dinner with KEATING (on 1/8) "went so well." [redacted] added that KEATING had asked CRANSTON to arrange a meeting with [redacted] because KEATING wanted to learn directly from [redacted] why the LSL examination was still ongoing four months after [redacted] said it would be concluded in two weeks. Thus, at the same 1/8 meeting where CRANSTON solicited contributions from KEATING, KEATING asked CRANSTON for a favor (arrange a meeting with [redacted] and the favor was granted before KEATING made his $500,000 contribution.

E. EARLY 1989 - ATTEMPTED SALE OF LSL

THINGS OF VALUE

In approximately February, 1989, KEATING pledged an additional $100,000 for CRANSTON's voter registration groups, but KEATING postponed payment until after LSL was sold, so the $100,000 was never contributed. On 1/10/89, ACC contributed $10,000 to CRANSTON's PAC, Committee for a Democratic Consensus, in connection with a Super Bowl event.

OFFICIAL ACTS

In early 1989, KEATING tried several times to sell LSL, but the FHLBB would not approve the sales, and the FHLBB eventually seized LSL on 4/14/89.

CRANSTON and [redacted] met with KEATING and [redacted] on 2/7/89. On 2/8/89, [redacted] telephoned FHLBB regulator [redacted] demanding to know why the LSL sale had not yet been approved. CRANSTON called [redacted] and FDIC head WILLIAM SEIDMAN the b6 b7C

same day regarding the LSL sale. On 4/12/89, CRANSTON called both [redacted] and FHLBB member [redacted] and urged consideration of JOHN ROUSSELOT's offer to buy LSL. On 4/13/89, CRANSTON urged the third FHLBB member [redacted] to hear prospective LSL buyer ROUSSELOT's offer and to consider the effect of ACC's bankruptcy on California, Arizona, and the FSLIC. After the FHLBB seized LSL on 4/14/89, CRANSTON tells [redacted] that the FHLBB made a serious mistake. b6 b7C

NEXUS

On 12/14/88, KEATING met CRANSTON and [redacted] in Los Angeles for dinner, and CRANSTON greeted KEATING by characterizing the dinner as a meeting of the mutual aid society.

II. ADDITIONAL EVIDENCE OF CRIMINAL INTENT

A. CRANSTON'S STATE OF MIND

On 12/14/88, according to [redacted] CRANSTON referred to his meeting with KEATING as the mutual aid society. b6 b7C

In his Senate Select Committee on Ethics deposition on 4/30/90, CRANSTON explained that a contributor has "a better chance to get access" than a noncontributor (page 219). In a telephone interview with reporter MARK STERN on 10/2/89, CRANSTON explained that there never should be a "quid pro quo to a contribution," and "the most" a contribution "is supposed to and expected to get somebody is access if they have a problem." CRANSTON added that a supporter has "a right to present a case to you and any constituent has except you can't see every constituent. So access goes to those who have been helpful..." (Transcript is CRANSTON document #80000040.) In his Ethics Committee deposition (at page 341), CRANSTON conceded that KEATING had "almost total access" to CRANSTON and his staff.

CRANSTON commonly had his fundraiser, [redacted] present for meetings with KEATING and other businessmen seeking CRANSTON's services. According to [redacted] in nearly all of KEATING's meetings with CRANSTON, CRANSTON asked for a contribution.

B. KEATING'S AND [redacted] STATE OF MIND b6 b7C

In a prepared statement delivered on 4/17/89, the Monday following ACC's bankruptcy filing, KEATING said, "One question....had to do with whether my financial support in any way influenced several political figures to take up my cause. I want to say in the most forceful way I can: I certainly hope so."

In his FBI interview on 10/11/90, [redacted] said that CRANSTON's office never conditioned services on contributions, but [redacted] felt that the ACC contributions developed goodwill with [redacted] and gained special access to CRANSTON, access that would not have been available without the contributions.

C. HISTORY OF CRANSTON'S POSITION ON DIRECT INVESTMENTS

In July, 1984, CRANSTON wrote (apparently not at LSL's request) to [redacted] requesting that [redacted] defer adoption of the proposed regulation limiting direct investments "until Congress and affected institutions have had an opportunity for greater consideration of this subject." In [redacted] memo to CRANSTON dated 12/13/84, she stated that CRANSTON has never taken a substantive position on direct investments, but only that it was an issue appropriate for Congressional review. In late 1984, LSL attorney/lobbyist [redacted] asked [redacted] to oppose the proposed direct investment limitations, and she declined to do so. On 1/31/85, CRANSTON wrote [redacted] requesting that the comment period on the direct investment regulation be extended from 30 days to 90 days. In this letter, CRANSTON said he was "sympathetic" with the FHLBB's concerns that unrestricted direct investments may threaten the FSLIC, and that "reasonable regulatory controls" to protect the FSLIC were appropriate. b6 b7C

Thus, CRANSTON's opposition to direct investment limitations developed after 1/31/85, about the same time he was establishing a relationship with ACC/LSL and other similarly minded institutions.

D. USA VOTES FUNDED SOME OF CRANSTON'S TRAVEL AND MEAL EXPENSES

In 1987, LSL/ACC contributed $125,000 to USA Votes, CRANSTON's partisan organization designed to raise funds for voter registration groups. This was a sizable contribution in that USA Votes' 1987 expenditures were only $190,000. USA Votes reimbursed CRANSTON for his fundraising expenses, which totalled $16,472.98 (according to USA Votes) in travel, lodging, and meals from 5/5/87 through 10/14/88. In addition, USA Votes reimbursed [redacted] for some of his expenses in attending the Democratic Party's National Convention in 1988, totalling $612.33. b6 b7C

III. [redacted] EVIDENCE

CRANSTON's fundraiser [redacted] (not a government employee) was involved in raising $850,000 in voter registration funds from KEATING and arranging the 1986 line of credit from LSL. According to [redacted] she frequently discussed substantive issues with him, including occasions when she was soliciting funds from him. By her own admission, [redacted] relayed substantive concerns from [redacted] to CRANSTON or [redacted] In her memo to CRANSTON dated 1/2/87, she suggested that KEATING and others should be helped by CRANSTON's office because they had been helpful to CRANSTON. However, [redacted] did not directly benefit personally by raising funds from KEATING, because she was paid a flat monthly amount for her fundraising and did not receive any commissions.

CRANSTON's former Southern California Finance Chair [redacted] has implicated [redacted] in arranging in 1988 an illegal transfer of $4,000 from CRANSTON's political action committee to CRANSTON's 1984 presidential campaign through [redacted] political action committee. Federal Election Commission records shows that [redacted] PACIFIC PAC contributed $4,000 to CRANSTON's 1984 presidential campaign on 1/27/88. Three days later, on 1/30/88, CRANSTON's Committee for a Democratic Consensus contributed $5,000 to PACIFIC PAC. Thus, [redacted] allegation is supported by the record of nearly simultaneous transfers among the three entities. However, in [redacted] memo to CRANSTON dated 1/18/88, she informed CRANSTON that "over the holiday" [redacted] had agreed to have his PAC give $4,000 to the presidential campaign "to cover the money that [campaign treasurer] [redacted] needs in January". In her memo dated 2/22/88, [redacted] asked CRANSTON to write [redacted] a handwritten note thanking him for the $4,000 contribution from his PAC to the presidential campaign. In neither memo did [redacted] mention that [redacted] PAC was reimbursed for its contribution.

No other conduit contribution to CRANSTON's presidential campaign is apparent from a review of Federal Election Commission records. In fact, in 1987-1988, CRANSTON's presidential campaign received only $10,900 in contributions from political action committees, of which $4,000 came from PACIFIC PAC. Other than PACIFIC PAC, none of the other PAC contributors received contributions from CRANSTON's PAC in 1987-1988.

IV. [redacted] EVIDENCE

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Although [redacted] was instrumental in assisting ACC/LSL on several occasions from 1986 through 1989, there is no evidence she was aware of the various contributions that had been solicited by CRANSTON and made by ACC/LSL.

In mid-April, 1987, [redacted] visited ACC in Phoenix at ACC's expense. This trip occurred less than three weeks after [redacted] placed a statement in the Congressional Record that assisted LSL in its litigation with the FHLBB.

In [redacted] testimony under oath before the Senate Select Committee on Ethics on 12/11/90, [redacted] was asked about a statement in the Congressional Record of 3/27/87 attributed to CRANSTON. [redacted] testified (at page 43), "I wrote the statement, and I used whatever I had in my files." [redacted] repeated at page 144, "I wrote the statement". At page 64, she was asked, "Did your inserting that statement into the Congressional Record have any relation to Mr. Keating or [redacted] or Lincoln? By that, I mean, did they ask you to do it, or request you to do it?" [redacted] responded, "No, they did not request that I do it. It may have inadvertantly assisted them but it was certainly not the purpose of the statement". Later she was again asked, "Had you talked to [redacted] or anyone else at Lincoln at that time?" and she responded, "No", (at page 145). LSL attorney/lobbyist [redacted] has advised that he wrote the statement and submitted it to [redacted] said the 294-word statement as published in the Congressional Record is identical to the statement he provided [redacted] except that [redacted] changed an immaterial 6-word phrase after consulting with him. [redacted] description before the Ethics Committee of the circumstances of the statement was so unintelligible as to indicate that she lacked sufficient understanding to author such a statement. Thus, [redacted] claim that she wrote the statement without any request from LSL may be considered perjury under Title 18, United States Code, Section 1621.

V. ADDITIONAL INVESTIGATION CONTEMPLATED

A. Attempt to identify and interview the California Democratic Party (CDP) Official who is familiar with ACC's 1986 contribution to the CDP.

B. Interview Senator BYRD's floor staff members who may be knowledgeable about the hold(s) on PROXMIRE's 1986 FSLIC recapitalization bill.

C. Interview former LSL employee [redacted] regarding circumstances of the 1986 LSL line of credit to CRANSTON, and the reason for the secrecy surrounding it. b6 b7C

D. Re-interview [redacted]

E. Interview GLENN regarding his "hold" on PROXMIRE's 1986 direct investment legislation, to determine if he was aware of CRANSTON's involvement.

F. Interview CRANSTON.

G. Interview [redacted] and CHARLES KEATING, if and when they become available.

H. Consider locating other individuals who may have solicited CRANSTON's services in connection with contributions, such as:

1. E. GALLO, Modesto, California - contributed $200,000 to CRANSTON's voter registration project in 1987 - 1988.

2. [redacted] Los Angeles, California - CRANSTON may have interceded with [redacted] in 1988 in connection with [redacted] attempt to acquire TAHOE SAVINGS.

3. [redacted] all mentioned on [redacted] 1/2/87 list of individuals who have been helpful and who rightfully expect resolution of their problems.

I. Interview CRANSTON's [redacted] regarding the LSL line of credit and the $85,000 contribution to the California Democratic Party.

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AUG 05 1991
FBI - PHOENIX

Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (SARA-Date (P)/5/91

From : SA [redacted] b6 b7C

Subject: U.S. SENATOR ALAN CRANSTON, ET AL;
CORRUPTION OF PUBLIC OFFICIALS;
OO: PHOENIX/LOS ANGELES

This memo summarizes the evidence as it relates to Senator DONALD RIEGLE.

I. BRIBERY/GRATUITY

A. THINGS OF VALUE RECEIVED BY PUBLIC OFFICIAL

On 3/1/86, RIEGLE attended the opening of ACC'S HOTEL PONTCHARTRAIN in Detroit, Michigan. ACC paid round-trip travel expenses for RIEGLE [redacted] from Washington to Detroit. b6 b7C

On 1/28/87, KEATING offered to organize a fund raising event for RIEGLE at the HOTEL PONTCHARTRAIN with a goal of raising at least $100,000. The fund raising luncheon was held on 3/23/87, and $95,150 was contributed to RIEGLE, of which $78,250 was contributed by individuals affiliated with KEATING as family, employees, or spouses of employees.

On 2/22/88, [redacted] offered to sponsor another fund raising event for RIEGLE to be held in New York on May 10 or 11, with the goal of raising $100,000. This event was never held, and no ACC/LSL affiliated contributions were made to RIEGLE after March of 1987.

B. OFFICIAL ACTS

RIEGLE attended a meeting on 4/9/87 in Washington with the San Francisco regulators, along with three other senators. The senators were interceding on behalf of LINCOLN SAVINGS, and this meeting followed a 4/2/87 meeting the senators had with [redacted] RIEGLE did not attend the 4/2/87 meeting and he claims he had no prior knowledge of the meeting. However, RIEGLE probably helped arrange the meeting with [redacted] and RIEGLE has admitted he suggested to [redacted] in March of 1987 that [redacted] meet with the Arizona senators regarding LINCOLN SAVINGS.

JAJ/clh
(2)

C. NEXUS BETWEEN OFFICIAL ACTS AND THINGS OF VALUE RECEIVED BY PUBLIC OFFICIAL.

RIEGLE attended the 4/9/87 meeting with the San Francisco regulators only 17 days after the $95,150 fund raising luncheon.

II. PERJURY

A. RIEGLE'S STATEMENTS UNDER OATH

In his testimony before the Senate Ethics Committee, RIEGLE testified that he returned approximately $78,000 in campaign contributions to KEATING affiliated contributors only after learning from the DETROIT NEWS on 2/28/88 that $66,000 of the HOTEL PONTCHARTRAIN fund raising event proceeds came from KEATING affiliated individuals. RIEGLE explained that this created an appearance of conflict of interest, because the funds were received close in time to the 4/9/87 meeting with regulators attended by RIEGLE.

On 10/17/90, testifying before an executive session of the Ethics Committee, RIEGLE stated that until the DETROIT NEWS story was published nearly a year after the HOTEL PONTCHARTRAIN event, which revealed that $66,000 of the proceeds came from individuals with "apparent direct business connections to KEATING", RIEGLE had "no prior knowledge of this pattern of contributions" (page 37). RIEGLE testified he asked his staff to immediately check the story's accuracy, because he had "real doubts" that it was accurate. RIEGLE said he initially thought the story was "maybe a hatchet job and untrue" (page 38).

On 1/7/91, in his public testimony before the Ethics Committee, RIEGLE repeated that when he first saw the DETROIT NEWS article about the $66,000, "I didn't believe it because that was nothing that I knew or was aware of or had imagined" (page 81). RIEGLE said he then learned that $78,000 had been given by 78 individuals who had listed 13 different business affiliations, but who were affiliated with KEATING, and "That is the first I knew of that" (page 81). RIEGLE explained he was troubled about this and the proximity to his attendance at the April 9 meeting, so he refunded the contributions.

Again on 1/7/91, RIEGLE testified he was "uncomfortable about the appearance of the bundling of all of those contributions, which I had not known about until that story ran" and his attendance at the April 9 meeting (pages 110-111).

On 1/8/91, RIEGLE testified that, after the DETROIT NEWS story ran a year after the fund raising event, "I found out for the first time that the bulk of those contributions had not come from my own contributors where we had sent the contributor list out there, and I thought that is where the bulk of the effort was going to be directed" (page 152). RIEGLE was referring to a list of approximately 400 Michigan residents who had previously contributed at least $500 to RIEGLE, which list was provided by RIEGLE'S staff to KEATING as prospective contributors to the HOTEL PONTCHARTRAIN event. With regard to RIEGLE refunding the KEATING-affiliated contributions, Senator LOTT asked RIEGLE if he recognized there was an appearance of conflict in "hindsight", and RIEGLE responded, "Yes, it was hindsight...But when I saw it, I acted on it."

B. EVIDENCE OF RIEGLE'S CONTEMPORANEOUS KNOWLEDGE OF THE CONTRIBUTORS AFFILIATION WITH KEATING

[redacted] RIEGLE'S fund-raiser involved in the HOTEL PONTCHARTRAIN event, knew at the time that "the bulk" of the contributions came from KEATING family and employees. In her FBI interview, [redacted] said that the checks received at the HOTEL PONTCHARTRAIN (as differentiated from checks mailed before the event) were delivered by RIEGLE to [redacted] and [redacted] explained that these checks could be identified by FEC records as being received on March 23 or 24. According to RIEGLE'S FEC report, RIEGLE received on 3/24/87 checks totalling $21,000 from KEATING affiliated contributors. b6 b7C

In February 1987, three separate bundles of checks from KEATING affiliated individuals payable to RIEGLE were collected by an ACC secretary and forwarded to [redacted] a fund-raiser for DECONCINI. With a cover letter dated 3/3/87, [redacted] forwarded an unspecified number of checks to DECONCINI, for delivery to RIEGLE. [redacted] noted in his letter that the checks were raised by KEATING. DECONCINI testified before the Ethics Committee that he personally physically gave to RIEGLE the checks DECONCINI received from [redacted] (1/1/91 testimony at page 192). In all likelihood, DECONCINI gave RIEGLE all three bundles of checks [redacted] had obtained from ACC in February, because RIEGLE'S FEC report shows that all these checks in the three bundles were received by RIEGLE'S campaign on 3/12/87. Checks from KEATING'S family and employees in the three bundles totalled $28,750.

RIEGLE'S FEC report shows receipt of $21,500 in checks from KEATING, his family and employees on 3/11/87. Although additional investigation is necessary to substantiate this, these checks probably were handed to RIEGLE when RIEGLE and his aide

[redacted] visited the ACC offices in Phoenix on 3/9/87, and flew back to Washington that afternoon with [redacted] b6 b7C

Thus, RIEGLE apparently had in his hands in March, 1987, checks totalling $71,250 from individuals affiliated with KEATING, specifically the $21,000 RIEGLE gave [redacted] on March 23 or 24, the $28,750 DECONCINI gave RIEGLE on approximately March 12, and the $21,500 RIEGLE probably picked up in Phoenix on March 9. If RIEGLE looked at the checks, he would have noticed the Arizona addresses rather than Michigan.

Furthermore, in her interview, [redacted] said it was common in the RIEGLE campaign to receive contributions from family and employees of the host of a fund raising event. [redacted] estimated that 75% of contributions from hosted events came from the host's family and employees. Evidence that RIEGLE was aware of this routine practice would have to be developed.

RIEGLE'S implication that the contributors could not be identified as KEATING employees because they listed 13 different business affiliations is specious. A review of RIEGLE'S FEC report for March 1987 shows contributions of $38, 500 from 35 individuals employed by AMERICAN CONTINENTAL CORPORATION or other companies where the first two words of their names were "AMERICAN CONTINENTAL" (such as AMERICAN CONTINENTAL PROPERTIES), $10,750 from 14 individuals employed by LINCOLN SAVINGS AND LOAN or LINCOLN SAVINGS AGENCY, $2,000 from one individual employed by HOTEL PONTCHARTRAIN, and $11,500 from eight individuals clearly identifiable as spouses of ACC/LSL employees, for a total of $62,750. All these individuals had Arizona addresses, except for a few LINCOLN SAVINGS employees residing in California.

C. EVIDENCE SUPPORTING RIEGLE'S IGNORANCE

[redacted] stated in his FBI interview on 6/20/90, that knowledge of the degree of KEATING affiliated contributions, which lead to RIEGLE'S decision to refund the KEATING affiliated contributions, came from the Detroit Newspaper story. [redacted] in an affidavit submitted to the Ethics Committee, stated she was with RIEGLE in Detroit on 2/28/88 when RIEGLE read the DETROIT NEWS article in disbelief. b6 b7C

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REVIEW OF DEPOSITION OF
DENNIS DE CONCINI
BEFORE THE UNITED STATES SENATE
SELECT COMMITTEE ON ETHICS
WASHINGTON, D.C.
MARCH 14, 1990

Page 11	Line 12	KEATING advised LSL of DE CONCINI's conversation with KEATING change after this date.
Page 12	Line 11	1982 fund raiser held at KEATING's residence.
Page 13	Line 6	Direct investment discussion.
Page 15	Line 16	KEATING comes to DE CONCINI office with [redacted] in July of 1985. b6 b7C
Page 16	Line 8	DE CONCINI writes to [redacted] regarding direct investments.
Page 25	Line 14	DE CONCINI contacts Senator GARN at KEATING request.
Page 26	Line 6	DE CONCINI contacts GARN at KEATING request.
Page 26	Line 20	DE CONCINI note to KEATING where he attaches postscript thanking KEATING for his help of [redacted]
Page 28	Line 6	[redacted] deals with KEATING were disclosed by them to DE CONCINI in December of 1988 or early 1989.
Page 28	Line 13	[redacted] is identified by DE CONCINI as the individual who asked DE CONCINI to call GARN.
Page 31	Line 8	DE CONCINI calls [redacted] and DON REGAN.
Page 35	Line 12	DE CONCINI knew that KEATING and his associates had contributed money to his campaign.

Page 40	Line 12	DE CONCINI states he did nothing for KEATING because of the money given to him.
Page 41	Line 8	DE CONCINI discusses the KEATING statement of 4/17/89 regarding political influence.
Page 44	Line 11	DE CONCINI/DON RIEGLE collection agreement.
Page 45	Line 19	DE CONCINI does not recall talking to RIEGLE about KEATING contributions, but states "handed those checks to RIEGLE."
Page 53	Line 13	KEATING informed DE CONCINI of Senators' identities who were interested in the 4/2/87 meeting.
Page 59	Line 9	DE CONCINI/MC CAIN meet on 3/19/87.
Page 64	Line 21	DE CONCINI called [redacted] to set up 4/2/87 meeting. b6 b7C
Page 65	Line 21	Someone from KEATING GROUP told DE CONCINI that MC CAIN was interested in the LSL problem.
Page 66	Line 10	RIEGLE suggests meeting with [redacted]
Page 69	Line 20	DE CONCINI did tell MC CAIN that he would negotiate on behalf of KEATING.
Page 70	Line 19	DE CONCINI had discussion with MC CAIN that LSL would do something for something in return from the FHLBB.
Page 72	Line 8	DE CONCINI told MC CAIN that RIEGLE suggested the 4/2/87 meeting.
Page 73	Line 19	RIEGLE suggests [redacted] meeting.
Page 74	Line 5	KEATING calls DE CONCINI on 3/17/87 suggesting the [redacted] meeting.

Page 75	Line 14	CRANSTON was aware of [redacted] meeting.
Page 79	Line 3	3/24/87 meeting with KEATING.
Page 80	Line 5	DE CONCINI may have told KEATING meeting with [redacted] was set or was in the works. KEATING reaffirmed which senators would attend.
Page 80	Line 13	3/24/87 DE CONCINI first learned which senators would attend the 4/2/87 meeting.
Page 81	Line 15	KEATING would make concessions.
Page 98	Line 6	KEATING was who called about meeting with [redacted]
Page 98	Line 13	DE CONCINI talks to RIEGLE regarding the 4/2/87 meeting on 3/17/87.
Page 127	Line 16	DE CONCINI discusses the "quid pro quo" as it relates to [redacted] assertion that it was offered on 4/2/87.
Page 163	Line 8	DE CONCINI was called by [redacted] on 4/3/87.
Page 176	Line 18	RIEGLE suggests [redacted] meeting DE CONCINI, as did KEATING.
Page 190	Line 20	DE CONCINI called KEATING after 4/2/87 meeting.
Page 191	Line 19	DE CONCINI called KEATING after the 4/19/87 meeting.
Page 199	Line 21	DE CONCINI, after the 4/9/87 meeting, did nothing for KEATING until the sale of LSL.
Page 213	Line 1	DE CONCINI calls KEATING after the 4/9/87 meeting.
Page 213	Line 16	DE CONCINI and KEATING meet 9/24/87.
Page 216	Line 21	DE CONCINI answers questions regarding LSL sale calls.

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Page 217	Line 16	DE CONCINI answers questions regarding LSL sale calls.
Page 223	Line 6	DE CONCINI calls re second LSL sale.
Page 226	Line 5	DE CONCINI calls [redacted] b6 b7C
Page 229	Line 12	DE CONCINI's call to [redacted]
Page 233	Line 16	DE CONCINI and CRANSTON talk regarding LSL sale.
Page 234	Line 21	DE CONCINI and CRANSTON discuss sale of LSL before calls to [redacted]
Page 238	Line 20	DE CONCINI talks with KEATING before [redacted] calls.
Page 239	Line 19	DE CONCINI calls [redacted]
Page 243	Line 1	DE CONCINI denies trying to muzzle [redacted]
Page 244	Line 7	2/7/89 meeting in DE CONCINI's office re LSL sale.
Page 245	Line 4	DE CONCINI calls KEATING re calls to California regulators.
Page 245	Line 17	DE CONCINI tells KEATING about wall calls.
Page 245	Line 22	DE CONCINI calls [redacted] re LSL sale.
Page 249	Line 7	DE CONCINI had no contact with regulators for 20 months after the 4/7/87 meeting.
Page 251	Line 8	DE CONCINI discusses the Iran Contra vote trade regarding [redacted]
Page 252	Line 14	DE CONCINI didn't know [redacted] had financial ties with KEATING when he was actively supporting [redacted] for nomination to the FEDERAL HOME LOAN BANK BOARD (FHLBB).

Page 253	Line 2	DE CONCINI says he has no financial interest in any KEATING company; however, he qualifies that on one occasion he did have a certificate of deposit at LSL.
Page 255	Line 7	DE CONCINI states that [redacted] informed him of their business relationship with KEATING in either December, 1988 or early 1989. b6 b7C
Page 257	Line 3	DE CONCINI discloses he has interest in Pinnacle Peak.
Page 257	Line 12	DE CONCINI again discusses the "thanks for helping [redacted] postscript notation on his 12/18/84 letter to KEATING.
Page 266	Line 11	DE CONCINI does not believe that KEATING dealt straight with him.

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DENNIS DE CONCINI TIME LINE

1982 KEATING has fund raiser at his home for DE CONCINI, raising $31,000.00.

6/6/84 KEATING and DE CONCINI meet.

9/12/84 [redacted] meets with DE CONCINI. b6 b7C

10/15/84 DE CONCINI dines with KEATING.

1/29/85 KEATING meets with DE CONCINI.

4/2/85 KEATING dines with DE CONCINI.

7/10/85 KEATING, [redacted] meet with DE CONCINI.

7/31 - 8/15/85 KEATING AND ASSOCIATES contribute $16,000.00 to DE CONCINI.

3/26/86 KEATING, [redacted] meet with DE CONCINI.

6/6/86 DE CONCINI writes to DON REGAN (White House Chief of Staff) and recommends [redacted] for FEDERAL HOME LOAN BANK BOARD (FHLBB) position.

7/7/86 KEATING and DE CONCINI dine at ACC, Phoenix.

7/23/86 DE CONCINI pairs vote with Senator BARRY GOLDWATER after KEATING lobbies him to support Judge DAN MANION, so White House would support [redacted] (confirmation of MANION defeated in the Senate in a tie vote). Review of the Congressional Quarterly revealed that on 7/23/84, DE CONCINI and GOLDWATER did, in fact, pair their vote. GLENN, bates number G001589, shows request of GLENN to vote for MANION. [redacted]302 dated 10/10-11/90, confirms this request. DE CONCINI letter to DON REGAN is DE CONCINI bates number D000647, and REGAN's acknowledgment is bates number D000648.

8/20/86 KEATING AND ASSOCIATES contribute $10,000.00 to DE CONCINI.

9/16/86 [redacted] meets with DE CONCINI.

1/8/87 [redacted] meets with DE CONCINI (not confirmed).

1/27/87 KEATING and [redacted] meet with DE CONCINI.

1/28/87 KEATING and [redacted] meet with DE CONCINI.

3/3/87 DE CONCINI dines with [redacted] FHLBB.

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3/17/87 KEATING calls DE CONCINI suggesting meeting with [redacted]

3/18/87 DE CONCINI and DON RIEGLE meet regarding ACC.

3/19/87 [redacted] writes memo to DE CONCINI stating what ACC wants from [redacted] and what ACC is willing to do. DE CONCINI and MC CAIN also meet on this date.

3/24/87 KEATING and [redacted] meet with DE CONCINI.

4/1/87 [redacted] writes memo to DE CONCINI stating lawsuit filed by AMERICAN CONTINENTAL against [redacted] and FHLBB. Memo further defines what AMERICAN CONTINENTAL would like, and what AMERICAN CONTINENTAL will do.

4/2/87 [redacted] meets with DE CONCINI, MC CAIN, CRANSTON and GLENN in DE CONCINI's office. On 4/2/87, DE CONCINI calls CHARLES KEATING regarding the 4/2/87 meeting. On 4/3/87, [redacted] calls DE CONCINI regarding a 4/9/87 meeting.

4/9/87 FEDERAL HOME LOAN BANK of San Francisco members meet with the "KEATING FIVE".

4/9/87 DE CONCINI calls KEATING after the 4/9/87 meeting, however, states in his deposition that he did not inform KEATING of the criminal referrals.

10/29/87 $5,000.00 is contributed to DE CONCINI from [redacted] (DE CONCINI bates number D001163).

1/28/88 KEATING and [redacted] meet with DE CONCINI.

11/8/88 DE CONCINI is re-elected to the Senate (CHK AND ASSOCIATES raise $47,100.00 for the 1988 campaign during the period 4/1/85 - 10/29/87)

1/ /89 DE CONCINI calls FHLBB member, [redacted] regarding the ROUSSELOT purchase of LSL. During the period of January to April of 1989, DE CONCINI calls [redacted] regarding LSL sale.

4/7/89 DE CONCINI, after other pending matters, raises the sale of LSL with [redacted]

4/ /89 DE CONCINI calls [redacted] State of California, regarding LSL sale.

4/11/89 DE CONCINI, at the request of KEATING, calls [redacted] asking him to support the sale of LSL to ROUSSELOT.

4/14/89 [redacted] gives a courtesy call to DE CONCINI regarding the FHLBB's decision to seize LSL.

9/18/89 DE CONCINI says he will return $48,000.00 from KEATING AND ASSOCIATES.

9/19/89 DE CONCINI returns $47,100.00 to KEATING AND ASSOCIATES (DE CONCINI bates number D001169).

11/27/89 DE CONCINI confirms return of KEATING AND ASSOCIATES' contribution to the FEDERAL ELECTION COMMISSION (FEC) (DE CONCINI bates number D001162).

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FBI WMFO/ROUTINE/

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FBI PHOENIX/ROUTINE/

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SECTION ONE OF THREE SECTIONS

CITE: //3410:0670//

PASS: FBIHQ [redacted] PUBLIC CORRUPTION UNIT.

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,

[redacted]

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FBI — PHOENIX

DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

ENCLOSED BY SEPARATE FAX ARE: FOR DALLAS, LETTER DATED 2/5/88 TO [redacted] FROM CRANSTON, AND MEMORANDUM DATED 12/20/88 TO CRANSTON FROM [redacted] REGARDING [redacted] FOR NEW YORK, TWO LETTERS DATED 3/2/88 AND 5/9/88 FROM CRANSTON TO [redacted] FOR SPRINGFIELD, A LETTER DATED 5/4/88 TO [redacted] FROM CRANSTON AND A FORBES MAGAZINE ARTICL ENTITLED "POLITICAL GREENMAIL" FROM PAGE 72 OF 5/27/91 ISSUE. FOR WMFO, [redacted] MEMO TO CRANSTON DATED 1/2/87.

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THIS INVESTIGATION INVOLVES WELL-PUBLICIZED ALLEGATIONS THAT CAPTIONED U.S. 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 FOCUSED ON SENATOR CRANSTON, AND THE PATTERN OF SERVICES PERFORMED BY CRANSTON FOR KEATING CLOSE IN TIME TO KEATING CONTRIBUTIONS TO CRANSTON ORGANIZATIONS.

AMERICAN CONTINENTAL CORPORATION (ACC) AND ITS SUBSIDIARY LSL CONTRIBUTED A TOTAL OF $850,000 IN 1987-1988 TO "SOFT-MONEY" VOTER REGISTRATION GROUPS AFFILIATED WITH CRANSTON. IN DECEMBER 1985, CRANSTON ASKED [redacted] TO ORGANIZE AMERICAVOTES (LATER KNOWN AS USA VOTES), A PARTISAN GROUP CONTROLLED BY CRANSTON DESIGNED TO RAISE FUNDS FOR NON-PARTISAN VOTER REGISTRATION GROUPS. [redacted] CREATED A FOR-PROFIT CORPORATION KNOWN AS NEW DIMENSION RESOURCES TO MANAGE AMERICAVOTES. BEGINNING IN 1986, CRANSTON SOLICITED NON-DEDUCTIBLE CONTRIBUTIONS TO AMERICAVOTES TO COVER THE FUND RAISING OVERHEAD. UNDER THE AUSPICES OF USA VOTES, CRANSTON THEN RAISED TAX-DEDUCTIBLE MONEY FOR VOTER REGISTRATION GROUPS, IN PARTICULAR, A GROUP FOUNDED BY [redacted] KNOWN AS THE FORUM INSTITUTE, AND [redacted] CITIZENS PARTICIPATION PROJECT: THE MISSING HALF. [redacted] USA VOTES, AND FORUM INSTITUTE WERE BASED IN WASHINGTON, D.C. AFTER

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CRANSTON'S SUCCESSFUL RE-ELECTION CAMPAIGN IN 1986, [redacted] b6 b7C [redacted] FOUNDED IN 1987 THE ORGANIZING INSTITUTE (OI) AND THE CENTER FOR PARTICIPATION IN DEMOCRACY (CPD), CALIFORNIA-BASED, TAX-EXEMPT, VOTER REGISTRATION GROUPS THAT PURPORTED TO BE NON-PARTISAN. [redacted] [redacted] THE GET-OUT-THE-VOTE (GOTV) IN CRANSTON'S 1986 CAMPAIGN. FORUM INSTITUTE PROVIDED ALMOST ALL OF THE FUNDING FOR OI. [redacted] RAISED MOST OF THE FINANCING FOR CPD, WHICH BEGAN RECEIVING CONTRIBUTIONS IN SEPTEMBER 1987 AFTER IT OBTAINED ITS TAX-EXEMPT STATUS FROM THE INTERNAL REVENUE SERVICE. [redacted] HIRED PROFESSIONAL FUND RAISERS TO ASSIST IN THE FUND RAISING. [redacted] AND [redacted] WERE PROFESSIONAL FUND RAISERS FOR FORUM INSTITUTE AND USA VOTES. CPD RETAINED PROFESSIONAL FUND RAISER [redacted] OF SAN FRANCISCO TO HELP RAISE FUNDS.

IN ADDITION TO THE VOTER REGISTRATION GROUPS, CRANSTON MAINTAINED TWO SEPARATE CAMPAIGN ORGANIZATIONS AND A POLITICAL ACTION COMMITTEE. THE CAMPAIGN ORGANIZATIONS WERE ONE FOR HIS SENATORIAL CAMPAIGN AND ONE FOR HIS 1984 PRESIDENTIAL CAMPAIGN. CRANSTON'S POLITICAL ACTION COMMITTEE WAS KNOWN AS THE COMMITTEE FOR A DEMOCRATIC CONSENSUS (CDC). FOR SEVERAL

YEARS IN THE LATE 1980'S, CRANSTON SPONSORED A FUND RAISING EVENT IN CONNECTION WITH THE SUPERBOWL, WHICH RAISED MONEY FOR THESE THREE ENTITIES. IN ADDITION, IN 1986, CRANSTON R "SOFT-MONEY" FOR THE CALIFORNIA DEMOCRATIC PARTY, WHICH ASSISTED HIS 1986 CAMPAIGN. SOFT-MONEY MEANS CONTRIBUTIONS NOT REGULATED BY THE FEDERAL ELECTION LAW, AND THEREFORE SOFT-MONEY CAN BE CONTRIBUTED BY CORPORATIONS IN UNLIMITED AMOUNTS.

[redacted] WAS ALSO A FUND RAISER FOR CRANSTON'S CAMPAIGNS, CDC, AND THE DEMOCRATIC SENATORIAL CAMPAIGN COMMITTEE (DSCC). b6 b7C

[redacted] SOLICITED KEATING FOR SEVERAL CONTRIBUTIONS, AND KEATING ALWAYS OBLIGED. IN 1985, KEATING RAISED $23,000 FOR CRANSTON'S CAMPAIGNS, AND IN 8/86, KEATING RAISED AN ADDITIONAL $0. IN 10/86, AT CRANSTON'S REQUEST, ACC CONTRIBUTED $85,000 TO THE CALIFORNIA DEMOCRATIC PARTY. IN 10/86, LSL ARRANGED A $300,000 LINE OF CREDIT FOR CRANSTON FOR HIS CAMPAIGN, AT [redacted] REQUEST. ON 3/3/87, KEATING CONTRIBUTED $100,000 OF LSL FUNDS TO USA VOTES. ON 11/6/87, KEATING AIDE [redacted] DELIVERED TO CRANSTON TWO ACC CHECKS, ONE TO USA VOTES FOR $25,000 AND ONE TO FORUM INSTITUTE FOR $225,000. ON 2/10/88, [redacted] VISITED ACC

IN PHOENIX, ARIZONA, AND KEATING GAVE THEM TWO ACC CHECKS, ONE PAYABLE TO CPD FOR $400,000 AND ONE PAYABLE TO FORUM INSTITUTE FOR $100,000. IN APPROXIMATELY 2/89, KEATING PLEDGED AN ADDITIONAL $100,000 FOR CRANSTON'S VOTER REGISTRATION GROUPS, BUT THE $100,000 WAS NEVER CONTRIBUTED. ON 1/10/89, ACC CONTRIBUTED $10,000 TO CDC IN CONNECTION WITH THE SUPERBOWL EVENT. DURING THE SAME TIME PERIOD, CRANSTON ASSISTED ACC/LSL ON SEVERAL LEGISLATIVE AND REGULATORY MATTERS. IN 10/86, CRANSTON EFFECTIVELY FORCED THE U.S. SENATE FLOOR MANAGERS TO DROP A PROVISION FROM A BILL, WHICH PROVISION WOULD HAVE LIMITED DIRECT INVESTMENTS BY FEDERALLY INSURED INSTITUTIONS SUCH AS LSL. IN 3/87, CRANSTON SUCCEEDED IN CONVINCING SENATOR WILLIAM PROXMIRE TO DROP A LEGISLATIVE PROVISION THAT WOULD HAVE ADVERSELY AFFECTED LSL. IN 3/86, CRANSTON'S [redacted] SUBMITTED FOR PUBLICATION TO THE CONGRESSIONAL RECORD A STATEMENT ATTRIBUTED TO CRANSTON BUT WRITTEN BY AN LSL ATTORNEY THAT LATER ASSISTED LSL IN ITS LITIGATION WITH THE FHLBB. IN 4/87, CRANSTON AND THREE OTHER

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

TO FBI CINCINNATI/ROUTINE/

FBI DALLAS/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

FBI SPRINGFIELD/ROUTINE/

FBI WMFO/ROUTINE/

INFO DIRECTOR FBI/ROUTINE/

FBI PHOENIX/ROUTINE/

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UNCLAS

SECTION TWO OF THREE SECTIONS

CITE: //3410:0670//

PASS: FBIHQ [redacted] PUBLIC CORRUPTION UNIT. b6 b7C

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, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

SENATORS MET WITH [redacted] REGARDING LSL. IN 1987 THROUGH 1989, CRANSTON MADE SEVERAL TELEPHONE CALLS TO [redacted] URGING THE QUICK RESOLUTION OF THE FHLBB EXAMINATION OF LSL, AND LATER URGING SERIOUS CONSIDERATION OF A PROPOSED SALE OF LSL. CRANSTON ALSO ARRANGED AT LEAST ONE MEETING WITH WALL FOR KEATING. ALTHOUGH THERE IS NO PROOF THAT CRANSTON'S ASSISTANCE TO KEATING WAS GIVEN IN EXCHANGE FOR THE CONTRIBUTIONS SOLICITED FROM KEATING BY CRANSTON, ON FIVE OCCASIONS THE CONTRIBUTIONS WERE SOLICITED AND GIVEN CLOSE IN TIME TO THE SERVICES PROVIDED BY CRANSTON OR CRANSTON'S OFFICE.

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LACKING PROOF OF A DIRECT NEXUS BETWEEN CRANSTON'S SERVICES AND THE CONTRIBUTIONS, LOS ANGELES AUSA [redacted] AND DOJ ATTORNEY [redacted] HAVE REQUESTED THAT OTHER BUSINESSMEN WHO CONTRIBUTED SUBSTANTIAL SUMS SOLICITED

BY CRANSTON BE INTERVIEWED. A NUMBER OF MAJOR CRANSTON CONTRIBUTORS WERE SELECTED BASED ON SEVERAL FACTORS, INCLUDING THE SIZE OF THEIR CONTRIBUTIONS, CRANSTON'S PERSONAL INVOLVEMENT IN SOLICITING THE CONTRIBUTIONS, AND THE CONTRIBUTOR'S STATUS AS A BUSINESSMAN. IT IS NOT KNOWN WHETHER ANY OF THESE CONTRIBUTORS HAD LEGISLATIVE OR REGULATORY MATTERS PENDING WITH CRANSTON'S OFFICE. THE PURPOSE OF THESE INTERVIEWS IS TO DETERMINE WHETHER THESE INDIVIDUALS HAD REQUESTED ASSISTANCE FROM CRANSTON'S OFFICE, AND WHETHER CRANSTON HAD COERCED OR PRESSURED THE INDIVIDUALS INTO CONTRIBUTING IN ORDER TO OBTAIN SERVICES FROM HIS OFFICE. THUS, EACH OF THESE INDIVIDUALS SHOULD BE ASKED ABOUT THE CIRCUMSTANCES OF THEIR CONTRIBUTIONS, INCLUDING THE DETAILS OF THE SOLICITATIONS, WHETHER THEY HAD ANY DEALINGS WITH CRANSTON OR CRANSTON'S OFFICE ON SPECIFIC MATTERS, AND WHETHER THEY FELT COMPELLED OR PRESSURED TO CONTRIBUTE IN ORDER TO RECEIVE THE SERVICES FROM CRANSTON'S OFFICE.

RECEIVING DIVISIONS ARE REQUESTED TO REPORT RESULTS TO BOTH PHOENIX AND LOS ANGELES DIVISIONS.

LEADS, CINCINNATI AT CINCINNATI, OHIO: INTERVIEW [redacted] b6 b7C

[redacted] AMERICAN FINANCIAL CORPORATION, P.O. BOX 806, CINCINNATI, OHIO, 45201. [redacted] CONTRIBUTED $25,000 TO THE FORUM INSTITUTE, WHICH WAS RECEIVED ON 5/26/88. VIRTUALLY NO DOCUMENTATION OF THIS CONTRIBUTION COULD BE FOUND IN FORUM'S FILES, AND SO IT IS UNKNOWN WHETHER CRANSTON ACTUALLY SOLICITED THE CONTRIBUTION. BEFORE MOVING TO PHOENIX, KEATING WAS EMPLOYED BY [redacted] AND THEY APPARENTLY REMAINED BUSINESS FRIENDS.

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DALLAS AT FORT WORTH, TEXAS: INTERVIEW [redacted] FIRST CITY PROPERTIES, INC., 3200 FIRST CITY BANK TOWER, 201 MAIN STREET, FORT WORTH, TEXAS, POSSIBLE TELEPHONE NUMBER [redacted] CONTRIBUTED $150,000 TO USA VOTES APPARENTLY IN 1988. ACCORDING TO AN INTERNAL MEMO WRITTEN BY [redacted] $100,000 OF THE $150,000 WAS "VIA BENTSEN", PRESUMABLY U.S. SENATOR LLOYD BENTSEN OF TEXAS. IN EARLY 1989, [redacted] WAS APPARENTLY SOLICITED TO CONTRIBUTE $100,000 TO THE SOUTHWEST VOTER REGISTRATION PROJECT, ALTHOUGH [redacted] WAS REQUESTED TO SEND HIS CHECK TO CRANSTON OR TO MAKE IT PAYABLE TO USA VOTES. CRANSTON'S NOTES REFLECT THAT HE SPOKE WITH [redacted] ON 3/9/89, AND [redacted] STATED HE WAS FRUSTRATED BY THE LACK OF INFORMATION AND THAT HE WANTED A

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REPORT ON SOUTHWEST VOTER REGISTRATION PROJECT'S PAST ACCOMPLISHMENTS. IT IS UNCERTAIN WHETHER [redacted] EVER CONTRIBUTED THE $100,000 TO SOUTHWEST IN 1989. PER THE FAXES TO DALLAS, IT IS APPARENT THAT CRANSTON WAS INVOLVED IN [redacted] ACQUISITION FROM THE GOVERNMENT OF AMERICAN SAVINGS IN CALIFORNIA, ALTHOUGH IT IS UNCLEAR WHETHER CRANSTON ASSISTED [redacted] IN THIS TRANSACTION. b6 b7C

NEW YORK AT NEW YORK CITY: INTERVIEW [redacted] JENNISON ASSOCIATES CAPITAL CORPORATION, 466 LEXINGTON AVENUE, NEW YORK, NEW YORK, TELEPHONE [redacted] RECORDS SHOW [redacted] CONTRIBUTED $25,000 TO THE FORUM INSTITUTE WHICH WAS RECEIVED ON 11/29/87, AND AN ADDITIONAL $25,000 TO FORUM INSTITUTE RECEIVED ON 3/18/88. [redacted] ALSO CONTRIBUTED $10,000 TO USA VOTES IN 1987 AND 1988. CRANSTON'S NOTES SHOW THAT ON 4/13/89, CRANSTON REQUESTED THAT [redacted] CONTRIBUTE AN ADDITIONAL $25,000 TO FORUM INSTITUTE AND $5,000 TO USA VOTES. RECORDS ALSO SHOW THAT USA VOTES FUND RAISER [redacted] CONTACTED HOBBS IN 4/88. b6 b7C

NEW YORK AT NEW YORK CITY: INTERVIEW [redacted] GOLDMAN, SACHS AND COMPANY, 85 BROAD STREET, 27TH

FLOOR, NEW YORK, NEW YORK, TELEPHONE [redacted] RECORDS b6 b7C

SHOW THAT CRANSTON MET WITH [redacted] AT [redacted] OFFICE AT 10:30 A.M. ON 2/29/88, POSSIBLY ACCOMPANIED BY [redacted] AND [redacted] PER THE FAXES TO NEW YORK, [redacted] APPARENTLY PLEDGED TO CONTRIBUTE $100,000 BY 4/1/88. RECORDS SHOW [redacted] TELEPHONED [redacted] ON APPROXIMATELY 4/13/88, AND THAT FORUM INSTITUTE RECEIVED $100,000 FROM [redacted] ON 5/3/88, RESULTING IN CRANSTON'S THANK YOU LETTER DATED 5/9/88.

SAN FRANCISCO AT TIBURON, CALIFORNIA: INTERVIEW [redacted] b6 b7C

[redacted] TIBURON, CALIFORNIA, 94920. [redacted] CONTRIBUTED $25,000 TO CPD ON A CHECK DATED 9/7/88 DRAWN ON THE ACCOUNT OF [redacted] CHARITABLE TRUST AT THE SAN RAFAEL MAIN OFFICE OF BANK OF AMERICA. [redacted] CHARITABLE TRUST CONTRIBUTED AN ADDITIONAL $15,000 TO CPD, WHICH WAS RECEIVED ON 3/14/89.

SAN FRANCISCO AT SAN FRANCISCO, CALIFORNIA: INTERVIEW

[redacted] SWIG FOUNDATION, FAIRMONT HOTEL, SAN FRANCISCO, b6 b7C

CALIFORNIA, TELEPHONE [redacted] RECORDS SHOW THE SWIG

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

TO FBI CINCINNATI/ROUTINE/

FBI DALLAS/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

FBI SPRINGFIELD/ROUTINE/

FBI WMFO/ROUTINE/

INFO DIRECTOR FBI/ROUTINE/

FBI PHOENIX/ROUTINE/

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UNCLAS

SECTION THREE OF THREE SECTIONS

CITE: //3410:0670//

PASS: FBIHQ [redacted] PUBLIC CORRUPTION UNIT. b6 b7C

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, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

FOUNDATION CONTRIBUTED $50,000 TO THE FORUM INSTITUTE IN 1986, POSSIBLY FOLLOWING A MEETING OF [redacted] AND SENATOR JAY ROCKEFELLER IN 9/86. RECORDS SHOW THAT THE SWIG FOUNDATION CONTRIBUTED $25,000 TO THE FORUM INSTITUTE WHICH WAS RECEIVED ON 9/27/87, AND AN ADDITIONAL $25,000 TO CPD RECEIVED ON 5/12/88. ALAN CRANSTON [redacted] WROTE [redacted] SEPARATE THANK YOU LETTERS DATED 11/13/87, 6/1/88, AND 6/2/88. [redacted] HOSTED A FUND RAISING EVENT FOR CRANSTON'S CAMPAIGN IN 9/86, WHICH RAISED $10,000.

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SPRINGFIELD AT DECATUR, ILLINOIS: INTERVIEW [redacted] ARCHER DANIELS MIDLAND CO., 4868 FARIES PARKWAY, DECATUR, ILLINOIS, TELEPHONE [redacted] ARCHER DANIELS MIDLAND (ADM) CONTRIBUTED $50,000 TO THE MISSING HALF THROUGH AMERICAVOTES IN 1986. RECORDS SHOW ADM CONTRIBUTED A TOTAL OF $200,000 TO THE FORUM INSTITUTE AS FOLLOWS: $50,000 ON

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5/3/88, $50,000 ON 5/11/88, AND $100,000 ON 9/26/88. A CRYPTIC NOTE ON AN INTERNAL LIST OF FORUM CONTRIBUTORS STATES IN REFERENCE TO THE ADM CONTRIBUTIONS TO FORUM "3RD FROM [redacted] IDENTITY IS UNKNOWN TO LOS ANGELES DIVISION. RECORDS SHOW CRANSTON SENT [redacted] A THANK YOU LETTER DATED 5/4/88. IT HAS BEEN WIDELY REPORTED IN THE MEDIA THAT ADM HAS BEEN POLITICALLY ACTIVE PROMOTING ETHANOL AS AN ADDITIVE TO GASOLINE. ADM PRODUCES APPROXIMATELY 70% OF DOMESTIC ETHANOL. IN 1990, ADM AND OTHERS SUCCEEDED IN OBTAINING AMENDMENTS TO THE CLEAN AIR ACT AND THE INTERNAL REVENUE CODE THAT PROMOTED THE USE OF ETHANOL. IT IS UNKNOWN WHETHER CRANSTON OR CRANSTON'S OFFICE ASSISTED ADM IN THESE OR ANY OTHER LEGISLATIVE OR REGULATORY MATTERS.

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WMFO AT WASHINGTON, D.C.: INTERVIEW [redacted] THE KAEMPFER COMPANY, 1250 24TH STREET, NORTHWEST, SUITE 300, WASHINGTON, D.C. [redacted] IS MENTIONED IN [redacted] MEMORANDUM FAXED TO WMFO AS SOMEONE WHO HAD BEEN HELPFUL TO CRANSTON AND WHO EXPECTED ASSISTANCE IN OBTAINING AN EXEMPTION FOR A BUILDING HE WAS CONSTRUCTING IN ROSLYN FROM HEIGHT RESTRICTIONS THAT WAS IN A BILL CRANSTON HAD INTRODUCED. IN

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9/86, [redacted] HOSTED A FUND RAISING EVENT AT HIS HOME IN WHICH APPROXIMATELY $200,000 WAS RAISED FOR CRANSTON'S 1986 CAMPAIGN, AND OF WHICH APPROXIMATELY $20,000 WAS RAISED BY [redacted] HIMSELF. [redacted] WAS ALSO THE LANDLORD FOR CDC'S OFFICES AT 1250 24TH STREET, NORTHWEST, SUITE 300, WASHINGTON, D.C. (SAME ADDRESS AS [redacted], AND [redacted] FREQUENTLY ALLOWED CDC'S $500 PER MONTH RENT TO GO UNPAID. FOR EXAMPLE, FEDERAL ELECTION COMMISSION RECORDS SHOW THAT CDC PAID THE KAEMPFER COMPANY $5,000 OF RENTS IN ARREARS ON 3/15/88, AND KAEMPFER CONTRIBUTED $5,000 TO CDC ON 4/4/88. ACCORDING TO [redacted] ATTORNEY [redacted] DID NOT RECEIVE THE RELIEF HE HAD REQUESTED FROM CRANSTON IN CONNECTION WITH HIS ROSLYN BUILDING.

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FM FBI DALLAS (58C-PX-41605) (FWRA) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3190:4840 //

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATOR ALAN CRANSTON; ET AL; CFPO-L; OO: PHOENIX/LOS ANGELES.

RE LOS ANGELES TELETYPE TO DALLAS, ET AL, 8/15/91.

ON 8/16/91, [redacted] b6 b7C

[redacted] FT. WORTH, TEXAS, ADVISED HE HAD SPOKEN WITH [redacted] WHO IS CURRENTLY IN MAINE.

[redacted] INDICATED HE WOULD WILLINGLY FURNISH ALL DETAILS REGARDING THIS MATTER BUT NECESSARY RECORDS AND DOCUMENTS TO

[redacted]

58C-PX-41605-7 b6 b7C

ARCHED INDEXED

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AUG 16 19

FBI — PHOENIX

REFRESH HIS MEMORY AND PROVIDE DETAILS ARE IN FT. WORTH. [redacted] b6 b7C

WILL RETURN TO FT. WORTH 8/26/91, AND AN FBI INTERVIEW IS

SCHEDULED WITH HIM FOR 8/27/91.

BT

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FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
X ☐ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 8/19/91

TO : SAC, LOS ANGELES (58C-PX-41605)(WCC4/SARA)(P)

FROM : SAC, WMFO (58C-PX-41605)(C-9/NVMRA)(P)

ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DE CONCINI,
JOHN GLENN, JOHN MC CAIN, 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: PX/LA

Re LA 6/12/91 tel to WMFO and WMFO facsimile to LA on 7/3/91.

Enclosed for Los Angeles are the original and two copies of the FD-302 of [redacted] and a 1A envelope containing related interview notes. b6 b7C

Enclosed for Phoenix are two copies of the FD-302 of the [redacted] FD-302 (for information).

This matter remains pending at WMFO.

3-Los Angeles (encls. 4)
2-Phoenix (encls. 2)
1-WMFO
REA:rea
(6)

58C-PX-41605-12

SEARCHED ..... INDEXED
SERIALIZED ..... FILED
AUG 26 1991
[redacted] PHOENIX

4 copy of enclosure.

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FD-302 (Rev. 3-10-82)

[redacted] b6 b7C

Dubc 100

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/3/91

[redacted] residence [redacted] b6 b7C
[redacted] Falls Church, Virginia, residence telephone [redacted] date of birth [redacted] was interviewed in the law offices of Perkins Coie, 607 Fourteenth Street, N.W., Suite 800, Washington D.C., where she was accompanied by attorney [redacted] telephone number [redacted] was advised of the official identities of the interviewing Special Agents, and that the interview concerned fund raising for United States Senator DONALD RIEGLE, particularly matters relating to CHARLES KEATING. [redacted] then furnished the following information:

When asked about the opening of the Pontchartrain Hotel, at Detroit, Michigan, on March 1, 1986, [redacted] b6 b7C stated that she was aware that Senator RIEGLE attended the hotel's opening. She did not know whether RIELGE staffer [redacted] attended.

[redacted] b6 b7C association with RIEGLE began when she worked on his 1982 re-election. When he won, he brought her to his Senate staff. She worked [redacted] for a number of years, and began to assume some of the fund raising responsibility. [redacted]

[redacted]

CHARLES KEATING became known to [redacted] in January, 1987. [redacted]

[redacted]

Investigation on 7/1/91 at Washington, D.C. File # 58C-PX-41605 Subc-100

SA's [redacted] b6 b7C

by [redacted] Date dictated 7/3/91

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.

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[redacted] did not know who offered to conduct the fund raiser. She did not have any reason to believe that it was solicited by RIEGLE or someone associated with him. Most people who held fund raisers volunteered to conduct them.

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[redacted] The standard process for identifying the date for such an event began with the staff's filling out a form, which listed the host, where it was to be held, dates that were convenient for the host and a target goal of money to be raised. [redacted] would look at the information and submit to [redacted] number of possible days for the event. [redacted] would contact the host, and a date was decided. [redacted] then submitted another form to [redacted] with this information. [redacted] believes that the originals of the forms related to the Hotel Pontchartrain event were submitted to the Senate Ethics Committee, as was the entire file that she kept.

In making arrangements for the Hotel Pontchartrain fund raiser, for coordination with American Continental, [redacted] worked primarily with [redacted] was not available, [redacted] would deal with [redacted] CHARLES KEATING. [redacted] would pass on information, as needed. [redacted] never dealt directly with KEATING regarding arrangements for the fund raiser.

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When asked what events stood out in her mind regarding these matters in the January-March, 1987 time period, [redacted] cited [redacted] a trip by RIEGLE to Phoenix, Arizona, [redacted]. RIEGLE was going to Phoenix for an unrelated, previously scheduled event, a New England Life honorarium. They scheduled a "stop by" around March 6, 7 or 10, at American Continental, since it was based in Phoenix and they were planning the March, 1987 fund raiser in Detroit. [redacted] asked [redacted] to plan the American Continental visit. [redacted] did not accompany RIEGLE on the trip, but [redacted] did. It appeared at the time to be a routine visit.

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[redacted] shipped lists of contributors' names to American Continental. Because the event was to be held in Michigan, the lists included names of previous donors, whom they hoped would attend. RIEGLE's office also furnished names of people to be "comped," being persons like public officials who would attend without paying. [redacted] assumed that the people

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whose names were furnished would be sent invitations. She thought that [redacted] wanted to know whom RIEGLE's office wanted invited.

[redacted] was involved in the preparation and submission of FEC (Federal Election Commission) reports regarding the contributions in question.

When asked whether information about the contributions put her on notice that the majority of the money came from people associated with CHARLES KEATING, and not from Michigan, [redacted] stated, "I was not alarmed by that." She stated that she had been doing fund raisers "for years," and when people agree to do a fund raiser, the first people that they go to for contributions are their employees and families. She added, "The only reason that any money came from Michigan was that the event was in Michigan."

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When asked how many times she had met with KEATING, [redacted] said one time, that she shook his hand, but did not "sit down in a room with him." The one meeting occurred when KEATING was waiting to see Senator RIEGLE, in the reception area of RIEGLE's office, and the receptionist called [redacted] to "chat" with him because she knew that [redacted] was working on the fund raiser. [redacted] introduced herself, saying something to the effect of, "I'm working with [redacted] We appreciate what you're doing. I'm here to help in any way that I can."

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All of [redacted] meetings with KEATING and [redacted] occurred at the Senate office. She did not attend the fund raiser at the Hotel Pontchartrain. She was "sort of a conduit between [redacted] or the Senator."

When [redacted] was out of town, [redacted] would drop off documents with [redacted] invited her out "for drinks," which she assumed were social invitations, and which she turned down. He also encouraged her to have dinner with him.

When asked whether they ever had any "closed door" meetings, [redacted] said that the closest thing would have been when he came into her office. [redacted] pointed out that she was not involved in legislative activities at all, and she never discussed items of substance, besides the fund raiser, with KEATING or [redacted] During telephone calls, [redacted] would

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occasionally start an explanation of some tangent, a topic not in her area, and she would "cut off" the topic. She stated that, if [redacted] had said anything of a substantive nature, she would have immediately referred him "to [redacted]." She was not in a position where she could have helped him.

[redacted] did not recall any discussions with anyone from American Continental, other than [redacted] or occasionally [redacted] when [redacted] was not available.

Neither [redacted] nor anyone else at American Continental or Lincoln Savings and Loan (LSL) ever discussed problems of LSL with [redacted] or asked her for assistance regarding such matters. She did not obtain knowledge of LSL's problems until she learned about them through the media. b6 b7C

[redacted] did not attend a meeting between CHARLES KEATING and DONALD RIEGLE on January 28, 1987. She probably learned about it "right after it occurred." Documents in the file would show when she requested dates for the fund raising event. [redacted] has no additional knowledge about the meeting at which the fund raiser was discussed.

When asked when, if ever, she became aware of any request by LSL for RIEGLE's assistance with the Federal Home Loan Bank Board (FHLBB), [redacted] stated that she "knew [redacted] was working on some of their requests," but she did not know what they were. She later learned things about such matters from the media. [redacted] was not present during the January 28, 1987 meeting and did not personally work on anything on behalf of KEATING, LSL or American Continental, except the Michigan fund raiser. b6 b7C

When asked how much of the approximately $95,000 raised at the Hotel Pontchartrain event came from family, associates and employees of CHARLES KEATING, [redacted] stated, "I just knew it was a good amount. Again, it didn't concern me. I had seen larger amounts contributed by family and employees. It didn't stand out." She stated that, if she had known that there were requests for action going on, "it might have concerned me." [redacted] repeated that she did not have a legislative function. When asked again about what part of the contributions came from affiliates of American Continental, [redacted] said that she would guess "a good sum" or "the bulk" of the contributions. b6 b7C

When asked whether she ever discussed the source of these funds with Senator RIEGLE, [redacted] or anyone else, [redacted] stated that "Some of the money was handed to me by the Senator." This would have been "money he would've received at the Pontchartrain." Thus, she assumed that he knew, but she does not know how much it was or the per cent of the total. [redacted] stated that "The checks indicated on the March 23 or 24 FEC report are most likely the ones RIEGLE brought back." She stated that the FEC report would also include any checks received that day in the mail.

[redacted] was asked what procedure was used for the preparation of FEC reports including the Pontchartrain contributions. She stated that, since it was not an election year, the report would not have been due until July 31. In determining contributors' employers, some checks would have a business card, or give the information on the response card. [redacted] provided a brochure with a list of holdings and affiliates.

[redacted] typed a list and sent it to [redacted] and asked her to fill in the missing information in the blanks.

A company named Public Office Corporation maintains records of contributions for RIEGLE's office. All checks are copied and sent to Public Office Corporation, to their computer person, who adds them into the system. Just before the FEC report is due, [redacted] point of contact, [redacted] (last name not recalled) sends a printout to [redacted] who identifies "holes" regarding information and identifies contributions with particular events. She calls the host and gets other missing information.

When asked whether [redacted] ever commented regarding any apparent problems, [redacted] said that she would occasionally note if a person was "over the limit." [redacted] would send a letter to the individual, requesting permission to put the excess funds (above the amount allowed for the primary election) toward the general election. The limit is $1,000 for the primary, and $1,000 for the general election. In the KEATING situation, the information was designated on most checks.

In preparing the FEC reports, [redacted] handled all receipts, and [redacted] (phonetic) handled disbursements.

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[redacted] did not review the FEC reports, but could be consulted in their preparation. They are not required to be signed by the Senator, but are signed by the campaign treasurer. [redacted] does not know whether Senator RIEGLE saw the FEC reports. She stated, "We didn't submit them to him."

[redacted] knew that KEATING had raised money for other members of Congress. She said, "If I had been instructed to not accept money from employees and people associated with hosts, I would have probably had to turn back 75% of the money given. It was common in our organization, and I assumed it was in most. It was just routine."

The time when [redacted] met KEATING in RIEGLE's reception area was after the January meeting and before the Detroit fund raiser. She does not know why KEATING was there. Most hosts would meet with the Senator before the event if they were in Washington for other events. Thus, KEATING's visit was not unusual.

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[redacted] had no contact with [redacted] during the 1987-1988 period, first meeting her in 1989, at the Democratic Senate Campaign Committee. [redacted] has never spoken to [redacted] about any impropriety by CHARLES KEATING or his associates.

[redacted] has never met or spoken with [redacted]

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[redacted] was asked whether she had ever spoken with any staff member or other representative of Senators DECONCINI, MC CAIN, or GLENN regarding KEATING, American Continental or LSL. She stated that she talked with [redacted] regarding the logistics of RIEGLE's Phoenix trip. [redacted] was picking up Senator RIEGLE. Because of a note in file, [redacted] thinks that she called [redacted] calling Senator MC CAIN's office to set up a meeting with RIEGLE. However, without the note, she does not recall the reason for the call.

[redacted] was not aware of any problems relating to CHARLES KEATING until she read about things in the newspaper.

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[redacted] knew that [redacted] was in and out a lot, trying to see [redacted], in the first half of 1987. She did not hear the subject matter discussed in these visits. For the

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first couple of months, she assumed that it had to do with the fund raiser. She does not recall being aware of any problems.

[redacted] was not aware of any function by Senator RIEGLE in arranging an April 2, 1987 meeting among [redacted] and several Senators, nor a related meeting on April 9, 1987.

[redacted] answered in the negative when asked about knowledge of any efforts to assist KEATING or his interests in relation to the Internal Revenue Service's "qualified lender test" or the FHLBB's regulation of "direct investments."

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ZNR UUUUU

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3190:4840 //

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATOR ALAN CRANSTON; ET AL; CFPO - L; OO: PHOENIX/LOS ANGELES.

RE DALLAS TELETYPE TO DIRECTOR 8/17/91.

ON 8/22/91, [redacted] FORT WORTH, TEXAS, ADVISED [redacted] HAD CALLED AND REQUESTED INTERVIEW DATE BE CHANGED TO 9/5/91, BECAUSE OF [redacted] ONE WEEK DELAY IN RETURNING TO FORT WORTH.

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UAC, INTERVIEW WITH [redacted] WILL BE CONDUCTED ON

58C-PX-41605-73

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
AUG 23 19[illegible]
[illegible] - PHOENIX

Bumpers

PAGE TWO DE FBIDL 0004 UNCLAS

9/5/91 AT FORT WORTH DUE TO NECESSITY HE REFER TO DOCUMENTS IN FORT WORTH.

BT

#0004

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0009 MRI 01539

RR FBILA FBIPX

DE FBICI #0012 2382222

ZNR UUUUU

R 262138Z AUG 91

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

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

FBI PHOENIX (58C-PX-41605)/ROUTINE/

BT

UNCLAS

CITE: //3160//

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON, ET AL. CORRUPTION OF FEDERAL PUBLIC OFFICES-LEGISLATIVE.

OO:PHOENIX/LOS ANGELES.

RE LOS ANGELES TELETYPE TO BUREAU, AUGUST 15, 1991.

FBI CINCINNATI HAS MADE A REQUEST TO INTERVIEW [redacted] AMERICAN FINANCIAL CORPORATION, CINCINNATI, OHIO, CONCERNING THE EXTENT AND NATURE OF HIS INVOLVEMENT WITH U. S. SENATOR ALAN CRANSTON AND CRANSTON'S STAFF. GENERAL COUNSEL FOR AMERICAN FINANCIAL

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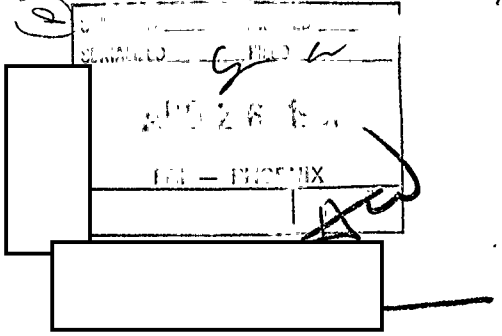
58C-PX-41605-74



PAGE TWO DE FBICI 0012 UNCLAS

CORPORATION, HAS ADVISED THAT RESEARCH OF THIS MATTER SHOULD BE COMPLETED WITHIN THE NEXT TWO WEEKS AND THAT [redacted] WOULD CONSIDER GRANTING SUCH AN INTERVIEW AT THAT TIME. b6 b7C

THE ABOVE IS BEING SUBMITTED FOR THE INFORMATION OF RECEIVING OFFICES.

BT

#0012

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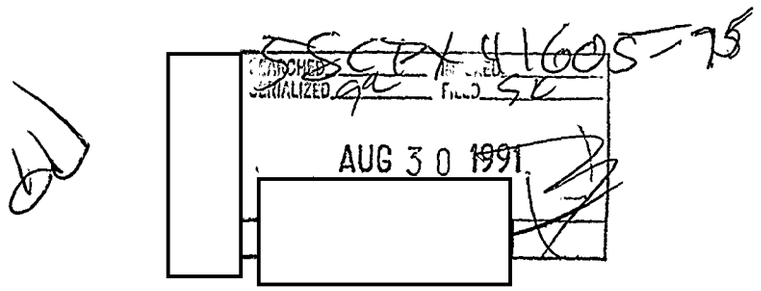

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COVERSHEET
FBI FACSIMILE
LOS ANGELES DIVISION
SANTA ANA RA

PRECEDENCE

- ○ IMMEDIATE
- ○ PRIORITY
- ☒ ROUTINE

CLASSIFICATION

- ○ TOP SECRET
- ○ SECRET
- ○ CONFIDENTIAL
- ○ SENSITIVE
- ☒ UNCLASSIFIED

TIME TRANSMITTED _____

SENDER'S INITIALS _____

NUMBER OF PAGES 3

TO: SAC, PHOENIX (58C-PX-41605) DATE: 8/29/91

FACSIMILE NUMBER: _____

ATTN: SA [redacted]

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

SUBJECT: ALAN CRANSTON, et al

SPECIAL HANDLING INSTRUCTIONS: SE HAND CARRY TO

ORIGINATOR'S NAME: SA [redacted]

ORIGINATOR'S FACIMILE NUMBER: (714) 542-8825

APPROVED: _____

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
- [x] Teletype
- [x] Facsimile
- [ ] _____

PRECEDENCE:
- [ ] Immediate
- [ ] Priority
- [x] Routine

CLASSIFICATION:
- [ ] TOP SECRET
- [ ] SECRET
- [ ] CONFIDENTIAL
- [ ] UNCLAS E F T O
- [x] UNCLAS

Date 8/29/91

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

TO FBI SACRAMENTO/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

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, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE SANTA ANA SA [redacted] TELCALL TO SACRAMENTO SRA [redacted] ON 8/28/91.

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AS DISCUSSED IN REFERENCED TELCALL, LOS ANGELES SA'S [redacted] [redacted] INTEND TO TRAVEL TO MODESTO,

JAJ/clm

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

CALIFORNIA, ON 8/30/91, FOR THE PURPOSE OF CONDUCTING AN INTERVIEW IN CAPTIONED MATTER. PLANNED INTERVIEW IS OF ERNEST GALLO, E AND J GALLO WINERY, 600 YOSEMITE BOULEVARD, MODESTO, CALIFORNIA. GALLO WILL BE INTERVIEWED IN CONNECTION WITH THE $300,000 THAT HE CONTRIBUTED IN 1987-89 TO VOTER REGISTRATION GROUPS AFFILIATED WITH SENATOR ALAN CRANSTON. b6 b7C

SACRAMENTO SA [redacted] WILL ASSIST IN THE INTERVIEW.

SAC SACRAMENTO AND SAC LOS ANGELES CONCUR WITH PROPOSED TRAVEL.

BT

/READ /REF 6
0035 MRI 01911

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DE FBICI #0010 2412125

ZNY EEEEE

R 292105Z AUG 91

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

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

FBI PHOENIX (58C-PX-41605)/ROUTINE/

BT

UNCLAS E F T O CLR

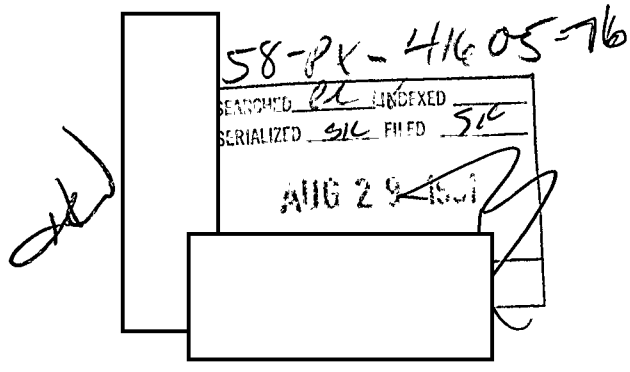
CITE: //3160//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON; ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE.

OO: PHOENIX/LOS ANGELES.

RE LOS ANGELES TELETYPE TO CINCINNATI DATED AUGUST 15, 1991, AND CINCINNATI TELETYPE TO LOS ANGELES DATED AUGUST 26, 1991.

ON AUGUST 26, 1991, [redacted] b6 b7C AMERICAN FINANCIAL CORPORATION, PROVIDENT TOWER, 1 EAST FOURTH STREET, CINCINNATI, OHIO 45202, WAS CONTACTED PURSUANT TO



REFERENCED LOS ANGELES TELETYPE TO CINCINNATI, AUGUST 15, 1991.

LINDNER ADVISED THAT HE HAS KNOWN U.S. SENATOR ALAN CRANSTON CASUALLY FOR MANY YEARS BASED UPON PASSING CONTACTS AT VARIOUS PUBLIC AND SEMI-PUBLIC FUNCTIONS. HE INDICATED THAT THEY NEITHER WERE NOR ARE PERSONAL FRIENDS.

HE ADVISED THAT NEITHER HE NOR TO HIS KNOWLEDGE HIS STAFF HAS EVER HAD OCCASION TO CONTACT CRANSTON OR HIS STAFF WITH REGARD TO ANY LEGISLATIVE OR REGULATORY MATTERS RELATED TO AMERICAN FINANCIAL CORPORATION.

NEITHER CRANSTON NOR HIS STAFF HAVE EVER PRESSURED OR OTHERWISE ATTEMPTED TO COERCE [redacted] OR AMERICAN FINANCIAL CORPORATION TO MAKE POLITICAL CONTRIBUTIONS. b6 b7C

[redacted] ACKNOWLEDGED THAT AMERICAN FINANCIAL CORPORATION MADE A $25,000.00 CONTRIBUTION BY CHECK TO THE FORUM INSTITUTE ON OR ABOUT MAY 26, 1988. THIS CONTRIBUTION IS CONSIDERED BY [redacted] TO BE A SOFT MONEY POLITICAL CONTRIBUTION INASMUCH AS IT WAS HIS UNDERSTANDING THAT THE MONEY WOULD BE UTILIZED FOR "GET OUT THE VOTE" OR VOTER REGISTRATION OBJECTIVES. HE UNDERSTOOD THAT THE FORUM INSTITUTE WAS ASSOCIATED WITH CRANSTON IN SOME UNRECALLED AND UNSPECIFIED WAY. HE RECALLS

OBTAINING THIS INFORMATION ABOUT AND THE SOLICITATION TO CONTRIBUTE TO THE FORUM INSTITUTE FROM AN UNRECALLED FEMALE ASSOCIATE OF CRANSTON.

[redacted] ADVISED THAT HE WAS UNFAMILIAR WITH THE NAMES [redacted] b6 b7C

[redacted] COMMENTED THAT HE AND/OR AMERICAN FINANCIAL CORPORATION RECEIVE APPROXIMATELY 10 TO 15 SOLICITATIONS PER DAY FOR CONTRIBUTIONS AND DONATIONS.

[redacted] INITIALLY ALLUDED TO THE EXISTENCE OF A FILE AT b6 b7C AFC WHICH CONTAINED INFORMATION CONCERNING POLITICAL CONTRIBUTIONS MADE BY AFC AND/OR [redacted] WHEN [redacted] WAS IMMEDIATELY ADVISED BY THE AFC [redacted] THAT EFFORTS TO LOCATE SUCH A FILE HAD NOT BEEN SUCCESSFUL, [redacted] RESPONDED THAT THE ONLY RECORD FOR SUCH CONTRIBUTIONS MAY BE THE CANCELLED CHECKS. [redacted] AUTHORIZED EVANS TO PROVIDE TO THE b6 b7C FBI A COPY OF THE CANCELLED CHECK MADE PAYABLE TO THE FORUM INSTITUTE DESCRIBED ABOVE.

[redacted] ADAMANTLY DENIED THAT THERE WAS ANY CONNECTION BETWEEN CHARLES H. KEATING, JR. AND THE ABOVE DESCRIBED

PAGE FOUR DE FBICI 0010 UNCLAS E F T O

CONTRIBUTION TO THE FORUM INSTITUTE.

UPON RECEIPT, A COPY OF THIS CHECK WILL BE FORWARDED TO LOS ANGELES AND PHOENIX.

AIRTEL AND FD-302 TO FOLLOW.

BT

#0010

NNNN

FD-36 (Rev. 11-17-88)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 9/12/91

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

FROM : SAC, SPRINGFIELD (58C-PX-41605) (RUC)

SUBJECT : ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS DECONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., dba Lincoln
Savings and Loan Association, Irvine, California,
and American Continental Corporation,
Phoenix, Arizona
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE
OO: PX/LA

Re LA tel, 8/15/91, and SI telcals of SA [redacted] Decatur, IL RA, to LA SA [redacted] b6 b7C

Enclosed for Los Angeles are two copies of an FD-302 reflecting interview of [redacted] ARCHER DANIELS MIDLAND COMPANY, Decatur, Illinois; two copies of an insert regarding information furnished by [redacted] and one FD-340 containing computer printouts reflecting disbursements by ADM. b6 b7C

Enclosed for Phoenix are two copies of an FD-302 reflecting interview of [redacted] described above; the original and two copies of an insert regarding information furnished by [redacted] and one FD-340 containing computer printouts reflecting disbursements by ADM. b6 b7C

2 - Los Angeles (58C-PX-41605) (Encls. 5)
(2) - Phoenix (58C-PX-41605) (Encls. 6)
1 - Springfield (58C-PX-41605)

BDS/ksy
(5)

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58C-PX-41605-77

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
SEP 18 1991
FBI - PHOENIX

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

58C-PX-41605-78

SEARCHED _____ INDEXED _____
SERIALIZED SIC FILED SIC

SEP 18 1991

FBI — PHOENIX

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/12/91

[redacted] ARCHER DANIELS MIDLAND COMPANY (ADM), 4666 Faries Parkway, telephone [redacted] was interviewed regarding his knowledge of contributions made to any of the following entities: AMERICAVOTES, USA VOTES, FORUM INSTITUTE, or the CITIZENS PARTICIPATION PROJECT: THE MISSING HALF, also the nature of any contacts between he and United States Senator ALAN CRANSTON. [redacted] was aware of the identity of the interviewing Agent and was advised of the nature of the interview. [redacted] furnished the following information:

[redacted] advised that the initial contribution/donation of $50,000 was made in response to a request by an unknown individual or individuals at attendance in a meeting of a group of democrats in Washington, D.C., in 1986. [redacted] advised that he made an equal contribution to the republicans in 1986. [redacted] said that he had difficulty in recalling specifically who made the request because he is constantly asked by various people to make contributions to a variety of organizations. [redacted] did recall that the purpose of this donation/contribution was to assist in voter registration.

[redacted] said that after making the initial donation/ contribution, he continued to make annual contributions/donations, as he felt that the purpose of the organization was beneficial in assisting in voter registration.

[redacted] said that he has had no personal contact with any particular individual for soliciting the contributions, and that the administrative part of issuing the checks and following up on the contributions/donations are delegated to [redacted]

Regarding United States Senator ALAN CRANSTON, [redacted] said that he is acquainted with CRANSTON, but has absolutely no relationship with any United States senator. [redacted] was shown a photocopy of a letter, dated May 4, 1988, and signed by ALAN CRANSTON, and [redacted] said that he had an accidental meeting with CRANSTON on one occasion, while in the subway between other parts of Washington, D.C., and Capitol Hill, and that he and CRANSTON went to CRANSTON's

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Investigation on 9/3/91 at Decatur, Illinois File # SI 58C-PX-41605

by SA [redacted] /ksy Date dictated 9/5/91

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office and at that time, CRANSTON asked him [redacted] if he could assist in expediting the release of two Jewish people from the Union of Soviet Socialist Republics (USSR). [redacted] said that he met with CRANSTON in his outer office on that occasion. [redacted] said that as a result of CRANSTON's request, [redacted] sent some material that he had at his office of the USSR Trade and Economic Council regarding the Soviet Union. [redacted] advised that the above-described occasion was the only time he personally met with CRANSTON outside of group meetings with him while in Washington. b6 b7C

Regarding the contributions/donations, [redacted] explained again that after making the initial contribution/ donation, he had the organizations reviewed by ADM attorneys, who told him that the organizations were legitimate and thereafter, [redacted] decided to contribute on an annual basis.

58C-PX-41605-79

SEARCHED _____ INDEXED _____
SERIALIZED _____ FILED _____
SEP 18 1991
FBI

SI 58C-PX-41605
BDS/ksy
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The following investigation was conducted by Special Agent (SA) [redacted] at Decatur, Illinois:

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On August 22, 1991, [redacted] ARCHER DANIELS MIDLAND COMPANY (ADM), 4666 Faries Parkway, advised that he assists in the administrative process of making contributions as authorized by [redacted] said that he recalled the organization AMERICAVOTES and thought it was associated with the White House and was supported by President REAGAN.

[redacted] explained that all contributions made are maintained on the ADM computer files. [redacted] attempted to find the contribution to AMERICAVOTES in 1986, but was unable to. [redacted] was furnished with the names AMERICAVOTES, VOTE AMERICA, the CITIZENS PARTICIPATION PROJECT: THE MISSING HALF, and USA VOTES. [redacted] advised that he would search the computer for entries made regarding these organizations.

On August 28, 1991, SA [redacted] received a computer printout regarding donations made by ADM via United States mail from [redacted]

original sent to HQ 8/5/95

58C-PX-41605-80

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SEP 26 1991

FBI — PHOENIX

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/12/91

[redacted] white male, born [redacted] was interviewed at the BASS SECURITY OFFICE at 6000 Western Place, Suite 475. [redacted] advised that his main office is 201 Main Street, Fort Worth, Texas. b6 b7C

[redacted] who was interviewed in the presence of his attorney [redacted] telephone [redacted] was advised of the identity of the interviewing agents and that he was being contacted in regards to an investigation of Senator ALAN CRANSTON and matters relating to contributions and actions by Senator CRANSTON and others.

[redacted] advised that many people [redacted] have been involved with the purchase of AMERICAN SAVINGS (AS) in California but that the two primary persons involved were [redacted] who was actually the lead man in the AS transaction and [redacted] of the firm WILLIAM AND JENSON, Washington, D.C. Besides these two, [redacted] himself was actively involved in arranging the purchase of AS. b6 b7C

[redacted] explained in the midst of the AS transaction he paid courtesy calls on two or three occasions with Senator [redacted] and other representatives in Washington who were connected with or members of the banking committee. He had a few telephone calls with Senator CRANSTON and also engaged in written communications with him, mainly with the emphasis of keeping Senator CRANSTON informed of the status of the negotiations. Some of these letters went out under [redacted] signature but were compiled and written by others on his staff. [redacted] primarily dealt with Senator CRANSTON but members of [redacted] staff dealt with other members of Senator CRANSTON's staff, the full details and extent of which is unknown. b6 b7C

[redacted] recalled that Senator CRANSTON expressed "extreme pleasure" that [redacted] was interested in this purchase, but Senator CRANSTON never promised anything specific, rather expressing an interest in the well being of the employees of AS. Senator CRANSTON was interested in [redacted] pledge to keep the 2,000 AS employees on the payroll in Stockton, California. Senator

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Investigation on 9/11/91 at Fort Worth, Texas File # 58C-PX-41605-80

by SA [redacted] SA [redacted] smf Date dictated 9/11/91 b6 b7C

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CRANSTON never mentioned speaking with anyone on their behalf during his contacts with Senator CRANSTON or during this transaction. Senator CRANSTON's focus was mainly inquiring as to how [redacted] was doing on putting the deal together. It was obvious Senator CRANSTON wanted to be knowledgeable of the situation.

[redacted] is aware of nothing Senator CRANSTON did to facilitate that transactions and specifically knows of no discussions CRANSTON may have had with the Federal Home Loan Bank Board (FHLBB) or anyone else, in any effort to help them. [redacted] said that he is unsure, in that he does not really know, whether he actually needed Senator CRANSTON's help or not in order to finalize his purchase. He knows that he did not ask Senator CRANSTON to do anything for them but he admitted he can not answer the question of whether anyone on his staff may have asked CRANSTON or anyone on his staff to assist them. In any case he does not know of any such request.

Senator CRANSTON did not solicit any contributions for anything and specifically not for any committee or any campaign. No one asked him on Senator CRANSTON's behalf to contribute to anything. There was no hint that anything could be done to help them if any contribution was made.

[redacted] does not know and has never heard of [redacted] and has never heard of an organization by the name USA VOTES or AMERICA VOTES. He has never heard of NEW DIMENSION RESOURCES and categorically denied that in 1988 or any other time did he make a $150,000 contribution to USA VOTES or AMERICA VOTES. He has made no contributions to Senator LLOYD BENTSON and he certainly has not distributed any funds to any organization or committee "via BENTSON". He has not given $100,000 to Senator BENTSON for any collection in regards to any cause.

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[redacted] does not know and has never heard of [redacted] or [redacted] FORUM INSTITUTE and ORGANIZING INSTITUTE are totally unknown to him. He has never heard of [redacted] and stated that he has read about [redacted] but up until then was never aware that Senator CRANSTON [redacted] and has never met [redacted] He commented that he has never heard of the CENTER FOR PARTICIPATION IN DEMOCRACY but he is aware of an organization by the name of SOUTHWEST VOTERS REGISTRATION PROJECT(SVRP).

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[redacted] continued that he has known about SVRP for several years, dating back to before 1988. Several people have recommended it to him and have spoken highly of it. Specifically Senator LLOYD BENTSON spoke highly of it and Senator ALAN CRANSTON, as well as DIANE FEINSTEIN who is also a personal friend. [redacted] has contributed approximately $200,000 to $250,000 to that organization.

In regards to Senator CRANSTON speaking highly of the organization, he recalls that in mid to late 1988 Senator CRANSTON asked him to consider helping that organization and [redacted] told him that he "already was" explaining that he meant that he was already considering helping them at that time. It did not sound to [redacted] like Senator CRANSTON was aware of his already existant interest in that organization, but this comment was made during small talk. He said that he can not exactly say how this came up in the conversation but his best recollection is that it was along the lines of the fact that the SVRP does "real good work" and were "worthy of help". CRANSTON did not directly ask him to contribute and CRANSTON did not discuss his own role or participation, if any, in that organization.

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[redacted] knows that the headquarters for SVRP is in San Antonio and he knows that any contributions he made to them went directly to their headquarters in San Antonio and not through Senator BENTSON. When this organization was recommended to him, he had his staff do "due diligence" on the organization. He found the organization to be well run and worthy of his support, explaining that the organization works to register voters in the Rio Grande area of South Texas across the southern part of the U.S. to Southern California. He believes they work primarily in the Hispanic community with people who would otherwise be disenfranchised. They also file law suits in situations in which voters registration is impeded.

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When Senator CRANSTON mentioned this organization, [redacted] was already in the process of doing the due diligence and his subsequent contribution to that organization had nothing to do with Senator CRANSTON's request. [redacted] made subsequent contributions and Senator CRANSTON never followed up and asked later about the contributions. He can recall only one time when this was ever mentioned by Senator CRANSTON, and no dollar figures were ever discussed with him. He was not asked to send any check to Senator CRANSTON nor was he asked to make any check

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payable to USA VOTES.

[redacted] was questioned regarding an alleged telephone discussion with Senator CRANSTON on March 9, 1989, and [redacted] stated that he cannot recall that conservation and specifically cannot recall whether or not there was any such conversation. He knows that when he started doing the due diligence, he was having trouble getting information and at about that time the executive director of that organization died. He does not recall expressing any frustration to CRANSTON nor asking for any report from CRANSTON or SVRP. This information may or may not be accurate, but he at any rate does not recall it. Senator CRANSTON mentioned no other organizations other than this one during any conversations with him and [redacted] never made any contributions to any organization he knows of connected in any way with Senator CRANSTON. [redacted] who has a large family in the Fort Worth area, commented that he did not know if anyone else in the [redacted] network of families made any contributions, but he is not aware of all contributions made.

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[redacted] described SVRP as a "501" (C) 3 organization, which is a charitable organization.

[redacted] was questioned regarding a letter dated February 5, 1988 from Senator CRANSTON to the FHLBB, and he stated he has never heard of this letter written by CRANSTON. [redacted] had talked with the FHLBB over a few years regarding a number of financial institutions and in April 1988 the FHLBB agreed to negotiate exclusively with [redacted] regarding the purchase of AS. He believes he first talked to CRANSTON's office in April of 1988 and it is likely the letter was written before he ever talked to Senator CRANSTON regarding the deal. The closing of the AS purchase was on December 28, 1988 and on January 28, 1989 he threw a big party at five locations in California, linked by satellite video, in order to celebrate with all the employees of AS, whose jobs had been saved. He invited both Senators and both Congressman to the parties. He engaged in no private signing with [redacted] although [redacted] showed up for the FHLBB on January 28, 1991. [redacted] was not personally there for the closing, the signing on December 28, 1988, although he advised that by that time he had signed a large stack of papers. He stated that Senator CRANSTON was not there, for the signing, and he does not believe Senator CRANSTON came to the January 28, 1989 party. [redacted] did come to that party. The FINANCIAL CORPORATION OF

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AMERICA (FCA) was the former parent company of AS, but [redacted] dealt directly with the Federal government who took AS from FCA in 1984.

[redacted] has never heard of an organization called the "Missing Half" and does not recall CRANSTON ever mentioning the Democratic Senatorial Campaign Committee although he has heard of this organization separately. He has never heard of [redacted] nor has he heard of the Committee for Democratic Consensus. He has had no connection with Senator CRANSTON regarding any other organization and he is totally unfamiliar with any Super Bowl fund raising events. He has had no discussions with Senator CRANSTON or anyone regarding "soft money" and has never heard of [redacted] has heard of [redacted] and in fact believes he met her on one occasion. She did not discuss any contributions or offer any help from the government in regards to any situation.

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[redacted] does not know CHARLES KEATING and has never had any conversations with him. [redacted] was asked regarding any discussions he may have had with Senators DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN or DONALD RIEGLE. [redacted] stated he has had no direct contact with them and has had no direct or indirect solicitations of money by any of them. He stated that no one from the Federal government, elected or appointed, has asked anything of him in connection with the purchase of AS. He explained that the banking committee has no role other than oversight, in regards to his purchase, and no committee vote is required. He dealt directly with the FHLBB and knows of no direct role Senator CRANSTON had in the purchase, except as a member of the banking committee. He has never heard of Senator CRANSTON talking to anyone on his behalf, although he may or may not have. He also commented that anything CRANSTON did may have been in pursuit of his duties on the banking committee.

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 9/12/91

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

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

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,
IRVINE, CALIFORNIA,
AND AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE;
OO: PHOENIX

Re Los Angeles teletype to Dallas, ET AL, 8/15/91.

Enclosed for Los Angeles are an original and one copy of an FD-302 with interview notes reflecting interview with [redacted] on 9/11/91 at Fort Worth, Texas. Enclosed for Phoenix are two copies the same FD-302. b6 b7C

[redacted] attorney [redacted] who was present during the interview reflected in the enclosed FD-302, advised he would research company records to confirm that there was no contribution to U.S.A votes, as well as any other records which might be pertinent to that inquiry.

58C-PX-41605-81

SEARCHED ..... INDEXED .....
SERIALIZED SIC FILED SIC
SEP 26 1991
FBI — PHOENIX

2 - Los Angeles (Enc.3)
(2) - Phoenix (Enc.2)
2 - Dallas
CBB/smf
(6)

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

58C-PX-41605

LEADS:

DALLAS DIVISION:

AT FORT WORTH, TEXAS:

Will maintain contact with Attorney [redacted] telephone [redacted] in order to obtain and review any records produced reflecting contributions of [redacted] [redacted]

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58C-PX-41605-82



INDEXED
FILED
OCT 17 1991
PHOENIX

b6
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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/19/91

On September 17, 1991, [redacted] GOLDMAN SACHS AND COMPANY (GSC), 85 Broad Street, New York (NY), NY, was interviewed at his place of employment. Also present for the interview was [redacted] Attorney, WACHTELL, LIPTON, ROSEN & KATZ, 299 Park Avenue, NY, NY 10171-0149. [redacted] was advised of the identity of the interviewing Agents and the nature of the interview. [redacted] voluntarily provided the following information: b6 b7C

[redacted] gave his positions with GSC from 1985 to the present. In 1985, [redacted] was [redacted] While on this committee, [redacted] was responsible for [redacted] b6 b7C

[redacted] also provided a background on his involvement with the Democratic party. In 1972, [redacted] introduced [redacted] to [redacted] a Democratic party fund-raiser. The introduction came after [redacted] expressed to [redacted] a desire to get active in politics. [redacted] took a week off from work to assist [redacted] and thus began his fund-raising activities. b6 b7C

[redacted] became very active in Democratic fund raising and noted several fund raising accomplishments including 1983 Chairman of the Democratic Congressional Campaign Dinner, 1984 New York Finance Chairman for WALTER MONDALE, and although he was not sure if he had a title, [redacted] was quite active in the 1988 DUKAKIS fund-raising. b6 b7C

[redacted] pointed out that being a Democrat in his industry is unusual. [redacted] political roots come from his grandfather who was active in the Democratic Party in Brooklyn. [redacted] enjoys the challenge of participating in presidential campaigning and is concerned about the mounting national debt. b6 b7C

[redacted] is not sure of the exact date he met Senator ALAN CRANSTON but [redacted] got to know CRANSTON well while performing his

Investigation on 9/17/91 at New York, New York File # 58C-PX-41605

by SAs [redacted] Date dictated 9/18/91 b6 b7C

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duties as the Dinner Chairman in 1982. CRANSTON was the most active senator in assisting [redacted] fund-raising for the Dinner.

[redacted] stated that since 1982, he gets a call at least once a year from CRANSTON for a contribution to his or a colleague's campaign.

In February, 1988, [redacted] traveled to Washington, DC, to lobby approximately eight senators on a Banking Bill. [redacted] may have lobbied with [redacted] of GSC's Washington office and [redacted] The proposed Banking Bill would have adversely impacted GSC by negating the law created by the Glassteagal (phonetic) Legislation of the 1930's. Glassteagal, according to [redacted] keeps commercial banks and investment banks in separate lines of business GSC does not want GLASSTEAGAL repealed or superceded because commercial banks would enter into GSC's line of work.

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[redacted] had CRANSTON on his list of senators to lobby but did not get to see CRANSTON on that day in Washington, DC, in February, 1988. [redacted] may have spoke to an aide of CRANSTON's on the matter, but could not recall exactly whether he did or did not speak to an aide.

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[redacted] stated that he does not keep a diary and his secretary could not locate his 1988 calendar. [redacted] secretary did find the 1989 and 1990 calendars.

[redacted] recalled making a $100,000.00 contribution to the Forum Institute in late April, 1988. At some point prior to the contribution and after the lobbying trip to Washington, DC, [redacted] could not specifically recall the date, CRANSTON came to see [redacted] to request the contribution. [redacted] does not remember who set up the meeting. [redacted] was at the meeting. [redacted] knows [redacted] but does not recall if she was at the meeting. Although the meeting may have been in February, 1988, [redacted] does not recall talking to CRANSTON about Glassteagal and doubts very much that he did talk to CRANSTON about the Banking Bill.

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[redacted] recollected discussions about CRANSTON's "get out the vote" campaign and the tax deductible nature of the contribution. [redacted] intended to raise part of the money and contribute the rest. [redacted] did not move on the pledge

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immediately. Eventually, [redacted] made the contribution with his own money. [redacted] stated that the meeting may have been in February, 1988. It would not have been out of the ordinary for CRANSTON's aides to contact [redacted] regarding the pledge inasmuch as they were good fund-raisers.

[redacted] did not feel pressured or compelled to make the donation. [redacted] did not give the contribution in exchange for a benefit to him or GSC. [redacted] believes that CRANSTON favored the Banking Bill which was going against GSC's lobbying efforts. [redacted] did think that the contribution would highlight his status within the Democratic party and strengthen his chances to be more involved in the DUKAKIS Campaign.

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CRANSTON and [redacted] have had some contact since the $100,000.00 contribution. In 1990, CRANSTON was in NY and met [redacted] for a drink. CRANSTON was going to cut fund-raising until the KEATING matter was worked out.

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About 2-3 weeks ago, CRANSTON and [redacted] traded phone calls. The Federal Bureau of Investigation (FBI) called and requested to meet [redacted] then called CRANSTON. CRANSTON was not surprised that [redacted] was to be interviewed. CRANSTON wanted a contribution for the Western Pennsylvania Democratic Senatorial Candidate.



58C-PX-41605-83

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SEARCHED ____ INDEXED
SERIALIZED ____ FILED

OCT 17 1991

FBI — PHOENIX

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/20/91

[redacted] b6 b7C

of JENNESSEN ASSOCIATES, 237 Park Avenue, New York, New York (NY), was interviewed by Special Agents (SAs) [redacted] and [redacted] of the Federal Bureau of Investigation (FBI), at his place of business. After being advised of the identity of the interviewing Agents and the purpose of the interview, he provided the following information:

[redacted] b6 b7C

ASSOCIATES since 1976. JENNESSEN ASSOCIATES is a pension management firm responsible for $10 billion in equities for approximately sixty clients and $8 billion in fixed income investments for approximately twenty-five clients.

[redacted] informed that none of his political contributions are related to JENNESSEN ASSOCIATES nor any business interests of his.

[redacted] involvement in politics stems from his long standing friendship with Michigan Senator DONALD RIEGEL, with whom he attended Harvard Business School.

[redacted] has maintained a close relationship with RIEGEL and his political interests and involvement have followed RIEGEL's political undertakings. For instance, [redacted] was a registered Republican for years, but because RIEGEL became a Democrat, [redacted] became a supporter of Democratic causes and candidates. b6 b7C

[redacted] has made many trips to Washington with RIEGEL, who has introduced him to numerous Democratic Senators, to whom [redacted] has often ended making campaign contributions.

[redacted] cannot recall exactly when he first met Senator CRANSTON, but believes it was on such a trip to Washington, with RIEGEL several years ago. b6 b7C

Some time in 1987, CRANSTON called [redacted] and arranged a meeting at [redacted] New York office. Present at the meeting were

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Investigation on 9/14/91 at New York, New York File # 58C-PX-41605

by SA [redacted] jkl Date dictated 9/14/91 b6 b7C

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[redacted] CRANSTON, and a woman aide to CRANSTON, whose name [redacted] cannot recall. CRANSTON explained to [redacted] that he was soliciting funds for a major voter registration effort. CRANSTON presented a choice of three non-partisan voter registration funds to which [redacted] could contribute, as well as a partisan, non-deductible fund, America votes.

[redacted] decided to contribute $25,000 to the Forum Institute, which was one of the non-partisan funds, which he thought affected Virginia, as well as $10,000 to America votes. He made identical contributions in 1988 and 1989.

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[redacted] contributed, even though many people thought that voter registration efforts were a waste of time, because he thought it was important for the country. [redacted] noted that a $25,000 contribution was not unusual for him, adding that he has made charitable contributions as large as $250,000.

[redacted] each donated $2,000 to CRANSTON's 1992 re-election campaign, as they had in the past. CRANSTON later called HOBBS and asked permission to convert the donation to his legal defense. HOBBS agreed.

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[redacted] stated that neither he personally nor JENNESSEN ASSOCIATES had any regulatory, legislative, or business matters on which CRANSTON could or did act, nor on any that he asked him to act.

FD-36 (Rev. 11-17-88)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 10/10/91

TO : SAC, LOS ANGELES (58C-PX-41605)

FROM : ADIC, NEW YORK (RUC)

SUBJECT : ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, - ET AL;
CFPO;
(OO:PX/LA)

ReLAteletype to CI, dated 8/15/91.

Enclosed for LA are an original and one copy each of FD-302's detailing interviews of [redacted] and interview notes. Enclosed for PX are two copies each of the FD-302's. b6 b7C

This matter is RUC.

2 - Los Angeles (Encls.)
(2) - Phoenix (Encls.)
1 - New York

JLT:fmg
(5)

58C-PX-41605-84

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____
OCT 17 1991
FBI — PHOENIX

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

58C-PX-41605-85



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SERIALIZED ..... FILED
OCT 18 1991
FBI – PHOENIX

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b7C

FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/4/91

[redacted] AMERICAN FINANCIAL CORPORATION (AFC), One East Fourth Street, Cincinnati, Ohio 45202, was advised of the official identities of Special Agents (SAs) [redacted] of the Cincinnati Office of the Federal Bureau of Investigation. [redacted] a white male who appears to be in his mid 70s and his Attorney, [redacted] AFC were advised of the purpose of the interview, and provided the following information: b6 b7C

He has known United States Senator ALAN CRANSTON on a casual basis for many years based upon passing contacts at various public and semi public functions. He advised that they are not personal friends.

Neither he nor to his knowledge his staff have ever had occasion to contact CRANSTON or his staff with regard to legislative and/or regulatory matters related to AFC of Cincinnati.

To his knowledge, neither CRANSTON nor his staff have ever attempted to pressure or otherwise coerce he and/or AFC to make political contributions.

[redacted] acknowledged that AFC made a $25,000.00 contribution by check to the FORUM INSTITUTE on or about May 26, 1988. This was considered by [redacted] to be a soft money political contribution inasmuch as it was his understanding that the money would be utilized for "get out the vote" voter registration objectives. It was his understanding that FORUM INSTITUTE was associated with US Senator ALAN CRANSTON in some unrecalled and unspecified way. He obtained his information about and the solicitation to contribute to the FORUM INSTITUTE from an unrecalled female associate of Senator CRANSTON. b6 b7C

He does not recall any contacts with or knowledge of [redacted]

Investigation on 8/26/91 at Cincinnati, Ohio File # Cincinnati 58C-PX-41605 b6 b7C

by SA [redacted] and SA [redacted] krm Date dictated 8/29/91

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 b6 b7C

[redacted] commented that he and/or AFC receive approximately 10 to 15 solicitations per day for contributions and/or donations.

Initially, [redacted] referred to the existence of a file at AFC which concerned political contributions made by AFC and/or [redacted] immediately made a statement to [redacted] that attempts to locate such a file had been unsuccessful. [redacted] then stated that he was mistaken and such a file did not exist. He further stated that the only record maintained of political contributions would be the canceled checks. b6 b7C

[redacted] authorized and [redacted] agreed to provide a copy of the canceled check utilized to make the $25,000.00 contribution to the FORUM INSTITUTE on or about May 26, 1988. b6 b7C

[redacted] adamantly denied that his contribution to the FORUM INSTITUTE was connected in any way to CHARLES H. KEATING, JR.

FD-36 (Rev. 11-17-88)

FBI

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☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 10/15/91

TO : SAC, LOS ANGELES

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

SUBJECT : ALLEGATIONS CONCERNING UNITED STATES SENATORS
ALAN CRANSTON;
ET AL;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
LEGISLATIVE
(OO: PHOENIX)

ReLAtel to Cincinnati, dated 8/15/91, and CItel to Los Angeles, dated 8/29/91.

Enclosed for Los Angeles is an original and one copy and Phoenix, two copies of an FD-302 of [redacted] dated 8/26/91, concerning captioned subjects ALAN CRANSTON and CHARLES H. KEATING, JR.

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Upon receipt of a copy of the canceled check from AMERICAN FINANCIAL CORPORATION to the FORUM INSTITUTE for $25,000.00 dated on or about 5/26/88, as proffered in the enclosed FD-302, Cincinnati will forward same to Los Angeles with copies to Phoenix.

2 - Los Angeles (SARA) (Encl. 2)
2 - Phoenix (Encl. 2) 95
2 - Cincinnati

EAV:krm
(6)

58C-PX-41605-86

SEARCHED ..... INDEXED .....
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OCT 18 1991
FBI — PHOENIX

1*

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

SEARCHED INDEXED
SERIALIZED FILED
OCT 24 1991
FBI — PHOENIX

58C-PX-41605-87

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/17/91

[redacted] Tiburon, California. DOB [redacted] was located and interviewed at his offices, [redacted] Tiburon, California. At the time of the interview, [redacted] was advised of the identity of the interviewing agent by being shown his credentials and was told the agent desired to discuss with him two contributions he made to the Center For Participation in Democracy (CPD) totalling $40,000.

[redacted] advised that both contributions made to the Center For Participation in Democracy were made voluntarily and after a discussion with his wife. He stated he has known Senator CRANSTON for a number of years and was aware of this Center in that it increased the franchising process and used monies donated to it to increase the number of registered voters in California without regard to how they registered. He stated he and his wife believe that just by expanding the number of voters in California they are assisting the democratic process.

He said CRANSTON had asked them to support the franchising process and they were happy to do so. He stated he has never asked for, nor received assistance from Senator CRANSTON or any other senator. He feels his contributions were part of participating in the democratic process which exists in the United States.

According to [redacted] his business is such that there would be no need for a senator or any Federal representative to assist or offer him favors. He advised he is in the reinsurance business and his business is not regulated by Federal law.

[redacted] said he feels the Federal campaign funding laws are "screwed up" and the rule which allows individuals to place as much money as they wish into their own election, leads to a government led only by the wealthy. Because of this he feels we must increase registration and the number of voters who turn out at each election. [redacted] stated Senator CRANSTON personally asked him to donate after they met at a gathering of democratic senators at a Democratic Senatorial Campaign Committee function. He said this gathering of "The Majority Trust" which is a

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Investigation on 9/27/91 at TIBURON, CALIFORNIA File # 58C-PX-41605

by SA [redacted] /mdh Date dictated 10/16/91

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b7C

subsection of the Democratic Senatorial Campaign Committee, was attended by himself and his wife. He said it was at this gathering where the Senator asked for the donation.

[redacted] concluded the interview by saying, he has never felt under any pressure or intimidation to make contributions to Senator CRANSTON and in fact he and his wife contribute to many candidates, both Republican and Democratic.

The interview which began at approximately 5:30 p.m. ended at 6:18 p.m.

SEARCHED INDEXED
SERIALIZED FILED
OCT 24 1991
FBI - PHOENIX

58C-PX-41605-88

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/30/91

[redacted] age 74, [redacted] San Francisco, California, work telephone [redacted] was contacted at his place of employment. After being advised of the identity of the interviewing Agent and the nature of the interview, [redacted] furnished the following information: b6 b7C

[redacted] has known Senator ALAN CRANSTON socially since the 1960's. [redacted] first became involved with CRANSTON's fund raising activities when he (CRANSTON) ran for the office of Controller for the State of California. [redacted] confirmed that he has since contributed approximately $100,000 to various bi-partisan groups, including The Forum Institute and the "Get out the Vote" program, which were supported by CRANSTON. [redacted] donated money to these programs because he believed it was important to increase general participation in the election process and to increase voter awareness.

[redacted] adamantly affirmed that he never asked for any political or personal favors of CRANSTON or his office, and that CRANSTON never offered anything in return for his contributions. SWIG believes that CRANSTON is a competent and honest politician, and he reiterated that there was never any "quid pro quo" or nexus between SWIG's contributions and CRANSTON's subsequent actions. b6 b7C

[redacted] knows Senator and Mrs. DENNIS DECONCINI quite well socially. The DECONCINI's are independently wealthy and [redacted] therefore, has difficulty imagining why DECONCINI would do anything illegal or unethical to raise campaign funds.

Investigation on 8/30/91 at San Francisco, California File # 58C-PX-41605

by SA [redacted] /SC Date dictated 8/30/91 b6 b7C

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FD-36 (Rev. 8-29-85)

FBI

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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 10/17/91

TO : SAC, PHOENIX (58C-PX-41605)
SAC, LOS ANGELES (58C-PX-41605)

FROM : SAC, SAN FRANCISCO (58C-PX-41605) (RUC) (SRAF)

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,
Irvine, California;
AMERICAN CONTINENTAL CORPORATION,
Phoenix, Arizona;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
LEGISLATIVE;
OO: PHOENIX/LOS ANGELES

Re Los Angeles teletype to San Francisco and others dated August 15, 1991.

Enclosed herewith find copies of two FD-302s reflecting one interview at San Francisco with [redacted] one interview in Tiburon, California with [redacted] The original notes of the [redacted] interview are enclosed for Phoenix. b6 b7C

In view of the fact that no further investigation remains in the San Francisco Division, this case is being considered RUC'd.

(2) - Phoenix (58C-PX-41605) (Encls 3)
2 - Los Angeles (58C-PX-41605) (Encls 2)
1 - SF (58C-PX-41605)
RKG/mdh
(5)

58C-PX-41605-89
SEARCHED INDEXED
SERIALIZ FILED
OCT 31 1991
PHOENIX

Approved: _____ Transmitted _____ (Number) (Time) Per _____

Memorandum

To : DIRECTOR, FBI
(ATTN: PCU, ROOM 3849)

Date 10/4/91

From : SAC, PHOENIX

Subject: VERIFICATION OF FD-761
BUDED: 10/4/91

Pending investigations for which an FD-761 has been submitted:

OO	FILE #	DATE OPENED	LAST UPDATE	DATE CLOSED
PX	12C-PX-44826C	5/24/91	6/3/91	9/1/91
PX	56D-178C	1/4/89		6/2/89
PX	58A-PX42406C	4/13/90	8/13/90	10/4/91
PX	58A-PX-42524	4/24/90	7/5/91	
PX	58A-PX-43152C	8/20/90	8/21/90	2/7/91
PX	58C-PX-41605	11/8/89	8/7/90	
PX	58C-PX-44028	1/11/91	8/7/91	
PX	58C-PX-44193	1/31/91	6/13/91	
PX	194A-PX-42242	2/7/89	8/9/91	
PX	194B-PX-41619	11/15/89	9/4/91	
PX	194C-PX-45446	9/5/91	9/5/91	
PX	58A-PX-41265	8/20/91	8/23/91	
PX	58A-PX-45288	8/8/91	9/13/91	
PX	58A-PX-45429	9/3/91	9/25/91	
PX	194A-PX-45602	9/27/91	9/27/91	

Rotor #12
Pls - place 1cc in each of the above files -
HW

58C-PX-41605-90
~~194-00~~

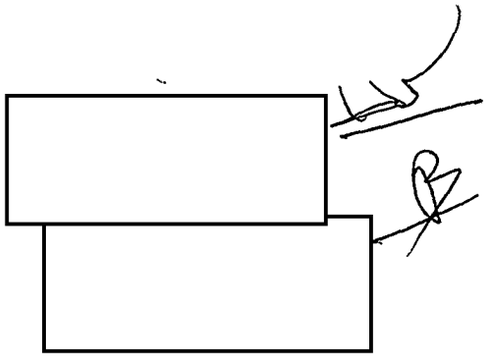
SEARCHED ____ INDEXED ____
SERIALIZED SC FILED SC
OCT 4 1991
FBI — PHOENIX

2 - Bureau
1 - Phoenix
HMW:sla
(3)

1*

PENDING INVESTIGATIONS - NEED UPDATED FD-761'S'

FO'	'FOFILE#'	'DATE OPENED'	'LAST UPDATE'	
PX	012C-PX-44826 C 9-1-91	5/24/91	6/03/91	
PX	056D-178 C 6-2-89	1/04/89		
PX	058A-PX-42406 C	4/13/90	8/13/90	
PX	058A-PX-42524	4/24/90	~~5/21/90~~	FD 761 dated 7-5-91
PX	058A-PX-43152 C 2-7-91	8/20/90	8/21/90	—
PX	058C-PX-41605	11/08/89	8/07/90	
PX	058C-PX-44028	1/11/91	~~1/11/91~~	FD 761 dated 8-7-91
PX	058C-PX-44193	1/31/91	6/13/91	
PX	194A-PX-42242	2/07/89	~~8/14/90~~	FD 761 dated 8-9-91
PX	194B-PX-41619	11-15-89	9-4-91	
PX	194C-PX-45446	9-5-91	9-5-91	
PX	58A-PX-41265	8-20-91	8-23-91	
PX	58A-PX-45288	8-8-91		
PX	58A-PX-45429	9-3-91	9-25-91	
PX	194A-PX-45602	9-27-91	9-27-91	



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58C-PX-41605-91

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NOV 15 1991
FBI — PHOENIX

COVERSHEET
FBI FACSIMILE
LOS ANGELES DIVISION
SANTA ANA RA

PRECEDENCE
- O IMMEDIATE
- O PRIORITY
- ✓ ROUTINE

CLASSIFICATION
- O TOP SECRET
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- ✓ UNCLASSIFIED

TIME TRANSMITTED 9:16

SENDER'S INITIALS CO

NUMBER OF PAGES 4

TO: FBI Phoenix

DATE: 11/14/91

FACSIMILE NUMBER: (602) 279-5511

ATTN:

FROM: FBI Los Angeles

SUBJECT: Allegations Concerning U.S. Senators Alan Cranston, ET AL; OO: Phoenix / Los Angeles

SPECIAL HANDLING INSTRUCTIONS: PLEASE HAND CARRY TO

ORIGINATOR'S NAME: SA [redacted]

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ORIGINATOR'S FACSIMILE NUMBER: (714) 542-8825

APPROVED:

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:	PRECEDENCE:	CLASSIFICATION:
[X] Teletype	[ ] Immediate	[ ] TOP SECRET
[ ] Facsimile	[ ] Priority	[ ] SECRET
[ ] AIRTEL	[X] Routine	[ ] CONFIDENTIAL
		[ ] UNCLAS E F T O
		[X] UNCLAS

Date 11/14/91

FM FBI LOS ANGELES (56C-PX-41605) (SARA-3) (P)

TO DIRECTOR FBI/ROUTINE/

FBI WMFO/ROUTINE/

INFO FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3410:0670//

PASS: FBIHQ FOR SSA [redacted] PUBLIC CORRUPTION UNIT. b6 b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES (58C-PX-41605); [redacted] FORMER MEMBER, FEDERAL HOME LOAN BANK BOARD; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN, IRVINE, CALIFORNIA; CORRUPTION OF FEDERAL OFFICIALS - EXECUTIVE BRANCH; OO: LOS ANGELES (58A-LA-111204).

JAJ/clw

Approved: _____ Original filename: _____

Time Received: _____ Telprep filename: _____

MRI/JULIAN DATE: _____ ISN: _____

FOX DATE & TIME OF ACCEPTANCE: _____

^PAGE 2 56C-PX-41605, UNCLAS

RE TELCALLS FROM SA [redacted] TO FBIHQ SUPERVISOR [redacted] AND WMFO RELIEF SUPERVISOR [redacted] ON 11/12/91. b6 b7C

AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SA'S [redacted] INTEND TO TRAVEL TO WMFO 11/19/91 THROUGH 11/23/91, FOR THE PURPOSE OF CONDUCTING INVESTIGATION IN CAPTIONED MATTERS.

ON NOVEMBER 21 AND 22, SA'S [redacted] ALONG WITH AUSA [redacted] AND DOJ ATTORNEY STUART GOLDBERG, ARE SCHEDULED TO REVIEW THE NON-PUBLIC DOCUMENTS OF THE U.S. SENATE ETHICS COMMITTEE. THE ETHICS COMMITTEE HAS PUBLICLY RELEASED 15 VOLUMES OF DOCUMENTATION, BUT APPARENTLY HOLDS DOCUMENTATION THAT HAS NOT BEEN RELEASED TO THE PUBLIC. THIS REVIEW WAS INSTIGATED AND ARRANGED BY AUSA [redacted] b6 b7C

ON 11/20/91, SA'S [redacted] ARE SCHEDULED TO INTERVIEW SUBJECT [redacted] OF ATLANTA, GEORGIA AT THE OFFICES OF HIS ATTORNLY, [redacted] SWIDLER AND BERLIN, 3000 K STREET, NORTHWEST, WASHINGTON, D.C. AUSA [redacted] INTENDS TO ATTEND THIS INTERVIEW. b6 b7C

^PAGE 3 56C-PX-41605, UNCLAS

NO ASSISTANCE OF WMFO IS REQUIRED. SAC WMFO AND SAC LOS ANGELES CONCUR WITH PROPOSED TRAVEL.

BT

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 10/30/91

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

FROM : SAC, DALLAS (58C-PX-41605)(FWRA)(RUC)

SUBJECT : ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON,
DENNIS DECONCINI,
JOHN GLEN,
JOHN MCCAIN,
DONALD RIEGLE;
CHARLES H. KEATING, JR,
dba LINCOLN SAVINGS AND LOAN ASSOCIATION,
IRVING, CALIFORNIA,
AND AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE;
OO: PHOENIX

Re Dallas airtel to Los Angeles, 9/12/91.

On 10/23/91, [redacted] attorney for [redacted] advised he has reviewed [redacted] records and uncovered no checks to USA VOTES or any other group inquired about, besides SOUTHWEST VOTERS REGISTRATION (SVR). None were sent "via BENTSON". SVR got several checks over about a two and a half year period, in the range of $25,000 to $100,000, totaling about $250,000.

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2 - Los Angeles
(2) - Phoenix
2 - Dallas
CBB/smf
(6)

58C-PX-41605-92

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
NOV 12 1991
FBI — PHOENIX

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Approved: _____ Transmitted _____ (Number) (Time) Per _____

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58C-PX-41605-93

DEC 4 1991

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/26/91

[redacted] GENERAL POWER CORPORATION, was interviewed at his place of business, 1045 South East Street, Anaheim, California, telephone: [redacted] After having been advised of the interviewing agent's identity and the nature of the interview, [redacted] provided the following information:

[redacted] was shown a copy of a memorandum dated January 2, 1987, from [redacted] to ALAN CRANSTON, in which [redacted] is described as one of five individuals who had been "very helpful" to CRANSTON, and who have "cases or legislative matters" pending with CRANSTON's office, and who "rightfully expect some kind of resolution". [redacted] said he had not seen this memorandum before and was unaware that it existed.

[redacted] stated that he held one fundraising event for CRANSTON in Orange County in 1986, and this event raised approximately $15,000 for CRANSTON's campaign. [redacted] later explained that although he thought that this event raised only $15,000, it was possible it raised as much as $30,000. [redacted] said the event was attended by approximately 20 or 25 individuals, some of whom were his employees, and some were persons who had done business with him. [redacted] said he contributed to CRANSTON's campaign himself within the limits prescribed by law. [redacted] added that he attended a separate fundraising function for CRANSTON in Los Angeles.

[redacted] explained that in approximately 1985, [redacted] had government contracts to provide power equipment for certain Aegis cruisers, and a competitor, TELEDYNE, had the contract to provided the power equipment for other ships. [redacted] said he learned TELEDYNE was lobbying Congress and the Secretary of the Navy to provide power equipment for other ships, and [redacted] company had no such lobbying. In response to TELEDYNE's lobbying, [redacted] wrote his own "white paper" and took it to anyone who would listen to his story. [redacted] said he approached California Senators CRANSTON and PETE WILSON, his Congressman WILLIAM DANNEMEYER, the Mayors of Anaheim and Fullerton, and members of the Armed Service Committees. [redacted] said WILSON would never listen to him and just had him meet with aides. [redacted] said he received just "lip service" from WILSON's office. On the other hand, CRANSTON listened to [redacted] story. [redacted] said he did not know CRANSTON before he approached CRANSTON with his problems with the Navy contract.

Investigation on 8/6/91 at Anaheim, California File # 58C-PX-41605

by SA [redacted] dcd Date dictated 8/7/91

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[redacted] said he met [redacted] on one of his trips to Washington, D.C. When [redacted] asked him to hold a fundraising event, [redacted] said he checked with his lawyer, and then agreed to do so. [redacted] explained that he checked with his lawyer only because his lawyer was also a friend, and he checked everything with his lawyer. [redacted] said he did not "sense" any connection between the fundraising event and CRANSTON's help for [redacted] and [redacted] did not feel uncomfortable holding the fundraising event. [redacted] added that most of CRANSTON's help came before the request to hold the fundraising event. [redacted] explained that he was willing to contribute to CRANSTON's campaign and to hold the fundraising event, because CRANSTON had met with him and listened to the problem of a small businessman like [redacted] said this fundraising event for CRANSTON was the only one he ever sponsored. [redacted] added that he made political contributions to others, including WILSON, DANNEMEYER, and CRANSTON's opponent in 1986, ED ZSCHAU.

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[redacted] said he had ongoing conversations with CRANSTON's office in 1987 regarding his problem with the Navy. [redacted] sold the division that had the contracts with the government in July, 1987, and the sale was motivated partly by [redacted] becoming fed up with dealing with the government. The division that was sold was known as [redacted] believed the new owners of [redacted] continued to ask CRANSTON's office for assistance.

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[redacted] stated that, at his request, CRANSTON wrote letters and probably made telephone calls on [redacted] behalf, primarily to the Secretary of the Navy. [redacted] stated that he also had dealings with [redacted] of CRANSTON's office, and possibly others whose names he could not recall. [redacted] said he met [redacted] only on one occasion in Washington, D.C., which was when she asked him if he would host a fundraising event for CRANSTON. [redacted] could not recall the location of his meeting with [redacted], but he said it would have been either in CRANSTON's office, or at a dinner meeting. [redacted] added that [redacted] also attended the fundraising event that he hosted. [redacted] advised that he did not remember discussing his navy problems with [redacted] unless she was involved in writing the letters and making the phone calls on [redacted] behalf. [redacted] added that he thought [redacted] was on CRANSTON's Senate staff, and [redacted] did not distinguish between CRANSTON's campaign staff and CRANSTON's Senate staff.

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[redacted] initially stated that he could recall other requests from [redacted] or CRANSTON for campaign contributions, contributions to any other entities, such as the California Democratic Party, to CRANSTON's voter registration groups, or for any other assistance. However, [redacted] later added that he was asked on several other occasions, by [redacted] or CRANSTON, to attend CRANSTON's superbowl events, but [redacted] never contributed nor attended.

[redacted] explained that the only way he was "helpful" to CRANSTON was hosting the one fundraising event in 1986. [redacted] added that he also was "helpful" to CRANSTON, in that at every chance he had, [redacted] described his bad experience with Senator WILSON and his good experience with CRANSTON. [redacted] said he did not know whether [redacted] was aware of [redacted] outspoken support of CRANSTON, but that she could have been, because [redacted] was so outspoken.

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[redacted] stated that the description of his problems with the Navy as set forth in [redacted] memorandum to CRANSTON, dated January 2, 1987, is accurate except for two points. One such inaccuracy is that [redacted] competitor was TELEDYNE rather that LITTON INDUSTRIES, as stated in the memorandum. The other inaccuracy is that [redacted] fear that TELEDYNE had an unfair advantage was based on TELEDYNE's lobbying activities, not only because TELEDYNE was a big company with several other contracts with the navy. [redacted] explained that his objective in obtaining CRANSTON's support was to obtain a "level playing field" for his company.

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[redacted] advised that he is a Republican.

58C-RX-41605-94

DEC 4 1991

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/23/91

[redacted] date of birth: [redacted] b6 b7C
[redacted] Santa Monica, California, [redacted] was interviewed in the presence of his attorney, [redacted] HELLER, EHRMAN, WHITE, AND MCAULIFFE, 601 South Figueroa Street, Los Angeles, California, (213) 689-0200. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] advised that [redacted] b6 b7C Senator ALAN CRANSTON's campaign for reelection to the United States Senate in 1986. [redacted] said he was offered the job of [redacted] by CRANSTON on the Saturday before Christmas in 1984, and he began the job in February 1985. [redacted] said he completed his employment [redacted] in early 1987.

[redacted] advised that [redacted] in Washington, D.C., where he handled constituent service. He then worked for a quasi government agency in Washington D.C. before moving to Los Angeles to practice law. [redacted]

[redacted] stated that [redacted] he had minimal b6 b7C involvement in fund raising for two reasons. One reason was that CRANSTON was in Washington, D.C., while [redacted] was in California, and the second reason was that [redacted] did a good job of fundraising and did not need supervision. [redacted] said his main focus [redacted]

[redacted] advised that in 1986, he knew LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) was in a battle with the FEDERAL HOME LOAN BANK BOARD (FHLBB), although [redacted] was unsure how he knew this, and he speculated that he learned this from newspaper accounts. [redacted] said he could not recall discussing the LSL/FHLBB battle with [redacted] although he may have.

Investigation on 8/5/91 at Los Angeles, California File # 58C-PX-41605

by SA [redacted] SA [redacted] dcd Date dictated 8/7/91 b6 b7C

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[redacted] said his contact with CRANSTON's staff was [redacted] and [redacted] generally did not speak with any staff members other than [redacted] said he did not discuss the LSL/FHLBB situation with [redacted] added that as [redacted] he was concerned about the political effect of events occurring during the campaign, and he had no specific recollection of any discussions of possible political ramifications from dealing with LSL or CHARLES KEATING.

[redacted] explained that in the 1986 campaign, CRANSTON had no opponent in the primary election and, therefore, the campaign had lots of cash in the bank. The campaign had no cash problems until late in the campaign. [redacted] added that CRANSTON did not want to go into debt on the 1986 campaign because CRANSTON still had a debt from his 1984 Presidential campaign, and [redacted] had assured CRANSTON that he would not go into debt. A few weeks before the election, the campaign media consultants told [redacted] that the polling data showed that it would be a close election, and that more money needed to be spent on television advertising than had been originally anticipated. [redacted] said he then went to CRANSTON and said that although he had promised there would be no necessity to go into debt, the media consultants had said the spending was necessary to win the election. CRANSTON then agreed to borrow money, which led to the campaign obtaining a loan from DEAUVILLE SAVINGS AND LOAN ASSOCIATION.

[redacted] said DEAUVILLE was [redacted] who was a supporter of CRANSTON and otherwise active in politics. [redacted] could not recall who suggested DEAUVILLE as a potential lender, and he does not know who arranged the loan with DEAUVILLE. although [redacted] speculated that it was CRANSTON or [redacted] because those two were most directly involved in fundraising. [redacted] recalled having contact with someone on the DEAUVILLE staff regarding the paperwork for the loan, including possibly how to structure the loan, but [redacted] could not recall discussing the terms or otherwise negotiating the DEAUVILLE loan, although [redacted] said he could have done so.

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[redacted] said he was cautious because he felt the race was very close. [redacted] said he assumed that the DEAUVILLE loan would provide enough money to do what the media consultants wanted, but [redacted] was concerned that the campaign may be a little short of cash. [redacted] therefore suggested to CRANSTON or [redacted] that the campaign obtain a backup letter of credit in case the DEAUVILLE funds were insufficient.

[redacted] explained that television stations work on a Tuesday through Monday advertising week, and that they require payment in full on the Thursday before the first Tuesday of the week. Thus, to purchase advertising for the last week of the campaign, the money would be needed by Thursday, October 23, 1986. [redacted] added that last minute television could be arranged in some cases, and he contemplated that the back up line of credit could be used for these last minute television buys.

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[redacted] said he did not know who suggested LSL as a lender to the campaign. [redacted] said he could not recall whether he was involved in the loan negotiations or arrangements with LSL. [redacted] could not recall the exact timing of the LSL line of credit application, but he thought that it would have happened after the DEAUVILLE loan was arranged, that is, sometime after October 6, 1986.

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[redacted] stated that there was no need to keep the LSL or DEAUVILLE loans confidential, because they would all be reported eventually. [redacted] did not recall any need to keep the fact that the campaign was borrowing from the media, although there could have been such a concern in the campaign. [redacted] said there was no problem with borrowing money from DEAUVILLE or LSL, especially as to DEAUVILLE. [redacted] generally recalled LSL having a public disagreement with the FEDERAL HOME LOAN BANK OF SAN FRANCISCO, but [redacted] then had no knowledge of CRANSTON being involved in the disagreement. [redacted] said he could not recall discussing this issue at the time. [redacted] added that he had no knowledge of any discussions of keeping the LSL line of credit confidential after the election in 1986.

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[redacted] said he had no knowledge of any desire or instruction to destroy the line of credit documents at either LSL or the CRANSTON campaign. [redacted] said he had no knowledge that [redacted] had requested that the LSL line of credit documents be destroyed to prevent [redacted] or someone else in the campaign from drawing on the line of credit.

[redacted] said he did not recall talking with anyone at LSL, although he could have talked with someone at LSL regarding the line of credit. [redacted] said he has never met or talked on the telephone with KEATING, [redacted] b6 b7C

[redacted] explained that [redacted] he was always looking for problems in the campaign, and he did not remember the LSL letter of credit ever being considered a problem. [redacted] said he could not recall having any discussion with [redacted] or anyone else regarding anything CRANSTON had done for LSL. [redacted] said he did not recall being aware that LSL had requested help from CRANSTON's office. [redacted] added that it would have raised a red flag if [redacted] had told him that she discussed legislation and the letter of credit with [redacted] in the same conversation. [redacted] added that he was not surprised that LSL issued the letter of credit, because CRANSTON had good relations with many financial institutions.

[redacted] said he knew of no individual who had helped CRANSTON in his campaign, and who also had problems pending before CRANSTON's office. [redacted] said he knows of no "special favors" done by CRANSTON for any contributors. [redacted] explained that he recalled that the issue of deregulation of the SAVINGS AND LOAN ASSOCIATIONS was current in 1986, but [redacted] considered this a policy question, and not a particular constituent service question. b6 b7C

[redacted] stated he was unaware at the time that KEATING contributed $85,000 to the California Democratic Party in October, 1986. [redacted] explained that he generally did not know what was going on with the soft money in the campaign, because his responsibilities dealt only with the hard money.

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[redacted] never learned how the $85,000 was raised, and he could not recall any later conversations with CRANSTON or [redacted] regarding the $85,000. [redacted] said he thought he first learned about the $85,000 contribution by reading about it in the newspaper.

[redacted] said he once met [redacted] at a fundraising event, but that [redacted] had no knowledge of what [redacted] may have done for CRANSTON, and what CRANSTON may have done for [redacted] [redacted] said he is unfamiliar with [redacted] b6 b7C

[redacted] concluded that he had no knowledge of any illegal, unethical, or politically embarrassing events that occurred during CRANSTON's 1986 campaign.

[redacted] stated that [redacted] for the 1986 CRANSTON campaign. [redacted] said he had no communication with anyone at LSL regarding the LSL line of credit in 1986, and that he was not present for the signing of the documents relating to the LSL line of credit. b6 b7C

58C-PX-41605-95

DEC 4 1991

FD-302 (REV. 3-10-82)

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/15/91

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[redacted] Washington, D.C., [redacted] Attorney for [redacted] telephoned the Santa Ana Office of the Federal Bureau of Investigation and provided the following information:

According to [redacted] contributed $2,000 to the federal campaign of SAM BEARD. When BEARD lost in the primary election, BEARD had to refund $1,000 to [redacted] and BEARD asked [redacted] to contribute the $1,000 refund to the Delaware Democratic State Committee (DDSC). [redacted] did so. Approximately one year later, someone working for BEARD telephoned [redacted] office and stated that something had happened to [redacted] check payable to the DDSC, and asked [redacted] to write another check payable to the Committee for a Democratic Consensus, which [redacted] knew to be a political action committee affiliated with Senator ALAN CRANSTON. [redacted] did write such a check to the Committee for a Democratic Consensus on October 23, 1989. [redacted] has searched his records, and has been unable to determine whether this check payable to the Committee for a Democratic Consensus ever cleared his bank.

Investigation on 7/12/91 at Santa Ana, California File # 58C-PX-41605

by SA [redacted] caw Date dictated 7/12/91

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DIGITALIZED
DEC 4 1991

Desert Gun
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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/9/91

ERNEST (no middle name) GALLO, date of birth March 18, 1909, Chairman, E&J GALLO WINERY, was interviewed at his place of business, 600 Yosemite Boulevard, Modesto, California. Present during the entire interview was [redacted] b6 b7C After having been advised of the interviewing agents' identities and the nature of the interview, GALLO provided the following information:

GALLO stated that he knows Senator ALAN CRANSTON "very well", and that they have been friends for at least ten years. From time to time, GALLO has contributed to CRANSTON's campaign. GALLO said he met [redacted] only once, at a fundraising event in San Francisco.

GALLO was asked about the circumstances of the E&J GALLO WINERY contributions to the Forum Institute and the Center for Participation in Democracy of $100,000 per year in 1987, 1988, and 1989. GALLO responded that the best he could recall was that CRANSTON initially telephoned GALLO and described reasons why it was necessary to get people out to vote and that there were organizations that were making an effort to get people to vote. GALLO was then shown a copy of a letter to GALLO from CRANSTON dated May 28, 1987, which makes reference to seeing GALLO at [redacted] After b6 reviewing the copy of the letter, GALLO said he recalled attending a b7C CRANSTON fundraising event at the [redacted] but that he did not remember receiving this letter. GALLO added that he did not remember CRANSTON asking for a $250,000 contribution to the Forum Institute, as stated in the letter.

GALLO said he could not recall contributing anything in 1986 to groups affiliated with CRANSTON or to the California Democratic Party, although GALLO said he may have done so. GALLO explained that all E&J GALLO WINERY political and charitable contributions are cleared by the E&J GALLO WINERY Legal Department and that the Legal Department has maintained records of these contributions. GALLO added that he contributes both to Democrats and Republicans.

GALLO said that the only person he dealt with regarding the voter registration groups was Senator ALAN CRANSTON, and GALLO could not recall any details about the solicitations by CRANSTON for contributions. GALLO said he did recall that CRANSTON's sales pitch

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Investigation on 8/30/91 at Modesto, California File # 58C-PX-41605

SA [redacted] b6

by SA [redacted] /JAJ/caw Date dictated 9/5/91 b7C

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was simply voter registration, and no mention was made how these groups could benefit Democrats or CRANSTON.

GALLO was asked whether during 1986 through 1989, E&J GALLO WINERY had any legislative or regulatory matters pending with the Federal Government. GALLO responded that the wine industry is heavily regulated and that he is constantly on alert for possible tax increases. GALLO said he did not recall ever asking CRANSTON for any assistance in particular during 1986 through 1989, and GALLO could not recall any issue E&J GALLO WINERY had involving CRANSTON's office during 1986 through 1989. GALLO said that during 1986 through 1989, CRANSTON did not do anything to assist GALLO or E&J GALLO WINERY. GALLO added that he is certain that he discussed some issues with CRANSTON. GALLO said he could not recall CRANSTON ever arranging any meetings for E&J GALLO WINERY with regulators or Executive Branch personnel.

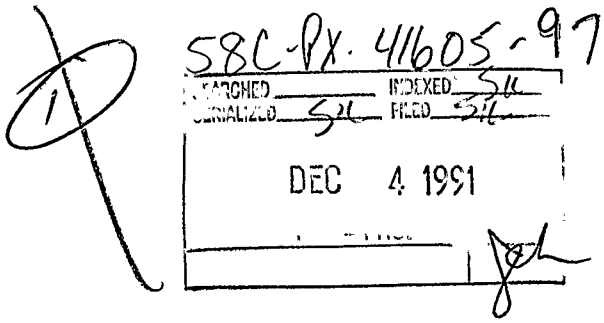
GALLO was asked about the $2 million per grandchild exemption for generation-skipping transfers enacted in late 1986, referred to by some commentators as the "Gallo Exemption." GALLO said CRANSTON had "very little" to do with this legislation and GALLO could not recall discussing the matter with CRANSTON. GALLO said other legislators took charge of the issue, and that [redacted] law firm in Washington, D.C. was hired to handle the issue. GALLO stated that to his knowledge, [redacted] firm had no contact with CRANSTON on this issue. b6 b7C

GALLO stated that he never felt that he had to contribute to CRANSTON or to the voter registration groups to obtain access to CRANSTON or to CRANSTON's staff. GALLO said CRANSTON never implied that there was a connection between contributions and services performed by CRANSTON or his staff. GALLO explained that his motivation for contributing $300,000 to the voter registration groups affiliated with CRANSTON was that voter registration was a cause that GALLO thought was worthy and the contributions were requested by someone he considered to be a friend.

GALLO stated that E&J GALLO WINERIES has a government relations employee named [redacted] who primarily handles government relations in Sacramento. GALLO said he was unfamiliar with [redacted] b6 b7C

In his dealings with CRANSTON, GALLO stated he never had an occasion to question CRANSTON's ethics. GALLO added that there were no other politicians with whom he felt "uncomfortable" regarding

solicitations for campaign contributions. GALLO added that he felt that there was a "good bunch" of politicians in Washington, D.C.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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/8/91

[redacted] also known as [redacted] b6 b7C
[redacted] date of birth [redacted] was interviewed at his place of business, The Kaempfer Company, 1150 18th Street, N.W., Suite 1000, Washington, D.C., telephone [redacted] in the presence of his attorney, [redacted] After being advised of the interviewing Special Agents' official identities and the nature of the interview, [redacted] furnished the following information:

[redacted] He has been deeply involved with a non-profit California organization named the Committee for a Democratic Consensus (CDC), which he stated registers all voters, regardless of party.

When asked about a fund raiser held at his residence to benefit Senator ALAN CRANSTON, [redacted] stated that he hosted a fund raiser in the summer or early fall of 1986, at his residence, 1406 34th Street, N.W., Washington, D.C. [redacted] himself paid for the "food, booze, or a combination of the two." [redacted] does not recall whether he also contributed money at that time, but he has done so on other occasions. [redacted] did raise money, probably $15,000, and the total raised was "probably ten times that." b6 b7C

[redacted] previously rented office space to CDC at 1250 24th Street, N.W., Washington, D.C., then the location of his company's headquarters. He said he guessed the rental was $400 per month. His offices used to be at 2300 M Street, N.W., then at 1250 24th street, N.W. b6 b7C

[redacted] has also made empty office space available to other organizations, either at reduced rent or rent-free. These included MAURICE TURNER's campaign as a Republican to become mayor of Washington, D.C. (at half rent), the Williamsburg Charter group's 200th anniversary of the Constitution (rent-free), and a program of about seventeen churches, the Cooperative Urban Ministry. He has done this for "maybe twenty organizations over the years." [redacted] stated that he was not sure, without

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Investigation on 9/4/91 at Washington, D.C. File # 58C-PX-41605

by SA [redacted] Date dictated 9/13/91 b6 b7C

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.

checking his records, to what extent CDC's rent was paid or "forgiven."

When asked how the CRANSTON fund raiser came about, [redacted] stated that he did not remember specifically. He "did a lot of Democratic stuff," and knew [redacted] who probably asked him to do it. [redacted] had had a joint venture with two guys from California to build three buildings there. He had helped California candidates for Lieutenant Governor and State Treasurer. [redacted] a California lawyer, was one of KAEMPFER's biggest tenants and investors. [redacted] was also involved with the fund-raising party. [redacted] probably held fifteen such fund raisers over the last eight years, including two for Democratic Presidential candidate MICHAEL DUKAKIS. b6 b7C

After consulting with a company employee, [redacted] stated that, from about 1986 to 1989, CDC's rent was $500 per month for eight months, and free for one year. [redacted] (phonetic) actually occupied the space, and she "became like a member of the company family." b6 b7C

Some Democratic contacts may have asked [redacted] about holding the fund-raising party, or [redacted] may have volunteered it. He probably said something to [redacted] like, "If there's anything I can do to help, I'd be delighted." The logistics were probably arranged by one of [redacted] secretaries. [redacted] stated that his housekeeper would have been there, and he would have hired a bartender. He usually used Ridgewell's (caterers) for things like the hors d'oeuvres. b6 b7C

[redacted] was asked whether he ever requested any assistance from Senator CRANSTON. [redacted] stated that in late fall of that year (following the fund raiser), Senator CRANSTON, Senator MOYNIHAN and a Republican Senator were outraged that Arlington buildings known as the "silver slippers" could be seen from Washington. They wanted to enact a law prohibiting buildings taller than a certain height within twenty miles of Washington, so could they could not be seen from the Mall. At the time, there were proposals to construct a complex called Port America and a World Trade Center in the D.C. area. Also, [redacted] was building a 200 foot building in Arlington, which he had recently gotten approved, and his title attorney mentioned the height restriction issue to him. Someone from [redacted] office went to see MOYNIHAN, whom [redacted] did not know, and b6 b7C

 b6 b7C

[redacted] went to see someone in CRANSTON's office. They sought to get the law written to "ameliorate" the situation about their building in Arlington. [redacted] stated [redacted] building would not be visible from the Mall, and they offered to do a study and show this. They would offer language changes so that the legislation would not unnecessarily hurt them. The response was that the matter was open to discussion. [redacted] had the engineering done and the the bill was rewritten. However, it all became moot because, after input from the FAA (Federal Aviation Administration), National Airport, Andrews Air Force Base and the Airline Pilots Association, the building height limit was lowered without the legislation. [redacted] lowered his building and the "issue went away."

When asked whether he ever felt any pressure to contribute or raise money to get action, [redacted] replied, "Absolutely not." b6 b7C

[redacted] regarded [redacted] and her now-husband as "pretty good friends." There was no discussion of past or future contributions when [redacted] requested action regarding the building height legislation. [redacted] stated, "No one in any walk of life has ever held his hand out regarding any government action." [redacted] stated that he felt no pressure to contribute to CDC, CRANSTON or anyone else, other than friendship and normal politics, adding "I was delighted to do it."

When asked whether Senator CRANSTON ever personally solicited contributions, [redacted] stated that it "wouldn't be unusual," and that he has gotten thank you notes "from ALAN" for things he had done, like the party. [redacted] stated that he was not aware of any improprieties by CRANSTON or anyone on his behalf. [redacted] offered as an example a California trip when CRANSTON stayed in a hotel room that cost about $80 per night, while [redacted] room cost about $300. b6 b7C

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 11/15/91

TO : SAC, LOS ANGELES (SARA)

FROM : SAC, SACRAMENTO (58C-PX-41605)(RUC)

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

Re Los Angeles airtel to Sacramento dated 9/16/91.

Enclosed for Los Angeles are the original and one copy of an FD-302 concernng an interview of ERNST GALLO. No investigation remains in the Sacramento Division.

2 - LA (Enc. 2)
2 - PX
2 - SC
TAS:llc
(6)

58C-PX-41605-98

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FBI — PHOENIX

Approved: _____ Transmitted _____ (Number) (Time) Per _____

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

201 East Indianola, Suite 400
Phoenix, Arizona 85012

September 25, 1991

ALLEGATIONS CONCERNING UNITED STATES SENATORS ALAN CRANSTON; AND OTHERS; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION AND AMERICAN CONTIENTAL CORPORATION; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;

On April 15, 1991, a meeting was held at Los Angeles, California, in the Office of the United States Attorney. Assistant United States Attorney (AUSA) [redacted] and Departmental Attorney [redacted] attended. During this meeting evidence was reviewed and it was determined that a successful prosecution cannot be accomplished in this case, unless an insider was developed. b6 b7C

Following this meeting, efforts have been focused on development of information which could lead to prosecutable cases against [redacted] and [redacted]

Documents and interviews conducted have been reviewed for any evidence to determine if [redacted] was actively soliciting campaign contributions from Capitol Hill. Additionally Federal Election Commission (FEC) records have been reviewed to determine if any conduit contribution violations could be developed in the Political Action Committee (PAC) [redacted] Pacific PAC, and Cranston's PAC, the Committee for Democratic Consensus. A review of these records have revealed no wide spread use of PACs for contributions, although the Pacific PAC and the Committee for Democratic Consensus contributed $4,000 to each other in a one week period. b6 b7C

[redacted] testified before the Senate Ethics Committee, that the Cranston's statement submitted for publication in the Congressional Record in March, 1987, was her b6 b7C

4 - Bureau
1 - USA, Central District of California, Los Angeles, California
1 - USA, Phoenix, Arizona
(2) - Phoenix (58C-PX-41605)
REB:slj
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58C-PX-41605-99

work product. This statement is believed to be the work product of Washington D.C. lawyer/lobbyist [redacted] The statement was an effort to counter the Proxmire Amendment to his Federal Savings and Loan Insurance Corporation (FSLIC) Recapitalization Bill that would have clarified FSLIC's authority to regulate direct investment of state chartered institutions. Cranston demanded Proxmire withdraw his amendment, stating on the record that the amendment was unnecessary, because FSLIC already had such authority. [redacted] during an interview with the Federal Bureau of Investigation (FBI) said that he prepared this statement, for which [redacted] has taken credit.

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Efforts to develop a perjury case against [redacted] is difficult because of the Speech and Debate Clause of the Constitution. Efforts to obtain original evidence in this perjury matter have not been successful. [redacted] attorney and his lawfirm have been contacted in an effort to retrieve his work product. In an effort to obtain his work product, review of documents submitted to the depository in Phoenix by [redacted] lawfirm, [redacted] failed to locate any records supporting [redacted] statement that he prepared the Jordan/Cranston statement.

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Attorneys [redacted] requested that [redacted] be interviewed. [redacted] after initially agreeing to submit to an interview, refused.

AUSA [redacted] and Department of Justice (DOJ) Attorney [redacted] also requested that the FBI obtain information regarding charitable solicitations, made by [redacted] from Charles Keating. Deconcini's attorney, [redacted] was contacted and he provided the FBI with this information. It was determined from [redacted] that [redacted] only solicited two contributions from Keating as follows: In 1985, [redacted] solicited $50,000 from Keating for contributions to the Phoenix Memorial Hospital Intergenerational Child Care Center, later known as "Young Company". [redacted] recollection is that she does not know if Keating contributed the full amount. In 1987 or 1988, [redacted] by telephone solicited Keating for a contribution for the construction of a gymnasium at the Seton Catholic High School in Chandler, Arizona. Keating, however, told [redacted] that funds were not available.

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Charities that [redacted] was involved in from 1975 to 1990 were compared with documents of American Continental Corporation (ACC) and Lincoln Savings and Loan Association (LSL) records of charitable contributions. It was determined that Keating and/or his company contributed $77,500 to Phoenix Memorial Hospital in 1986 and 1987. In 1985 and 1986, $20,000 was contributed to St. Mary's High School and/or St. Mary's Church.

Senator Don Riegle in March, 1987, received $95,150 raised by a Keating fund raiser in Detroit, of this amount $78,250 was contributed to Riegle by Keating, Keating's family or employees.

At least $25,000 of the $78,250 contributed by Keating, friends and associates were collected by ACC lobbyist and employee [redacted] in late February or early March of 1987. This $25,000 was given to Deconcini for delivery to Riegle by [redacted] (who has declined to be interviewed by the FBI). Riegle and his aid, [redacted] met with Keating in early March, prior to the fund raiser in Detroit. Riegle admits he met with [redacted] Federal Home Lone Bank board, on March 6, 1987, suggesting to [redacted] that he should meet with Arizona Senators regarding Lincoln Savings and Loan Association. Riegle then attended a follow up meeting with the Federal Home Loan Bank representatives of San Francisco with the other Senators on April 9, 1987.

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On February 28, 1988, Keating agreed to sponsor another fund raising event for Riegle to be held in New York, on May 10, or May 11, 1988, with a goal of raising over $100,000 for Riegle's campaign.

A Detroit newspaper reported that the bulk of the funds raised at the 1987 hotel Pontchartrain event were from Keating, his family and ACC/LSL employees. On February, 1988, Riegle returned the contributions made by Keating and his associates. Riegle testified under oath before the Senate Ethics Committee that he did not know the magnitude of the Keating family and associates contributions, until he read the newspaper article.

In an effort to determine if Riegle perjured himself, leads were sent to interview [redacted] prepared a memo, dated February 28, 1988, concerning the fund raiser event, where she stated, "We know Keating can produce" the $100,000. [redacted] signed the report that the Riegle Committee submitted to the FEC for the first six months of 1987. In this report the contributions raised in connections with the hotel Pontchartrain event in 1987 were listed by contributors name, address and employer.

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On July 9, 1991, a meeting was held in Los Angeles of the Office of the U.S. Attorney. (AUSA [redacted] Departmental Attorney [redacted] attended this meeting). During this meeting investigation requested by them was discussed. It was decided by [redacted] that before they made a prosecutive decision they would review the evidence collected thus far. Attorneys [redacted] did not request any additional investigation regarding Senators McCain,

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Riegle, Deconcini and Glenn. Attorneys [redacted] requested that the Federal Bureau of Investigation (FBI) interview people who contributed $25,000 or more to Cranston affiliated "soft money" voter registration groups. b6 b7C

Eight interviews have been conducted, and these individuals, revealed no connection between Cranston's services for contributions to "soft money" groups. Two interviews remain outstanding.

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FD-36 (Rev. 8-29-85)

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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 12/20/91

TO : SAC, LOS ANGELES (58C-PX-41605)(WCC4/SARA)(P)

FROM : SAC, WMFO (58C-PX-41605)(C-9/NVMRA)(P)

ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DE CONCINI,
JOHN GLENN, JOHN MC CAIN, 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: PX/LA

Re LA 8/14/91 facsimile to WMFO and LA 8/15/91 tel to Cincinnati.

Enclosed for Los Angeles are the original and two copies of the FD-302 of [redacted] and a 1A envelope containing related interview notes. b6 b7C

Enclosed for Phoenix are two copies of the FD-302 of the [redacted] FD-302 (for information).

A copy of the enclosed FD-302 was furnished to LA Case Agent, at Washington, D.C., on 11/21/91.

This matter remains pending at WMFO, which will confer with LA/PX regarding the likelihood of additional investigation by WMFO.

3-Los Angeles (encls. 4)
2-Phoenix (encls. 2)
1-WMFO
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JAN 14 1992

FBI — PHOENIX

Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (SARA) (P) Date 11/27/91

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) b6 b7C

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] 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.

7/16-19/84 [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] vacation at KEATING's place at Cat Cay, Bahamas

9/12/84 [redacted] meets with DE CONCINI

Late 1984	LINCOLN Attorney/lobbyist [redacted] asks CRANSTON banking aide [redacted] to oppose direct investment limitations; [redacted] declines to do so.	b6 b7C
9/22/84	KEATING dines with JOHN MC CAIN and [redacted] 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 [redacted] and Senators ALAN CRANSTON, JOHN GLENN, MACK MATTINGLY, PAUL LAXALT, and DENNIS DE CONCINI	
12/84-1/85	Congressman CHARLES "CHIP" PASHAYAN lobbies [redacted] to not adopt direct investment regulation	
1/1/85	[redacted]	
1/4/85	[redacted] of TCS visit KEATING in Phoenix; KEATING offers to buy 20 percent of TCS FINANCIAL; KEATING and [redacted] 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 Congressman 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	[redacted] writes the FHLBB of San Francisco on behalf of LINCOLN requesting that LINCOLN be exempted from the ten percent direct investment rule b6 b7C
2/27/85	[redacted]
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]
5/27/85	[redacted] and UNIVERSITY OF ROCHESTER Professor [redacted] testify, 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 [redacted] relays REGAN's request to [redacted] resign
10/1/85	[redacted] told by Washington Attorney [redacted] that he had a job offer for [redacted] had previously been so advised by FHLBB member [redacted]
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, [redacted] meet separately with [redacted] 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	[redacted] meets with KEATING and [redacted] in Washington regarding job offer for [redacted]
11/ /85	TAGGART, [redacted] 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 [redacted] contribute $4,000 to DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE
11/27/85	NOLAN, TAGGART, [redacted] lobby CALIFORNIA LEAGUE OF SAVINGS INSTITUTIONS (Chairman-GERALD BARRONE; Director-DEAN

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	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, [redacted] begins to organize America Votes and the fundraising 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 [redacted]
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, [redacted] in Washington
3/17-31/86	KEATING and associates contribute $54,000 to Senator JOHN MC CAIN
3/31/86	[redacted] invest $359,100 in a Phoenix shopping center project developed and managed by ACC.

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4/4/86 KEATING and associates contribute $10,000 to Senator MACK MATTINGLY (Georgia)

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 b6 b7C

6/6/86 DE CONCINI writes White House Chief of Staff REGAN and recommends [redacted] for the FHLBB post vacated by [redacted]

6/24/86 REGAN interviews [redacted] re FHLBB position [redacted] travel expenses billed to ACC)

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] Congressman JOHN DINGELL, [redacted]

7/16/86 KEATING and [redacted] in Washington separately meet Senators HAWKINS, RIEGLE and CRANSTON (with [redacted] regarding FHLBB regulations and [redacted] nomination to FHLBB, and with [redacted]

7/17/86 [redacted] 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 [redacted] so the White House will support [redacted] b6 b7C

7/23/86 — In memo to KEATING, [redacted] values [redacted] interest in CSI at $1,394,000.

7/25/86 — KEATING and associates contribute $20,000 to Senator PAULA HAWKINS

7/25/86 — [redacted] spends day at ACC in Phoenix - discuss Atlanta properties and [redacted] possible appointment at FHLBB

7/28/86 — KEATING meets with [redacted]

7/29/86 — KEATING meets with Senator HAWKINS in Washington and [redacted] in Atlanta

7/29/86 — CHARLES H. KEATING, et al, meets [redacted] in D.C.

8/4/86 — TAGGART writes White House Chief of Staff DONALD REGAN complaining about [redacted] and mentioning his adverse effect on Republican fundraising.

8/4-6/86 — KEATING and associates contribute $11,000 to Senator CRANSTON

8/7/86 — [redacted] writes memo valuing his interest in CSI at $3.3 - $3.4 million.

8/11/86 — KEATING and [redacted] meet separately with [redacted] and Congressman BARNARD re [redacted] nominations, and with [redacted]

8/12/86 — KEATING and [redacted] meet separately with FHLBB member [redacted] MC CAIN, PASHAYAN, [redacted]

8/14/86 — PASHAYAN writes [redacted] requesting information on institutions requesting waiver of 10 percent direct investment limitation. The

	letter was signed by 15 other House Republicans.
8/15/86	[redacted] meet in Phoenix re Continental Southern conflict problem for [redacted]
8/16/86	FHLBB member [redacted] 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 [redacted] 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 RHODES
9/10/86	KEATING, [redacted] meet separately with [redacted] CRANSTON, MC CAIN, and RIEGLE regarding FHLBB matters and [redacted] nominations. KEATING and Senator HAWKINS meet with DON REGAN at White House regarding same.
9/ /86	FHLBB member [redacted] quits Board effective 10/17/86
9/16/86	[redacted] meets with DE CONCINI
9/20/86	"Washington Post" writes that LINCOLN officials claim FHLBB harassment. [redacted] 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 [redacted]
10/7/86	[redacted] is nominated to the FHLBB by the President. Senate adjourns 10/18 without considering [redacted] nomination.

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10/8/86	ACC contributes $35,000 to the California Democratic Party, primarily for CRANSTON's benefit
10/13/86	KEATING and [redacted] 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 [redacted] 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 and GLENN had 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, [redacted] 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. A $300,000 unsecured line of credit was extended by LINCOLN to CRANSTON, but the line of credit was never drawn on, 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 [redacted] attend DEUKMEJIAN and CRANSTON victory celebrations in Los Angeles
11/7/86	HENKEL receives recess appointment to FHLBB.
11/11/86	Atlanta attorney [redacted] a friend of KEATING and borrower from and attorney for LINCOLN, is sworn in as a member of the FHLBB
11/25/86	[redacted] interest in CONTINENTAL SOUTHERN is purchased by an ACC subsidiary for $3,700,000, following meeting of KEATING,

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[redacted] at Indian Creek

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12/5/86 and 12/16/86 — KEATING meets in San Francisco with FHLBB-SF regulator [redacted] regarding LINCOLN exam

12/13/86 — LINCOLN attorney/lobbyist [redacted] meets [redacted] at River Inn in Washington and lobbies [redacted] re direct investment rule and grandfathering

12/18/86 — [redacted] proposes at FHLBB meeting a rule change that would protect LINCOLN from enforcement of the direct investment rule. [redacted] proposal died for lack of a second. Before the meeting, [redacted] asks [redacted] for to review and type the proposal. [redacted] gets suggested changes from [redacted] and [redacted]

12/19/86 — FHLBB authorizes 407(m) fraud investigation of LINCOLN regarding file-stuffing and back-dating

1/2/87 — [redacted] sends CRANSTON a short list of individuals (including KEATING) who have been "very helpful" to CRANSTON and who "rightly expect" a resolution of their pending cases or legislative matters.

1/8/87 — [redacted] meets with DE CONCINI, (may have canceled)

1/9/87 — [redacted] meet with CRANSTON

1/16/87 — [redacted] meets with KEATING, [redacted] in Phoenix

1/26/87 — KEATING and [redacted] 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 [redacted] meet [redacted] in Congressman CARROLL HUBBARD's office, and separately meet with Senators DE CONCINI and PHIL GRAMM in Washington

1/28/87 — KEATING and [redacted] have separate meetings with MC CAIN, CRANSTON (with [redacted] GLENN, PASHAYAN, DE CONCINI, and RIEGLE in

	Washington, at meeting with RIEGLE, KEATING offers to organize a fundraising event for RIEGLE.
1/29/87	KEATING meets with Senator HAWKINS at her home in Orlando regarding [redacted] replacement
2/5/87	MC CAIN meets with RIEGLE
2/13/87	Recess appointee [redacted] are renominated by White House
2/13-3/18/87	KEATING and associates contribute $11,000 to Senator TIM WIRTH
2/18/87	KEATING meets with [redacted] at FHLBB in Washington. KEATING and [redacted] meet separately with Senators ARMSTRONG, MC CAIN, and TERRY SANFORD and Representative JIM WRIGHT
12/19/87	ACC wires $3.7 million to [redacted] blind trust via Troutman, Sanders. [redacted] requests $250,000 distribution from trust.
2/26/87	Senator RIEGLE meets with [redacted] and [redacted] to discuss LINCOLN's dispute with regulators
2/27/87	CRANSTON meets with [redacted] possibly [redacted]
2/27/87	FHLBB [redacted] 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 [redacted]
3/3/87	KEATING and [redacted] contribute $4,000 to [redacted] 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 [redacted] - says Arizona senators are quite concerned with FHLBB regulation of LINCOLN and suggests that [redacted] meet with them

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3/8/87 — RIEGLE and top aide [redacted] visit KEATING in Phoenix and after a helicopter tour, RIEGLE reportedly states, "I like what I see here. I can reason with [redacted]

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3/9/87 — RIEGLE, [redacted] fly commercial airlines together to Washington

3/13/87 — [redacted] (later of ACC) writes letter to senators critical of regulators

3/16/87 — RIEGLE meets with CRANSTON, [redacted] and later with [redacted]

3/17/87 — RIEGLE meets with [redacted]

3/18/87 — LINCOLN sues FHLBB, challenging the direct investment limitations. DE CONCINI meets with RIEGLE re ACC, RIEGLE suggests having a meeting with [redacted]

3/19/87 — Senators DE CONCINI's staffer, [redacted] writes confidential memo to DE CONCINI summarizing what ACC "wants from [redacted] and what ACC is "willing to do". DE CONCINI meets with MC CAIN and proposes that they meet with [redacted] regarding LSL

3/20/87 — LINCOLN files a petition to recuse [redacted] from decisions regarding LINCOLN

3/23/87 — KEATING raises $95,150 for [redacted] at luncheon fundraiser held at the Hotel Ponchartrain. Of the $95,150, $78,250 was given by persons connected to ACC.

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 [redacted] meet separately with Senators DE CONCINI, CRANSTON (with [redacted], 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, which would moot LINCOLN's lawsuit against FHLBB.

3/26/87 — CRANSTON convinces PROXMIRE to withdraw his amendment - at request of LSL. [redacted] meets with CRANSTON.

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3/27/87	CRANSTON's aide [redacted] submits to Congressional Record language written by ACC's attorney [redacted] that would assist LSL in litigation against FHLBB
4/1/87	[redacted] resigns from FHLBB
4/2/87	[redacted] meets with Senators DE CONCINI, MC CAIN, CRANSTON and GLENN in DE CONCINI's office regarding LINCOLN
4/9/87	[redacted] 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 mortgage if FHLBB yields on direct investment rule and property appraisals. Before this meeting, [redacted] meets with DE CONCINI
4/13/87	CRANSTON's aide, [redacted] visits ACC in Phoenix at ACC's expense
4/19/87	RIEGLE supports [redacted] to be [redacted] at request of ATHC.
4/20/87	FHLBB Report of Examination sent to LINCOLN
4/21/87	RIEGLE meets with [redacted]
5/1/87	FHLBB 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
6/2/87	Date of CRANSTON's letter to KEATING thanking him for 1986 contribution to California Democratic Party's GOTV
6/24/87	[redacted] requests CRANSTON's help at the conference committee for the Competitive Equity Banking Act (CEBA)
6/30/87	[redacted] leaves FHLBB post; replaced by [redacted]
7/10/87	CENTER FOR PARTICIPATION IN DEMOCRACY and THE ORGANIZING INSTITUTE (originally known as MONTEREY LEADERSHIP TRAINING INSTITUTE) are

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incorporated - [redacted]

7/10/87 [redacted] asks Senator PROXMIRE's aide [redacted] for his files on KEATING, [redacted]

7/17/87 LINCOLN sues FHLBB over leaks of information regarding LINCOLN examination; lawsuit is dropped on 7/29/87, after assurance 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] and [redacted] to resolve LINCOLN's lawsuit alleging leaks

8/4/87 On behalf of LINCOLN, [redacted] provides CRANSTON/PROXMIRE colloquy for Congressional Record re Competitive Equity Banking Act.

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 FHLBB 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	b6 b7C
10/16/87	FHLBB's [redacted] completes review of San Francisco exam of LINCOLN, concludes that LINCOLN is being operated in an "unsafe and unsound manner", and recommends FHLBB proceed with a cease and desist order	
10/21/87	[redacted] meets with [redacted] - 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	[redacted] 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 [redacted] to urge quick resolution of LINCOLN exam	
11/13/87	At [redacted] request, CRANSTON writes Senator BENSTON proposing an amendment of the	
Internal	Revenue Code's qualified thrift lender test, RIEGLE also assists LINCOLN in this matter.	
11/18/87	RIEGLE meets with [redacted]	
11/23/87	[redacted] receive helicopter tour of ACC's Phoenix developments	

1/4/88	[redacted] submits proposed MOU to FHLB-SF; rejected by [redacted]	b6 b7C
1/7/88	KEATING and [redacted] dine with [redacted] and [redacted] aide to Senator JOHN HEINZ, in Phoenix	
1/8/88	ALAN [redacted] CRANSTON have dinner with KEATING and [redacted] in Beverly Hills	
1/18/88	ACC contributes $6,000 to California Assemblyman TOM BANE	
1/18/88	In a memo to CRANSTON, USA VOTES fundraiser [redacted] reports that KEATING has asked CRANSTON to arrange a meeting with [redacted] so KEATING can hear from [redacted] why the LINCOLN SAVINGS exam is continuing four months after [redacted] told him it would end in two weeks	
1/20/88	CRANSTON calls [redacted] - tells [redacted] of [redacted] allegation re examiner tasked to find something on LINCOLN. Also tells [redacted] KEATING will be in town on 1/28.	
1/27/88	KEATING and [redacted] meet separately with Congressman BARNARD and Senator METZENBAUM	
1/28/88	[redacted] 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 [redacted] meet separately with [redacted] RIEGLE, DE CONCINI, GLENN and CRANSTON (with [redacted]	
2/2/88	KEATING and associates contribute $4,000 to [redacted]	
2/4/88	At [redacted] request, FHLBB [redacted] meets with KEATING for four hours, after [redacted] told [redacted] to try to achieve a "peaceful resolution". Separately, KEATING and [redacted] meet with RIEGLE.	
2/5/88	KEATING and [redacted] negotiate a proposed memo of understanding with [redacted]	
2/9/88	KEATING meets in Sacramento with JOHN GEOGHEGAN, California Secretary of Business, Transportation and Housing	

2/10/88	ALAN [redacted] CRANSTON visit KEATING in Phoenix at expense of NEW DIMENSION RESOURCES, and pick 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 [redacted] 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 [redacted]
2/19/88	KEATING, [redacted] 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
2/23/88	CRANSTON provides KEATING with a letter of introduction to the American Ambassador to Yugoslavia
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, [redacted] 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 [redacted] re ERC hearing
4/20/88	RIEGLE meets with [redacted]
4/21/88	CRANSTON talks with [redacted] re ERC status

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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 [redacted] in Sacramento
TH 5/5/88	[redacted] vote to transfer regulation of LINCOLN from San Francisco to Washington and to negotiate a settlement with LINCOLN; [redacted] dissents
5/5/88	[redacted] 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 [redacted]
5/6/88	CRANSTON's aide [redacted] calls WALL's aides [redacted] - tells them that 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	[redacted] telephones KEATING to tell him to take or leave FHLBB's proposed agreement. KEATING attorney [redacted] writes KEATING "you have the board right where you want them".
5/16/88	[redacted] meets with CRANSTON
5/18/88	[redacted] meets with RIEGLE
5/19/88	CRANSTON and [redacted] meet with [redacted]
5/20/88	FHLBB and LINCOLN sign memo of understanding, providing for a new examination to be conducted by ORPOS in Washington
6/5/88	KEATING and associates contribute $100,000 to REPUBLICAN NATIONAL COMMITTED and attend dinner with Vice President GEORGE BUSH in Los Angeles
6/8/88	[redacted]
7/11/88	ORA (formerly ORPOS) begins exam of LINCOLN

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8/1/88	RIEGLE meets with [redacted]
10/7/88	[redacted] visits [redacted]
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 victor '88 fund - raised by SAMUELIAN
11/10/88	[redacted] meets with [redacted]
11/17/88	KEATING and [redacted] meet with Senator RIEGLE in Washington
12/2/88	KEATING tells ORA examiner [redacted] that four entities are interested in acquiring LINCOLN
12/7/88	CRANSTON and [redacted] meet with [redacted]
12/8/88	RIEGLE and [redacted] meet with [redacted] and [redacted]
12/14/88	KEATING, [redacted] meet with Congressman JON KYL in Phoenix. Later, KEATING and [redacted] fly to Los Angeles for dinner meeting with Senator CRANSTON and his aide, [redacted] - 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 [redacted]
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 [redacted] visit [redacted] to deliver response to exam report. Later, KEATING and [redacted] meet with CRANSTON, [redacted] meets with RIEGLE
2/7/89	CRANSTON meets with KEATING in [redacted] office. Later KEATING, [redacted]

	CRANSTON, [redacted] meet in DE CONCINI's office.	b6 b7C
2/8/89	CRANSTON's aide, [redacted] telephones [redacted] demanding to know why LINCOLN sale had not yet been approved. CRANSTON calls [redacted] re pending sale	
2/14/89	FHLBB begins third examination of LINCOLN	
2/23/89	RIEGLE and [redacted] meet with [redacted]	
3/27/89	CRANSTON meets with [redacted]	
4/7/89	At the end of the meeting with [redacted] on another matter, DE CONCINI raises issue of pending offer to sell LINCOLN. [redacted] meets with CRANSTON and [redacted]	
4/11/89	At KEATING's request, DE CONCINI telephones [redacted] asks him to support the sale of LINCOLN to ROUSSELOT. CRANSTON's staffer, [redacted] reportedly calls California officials in support of the sale	
4/12/89	CRANSTON urges [redacted] and FHLBB member [redacted] to reconsider sale of LINCOLN to ROUSSELOT	
4/13/89	CRANSTON urges FHLBB member [redacted] to hear ROUSSELOT's offer and consider the effect of bankruptcy on California, Arizona, and the FSLIC.	
4/14/89	FHLBB seizes LINCOLN - placed in conservatorship. CRANSTON telephones [redacted] - says Board made a serious mistake. Congressman HUBBARD and KEVIN GOTTLIEB also call [redacted] re LINCOLN.	
6/22/89	[redacted] meets with [redacted]	
7/13/89	[redacted] meets with [redacted]	
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	[redacted] 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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Memorandum

To : SAC PHOENIX (58C-PX-41605) (P) Date 1/22/92

From : TIS [redacted] b6 b7C

Subject: ALLEGATIONS CONCERNING
UNITED STATES SENATORS; ETAL
CHARLES H. KEATING;
CORRUPT PUBLIC OFFICIAL; OO:PX

Today, while checking Closed Files for Sub A of 58C-PX-41605, I found two wallet type envelopes for this file marked 1B(6) and 1B(9). I called ECT [redacted] who took custody of these envelopes. b6 b7C

58C-PX-41605-103

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED SK FILED JKL
JAN 22 1992
FBI — PHOENIX

1-PX 58C-PX-41605
JMS/jms

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
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PRECEDENCE:
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☐ Priority
☐ Routine

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

Date 1/21/92

TO : SAC, PHOENIX

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

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

Enclosed under separate cover to Phoenix Division is evidence that had previously been sent to Santa Ana on 5/7/91.

Items of evidence are marked as follows:

1b (25), (27), (34), (44), (45), (46), (47), (50), (51), (59), item R-1, R-2, R-4,

1b (62) item 1, 3, 4,

1b (65) item 6, 9, 14.

(3) - Phoenix
(1 - packaged copy)
(1 - ATTN: Evidence Control Technician [redacted]
2 - Los Angeles
GKM/klz
(5)

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58C-PX-41605-104

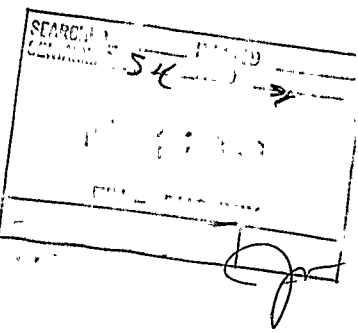
1*

Approved: _____ Transmitted _____ (Number) (Time)

Per _____

2/10/91

[redacted]



Identified to AUSA re pres. opinion but I will not see it in view of this Tel.

REB

58C-PX-41605-105

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SERIALIZED
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COVERSHEET
FBI FACSIMILE
LOS ANGELES DIVISION
SANTA ANA RA

PRECEDENCE

O IMMEDIATE
O PRIORITY
Ø ROUTINE

CLASSIFICATION

O TOP SECRET
O SECRET
O CONFIDENTIAL
O SENSITIVE
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TIME TRANSMITTED _____

SENDER'S INITIALS _____

NUMBER OF PAGES 4
(including cover)

TO: PHOENIX DATE: 2/7/92

FACSIMILE NUMBER: _____

ATTN: _____

FROM: LOS ANGELES

SUBJECT: 58C-PX-41605

SPECIAL HANDLING INSTRUCTIONS: PLEASE HAND CARRY TO

ORIGINATOR'S NAME: _____

ORIGINATOR'S FACIMILE NUMBER: (714) 542-8[illegible]

APPROVED: _____

FD-36 (Rev. 8-29-85)

FBI

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☐ Facsimile	☐ Priority	☐ SECRET
☐ AIRTEL	☒ Routine	☐ CONFIDENTIAL
		☐ UNCLAS E F T O
		☒ UNCLAS

Date 2/7/92

FM FBI LOS ANGELES (58C-PX-41605)

TO DIRECTOR FBI/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3410:0670//

PASS: PUBLIC CORRUPTION UNIT, SSA [redacted] b6 b7C

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS DEACONCINI, 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.

FOR INFORMATION OF THE BUREAU INVESTIGATION OF THIS MATTER HAS BASICALLY CONCLUDED BY THE LOS ANGELES DIVISION AND THE PHOENIX DIVISION. RESULTS OF THE INVESTIGATION FOR THE

GKM/KLZ

Approved: _____ Original filename: KLZ002W.038

Time Received: _____ Telprep filename: _____

MRI/JULIAN DATE: _____ ISN: _____

FOX DATE & TIME OF ACCEPTANCE: _____

^PAGE 2 58C-PX-41605/UNCLAS/

PAST TWO YEARS HAS CONSISTENTLY BEEN SHARED WITH ASSISTANT UNITED STATES ATTORNEY [redacted] FROM THE LOS ANGELES UNITED STATES ATTORNEY'S OFFICE AND [redacted] ATTORNEY WITH THE PUBLIC INTEGRITY SECTION, DEPARTMENT OF JUSTICE, WASHINGTON D.C. b6 b7C

FOR THE PAST SIX TO EIGHT MONTHS THE INVESTIGATION HAS FOCUSED PRIMARILY ON THE ACTIVITIES OF UNITED STATES SENATOR ALAN CRANSTON (D)(CALIFORNIA) AND HIS RELATIONSHIP WITH CHARLES KEATING AND HIS ASSOCIATES.

THE RESULTS OBTAINED FROM THE FBI INVESTIGATION WERE VERY SIMILAR, IF NOT IDENTICAL, TO THE RESULTS OF THE UNITED STATES SENATE ETHICS COMMITTEE INVESTIGATION CONCERNING THE FIVE SENATORS.

THE FBI INVESTIGATION SHOWED SENATOR ALAN CRANSTON RECEIVED APPROXIMATELY $800,000.00 EITHER DIRECTLY, AS CAMPAIGN CONTRIBUTIONS, OR INDIRECTLY TO CRANSTON SPONSORED PROJECTS. IN ADDITION IT APPEARS HE MAY HAVE PERFORMED UP TO 15 DIFFERENT ACTIVITIES WHICH WERE CONSIDERED OFFICIAL ACTS. TO DATE NO AGREED UPON QUID PRO QUO HAS BEEN ESTABLISHED.

^PAGE 3 58C-PX-41605/UNCLAS/

ON 2/3/82, ASSISTANT UNITED STATES ATTORNEY [redacted] b6 b7C

[redacted] ADVISED HE WOULD DECLINE PROSECUTION IN THIS MATTER DUE TO THE FACT INSUFFICIENT EVIDENCE EXISTS TO SHOW AN AGREED UPON QUID PRO QUO WHICH IS REQUIRED FOR A HOBBS ACT VIOLATION. LOS ANGELES DIVISION WILL IN THE NEAR FUTURE SUBMIT AND FD-761 AND ENCLOSED LETTERHEAD MEMORANDUM SETTING OUT A MORE DETAILLD SUMMARY OF THE INVESTIGATION AND RESULTS.

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FEDERAL BUREAU OF INVESTIGATION
FOI/PA
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FM DIRECTOR FBI

TO FBI PHOENIX (58C-PX-NEW)/PRIORITY/

FBI LOS ANGELES/PRIORITY/

BT

UNCLAS

CITE: //0622//

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

REFERENCE MEETING AT FBIHQ ON NOVEMBER 8, 1989, WITH REPRESENTATIVES FROM THE FBI, U.S. ATTORNEY'S OFFICE, LOS ANGELES, AND PUBLIC INTEGRITY SECTION (PIS), DEPARTMENT OF

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NOV 0 9 1989
FBI — LOS ANGELES

JUSTICE (DOJ), AND MEMORANDUM OF EDWARD S. G. DENNIS, JR., ASSISTANT ATTORNEY GENERAL (AAG), DOJ TO DIRECTOR, FBI, DATED NOVEMBER 7, 1989, RE CAPTIONED MATTER.

PURSUANT TO REFERENCED MEETING AND COMMUNICATION OF AAG/DOJ, PHOENIX, IS REQUESTED TO INITIATE A PRELIMINARY INQUIRY INTO CAPTIONED MATTER.

REFERENCED COMMUNICATION, COPIES OF WHICH WILL BE SENT TO RECEIVING OFFICES UNDER SEPARATE COVER, IS A REQUEST OF THE PIS, DOJ, FOR THE ASSISTANCE OF THE FBI TO CONDUCT AN INVESTIGATION INTO ALLEGATIONS CONCERNING CAPTIONED U.S. SENATORS. THE ALLEGATIONS ARISE OUT OF THE ACTIVITIES OF CHARLES H. KEATING, JR., A PRINCIPAL IN THE FAILED LINCOLN S & L ASSOCIATION OF CALIFORNIA. ALLEGEDLY, KEATING, KEATING AND ASSOCIATES, AND ENTITIES CONTROLLED BY KEATING MADE CONTRIBUTIONS TO THE SENATORS' CAMPAIGNS AND/OR OTHER ORGANIZATIONS UNDER THE CONTROL OF THE SENATORS. SUBSEQUENTLY, THE SENATORS SOUGHT TO INTERVENE WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) ON BEHALF OF LINCOLN S & L, WHICH WAS BEING INVESTIGATED BY THE BOARD.

DURING REFERENCED MEETING, IT WAS CONCLUDED THAT A PRELIMINARY INQUIRY WAS IN ORDER TO DETERMINE WHETHER THE

SENATORS MAY HAVE BEEN IN VIOLATION OF TITLE 18, U.S. CODE, SECTIONS 201 (BRIBERY), 371 (CONSPIRACY), 1951 (HOBBS ACT), AND/OR 1505 (OBSTRUCTION OF PROCEEDINGS BEFORE AN AGENCY), AS IT RELATES TO THEIR INTERVENTION ON BEHALF OF LINCOLN S & L WITH THE FHLBB.

INVESTIGATION UNDER THE PI STATUS, AS ESTABLISHED DURING REFERENCED MEETING WAS LIMITED TO INTERVIEWS TO CORROBORATE STATEMENTS MADE BY [redacted] FHLBB, RELATING TO HIS MEETINGS WITH THE SENATORS AND THE SUBSEQUENT MEETING ESTABLISHED BY [redacted] FOR THE SENATORS WITH THE REGULATORS CONDUCTING THE EXAMINATION OF LINCOLN S & L.

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FBIHQ SHOULD BE EXPEDITIOUSLY ADVISED OF THE RESULTS OF INTERVIEWS CONDUCTED IN CAPTIONED MATTER. FBIHQ SHOULD BE ADVISED PRIOR TO CONDUCTING ANY LEADS AND/OR INTERVIEWS OUTSIDE THE PARAMETERS OF CORROBORATING [redacted] STATEMENT.

INTERVIEWS OF CONGRESSMEN, CONGRESSIONAL STAFFERS, FORMER OR CURRENT, AND/OR MEMBERS OF THE MEDIA WILL REQUIRE PRIOR FBIHQ APPROVAL AND WILL NOT BE AUTHORIZED UNDER THE PI STATUS UNLESS DEEMED TO BE ABSOLUTELY ESSENTIAL.

PHOENIX SHOULD SUBMIT WITHIN 30 DAYS AN FD-761 (PUBLIC

CORRUPTION DATA FORM) WITH APPROPRIATE LHM SUITABLE FOR

DISSEMINATION.

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FD-448 (Rev. 3-7-88)

Transmit attached by Facsimile

PRECEDENCE:
- ☐ Immediate
- ☒ Priority
- ☐ Routine

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

To: SANTA ANA RA

From: LOS ANGELES FBI

Date 11-13-85

Subject: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL
CSLPO - LEGISLATIVE OO: PX

☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph

☐ Artists Conception ☒ Teletype ☐ Other FACSIMILE

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FM DIRECTOR FBI

TO FBI PHOENIX (58C-PX-NEW)/PRIORITY/

FBI LOS ANGELES/PRIORITY/

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UNCLAS

CITE: //0622//

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

REFERENCE MEETING AT FBIHQ ON NOVEMBER 8, 1989, WITH REPRESENTATIVES FROM THE FBI, U.S. ATTORNEY'S OFFICE, LOS ANGELES, AND PUBLIC INTEGRITY SECTION (PIS), DEPARTMENT OF

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/30/89

[redacted] CHASE FEDERAL BANK in Miami, Florida, telephone [redacted] was advised as to the identity of the interviewing agents and of the Assistant States Attorney. Present during the interview were Special Agents [redacted] b6 b7C [redacted], and Assistant United States Attorney (AUSA) [redacted] was advised as to the purpose of the interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted] and he was born in Modesto, California. [redacted] Social Security account number is [redacted] current address is [redacted] Key Biscayne, Florida, 33149.

[redacted] confirmed the fact that from [redacted] until [redacted] he was [redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB) located in Washington D.C. The FHLBB located in Washington D.C. has the responsibilities of overseeing the 12 FEDERAL HOME LOAN BANKS (FHLB) located throughout the United States. The FHLB's regulate all savings and loan institutions who are federally insured under the FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC). As [redacted] FHLBB, [redacted] large staff who worked directly with the various FHLB's. [redacted] staff would approve examinations to take place by the various FHLB's however the details and scope of the examination were left to the discretion of the regulators on site at the FHLB. [redacted] staff would ultimately approve or disapprove if a particular institution was to be taken over by the federal government.

[redacted] confirmed the fact [redacted] staff were well aware of an examination which began in 1986 by the San Francisco FHLBB. This particular examination involved LINCOLN SAVINGS AND LOAN ASSOCIATION located in Irvine, California. Southern California as well as Northern California examinations were handled out of the San Francisco office of the FHLB. [redacted] further confirmed the fact he is aware of the parent company which owns LINCOLN SAVINGS AND LOAN, AMERICAN CONTINENTAL CORPORATION (ACC) out of Phoenix, Arizona. In addition he is well aware of the Chairman of the Board for ACC CHARLES KEATING, JR.

[redacted] became somewhat acquainted with LINCOLN SAVINGS AND LOAN and ACC prior to the examination of 1986 due to the fact LINCOLN and ACC challenged various regulations that the FHLBB in

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Investigation on 11/6/89 at Washington D.C. File # 58C-PX-41605 IX

by SA [redacted] SA [redacted] SA [redacted] AUSA [redacted] b6 b7C

SA [redacted] GKM/cpt Date dictated 11/21/89

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.

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Washington D.C. was attempting to institute. These regulations would directly affect LINCOLN SAVINGS AND LOAN. The FHLBB and the San Francisco FHLB had jurisdiction over LINCOLN SAVINGS AND LOAN (LSL) even though it was a California chartered savings and loan. LSL was not only a state chartered savings and loan it was federally insured by the FSLIC. The fact that it was federally insured put it under the jurisdiction of the FHLBB.

By way of background, [redacted] advised in 1980 the NOLAN bill was passed in the state of California. This bill permitted state chartered savings and loans in California to make an unlimited amount of direct investments. This basically was contrary to the original purpose of a savings and loan which was to provide home loans for its various depositors. The NOLAN bill allowed the savings and loans to take any and all money brought in from deposits and invest in risky investments other than the home loan program. This bill allowed the savings and loan to become the owner of an investment rather than just loan money against collateral. This type of bill was not only instituted in California but was instituted in various states throughout the country.

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Immediately after [redacted] he was concerned about savings and loan institutions who were federally insured being able to solicit brokered deposits into the institution and then invest those deposits in risky investments. [redacted] staff sought to limit the direct investments by federally insured institutions to 10% of their gross assets. This regulation would substantially limit the direct investments of LINCOLN SAVINGS AND LOAN and other federally insured state chartered institutions. In addition, [redacted] staff attempted to institute other smaller regulations which would force the savings and loans to get back into the business in which they originally intended, that is to make home loans. Home loans were profitable although much less risky investment than a direct investment where the savings and loan became the owner of the investment. The direct investment situation was very profitable for the owners of a institution if the investments they made were good ones and made money. However the down side to the direct investment was primarily to the federal government. If an institution unwisely invested and lost money and their financial position became in jeopardy and they

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were unable to pay off their obligations to their depositors, then the FSLIC insurance would come in and pay off the depositors. This situation was a perfect situation for the owners and principles of the savings and loans because ultimately their major direct investments were risk free to them. If they lost money the federal government would come in and pay off their obligations to their depositors.

[redacted] advised during the years [redacted] FHLBB numerous attempts were made by CHARLES KEATING and his staff to change the direct investment regulation and discourage the bank board from instituting the regulation. CHARLES KEATING was able to use high powered attorneys, accountants, and his staff to attempt to influence members of the FHLBB to either withdraw or change their regulation. [redacted] emphasized the fact that various regulations were being instituted and various policy changes were being made by the FHLBB was due to the objectives and goals of the bank board upon [redacted] stated their objectives and goals were to strengthen and protect the FSLIC fund, to update the board's regulations, and to expand and strengthen the board's exam, supervisory, and enforcement operations. It was these goals and objectives that CHARLES KEATING, ACC, and LINCOLN SAVINGS AND LOAN objected to and made various attempts to influence.

In addition to the challenging of the regulation in 1986 LINCOLN SAVINGS was being audited by the FHLB of San Francisco. The audit appeared to indicate LINCOLN SAVINGS AND LOAN was operating under very unsound, risky, and dangerous business procedures and there was a threat that LINCOLN SAVINGS could become insolvent. KEATING was also objecting to the examination and made it very difficult for regulators to do their job and to obtain the necessary documentation during the examination. KEATING attempted to show that due to the policy in regulation changes being made and the fact that they were being audited and it appeared LINCOLN was in a dangerous situation, that the FHLBB had a personal vendetta against KEATING and LINCOLN SAVINGS AND LOAN. [redacted] emphatically stated this in fact was untrue. [redacted] stated to this date he has never spoken directly with nor has he met CHARLES KEATING, JR.

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[redacted] advised that in the spring of 1987 [redacted] staff were attempting to solicit support from the Senate and House in Washington D.C. for a FSLIC recapitalization bill. It became apparent due to many failures of savings and loan institutions throughout the country the FSLIC insurance fund was quickly being depleted. [redacted] was attempting to get additional funding for the FSLIC insurance fund.

During the latter part of April 1987, [redacted] was meeting with the then Chairman of the Senate Banking Committee Senator DONALD RIEGLE in his office attempting to solicit support for the FSLIC recapitalization bill. At the conclusion of their meeting, RIEGLE pulled him aside and stated there were some other senators who wanted to talk to him about the LINCOLN SAVINGS AND LOAN situation. He advised they were concerned about the situation and that [redacted] would be receiving a telephone call setting up a meeting. [redacted] initially protested to RIEGLE about having a meeting however eventually agreed. [redacted] state of mind at that point was totally focused on the FSLIC recap and agreed to meeting with the senators due to the fact he wanted support from RIEGLE and other senators on the FSLIC recap. [redacted] felt this may be an opportunity to talk with the other senators regarding the FSLIC recap. [redacted] confirmed the fact that on or about April 1, 1987, he did in fact get a message to go to the senate office of Senator DENNIS DECONCINI on April 2, 1987, at 6:00 p.m. The message also stated [redacted] was to come alone without staff. [redacted] does not specifically recall how he obtained this message. He believes [redacted] may have taken the message and relayed it to [redacted] does recall being very surprised and upset about the fact he was requested to go to the meeting alone without staff. It is customary for [redacted] and congressmen in Washington D.C. to have staff members present in any and all meetings. At the time [redacted] received the call to go to DECONCINI's office, he was unaware that there would be four senators there also without staff. [redacted] confirmed the fact that at no time [redacted] or the FHLBB was he ever requested or did he ever meet with a senator without staff people present.

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[redacted] advised he believes he had previously met DENNIS DECONCINI in February or March of 1985 when he [redacted] went to DECONCINI's office to explain to him

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the "Direct Investment Regulation". At that time, DECONCINI offered no opposition and gave no opinion if he was supporting or challenging the Direct Investment Regulation. He simply asked questions about the regulation.

[redacted] advised upon arriving at DECONCINI's office on April 2, 1987, he immediately observed not only DECONCINI but senators JOHN GLENN, ALAN CRANSTON, and JOHN MCCAIN. [redacted] recalls having met all of the senators prior to this meeting however did not know any of them very well. [redacted] believes he met with CRANSTON in mid 1985 in CRANSTON's office along with the [redacted] He believes the meeting basically involved the problems of the FSLIC and [redacted] was attempting to solicit support from CRANSTON. He further believes they talked about the Direct Investment Regulation and other problems and [redacted] wanted CRANSTON to be aware of the seriousness of the savings and loan situation. At that meeting in mid 1985, CRANSTON did not say much during the 45 minute long meeting and only asked a few questions about FSLIC and the Direct Investment. CRANSTON gave no indication if he supported or was against the direct investment rule. [redacted] recalls CRANSTON had previously been against Brokered Fund Regulation.

[redacted] continued regarding the April 2, 1987, meeting the atmosphere was very business like. He recalls they sat down and DENNIS DECONCINI immediately took the lead and began talking. The seating arrangement was such that [redacted] was looking directly at DECONCINI and the other three senators were to DECONCINI's left and [redacted] right off to the side. As mentioned, DECONCINI took the lead and appeared to speak on behalf of all senators present. Senator MCCAIN initially made the statement that he did not want to do or say anything improper. [redacted] at that time told them that as United States senators given their responsibility for oversight of government agencies such as the bank board it was not improper to ask questions.

DECONCINI then began his opening statement stating they were there on behalf of their "friend" at LINCOLN SAVINGS AND LOAN and they were concerned that a direct investment regulation the bank board had adopted might be unconstitutional. He continued stating "we" meaning the senators would not want to have a regulation on the books that was unconstitutional.

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DECONCINI seemed to know very well the situation with LINCOLN SAVINGS AND LOAN. DECONCINI continually used the terms "we" and "us" when referring to the senators. The other senators seemed to go along with everything DECONCINI was saying and there was never an appearance of dissention among the senators. There was no expressions or hints of any differences among the senators.

DECONCINI requested [redacted] to withdraw the direct investment regulation until it could be determined whether it was legal because, again it was important to them and to their "friend" at LINCOLN that the regulation be legal. [redacted] advised at this point he felt a "quid pro quo" was offered in that DECONCINI stated if [redacted] would withdraw the regulation he stated "we" would get there friend to make more home loans. DECONCINI advised [redacted] that they understood that [redacted] wanted the savings and loan institutions to make home loans and that they concurred with that opinion. [redacted] emphasized that it sounded like a quid pro quo and felt that it was a quid pro quo at the time the above request was made. At that time [redacted] advised Senator DECONCINI that he could not and would not withdraw the regulation and explained that if he withdrew the regulation there would be no basis for the lawsuit to continue to determine if the direct investment regulation was in fact constitutional. [redacted] then went through with the senators in a deliberate manner how and why the FHLBB had begun the process of instituting the direct investment regulation in 1984. He further explained to them why they felt it was necessary to press for constraints on the use of direct investments. Again [redacted] emphasized he told Senator DECONCINI he would not withdraw the direct investment regulation.

[redacted] continued stating the senators spent considerable time complaining about the bank board's appraisal standards. DECONCINI explained they felt the appraisal standards were unreasonable. [redacted] explained to the senators he had no control or information regarding the appraisal standards being adopted by the San Francisco regulators.

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In addition, the senators were concerned and wanted to discuss the reasons why the examination of LINCOLN had "dragged on" for such a long time. [redacted] advised them he was not aware as to the reason. [redacted] stated he told the senators that in the fall of 1986 he had received a report from the principal supervisory agent in San Francisco which said that the reason the examination was going on longer than normal was because LINCOLN was not being cooperative with the examiners. He further explained to the senators that he had full confidence in the regulators in San Francisco and that there had to be good reason for the length of the examination or it would have been finished.

At this time Senator GLENN seemed to become upset that the chief regulator of the FHLBB was unable to answer their questions about the examination and about the condition of LINCOLN SAVINGS AND LOAN. At this time [redacted] went into great detail explaining the responsibilities of the bank board for regulating 3,000 thrift institutions throughout the country. He further went into an explanation as to how he recruited [redacted] and had extreme confidence in his ability to run an examination. GLENN and the other senators questioned why [redacted] did not have more details regarding the examination of LINCOLN SAVINGS AND LOAN. [redacted] advised them it would be "unseemly" to know so much about LINCOLN in light of the alleged "feud" and vendetta he and KEATING were supposed to be having.

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[redacted] emphasized at this point that no such feud or vendetta actually ever existed. He believes it was KEATING's strategy to convince the senators and other influential people that the FHLBB and [redacted] specifically had a vendetta against KEATING and LINCOLN SAVINGS AND LOAN. [redacted] stated this was emphatically not true and as previously mentioned to this date he has never spoken with or met CHARLES KEATING, JR. [redacted] believes that KEATING fully convinced the senators and others the bank board was being unreasonable and had a vendetta against LINCOLN SAVINGS AND LOAN and for this reason and others they decided to intervene in the LINCOLN SAVINGS AND LOAN examination.

As previously mentioned [redacted] advised all of the senators present at the meeting appeared to be "lobbying" on behalf of CHARLES KEATING and LINCOLN SAVINGS AND LOAN. It appeared to be unanimous that all the senators were unhappy about the length of

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the examination. [redacted] spoke to them about his "team" in San Francisco and informed them as to their qualifications. [redacted] continued telling the senators there was no question they were confident to perform a proper examination. The senators made it very clear they were pushing for the exam to be immediately terminated.

[redacted] advised the senators seemed to be very frustrated that [redacted] could not answer any of their specific questions regarding the LINCOLN examination. The meeting basically concluded when [redacted] suggested that in order to have their questions answered the senators would need to meet with the San Francisco regulators. At that point, DECONCINI stated they would consider that option and that he would get back to [redacted] if they wanted to meet with the regulators. The meeting then concluded.

[redacted] advised that to the best of his recollection DECONCINI then called him a few days later at home from Arizona. DECONCINI stated they, the Senators wanted to meet with the San Francisco regulators again at 6:00 p.m. in his office on April 9, 1987. [redacted] advised he then notified [redacted] and the other regulators in San Francisco as to the requested meeting with the senators on April 9, 1987. In addition, [redacted] believes he met with [redacted] on April 9, 1987, prior to the meeting with the senators and requested [redacted] to prepare a full report at the conclusion of their meeting with the senators. In addition, he requested [redacted] to come back to the FHLBB office and brief [redacted]

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[redacted] confirmed the meeting with the regulators and the senators did in fact take place at 6:00 p.m. on April 9, 1987, in the office of Senator DENNIS DECONCINI. Upon returning, [redacted] basically briefed [redacted] as to what took place in the meeting and [redacted] was very impressed with his recall and the notes he had taken. He instructed [redacted] to prepare a detailed memo and to reconstruct the conversation which took place with the senators.

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[redacted] confirmed the fact that he felt great pressure from the senators due to the above meetings and the fact that various issues of funding for the FHLBB were before the senators. In addition, the senators were members of the Oversight Committee overseeing the FHLBB. The FHLBB is accountable to the Oversight Committee. [redacted] felt the senators could provide problems for

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critical legislation, in particular [redacted] was concerned about the FSLIC recapitalization bill which he was trying to solicit support from various legislators.

[redacted] advised he did not take any official action after the previously mentioned meetings. He stated his state of mind during this time was one of focusing on the FSLIC recapitalization bill. He believes he may have taken some official action or would have done things differently had he not been trying to get support and passage of the FSLIC recapitalization bill.

[redacted] further advised prior to [redacted] the FHLBB he briefed [redacted] as to the LINCOLN SAVINGS AND LOAN situation. The briefing took place during the transition period just prior to June of 1987. Since [redacted] had purposely not been informed as to details, the only thing he could tell [redacted] about the investigation was that there was a recommendation from the San Francisco regulators that the savings and loan be taken over and that recommendation would appear on [redacted] desk at the time he [redacted] advised there was basically no time prior to [redacted] arrange for the takeover of LINCOLN. In addition, he felt it would appear somewhat improper and may validate the "vendetta" scenario if the last official action he were to take prior to leaving office was to take over LINCOLN SAVINGS AND LOAN. He felt with [redacted] coming in and reviewing the recommendation that it would be best to have an independent decision [redacted]

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TO FBI CINCINNATI/ROUTINE/

FBI CLEVELAND/ROUTINE/

FBI DETROIT/ROUTINE/

FBI LOS ANGELES/ROUTINE/

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UNCLAS

CITE: //3630//

SUBJECT: UNITED STATES SENATORS ALLAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; CHARLES H. KEATING, DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE; OO: PHOENIX, OO: LOS ANGELES.

RE FBIHQ TEL TO PHOENIX AND LOS ANGELES, NOVEMBER 9, 1989.

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NOV 14 1989
FBI — LOS ANGELES

FOR INFORMATION CINCINNATI, CLEVELAND, AND DETROIT DIVISIONS. A JOINT PHOENIX-LOS ANGELES INVESTIGATION HAS BEEN INITIATED ON NOVEMBER 8, 1989, AS A PRELIMINARY INVESTIGATION IN REGARD TO CAPTIONED SENATORS IN ORDER TO DETERMINE WHETHER THE SENATORS MAY HAVE BEEN IN VIOLATION OF TITLE 18, USC, SECTIONS 201 (BRIBERY), 371 (CONSPIRACY), 1951 (HOBBS ACT), AND/OR 1505 (OBSTRUCTION). THE ALLEGATIONS ARISE OUT OF THE ACTIVITIES OF CHARLES H. KEATING, JR., CHAIRMAN OF ACC, THE PARENT OF LSL, A FAILED THRIFT THAT MAY HAVE LOSSES UP TO $2.5 BILLION. KEATING MADE SUBSTANTIAL CONTRIBUTIONS TO THE SENATORS' CAMPAIGNS AND/OR OTHER ORGANIZATIONS UNDER THE CONTROL OF THE SENATORS. SUBSEQUENTLY, THE SENATORS SOUGHT TO INTERVENE WITH THE FEDERAL HOME LOAN BANK BOARD ON BEHALF OF KEATING.

CINCINNATI, CLEVELAND, AND DETROIT DIVISIONS ARE ADVISED SUBSEQUENT LEADS AND INVESTIGATION MAY ARISE WITHIN THEIR RESPECTIVE DIVISIONS AS A RESULT OF THIS PRELIMINARY OR RESULTING FULL INVESTIGATION.

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/READ/REF 18
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FM FBI PHOENIX (58C-PX-41605) (P)

TO FBI CINCINNATI/ROUTINE/

FBI CLEVELAND/ROUTINE/

FBI DETROIT/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

SUBJECT: UNITED STATES SENATORS ALLAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; CHARLES H. KEATING, DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE; OO: PHOENIX, OO: LOS ANGELES.

RE FBIHQ TEL TO PHOENIX AND LOS ANGELES, NOVEMBER 9, 1989.

TELETYPE

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58C-PX-41605-3

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FBI - LOS ANGELES

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11/13/89

Director, FBI

SACs, Phoenix (58C-PX-NEW)

CHANGED:
ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS DECONCINI, JOHN GLEN, JOHN MCCAIN, DONALD RIEGLE; CHARLES H. KEATING, DBA LINCOLN SAVINGS AND LOAN (S&L) ASSOCIATION OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX; OO: LOS ANGELES

Title marked changed to indicate actual character of case as "Corruption of Federal Public Officials". Title previously carried character as "Corruption of State and Local Public Officials."

Re: Buteletype to receiving offices dated 11/9/89, and Butelcall of SSA [redacted] to SSA [redacted] Phoenix Division and SSA [redacted] Santa Anna Resident Agency, on 11/10/89. b6 b7C

Enclosed for receiving offices are two copies each of a Memorandum dated 11/7/89, from Edward S. G. Dennis, Jr., Assistant Attorney General, Department of Justice to the Director, FBI, re captioned matter. Enclosed for Phoenix are the Financial Disclosure Statements for captioned U. S. Senators, and the testimony and exhibits of individuals appearing before the Committee on Banking, Finance and Urban Affairs, U. S. House of Representatives.

During re telcall to SSA [redacted] Phoenix Division was requested to xerox enclosures sent overnight express and make available for Los Angeles Division. b6 b7C

3 - Phoenix (Enc. 2)
2 - Los Angeles (Enc. 2)

58C-PX-41605-4

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
NOV 17 1989
FBI - LOS ANGELES

ASAC [redacted]

C [redacted] SARA

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☒ Teletype
☒ Facsimile
☐ _____

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 11/14/89

FM SAC, LOS ANGELES (58C-PX-41605) (WCC-4/SARA) (P)
TO DIRECTOR, FBI 1;35(PST) 11/17/89 IM
FBI, PHOENIX 1;40(PST) 11/17/89 REG
BT
UNCLAS
SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE, CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN (LSL) ASSOCIATION OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE FBIHQ TELETYPE TO PHOENIX AND LOS ANGELES DATED 11/9/89 AND RE MEETING AT FBIHQ ON 11/8/89 WITH REPRESENTATIVES FROM THE FBI, U.S. ATTORNEY'S OFFICE, LOS ANGELES, AND PUBLIC INTEGRITY SECTION (PIS), DEPARTMENT OF JUSTICE.

THIS MATTER IS IN A PRELIMINARY INQUIRY STATUS.

AS MENTIONED IN THE REFERENCED TELETYPE AND REFERENCED MEETING AT FBIHQ, INVESTIGATION IN THIS MATTER HAS CONSISTED OF A LENGTHY INTERVIEW OF [redacted] FEDERAL HOME LOAN BANK BOARD IN WASHINGTON D.C. AS NOTED IN 58C-PX-41605-5

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Approved: Lac Transmitted [redacted] (Number) SARA (Time) Per amk

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PREVIOUS COMMUNICATIONS, [redacted] MET WITH VARIOUS UNITED STATES SENATORS ON 4/2/87 IN CONNECTION WITH AN EXAMINATION OF LINCOLN SAVINGS AND LOAN ASSOCIATION OF IRVINE, CALIFORNIA. IN ADDITION TO THE ABOVE, ON 11/7/89 [redacted] TESTIFIED BEFORE THE HOUSE BANKING COMMITTEE IN WASHINGTON D.C. ALSO REGARDING LINCOLN SAVINGS AND LOAN. ON 11/6/89, [redacted] WAS INTERVIEWED AND CONFIRMED THE FACT HE DID MEET WITH SENATORS ALAN CRANSTON, DENNIS DECONCINI, JOHN GLENN AND JOHN MCCAIN ON 4/2/87. [redacted] STATED HE WAS INSTRUCTED TO APPEAR AT THE OFFICE OF DECONCINI AT 6:00 ON 4/2/87 AND TO APPEAR WITHOUT STAFF MEMBERS. [redacted] CONFIRMED THE FACT THE MEETING TOOK PLACE IN DECONCINI'S OFFICE AND DECONCINI PRIMARILY DID MOST OF THE TALKING AND QUESTIONING. [redacted] CONFIRMED INITIALLY DECONCINI WHO WAS APPEARING TO SPEAK ON THE OTHERS BEHALF REQUESTED [redacted] TO WITHDRAW THE DIRECT INVESTMENT REGULATION WHICH HE HAD RECENTLY INSTITUTED. IN RETURN FOR THE WITHDRAWAL OF THE REGULATION, DECONCINI TOLD [redacted] LINCOLN SAVINGS AND LOAN WAS PREPARED TO IMPROVE AND ENHANCE THEIR HOME LOAN PROGRAM. [redacted] WAS OFFENDED BY THIS PROPOSAL AND FELT IT TO BE EXTREMELY IMPROPER. IN ADDITION, [redacted] CONFIRMED THE SENATORS QUESTIONED HIM ABOUT THE APPRAISAL PROCEDURES BEING USED BY THE SAN FRANCISCO REGULATORS IN THEIR EXAMINATION OF LINCOLN SAVINGS AND LOAN. IN ADDITION, THE SENATORS QUESTIONED [redacted] AS TO THE LENGTH OF THE EXAMINATION AND INQUIRED AS TO WHY THE EXAMINATION HAD TAKEN AS LONG AS IT HAD. [redacted] ADVISED ALL OF THE SENATORS HE WAS NOT PRIVY TO DETAILED INFORMATION REGARDING THE EXAMINATION

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AND BASICALLY LEFT THOSE DETAILS AND THE EXAMINATION TO THE STAFF IN SAN FRANCISCO. [redacted] ADVISED THE SENATORS IN ORDER TO OBTAIN DETAILED INFORMATION AND REASONING AS TO THE LENGTH OF THE EXAMINATION THEY WOULD NEED TO CONTACT THE REGULATORS IN SAN FRANCISCO. THE MEETING BASICALLY CONCLUDED AT THAT POINT WHEREBY DECONCINI TOLD [redacted] THEY MAY DECIDE TO CONTACT THE REGULATORS. [redacted] THEN IMMEDIATELY RETURNED TO HIS OFFICE AND BRIEFED [redacted] STAFF MEMBERS AS TO EXACTLY WHAT OCCURRED IN THE MEETING WITH THE SENATORS. THE THREE INDIVIDUALS WHO WERE BRIEFED BY [redacted] WERE [redacted] THE FEDERAL HOME LOAN BANK BOARD, [redacted] THE FEDERAL HOME LOAN BANK BOARD [redacted] WHO WAS [redacted] [redacted] FURTHER CONFIRMED THAT THE FOLLOWING WEEK ON TUESDAY, 4/9/87, THE ABOVE MENTIONED SENATORS ALONG WITH SENATOR DONALD RIEGLE DID IN FACT MEET WITH THE SAN FRANCISCO REGULATORS. [redacted] INSTRUCTED [redacted] TO TAKE NOTES REGARDING THAT MEETING. [redacted] DID IN FACT TAKE VERY DETAILED NOTES OF THE MEETING AND AFTER WHICH TRANSFERRED IT TO A MEMO AND PRESENTED IT TO [redacted] [redacted] EMPHASIZED DURING THE INTERVIEW ON 11/6/89, THAT THE APPROACH AND THE SUBSEQUENT MEETING WHICH TOOK PLACE BETWEEN HE AND THE FOUR SENATORS ON 4/2/87 WAS EXTREMELY OFFENSIVE AND IMPROPER. [redacted] ADVISED HE WAS VERY UPSET AT THE CONCLUSION OF THE MEETING AND ADVISED HIS STAFF AS SUCH. [redacted] FELT THE SENATORS WERE OUT OF LINE IN ATTEMPTING TO GET INVOLVED WITH AND

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ASK HIM TO CHANGE A FEDERAL HOME LOAN BANK REGULATION WHICH HAD BEEN INSTITUTED. [redacted] FELT IT WAS TOTALLY IMPROPER NOT ONLY FOR THEM TO ASK FOR THE WITHDRAWAL BUT TO ALSO PROVIDE THE "QUID PRO QUO" STATING THAT ACC AND LINCOLN WERE PREPARED TO ENHANCE THEIR HOME LOAN PROGRAM. b6 b7C

IN ADDITION TO THE ABOVE ON 11/8 AND 11/9/89, TWO OF THE THREE STAFF MEMBERS WHO WERE BRIEFED BY [redacted] REGARDING THE 4/2/87 MEETING WERE ALSO INTERVIEWED IN WASHINGTON D.C. ON 11/8/89, [redacted] THE FEDERAL HOME LOAN BANK BOARD, WAS INTERVIEWED. [redacted] CONFIRMED THE FACT [redacted] ASKED SHE AND THE OTHER STAFF MEMBERS TO WAIT AT THE FEDERAL HOME LOAN BANK BOARD OFFICE UNTIL HE RETURNED FROM THE 4/2/87 MEETING. [redacted] RECALLS PRIOR TO GOING TO THE MEETING [redacted] APPEARED TO BE DISTRACTED AND IRRITATED ABOUT THE FACT HE WAS REQUESTED TO ATTEND THE MEETING WITHOUT ANY STAFF MEMBERS. [redacted] CONFIRMED THIS IS HIGHLY UNUSUAL IN THAT VIRTUALLY ALL MEETINGS [redacted] ATTENDED DURING THE TIME [redacted] FEDERAL HOME LOAN BANK BOARD HE WOULD TAKE A STAFF MEMBER WITH HIM. [redacted] WAS NOT INVOLVED IN NOR DID SHE HAVE KNOWLEDGE OF THE TELEPHONE CALL WHICH [redacted] RECEIVED INDICATING HE SHOULD ATTEND THIS MEETING WITHOUT HIS STAFF MEMBERS. [redacted] VAGUELY RECALLS THAT [redacted] MAY HAVE COME OUT OF HIS OFFICE THE SAME DAY THE MEETING WAS TO TAKE PLACE AND ANNOUNCE TO HER THAT HE HAD BEEN REQUESTED TO GO TO THE MEETING WITHOUT [redacted] STAFF AND WAS VERY IRRITATED. [redacted] EMPHASIZED THE FACT DURING THIS PERIOD b6 b7C

OF TIME SHE AND [redacted] WERE VERY INVOLVED IN THE FSLIC RECAPITALIZATION BILL WHICH THEY WERE ATTEMPTING TO GET APPROVED TO REFURBISH THE FSLIC INSURANCE FUND. b6 b7C

[redacted] DOES NOT SPECIFICALLY RECALL THE TIME THAT [redacted] RETURNED FROM THE MEETING WITH THE SENATORS HOWEVER SHE DOES RECALL HE WAS VERY UPSET. HE IMMEDIATELY SAT DOWN WITH [redacted] AND BRIEFED THEM AS TO WHAT WENT ON IN THE MEETING. [redacted] ADDED THAT THIS WAS A TRADITIONAL HABIT OF [redacted] UPON RETURNING FROM MOST IF NOT ALL OF THE MEETINGS HE HAD [redacted] THE FEDERAL HOME LOAN BANK BOARD. THAT IS HE WOULD IMMEDIATELY [redacted] SENIOR STAFF DOWN AND ADVISE THEM AS TO WHAT OCCURRED IN THE MEETINGS. [redacted] DOES NOT BELIEVE [redacted] WROTE ANY MEMOS OR NOTES REGARDING THE MEETING. [redacted] STAFF TO TELL THEM WHAT OCCURRED. [redacted] BELIEVES THIS PARTICULAR MEETING WAS TOTALLY OUT OF THE NORM AND CAUGHT [redacted] OFF BALANCE THEREFORE THE ONLY TRADITIONAL ACTION HE TOOK WAS TO BRIEF THE STAFF UPON RETURNING. [redacted] RECALLS DUE TO THE FACT IT WAS AROUND 7:00 TO 7:30 P.M. IN THE EVENING AND THE WEST COAST FEDERAL HOME LOAN BANK BOARDS WERE STILL OPEN SHE STILL CONTINUED TO WORK DURING THE BRIEFING MEETING. SHE RECALLS COMING IN AND OUT OF THE MEETING AS THEY WERE BEING TOLD BY [redacted] AS TO WHAT OCCURRED. [redacted] SPECIFICALLY RECALLS [redacted] INITIALLY MENTIONING HE WAS ASKED BY DECONCINI AND THE OTHER SENATORS TO WITHDRAW THE DIRECT INVESTMENT REGULATION. SHE ADDED HE WAS VERY UPSET ABOUT THIS b6 b7C

REQUEST. [redacted] BELIEVES THAT SHE MAY HAVE BEEN OUT OF THE ROOM DURING THE TIME [redacted] MENTIONED THE "QUID PRO QUO" IN THAT IN RETURN FOR THE WITHDRAWAL OF THE REGULATION LINCOLN SAVINGS AND LOAN WOULD ENHANCE THEIR HOME LOAN PROGRAM. SHE DID NOT HEAR THE SECOND HALF OF THE REQUEST, THAT IS THAT THEY WOULD ENHANCE THE HOME LOAN PROGRAM. [redacted] BELIEVES HAD SHE HEARD IT SHE DEFINITELY WOULD HAVE REMEMBERED IT BECAUSE IT WAS A MAJOR ITEM TO HER THAT HOME LOAN PROGRAMS BE THE PRIMARY BUSINESS OF A SAVINGS AND LOAN. IN ADDITION, [redacted] STATED [redacted] MENTIONED THE SENATORS QUESTIONING THE APPRAISAL PROCEDURES USED BY THE REGULATORS IN SAN FRANCISCO. [redacted] FURTHER RECALLS [redacted] MENTIONING THE SENATORS QUESTIONED THE LENGTH OF THE EXAM AND THAT HE BASICALLY REFERRED THEM TO THE SAN FRANCISCO REGULATORS. [redacted] FURTHER RECALLS A STATEMENT MADE BY [redacted] THAT "CHARLIE KEATING MUST HAVE BEEN INVOLVED BECAUSE THE SENATORS KNEW SO MUCH ABOUT LINCOLN SAVINGS AND LOAN".

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IN ADDITION TO THE ABOVE, ON 11/9/89, [redacted] [redacted] WAS INTERVIEWED REGARDING HER RECOLLECTION OF THE BRIEFING SESSION ON 4/2/87. [redacted] CONFIRMED THE FACT SHE WAS PRESENT AT THE BRIEFING WHEN [redacted] RETURNED FROM THE MEETING WITH THE FOUR SENATORS. [redacted] SPECIFICALLY RECALLS [redacted] COMING BACK VERY UPSET AND BASICALLY STATING "YOU GUYS WOULDN'T BELIEVE WHAT THEY ASKED ME, THEY ASKED ME TO WITHDRAW THE DIRECT INVESTMENT REGULATION AND IN RETURN LINCOLN SAVINGS AND LOAN WOULD IMPROVE THEIR HOME LOAN PROGRAM". [redacted] FURTHER

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BELIEVES [redacted] MENTIONED THE COMPLAINT ABOUT THE APPRAISAL b6 b7C
PROCEDURES USED BY THE REGULATORS AND ALSO INQUIRED AS TO THE LENGTH OF THE EXAMINATION. [redacted] DOES NOT SPECIFICALLY RECALL DETAILS AND DID NOT TAKE NOTES OF THE BRIEFING. [redacted] CONFIRMED IT WAS CUSTOMARY FOR [redacted] TO TAKE A STAFF MEMBER ON THESE TYPES OF MEETINGS AND TO BRIEF [redacted] STAFF UPON RETURNING FROM THESE TYPES OF MEETINGS. [redacted] RECALLS [redacted] BEING UPSET PRIOR TO GOING TO THE MEETING DUE TO THE FACT HE WAS UNABLE TO TAKE A STAFF MEMBER. SHE RECALLS HAVING A CONVERSATION WITH HIM PRIOR WHERE SHE BASICALLY ASKED HIM "WELL, WHY ARE YOU NOT TAKING ME TO THE MEETING WITH THE SENATORS". AT WHICH TIME [redacted] INFORMED HER HE WAS INSTRUCTED NOT TO TAKE ANY STAFF. [redacted] ADVISED THIS IS HIGHLY UNUSUAL BECAUSE [redacted] AND IT WOULD BE APPROPRIATE FOR HER TO HAVE GONE TO THE MEETING.

IN ADDITION TO THE ABOVE, [redacted] b6 b7C
[redacted] DURING THE PERIOD OF THE ABOVE MEETING, WAS INTERVIEWED IN WASHINGTON D.C. [redacted] CONFIRMED THE FACT SHE WAS AWARE [redacted] WAS ATTENDING A MEETING WITH THE SENATORS AND WAS ATTENDING THE MEETING WITHOUT STAFF. [redacted] DOES NOT SPECIFICALLY RECALL RECEIVING ANY TELEPHONE CALL PRIOR TO THAT MEETING WHEREBY SHE WAS INSTRUCTED TO GIVE A MESSAGE TO [redacted] ABOUT THE MEETING WITH THE SENATORS. ALTHOUGH [redacted] WAS AWARE [redacted] WAS ATTENDING THE MEETING ALONE, SHE DOES NOT RECALL ANY INSTRUCTIONS GIVEN TO HER TO BE GIVEN TO HIM THAT HE IS TO ATTEND THE MEETING WITHOUT STAFF. [redacted] BELIEVES WHAT MAY HAVE HAPPENED WAS SHE WOULD

RECEIVE A TELEPHONE CALL AND SIMPLY TRANSFER IT INTO [redacted] WHO THEN TOOK THE MESSAGE. [redacted] BELIEVES HAD SHE TAKEN A MESSAGE OF THAT NATURE SHE WOULD HAVE REMEMBERED THE CALL. b6 b7C

INVESTIGATION IN THIS MATTER WILL CONTINUE WITH THE OBJECTIVE BASICALLY AT THIS POINT TO CONFIRM THE INTERVIEW AND SUBSEQUENT HOUSE BANKING COMMITTEE TESTIMONY OF [redacted] AS MENTIONED IN THE INTERVIEW AND THE HEARINGS, THE FOUR SENATORS ALONG WITH SENATOR DONALD RIEGLE SUBSEQUENTLY MET WITH FOUR OF THE INDIVIDUALS PERSONALLY INVOLVED WITH THE LINCOLN SAVINGS AND LOAN EXAMINATION BACK IN APRIL OF 1987. THE MEETING TOOK PLACE ON 4/9/87 AT THE REQUEST OF THE U.S. SENATORS. IN ATTENDANCE AT THAT MEETING WAS [redacted] IT IS NECESSARY TO INTERVIEW THOSE INDIVIDUALS AS SOON AS POSSIBLE. IN ADDITION, [redacted] NEEDS TO BE INTERVIEWED REGARDING THE BRIEFING SESSION WHICH TOOK PLACE ON 4/2/87 AFTER THE MEETING WITH [redacted] AND THE FOUR SENATORS. [redacted] WAS ONE OF THE INDIVIDUALS ON HIS SENIOR STAFF WHO WAS BRIEFED AS TO WHAT OCCURRED IN THE MEETING. [redacted] WAS INSTRUCTED TO TAKE DETAILED NOTES AT THE SECOND MEETING WITH THE FIVE U.S. SENATORS. [redacted] DID IN FACT TAKE VERY DETAILED NOTES WHICH WERE THEN PUT IN A MEMO GIVEN TO [redacted] THAT MEMO OR THE TRANSCRIPTS OF THOSE NOTES HAVE BEEN WIDELY PUBLISHED. NOT ONLY ARE THEY INCLUDED IN MATERIALS GIVEN TO THE HOUSE BANKING COMMITTEE, THEY HAVE ALSO BEEN INCLUDED IN THE RECENT WRITTEN NOVEL "INSIDE JOB". [redacted] AND THE ABOVE MENTIONED b6 b7C

INDIVIDUALS NEED TO BE INTERVIEWED IN GREAT DETAIL REGARDING THEIR MEETING WITH THE FIVE U.S. SENATORS ON 4/9/87.

AT THIS POINT IT APPEARS THE INVESTIGATION WILL CONTINUE WITH THE ABOVE INTERVIEWS THE WEEK OF 11/27/89. REPRESENTATIVES FROM FBI IN SANTA ANA AND IN PHOENIX WILL TRAVEL TO SAN FRANCISCO TO INTERVIEW THOSE INDIVIDUALS. AN ADDITIONAL COMMUNICATION WILL BE FORTHCOMING SETTING OUT ADDITIONAL DETAILS AND ARRANGEMENTS REGARDING THE TRAVEL TO SAN FRANCISCO FOR THE INTERVIEWS. FBIHQ WILL BE IMMEDIATELY ADVISED AS TO THE RESULTS OF THOSE INTERVIEWS UPON THEIR COMPLETION.

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

TO DIRECTOR FBI/ROUTINE/

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

FBI SAN FRANCISCO (58C-PX-41605)/ROUTINE/

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UNCLAS

CITE: //3630//

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

RE LOS ANGELES TELETYPE TO DIRECTOR NOVEMBER 14, 1989, PHOENIX TELCALL TO SAN FRANCISCO, NOVEMBER 20, 1989.

TELETYPE

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FOR THE INFORMATION OF SAN FRANCISCO, PHOENIX AGENTS [redacted] AND LOS ANGELES AGENTS [redacted] WILL BE IN SAN FRANCISCO, NOVEMBER 27-30, 1989, TO CONDUCT INTERVIEWS OF EMPLOYEES OF THE OFFICE OF THRIFT SUPERVISION (OTS). AGENTS WILL BE STAYING AT THE MARK HOPKINS HOTEL. NO ASSISTANCE IS REQUESTED OF SAN FRANCISCO FBI AT THIS TIME. SAC'S LOS ANGELES, SAN FRANCISCO AND PHOENIX CONCUR IN AGENTS' TRAVEL TO INTERVIEW OTS EMPLOYEES. THE UACB AGENTS WILL TRAVEL AS DESCRIBED.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/16/89

[redacted] Congressional Relations and Communications for the OFFICE OF THRIFT SUPERVISION, 1700 G Street Northwest, Washington D.C., telephone [redacted] was advised as to the identity of the interviewing agent and the purpose of the interview at which time she advised as follows: b6 b7C

[redacted] stated her date of birth is [redacted] and she was born in Jamestown, New York. Her Social Security number is [redacted].

[redacted] confirmed she was [redacted] for FEDERAL HOME LOAN BANK BOARD [redacted]

[redacted] further stated she recalls a meeting which took place on April 2, 1987, between [redacted] and four United States senators. She advised she was at the office when he returned from the meeting. She recalls he was very upset however she was included in the briefing session held after the meeting. She recalls those in the meeting that were briefed were [redacted] b6 b7C

[redacted] advised she was not instructed to do any typing or take any notes regarding the meeting with the senators or the subsequent briefing. [redacted] did do some work [redacted] in conjunction with the second meeting with the senators which took place on April 9, 1987.

[redacted] does not recall taking a call from any senator office setting up the April 2, 1987, meeting. [redacted] was aware that the meeting was to take place and was aware that [redacted] was to go to the meeting without staff. She does not specifically recall how she found out [redacted] was to go to the meeting alone. She believes she possibly could have taken the message or she was told by [redacted] As mentioned she does not specifically recall taking the telephone call. b6 b7C

[redacted] confirmed the fact that it was customary for [redacted] to attend meetings with senators and other individuals regarding FEDERAL HOME BANK BOARD business and take a staff member along. In addition, he would normally get [redacted] staff together after the meeting and brief them as to what took place. Those meetings were normally private meetings held in [redacted] office.

Investigation on 11/9/89 at Washington D.C. File # 58C-PX-41605-17

by SA [redacted] cpt Date dictated 11/14/89 b6 b7C

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.

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[redacted] further confirmed [redacted] made it a matter of policy that he would not meet with anyone who had business before the FEDERAL HOME LOAN BANK BOARD. Business would include an examination or an application or any other situation where approval was needed by the Bank Board. She was instructed to ask any individual prior to turning them over to [redacted] if they had business before the Bank Board. If they did then a meeting was declined with [redacted] and set up [redacted] staff. [redacted] was the only person who did his scheduling and basically updated his personal calendar. In addition, [redacted] would have what they referred to as "dance cards" made up each night for his schedule the next day.

Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (SARA/WCC-4) (P)

Date 11/28/89

From : SA [redacted]

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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 OF CALIFORNIA AND
AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE
OO: PHOENIX
OO: LOS ANGELES

The following is a chronological list of events in this matter obtained from interviews, newspaper articles, and other investigation to date.

5/01/83 [redacted] the FEDERAL HOME LOAN BANK BOARD (FHLBB).

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2/22/84 AMERICAN CONTINENTAL CORPORATION (ACC) buys LINCOLN SAVINGS AND LOAN ASSOCIATION (LINCOLN) for $51,000,000.

12/07/84 CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS [redacted] approves $800,000,000 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 10 percent of assets - contains grandfather clause.

12/84 - 1/85 Congressman CHARLES "CHIP" PASHAYAN lobbies [redacted] to not adopt direct investment regulation.

1/01/85 [redacted] leaves DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS and begins work with TCS FINANCIAL of San Diego.

2 - Phoenix
2 - Los Angeles

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1/18/85	LINCOLN invests $2,900,000 in TCS FINANCIAL for a 19.1 percent stake sold in private offering - 578,000 shares at $5 per share.
1/31/85	FHLBB adopts the 10 percent direct investment rule, which is implemented 3/18/85.
2/13/85	[redacted] writes the FHLBB of San Francisco on behalf of LINCOLN requesting that LINCOLN be exempted from the 10 percent direct investment rule. b6 b7C
Late 1985 and 3/86	ACC contributes $200,000 to NATIONAL COUNCIL ON PUBLIC POLICY - affiliated with Senator JOHN GLENN.
4/ /85	KEATING AND ASSOCIATES contribute $15,000 to Senator PETE WILSON.
4/09/85	KEATING AND ASSOCIATES contribute $13,000 to Senator ALAN CRANSTON.
5/27/85	[redacted] and UNIVERSITY OF ROCHESTER Professor [redacted] testify, on behalf of LINCOLN, before Government Operations Oversight Subcommittee in opposition to FHLBB's direct investment position.
7/20/85	White House staffer [redacted] tells [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.
9/30/85	White House staffer, [redacted] relays REGAN's request to [redacted] that [redacted] resign.
10/01/85	[redacted] told by Washington attorney [redacted] that he had a job offer for [redacted] had previously been so advised by FHLBB member, [redacted]

58C-PX-41605

10/14/85 - 10/25/85 KEATING AND ASSOCIATES contribute $8,000 to Senator CRANSTON.

11/13/85 KEATING AND ASSOCIATES contribute $8,000 to Congressman JACK KEMP.

11/22/85 [redacted] meets with KEATING and [redacted] in Washington regarding job offer for [redacted] b6 b7C

11/ /85 [redacted] California Assemblyman PAT NOLAN successfully lobby CALIFORNIA SAVINGS AND LOAN [redacted] to drop a proposed rule that would have limited LINCOLN's investments by requiring 80 percent be mortgage loans.

11/26/85 KEATING and [redacted] contribute $4,000 to DEMOCRATIC CONGRESS CAMPAIGN COMMITTEE.

11/27/85 NOLAN and [redacted] lobby CALIFORNIA LEAGUE OF SAVINGS INSTITUTIONS officials to drop support of [redacted] proposal. b6 b7C

12/ /85 NOLAN reportedly receives $9,000 campaign contribution from KEATING.

3/01/86 KEATING and Senator DON RIEGLE meet in Detroit at opening of HOTEL PONTCHARTRAIN ("L.A. Times," 5/30/89).

3/03/86 KEATING AND ASSOCIATES contribute $12,000 to KOLBE.

3/12/86 Regularly scheduled FHLBB examination of LINCOLN begins.

3/17-31/86 KEATING AND ASSOCIATES contribute $54,000 to Senator JOHN MC CAIN.

4/04/86 KEATING AND ASSOCIATES contribute $10,000 to MATTINGLY.

4/ /86 [redacted] b6 b7C

4/09/86	KEATING AND ASSOCIATES contribute $5,000 to NATIONAL ACTION COMMITTEE, identified as Congressman DAVE EVANS' POLITICAL ACTION COMMITTEE (PAC).
6/02/86	KEATING AND ASSOCIATES contribute $11,000 to Congressman CHARLES PASHAYAN.
7/03/86	KEATING meets with San Francisco examiners and reportedly threatens to sue members of FHLBB.
7/25/86	KEATING AND ASSOCIATES contribute $20,000 to Senator PAULA HAWKINS.
7/28/86	KEATING AND ASSOCIATES contribute $19,000 to Congressman DOUG BARNARD.
8/04/86	[redacted] writes White House Chief of Staff DONALD REGAN, complaining about [redacted] and mentioning his adverse effect on Republican fund raising.
8/4-6/86	KEATING AND ASSOCIATES contribute $11,000 to Senator CRANSTON.
8/14-17/86	KEATING AND ASSOCIATES contribute an additional $13,000 to Congressman PASHAYAN, for a total of $24,000.
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.
8/22 - 9/04/86	KEATING AND ASSOCIATES contribute $21,150 to Congressman JON KYL.
8/28/86	KEATING AND ASSOCIATES contribute $9,000 to Congressman RHODES.
9/20/86	"Washington Post" writes that LINCOLN officials claim FHLBB harassment. [redacted] asks FHLB OF SAN FRANCISCO to explain - San Francisco blames LINCOLN for delays in examination.
Fall 1986	KEATING AND ASSOCIATES reportedly contribute $85,000 to the CALIFORNIA DEMOCRATIC PARTY for CRANSTON's benefit.

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11/ /86 — Atlanta attorney, [redacted] a friend of KEATING and borrower from and attorney for LINCOLN, is appointed to the FHLBB. b6 b7C

12/18/86 — [redacted] proposes at FHLBB meeting a rule change that would protect LINCOLN from enforcement of the direct investment rule. [redacted] proposal died for lack of a second.

2/13/87 - 3/18/87 — KEATING AND ASSOCIATES contribute $11,000 to TIM WIRTH.

2/26/87 — Senator RIEGLE meets with [redacted] then with ARTHUR YOUNG, and an ACC official to discuss LINCOLN's dispute with regulators ("Wall Street Journal," 11/15/89).

2/27/87 — FHLBB [redacted] abstaining) adopts "equity risk investment rule" to be effective 4/15/87; shortly thereafter, LINCOLN sues to block the rule as unconstitutional. b6 b7C

3/03/87 — KEATING and [redacted] contribute $4,000 to DAVE EVANS' PAC.

3/06/87 — Senator RIEGLE meets with [redacted] - says Arizona senators are quite concerned about FHLBB regulation of LINCOLN. Shortly thereafter, RIEGLE and [redacted] visit KEATING in Phoenix and after a helicopter tour, RIEGLE reportedly states, "I like what I see here. I can reason with [redacted] ("American Banker," 11/14/89).

3/13/87 — [redacted] of ARTHUR YOUNG (later of ACC) writes letter to senators critical of regulators and equity risk investment rule.

3/18/87 — LINCOLN sues FHLBB, challenging the direct investment limitations.

3/19/87 [redacted] b6 b7C b7D

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. DE CONCINI meets separately with KEATING during this time period ("Arizona Republic," 10/17/89).

3/11-24/87 KEATING AND ASSOCIATES contribute at least $70,750 to RIEGLE; KEATING has luncheon for RIEGLE at HOTEL PONTCHARTRAIN on 3/23/87.

4/01/87 [redacted] resigns from FHLBB. b6 b7C

4/02/87 [redacted] meets with Senators DE CONCINI, MC CAIN, CRANSTON and GLENN in DE CONCINI's office regarding LINCOLN.

4/09/87 [redacted] 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.

5/01/87 FHLB OF SAN FRANCISCO recommends to FHLBB that LINCOLN be seized.

6/30/87 [redacted] leaves FHLBB post; replaced by [redacted] b6 b7C

7/ /87 LINCOLN sues FHLBB over leaks of information regarding LINCOLN examination.

7/10/87 CENTER FOR PARTICIPATION IN DEMOCRACY and THE ORGANIZING INSTITUTE (originally known as MONTEREY LEADERSHIP TRAINING INSTITUTE) are incorporated - [redacted]

9/24/87	KEATING meets with [redacted] regarding 1986 FHLB OF SAN FRANCISCO examination. b6 b7C
10/29/87	KEATING AND ASSOCIATES contribute $5,500 to DE CONCINI - brings total contribution to $39,000.
1987	ACC contributes $100,000 to the FORUM INSTITUTE.
1987 - 1988	ACC contributes $125,000 to USA VOTE, a project of NEW DIMENSION RESOURCES.
Early 1988	ACC contributes an additional $225,000 to the FORUM INSTITUTE.
1/28/88	[redacted] meets with KEATING re KEATING's complaints of news leaks.
2/02/88	KEATING AND ASSOCIATES contribute $4,000 to KOLBE.
2/10/88	ACC contributes $400,000 to CENTER FOR PARTICIPATION IN DEMOCRACY.
2/ /88	CRANSTON visits KEATING in Phoenix at the expense of NEW DIMENSION resources.
3/11/88	KEATING contributes $10,000 to Congressman DAVE EVANS' PAC (NATIONAL ACTION COMMITTEE).
4/09/88	KEATING AND ASSOCIATES contribute $11,500 to Senator OREN HATCH. b6 b7C
5/ /88	[redacted] vote to transfer regulation of LINCOLN from San Francisco to Washington.
6/08/88	KEATING AND ASSOCIATES contribute $100,000 to REPUBLICAN NATIONAL COMMITTEE and attend dinner with Vice President GEORGE BUSH.
10/18-24/88	KEATING AND ASSOCIATES contribute $41,000 to Senator HECHT.
1/17/89	KEATING visits [redacted] and reveals his intention to sell LINCOLN.

4/ /89	CRANSTON urges [redacted] and FHLBB member, [redacted] to reconsider sale of LINCOLN to [redacted] ("L.A. Times," 5/27/89).
4/ /89	At KEATING's request, DE CONCINI telephones [redacted] and asks him to support the sale of LINCOLN to [redacted] ("Mesa Tribune," 4/23/89).
4/11/89	[redacted]
4/13/89	ACC files for Chapter 11 Reorganization.
4/14/89	FHLBB seizes LINCOLN - placed in conservatorship.
9/18/89	Senator DE CONCINI says he will return $48,000 in campaign contributions made by KEATING AND ASSOCIATES.
11/08/89	Congressman PASHAYAN says he will return $26,000 in campaign contributions made by KEATING AND ASSOCIATES.

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FD-9 (Rev. 8-16-79)

TRANSMIT VIA: Airtel

CLASSIFICATION: Unclas

DATE: 12/5/89

FROM: Director, FBI

TO: SACs, Phoenix (58C-PX-41605)
Los Angeles

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

ReButelcal of SSA [redacted] to SSA [redacted] Phoenix Division on 11/29/89. b6 b7C

Enclosed for Phoenix are copies of the testimony and exhibits of individuals appearing before the Committee on Banking, Finance and Affairs, U.S. House of Representatives, and a copy of the Congressional Record - Senate relating to the response of Senator Cranston to Common Cause from the Senate Ethics Committee.

For information of receiving offices, on 11/30/89, representatives of the White-Collar Crimes Section and Congressional Affairs Office met with [redacted] of the law firm Dunnell, Duvall, Bennett and Porter, [redacted] the Senate Select Committee on Ethics to investigate their actions of the captioned senators in the intervention on behalf of Lincoln S&L Association with the Federal Home Loan Bank Board. b6 b7C

The purpose of this meeting was to open a line of communication in view of the parallel investigative interests in this matter. Discussed were areas of common concerns and an offer of, to the extent permissable by policy and legal considerations, an exchange of information. Issues regarding original evidence and the possibility of granting of immunity were discussed.

[redacted] assured that his office would only accept copies of documents from witnesses eliminating the problem of the FBI having to obtain the originals from his office. As it relates to the granting of immunity, [redacted] indicated that the FBI would be notified in ample time to allow appropriate investigative action and to prepare for procedures to insulate investigative Agents from the testimony. [redacted] advised that public hearings are a possibility, however, this was several months away. b6 b7C

58C-PX-41605-9

FILED

DEC 8 1989

FBI/DOJ

[redacted]

The meeting, which was cordial throughout, concluded with the agreement to keep the lines of communication open and to exchange information, where possible.

FBIHQ is currently in the process of obtaining copies of the television programs, "Nightline" on 11/22/89, and "This Week with David Brinkley," of 11/26/89, relating to captioned matter. Upon receipt, Phoenix and Los Angeles will be provided with copes of same. Phoenix and Los Angeles should remain alert to any information pertaining to interviews both in print or electronic media, of captioned subjects and/or possible witnesses in captioned matter.

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PP FBINY FBILA FBISF FBIWMFO

DE FBIPX #0008 3431506

ZNR UUUUU

P 0905532 DEC 89

FM FBI PHOENIX (29D-LA-102009) (P)

TO FBI NEW YORK/PRIORITY/

FBI LOS ANGELES (29D-LA-102009) (58C-PX-41605)/PRIORITY/

FBI SAN FRANCISCO/PRIORITY/

FBI WMFO/PRIORITY/

BT

UNCLAS

CITE: //3630//

SUBJECT: DESERT GEM; MAJOR CASE 24; OO: LOS ANGELES/PHOENIX.

ON DECEMBER 8, 1989, AUSA [redacted] LOS ANGELES, CALIFORNIA, ADVISED THAT ON THIS DATE HE RECEIVED INFORMATION FROM (FNU) [redacted] PUBLIC INTEGRITY SECTION, WASHINGTON, D.C., WHO IN TURN HAD RECEIVED INFORMATION FROM CONGRESSMAN JAMES H SCHEUER FROM THE DISTRICT OF QUEENS, NEW YORK, THAT CHARLES H. KEATING, JR. IS A FLIGHT RISK. [redacted] DID NOT DISCLOSE

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TELETYPE COPY

58C-PX-41605 10

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
DEC 09 1989

[redacted]

SARA

[redacted] SOURCE OF INFORMATION OR THE RELIABILITY OF THIS INFORMATION. [redacted] DID CONTACT (FNU) [redacted] STATE DEPARTMENT, WASHINGTON, D.C., WHO CONFIRMED THAT KEATING IS IN POSSESSION OF A VALID PASSPORT AND HAS A HISTORY OF APPLICATION AND RECEIPT OF A NUMBER OF PASSPORTS.

FOR THE INFORMATION OF NEW YORK, KEATING IS ONE OF A NUMBER OF TARGETS OF THE LA/PX MAJOR CASE PERTAINING TO THE FAILURE OF LINCOLN SAVINGS AND LOAN ASSOCIATION, A BANK FAILURE WITH LOSSES TO REACH 2.5 BILLION DOLLARS. ON MONDAY, 9:00 A.M., DECEMBER 11, 1989, A HEARING IS BEING HELD IN LOS ANGELES, CALIFORNIA, IN AN ATTEMPT TO FREEZE OVER $100 MILLION IN PERSONAL ASSETS OF CHARLES H. KEATING, JR.

NEW YORK DIVISION AT NEW YORK CITY, NEW YORK. ATTEMPT TO LOCATE CONGRESSMAN JAMES H. SCHEUER, NEW YORK, DURING THE WEEKEND OF DECEMBER 9 AND 10, 1989, TO DETERMINE THE SOURCE OF HIS INFORMATION REGARDING KEATING AND CONDUCT ANY FOLLOW UP INVESTIGATION TO DETERMINE IF CHARLES KEATING, JR. IS A FLIGHT RISK. NEW YORK IS TO FURNISH THIS INFORMATION IF AVAILABLE TO FBI, PHOENIX SPECIAL AGENTS [redacted] SO THAT IT MAY BE RELAYED TO THE U.S. ATTORNEY'S OFFICE, LOS ANGELES, CALIFORNIA, BEFORE THE 9:00 A.M. HEARING, MONDAY,

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[redacted]

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DECEMBER 11, 1989.

WMFO AT WASHINGTON, D.C. WILL CONTACT (FNU) [redacted] OR THE APPROPRIATE INDIVIDUAL AT THE STATE DEPARTMENT, WASHINGTON, D.C. AND OBTAIN COPIES OF ALL OF THE PASSPORT APPLICATIONS AND THEIR CURRENT STATUS FOR CHARLES H. KEATING, JR., A WHITE MALE, DOB DECEMBER 4, 1923, SSAN 283-12-4022, AND LAST RESIDING AT 6326 NORTH 38TH STREET, PARADISE VALLEY, ARIZONA.

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SAN FRANCISCO DIVISION AT SAN FRANCISCO, CALIFORNIA. WILL CONTACT THE STATE DEPARTMENT AT SAN FRANCISCO FOR THE SAME INFORMATION SET OUT FOR WMFO AS SAN FRANCISCO STATE DEPARTMENT PROCESSES THE PASSPORT APPLICATIONS FOR THE PHOENIX, ARIZONA DISTRICT.

BT

#0008

NNNN

Routing Slip
FD-4 (Rev. 4-20-81)

Date 12/11/89

To: ☐ Director
Att.: _____

☒ SAC LOS ANGELES
☐ ASAC _____
☐ Supv. _____
☐ Agent _____
☐ SSS _____
☐ Rotor # _____
☐ Steno _____
☐ Typist _____
☐ M _____
Room _____

FILE # _____

Title _____
NEWSPAPER CLIPPING

RE: _____

☐ Acknowledge	☐ For Information	☐ Return assignment card
☐ Assign ☐ Reassign	☐ Handle	☐ Return file ☐ serial
☐ Bring file	☐ Initial & return	_____
☐ Call me	☐ Leads need attention	☐ Return with action taken
☐ Correct	☐ Open case	☐ Return with explanation
☐ Deadline _____	☐ Prepare lead cards	☐ Search and return
☐ Delinquent	☐ Prepare tickler	☐ See me
☐ Discontinue	☐ Recharge file ☐ serial	☐ Type
☐ Expedite	_____	
☐ File	☐ Send to	
	_____	

SEC-DX 41605-11

SEARCHED SAT INDEXED SAT
SERIALIZED SAT FILED SAT
DEC 15 1989
FBI — LOS ANGELES
SK

SAC HAL N. HELTERHOFF

_____ See reverse side

Office DETROIT

GPO : 1984 O - 440-315

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)
Detroit Free Press
Detroit, Mi.
Date: 12/10/89
Edition: Editorials

Title: Influence, Money and Politics

Character:
or
Classification: 58C-PX-41605
Submitting Office: Detroit

Indexing:

Influence, Money and Politics

The savings and loan scandal brings to the fore the whole question of money and political influence. Sen. Donald Riegle wrote a lengthy letter to the Detroit Free Press last week contending that his intervention with regulators on behalf of a California thrift was no different than writing a letter to the attorney general urging approval of the Joint Operating Agreement (JOA).

In fact, there was a big difference — $76,100 to be exact.

That's the amount of money that executives connected to the California S&L contributed to Sen. Riegle's 1986 re-election campaign. The Free Press says it offered nothing to Sen. Riegle in return for his services except the hope that some jobs might be preserved in his district if the JOA were approved.

It remains to be seen whether the contributions to Sen. Riegle from the thrift executives were in any way improper. There is nothing necessarily wrong or illegal about a senator or representative intervening with bureaucrats to make sure a constituent is receiving fair play. It's not right, however, for wealthy constituents to be able to buy favors that lesser constituents couldn't expect to receive. Sen. Riegle later returned the contributions, saying he wanted to avoid even the appearance of impropriety.

Sen. Riegle has never been shy about fund-raising. A September 1988 article in The News depicted how the senator received more than $17,000 in campaign funds from individuals connected to an Arkansas chicken-raising concern after he voted in favor of a measure exempting it from paying certain deferred taxes. In late 1986, this newspaper criticized a letter Sen. Riegle had sent to potential contributors, asking them to attend a $1,000-a-head fund-raising event and reminding them that he was about to take a seat on the important Senate Finance Committee.

Many critics believe that this sort of thing makes an argument for tightening campaign finance laws or even public financing of elections. As far as we are concerned, however, the best disinfectant remains sunlight — laws that require timely disclosure of campaign contributions.

When government is pumping out huge amounts of money and regulations, special interests will always find a way to jump to the head of the queue. The campaign finance laws already have been tightened considerably, and the main effect has been to make it tougher for political challengers to raise funds. Public financing would simply drive the competition for campaign funds under the table.

When Arizona financier Charles Keating was asked whether the $1.4 million in campaign funds that he raised for five U.S. senators, including Sen. Riegle, was intended to buy influence, he responded: "I certainly hope so." The donations are now the focus of numerous investigations to see if any laws were broken. It should generally be left to voters to decide whether they like their senator's or congressman's fund-raising habits, however. An informed voter is honesty's best friend.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/15/89

[redacted] b6 b7C

Washington D.C., 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 date of birth is [redacted] and she was born in Boston, Massachusetts. She further stated her Social Security Account Number is [redacted] is currently [redacted] AMERICAN REAL ESTATE GROUP (AREG), a real estate management company headquartered in Irvine, California. [redacted] was formerly [redacted] the FEDERAL HOME LOAN BANK BOARD [redacted] served in the above capacity under the then FEDERAL HOME LOAN BANK BOARD [redacted]

Prior to working at the FEDERAL HOME LOAN BANK BOARD [redacted]

As mentioned, [redacted] b6 b7C with the FEDERAL HOME LOAN BANK BOARD during the tenure of [redacted] stated [redacted] took the position of [redacted] with the view that the board was primarily a policy-making body and therefore needed a process for more deliberate policy-making. [redacted] added with that in mind they reformed the system in effect to provide the Board members with deeper staff review of various options available and longer lead times for Board review and discussion. It was with that policy-making process in mind that she and [redacted] set several Board goals. Those goals were: 1. To strengthen and protect the FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC) fund; 2. To update the Board's regulations; 3. To expand and strengthen the Board's examine, supervisory, and enforcement operations.

In 1987, the main objective of [redacted] staff was to replenish the FSLIC fund. They had proposed what they called a "FSLIC recapitalization bill" which was being reviewed in Congress. [redacted] was attempting to solicit support from all legislators in order to obtain the additional funding to maintain

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Investigation on 11/8/89 at Washington D.C. File # 58C-PX-41605 -12

by SA [redacted] WMFO /GKM/cpt Date dictated 11/14/89 b6 b7C

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.

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the FSLIC fund. In April of 1987, this goal was the main objective on the agenda of [redacted] staff.

[redacted] confirmed the fact she is well aware of a meeting which took place on April 2, 1987, between [redacted] four high ranking United States senators. [redacted] recalls prior to that meeting [redacted] was somewhat distracted and irritated about the fact he was requested to attend the meeting alone without his staff. [redacted] added normally any and all meetings which took place regarding the bank board [redacted] would take along a staff member. [redacted] was not involved nor did she know who made the telephone call requesting [redacted] to attend the meeting alone. She believes [redacted] may have taken the call himself because she recalls she believes on the same day as the meeting, April 2, 1987, he came out of his office and was visibly irritated. At that time he stated he had been instructed to attend the meeting alone. She believes [redacted] may have taken the initial call and transferred it into [redacted] In addition to [redacted] stated one [redacted] was also [redacted] primarily worked for [redacted] however she and [redacted] would exchange duties.

[redacted] further recalls [redacted] to remain in the office until the conclusion of the above mentioned meeting. It was customary for [redacted] to return from any and all meetings and brief [redacted] staff as to what took place. On this particular occasion he again asked the staff to remain at the office and he would brief them upon returning from the meeting with the senators.

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[redacted] advised as mentioned above the main objective on [redacted] mind at this time was the FSLIC recapitalization bill. She believes he was so focused that he wanted to seize this opportunity to meet with the senators and in addition to discuss the FSLIC recapitalization bill and solicit their support.

[redacted] does not specifically recall the time [redacted] returned however she believes it was around 7:00 to 7:30 p.m. on April 2, 1987. She specifically recalls he was very upset and immediately began a briefing session with [redacted] She recalls [redacted] did not write a memo or any sort of

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communication regarding the meeting however as before he relied on his staff to listen to the information in the briefing session.

[redacted] added during the briefing session she remembers being in and out of the office doing work. At that particular time at 7:00 or 7:30 on the east coast it is still 4:00 or 4:30 on the west coast and they have supervisory control over all the FEDERAL HOME LOAN BANKS including those in the west coast. They would still have been in business and she may have been corresponding with the west coast banks.

[redacted] believes she may have been out of the room when [redacted] mentioned the second half of the alleged "QUID PRO QUO", regarding the home loan program which was discussed. She does specifically recall him mentioning that DECONCINI and the other senators requested [redacted] to withdraw the direct investment regulation. As mentioned she does not specifically recall the second half of that discussion regarding their suggestion that if the regulation is withdrawn they would improve the home loan program. She believes she would have definitely remembered that part of the conversation had she heard it due to the fact that the home loan program was a very sensitive matter to her. She specifically recalls [redacted] being offended and upset and also worried that now these senators were not on his side regarding the FSLIC recapitalization bill. She further recalls [redacted] mentioning they discussed the appraisal issue in that the senators were complaining about the appraisal procedures used by the San Francisco regulators regarding the LINCOLN SAVINGS AND LOAN examination. She further recalls [redacted] advising them that a discussion took place regarding the length of the examination and that [redacted] basically could not answer any questions regarding the details of the examination.

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[redacted] advised she did not take any notes during the briefing session and as mentioned above she was in and out of the session. She believes [redacted] would either recall more detail or may have even taken notes of the briefing. [redacted] recalls a sense that [redacted] felt very vulnerable due to the FSLIC recap situation and he felt he had been coerced by the senators. She believes the briefing session was not only to advise them as to what took place at the meeting but was somewhat

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of a letting off of steam session for [redacted] She specifically recalls him stating, "CHARLIE must have been involved because the senators knew so much about LINCOLN SAVINGS AND LOAN".

[redacted] was not aware of the memo written by the staff of Senator DECONCINI on March 19, 1987. She became aware of that memo on November 7, 1989, just prior to her testimony before the House Banking Committee. As mentioned she did not know it existed and had not read about it in the newspaper.

[redacted] confirmed the fact she was involved in an approach by CHARLES KEATING, JR., to hire [redacted] away from the bank board to go to work for KEATING. In addition, she stated she has written a statement about her involvement which was included in her statement to the House Banking Committee.

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[redacted] advised she recalls that in early October 1985 she was told by then board member [redacted] had been contacted by a Washington D.C. attorney who was suggesting that a client of his wanted to hire [redacted] At that time [redacted] suggested that [redacted] mention it to [redacted] rather than [redacted] Apparently [redacted] did in fact mention it to [redacted] at which time [redacted] told [redacted] about the job offer. Immediately after [redacted] learned of the apparent job offer approach he and [redacted] went directly to [redacted] their counsel and security officer. They explained to [redacted] exactly what they had heard about the approach. [redacted] was adamant that he was not going to discuss a job offer with anyone that had anything to do with an examination or business before the FEDERAL HOME LOAN BANK BOARD. At that time [redacted] suggested if they wanted to pursue the approach then [redacted] should have "an agent" represent him during any negotiations. [redacted] stated at that time he wanted [redacted] to be his agent. [redacted] then went back to [redacted] and told her she was acting as [redacted] agent and to contact the individual who initially told [redacted] of the job offer and asked that individual to contact [redacted]

[redacted] then, shortly thereafter, received a call from Attorney [redacted] who practices law in Washington D.C. He stated to [redacted] he wanted to talk to her about "an offer of employment for [redacted] told [redacted] that she would pursue any such discussions with the principal,

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directly. [redacted] later contacted [redacted] and advised her she would be receiving a call from the office of MR. CHARLES KEATING. At this point, they were not aware as to exactly who the principal was who wanted to offer [redacted] a job and upon finding out it was CHARLES KEATING they were very surprised. [redacted] was subsequently contacted by a representative from the KEATING office at which time a breakfast meeting was set up for November 22, 1985, at the FOUR SEASONS HOTEL RESTAURANT in Washington D.C.

On November 22, 1985, [redacted] met for breakfast with MR. CHARLES KEATING and two of his associates at 8:30 a.m. in the main dining room of the FOUR SEASONS HOTEL. There was some confusion as to where they were to meet and KEATING and his associates waited for her in the lobby and she proceeded directly to the dining room. When they did not initially meet, [redacted] of LINCOLN SAVINGS AND LOAN, called the office of [redacted] to determine whether she had been delayed and told her secretary [redacted] that they were waiting for her in the lobby. [redacted] subsequently told [redacted] that [redacted] was probably waiting in the dining room. MR. KEATING, [redacted] and a third KEATING associate then joined [redacted] in the dining room.

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[redacted] stated MR. KEATING spoke directly with [redacted] at that time and told her he wanted [redacted] to come with his organization in a job capacity which he described as "using [redacted] contacts and skills to further the corporate interests and activities of LINCOLN SAVINGS". KEATING explained his motivation by noting that there was a problem in his ability to have a message heard by the FEDERAL HOME LOAN BANK BOARD and that he needed someone to educate the bank board as to their corporate initiatives and in his attempts to get past the existing regulatory road blocks. Basically KEATING felt he was being ignored and unheard and wanted someone to express his views to the bank board. Upon learning of the offered position, [redacted] advised she told KEATING that [redacted] would definitely not be interested in the position. They briefly discussed [redacted] regulatory philosophy as opposed to KEATING's and determined they were both very different. When [redacted] told KEATING that [redacted] would not be interested he basically stated "that's fine" at which time [redacted] told KEATING and his associates she did not

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want to be contacted again regarding that issue. [redacted] advised after ceasing to discuss the job position she did not get into any sort of salary discussions, therefore at that time did not know the amount of money KEATING wanted to offer [redacted] for the position. [redacted] added at that time she believed such an offer was an attempt by MR. KEATING to remove [redacted] as the source of KEATING's "regulatory problems".

In addition to the above sometime later she believes in the mid to latter part of 1986, the office of Senator WILLIAM PROXMIRE became aware of the job offer by KEATING and requested [redacted] to write a letter detailing her involvement. On September 19, 1986, [redacted] did in fact write Senator WILLIAM PROXMIRE and advise as to the above mentioned details.

58C-PX-41605-13

RM RM

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FD-302 (REV. 3-10-82)

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/1/89

[redacted] THE EVANS GROUP LIMITED, 1010 Wisconsin Avenue, Northwest, 8th Floor, Washington D.C., 20007, 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 date of birth is [redacted] and she was born in Philadelphia, Pennsylvania. Her Social Security number is [redacted]

[redacted] is currently a political consultant and lobbyist with THE EVANS GROUP LIMITED located in Washington D.C. with telephone number (202) 333-8777. [redacted] also resides in Washington D.C. and has a home telephone number of [redacted] 2363.

[redacted] confirmed the fact [redacted] former FEDERAL HOME LOAN BANK BOARD (FHLBB [redacted] She was [redacted] Part of [redacted] various meetings with legislators on Capital Hill with [redacted] FHLBB, [redacted] had various reasons to meet with representatives both from the Senate and from the House and he would take [redacted] along in those meetings. [redacted] confirmed she was aware of a meeting which took place on April 2, 1987, between [redacted] and four United States senators. She recalls prior to [redacted] attending the meeting she asked why she was not going to attend the meeting with [redacted] She specifically recalls [redacted] stating to her that he was told to attend the meeting and not to bring any staff members. She further confirmed [redacted] asked [redacted] to wait at the FHLBB offices for a briefing of the meeting after it took place on April 2, 1987. [redacted] confirmed in fact she was present at the briefing immediately after the April 2, 1987, meeting.

[redacted] specifically recalls [redacted] was upset upon returning from the meeting and basically made the statement "You guys would not believe what they asked me to do, they asked me to withdraw the direct investment regulation and they would have CHARLIE KEATING build up their home loan program." [redacted] further stated she was present during the entire briefing however did not take notes as to the information being relayed by [redacted]

Investigation on 11/9/89 at Washington D.C. File # 58C-PX-41605

by SA [redacted] /GKM/cpt Date dictated 11/13/89

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[redacted] recalls in general hearing about the senators complaints regarding appraisal standards and the length of the exam. She does not recall if she heard this at the April 2, 1987 briefing. She believes it logical that [redacted] mentioned at least the length of the exam issue, during the briefing. She believes this due to the fact it precipitated his referral to the San Francisco examiners.

[redacted] also confirmed the fact that she was involved in late night meetings on or about December 18, 1986, when discussions were taking place among the bank board members and staff as to the direct investment regulation. The regulation had been in effect for approximately two years and was due to be either renewed or changed. Discussion was taking place regarding the various changes that could be made to the current direct investment regulation. In addition also taking place in the discussions were then board member [redacted] specifically recalls [redacted] remaining somewhat quiet during the late night discussions. [redacted] specifically recalls [redacted] not submitting a proposal during the late night meetings. He then presented a proposal the next day completely typed in neat form at the official bank board meeting at which time a vote was to be taken. [redacted] recalls the proposal [redacted] submitted had a number of changes to the direct investment rule including one which would directly and primarily benefit LINCOLN SAVINGS AND LOAN.

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FM FBI SAN FRANCISCO (29D-LA-102009) (RUC) (SQUAD 5)

TO FBI LOS ANGELES (58C-PX-41605)/PRIORITY/

FBI PHOENIX/PRIORITY/

INFO FBI NEW YORK/ROUTINE/

FBI WMFO (INFO)/ROUTINE/

BT

UNCLAS

CITE: //3790//

SUBJECT: DESERT GEM; MAJOR CASE 24; OO: LA/PX.

[redacted] U.S. STATE DEPARTMENT, 525 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105, TELEPHONE [redacted] ADVISED THAT A CHECK OF RECORDS FROM 1983 THROUGH OCTOBER 31, 1989 INDICATES THAT NO PASSPORT APPLICATIONS HAVE BEEN PROCESSED FOR CHARLES H. KEATING, JR., WITH DATE OF BIRTH OF DECEMBER 4, 1923.

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TELETYPE COPY

58C-PX-41605-14

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
DEC 1 1 1989
FBI — LOS ANGELES

[redacted] ADVISED THAT ANY APPLICATIONS MADE AFTER OCTOBER 31, 1989 WOULD BE ON FILE AT THE PASSPORT OFFICE IN WASHINGTON, D.C.

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BT

#0008

NNNN

[redacted]

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FD-761 (6-88)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 12/19/89

To : Director, FBI (Attention: Criminal Investigative Division)
From : SAC, Phoenix (58C-PX-41605) (P)
Subject : Public Corruption Data Transmittal Form

1. **Title:** *(use additional page if necessary)* ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS D. DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE, CHARLES H. KEATING, JR., DBA ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE; OO: PX/LA
Re: Bureau tel to PX 11/9/89, LA tel to Director, 11/14/89, meeting on 12/7/89 in PX.
2. ☒ **Enclosed are the original and** **copies of a LHM for dissemination purposes.** *(check if appropriate)*
3. **Office of Origin File No.** 58C-PX-41605 *(include alpha)*
4. ☒ **Initial submission** ☐ **Supplemental submission** *(check one)*
5. **Date opened upon ~~SAC~~ Bureau authority** 11/8/89
6. **Level of subject official** *(See codes on reverse. Use additional pages, as necessary, for additional subjects.)*
   Level K04 Number of Subject(s) 5
   Level _____ Number of Subject(s) _____
   Level _____ Number of Subject(s) _____
7. **Indicate which of the following investigative techniques have been utilized to date.** *(check all appropriate boxes)*

Code Number / Description		Code Number / Description	
Z1	☐ Acct. Tech. Assist.	Z14	☐ Pen Registers
Z2	☐ Aircraft Assist.	Z15	☐ Photo Coverage
Z3	☐ Computer Assist.	Z16	☐ Polygraph Assist.
Z4	☐ Consensual Monitoring	Z17	☐ Search Warrants Use
Z5	☐ Elsur - FISC	Z18	☐ Show Money Use
Z6	☐ Elsur - Title III	Z19	☐ Surveillance Squad Use
Z7	☐ Eng. Sect. Field Support	Z20	☐ Swat Team
Z8	☐ Eng. Sect. Tape Exams	Z21	☐ Tech. Agent
Z9	☐ Hypnosis Assist.	Z22	☐ Telephone Toll Records
Z10	☐ Ident Div. Assist.	Z23	☐ Group I UCO
Z11 (A)	☐ Symboled Informant	Z24	☐ Group II UCO
Z11 (B)	☐ Cooperating Witness	Z25	☐ Undercover - Other
Z11 (C)	☐ Cooperating Subject	Z26	☐ NCAVG/VI - CAP
Z12	☐ Lab. Div. Exams	Z27	☐ VIA
Z13	☐ Lab. Div. Field Support		

2-Los Angeles (1-58C-PX-41605) (1-29D-LA-102009)
2-Field Office, Phoenix (1-58C-PX-41605) (1-29D-LA-102009)
5-FBIHQ
(1 - White-Collar Crimes Section, Public Corruption Unit)
(1-Congressional Affairs Office, SSA [redacted])
(1-Financial Crimes Unit, SSA [redacted])

58C-PX-41605-15 b6 b7C

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

1-U.S. Attorney, Central District of California
1-U.S. Attorney, District of Arizona
REB:rh

SEARCHED
INDEXED
SERIALIZED
FILED
FBI/DOJ

8. **Type of Corruption Investigated** *(check all appropriate boxes)*

Code Number/Description		Code Number/Description	
(A)	Judicial Corruption	(B)	Legislative Corruption
A1 ☐	Federal	B1 ☒	Federal
A2 ☐	State	B2 ☐	State
A3 ☐	Local	B3 ☐	Local
A4 ☐	Territorial	B4 ☐	Territorial
(C)	Contract Corruption	(D)	Regulatory Corruption
C1 ☐	Federal	D1 ☐	Federal
C2 ☐	State	D2 ☐	State
C3 ☐	Local	D3 ☐	Local
C4 ☐	Territorial	D4 ☐	Territorial
(E)	Law Enforcement Corruption		
E1 ☐	Federal		
E2 ☐	State		
E3 ☐	Local		
E4 ☐	Territorial		

9. **Does corruption involve drug related activity?** *(check one)* ☐ Yes ☒ No

10. **Statistical Accomplishments** *(number since last submission)*

A. Complaints	_____	F. Acquittal	_____
B. Informants	_____	G. Recoveries	_____
C. Indictments	_____	H. Restitutions	_____
D. Convictions	_____	I. Potential Economic Loss Prevented	_____
E. Pre-trial Diversions	_____		

11. **Forfeiture Provisions Utilized** *(check one)* ☐ Yes ☒ No

12. **Status of Case** *(check one)*

☒ Pending Preliminary Inquiry
☐ Pending Full Investigation
☐ Closed

13. **Basis for Closing** *(check one)*

☐ U.S. Attorney Declination
☐ Dismissal
☐ Acquittal
☐ Conviction
☐ Administrative by SAC (no other basis involved)

Additional Administrative Data *(if needed)*:

See attached.

ALLEGATIONS CONCERNING U.S.
SENATORS ALAN CRANSTON,
DENNIS D. DE CONCINI,
JOHN GLENN,
JOHN MC CAIN,
DONALD RIEGLE;
CHARLES H. KEATING, JR.,
DOING BUSINESS AS
LINCOLN SAVINGS AND LOAN (LSL)
ASSOCIATION OF CALIFORNIA AND
AMERICAN CONTINENTAL CORPORATION (ACC),
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC
OFFICIALS - LEGISLATIVE;
OO: PHOENIX/LOS ANGELES

This matter is currently in a PI status. Based on information set forth in the enclosed LHM, the Bureau is requested to forward mentioned LHM to the Public Integrity Section, DOJ and obtain authority to convert this matter to a full investigation.

Request of the Bureau

Bureau is requested to obtain from DOJ a prosecutive opinion regarding the merits of this case outlining the violations that may apply to this investigation. This opinion is necessary to assist agents conducting the investigation so that they can establish priorities, limits, and strategies for interviews. It would also be helpful if DOJ provided a prosecutive theory based upon the strategies they believe to be applicable to this case.

The following are but a few of the questions that may be answered by obtaining a prosecutive opinion from DOJ:

1) To prove a violation under Title 18, USC, Section 201 (Bribery), must it be shown that the public official personally benefited in exchange for an official act, or is it sufficient to show that the official benefited politically from contributions to political organizations? May the "bribe" be in the form of a legal contributions to a tax-exempt voter registration organization?

2) Under Title 18, USC, Section 1505 (Obstruction of Agency Proceedings), what is necessary to prove that the obstruction was done "corruptly" as required by the statute? Must a bribe be proved? Or is proof of extraordinary attempts to influence the FHLBB sufficient? Is evidence that the tax-exempt

organizations affiliated with CRANSTON were improperly partisan, relevant to prove the corruption? With respect to the [redacted] administration at FHLBB, what differentiates between mere lobbying by ACC and attempts to corruptly obstruct the FHLBB? b6 b7C

3) Would the senators meetings with [redacted] and the San Francisco FHLB regulators be considered "official acts" for purposes of Section 201? Would the senators' attempts to influence the FHLBB be considered fraud against the U.S. for purposes of Section 201?

4) Would proof of KEATING's belief that political contributions were necessary to obtain the political influence the FHLBB be sufficient to constitute an extortion under Section 1951?

Proposed Investigation

Following is proposed investigation to be conducted upon receiving authority for a full field investigation:

1) Subpoena California Democratic Party records relating to $85,000 contribution by ACC in 1986, which was reportedly spent for Cranston's re-election effort. After these records are obtained and reviewed, interview appropriate California Democratic Party officials.

2) Interview [redacted] Los Angeles, re circumstances of: b6 b7C

a. $100,000 he reportedly raised for the Republican Party from Keating and his associates.

b. $172,000 he reportedly raised for California Governor George Deukmejian from Keating and his associates.

c. Lobbying he did on Keating's behalf.

3) Subpoena records from the National Council on Public Policy, a Washington organization affiliated with John Glenn, which received $200,000 from ACC. Review records of the Center for Participation in Democracy, Los Angeles, the Organizing Institute, Pacific Grove, California, the Forum Institute, Washington, DC, and USA Votes (New Dimension Resources), Washington, DC, which are or have been subpoenaed in connection with a related federal election law investigation. ACC contributed $400,000 to CPD, $325,000 to the Forum Institute, and $125,000 to USA Votes. The Organizing

Institute and CPA were founded by [redacted] b6 b7C

4) Obtain from DOJ interviews regarding the [redacted] investigation conducted in 1986-87.

5) Review U.S. Senate financial disclosure reports filed by Senators DeConcini, McCain, Cranston, Glenn, and Riegle to uncover any financial relationships any may have had with Keating, ACC, or the organizations that received contributions from ACC. These reports have already been obtained.

6) Locate and review ACC/LSL records relating to [redacted] business dealings with Keating. b6 b7C

7) Attempt to obtain details of McCain's vacations in the Bahamas and other travel at Keating's expense.

8) Locate and review Lincoln records relating to loans made to R.A. Homes, a development company owned by two unpaid members of DeConcini's campaign staff.

9) Interview [redacted] who, while at Arthur Young, wrote the senators regarding the unfairness of the Lincoln exam and who reportedly met with Senator Riegle on February 26, 1987.

10) Interview [redacted] former U.S. Treasury Department official now in New York City, regarding his reported comment that Keating bragged to him about his political influence and his job offer to [redacted]

11) Interview ACC officer [redacted] re his involvement in fund raising and lobbying. b6 b7C

12) Interview Washington attorney [redacted] and former FHLBB member [redacted] who reportedly passed word to [redacted] of Keating's job offer fo[redacted]

13) Interview former White House staff members [redacted] regarding former White House Chief of Staff Donald Regan's dissatisfaction with [redacted]

14) Review testimony and exhibits from the U.S. House of Representatives Banking Committee 1989 investigation.

15) Subpoena appointment books and the like from FHLBB [redacted] to discover contacts they had with politicians and ACC/LSL

officials.

16) Interview former FHLBB members [redacted] re ACC/LSL lobbying. b6 b7C

17) Interview [redacted] who, according to [redacted] twice by telephone and once in person that the reason for transferring the FHLB exam of LSL from San Francisco to Washington was related to Keating's influence, but that he could not discuss it further. Interview Farm Credit Administration official [redacted] who reportedly witnessed [redacted] say this to [redacted]

18) Interview [redacted] who told [redacted] that Keating wanted to hire her.

19) Interview former Arizona Governor Bruce Babbitt, who reportedly spurned attempts by Keating to influence him.

[redacted] b6 b7C b7D

21) Interview [redacted] of the FHLBB of Springfield, Illinois, who participated in the LSL exam and who reportedly claims that he was instructed to overlook certain points in the exam. b6 b7C

22) Interview [redacted] and other FHLB examiners involved in the second exam of LSL.

23) Interview [redacted] regarding Keating lobbying.

24) Interview [redacted] Washington, DC journalist who had conversation with Keating regarding having spent $11 million to "get [redacted] b6 b7C

25) Interview [redacted] Tucson, Arizona, [redacted] LSL who was a "traditionalist" operator of thrifts. [redacted] discussed this new job with [redacted] prior to accepting the position.

26) Interview [redacted] PSA, FHLB, Seattle (12th District) regarding his objection of having LSL transferred to Seattle.

27) Interview former LSL Loan Officer [redacted] and Appraiser

[redacted] Los Altos, California, and review real property records of 215 Main Street, Los Altos, California, in connection with [redacted] appraisal of this property showing title in Alan Cranston. This appraisal was located in LSL records acquired by subpoena and suggests that a loan by LSL to Cranston was contemplated in October 1986. b6 b7C

28) Interview [redacted] former Dennis DeConcini campaign treasurer, who was indicted October 1989 for embezzlement of campaign funds.

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Phoenix, Arizona 85012

December 19, 1989

ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DE CONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR.,
DOING BUSINESS AS
LINCOLN SAVINGS AND LOAN (LSL)
ASSOCIATION OF CALIFORNIA
AND AMERICAN CONTINENTAL CORPORATION (ACC),
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE

This matter was initiated on November 8, 1989, at the request of the Public Integrity Section of the Department of Justice which asked the assistance of the Federal Bureau of Investigation (FBI) to conduct an investigation into allegations concerning captioned U.S. Senators. The allegations arise out of the activities of Charles H. Keating, Jr., a principal in the failed Lincoln Savings and Loan Association of California. Allegedly Keating, his associates, and entities controlled by Keating made contributions to the senators campaigns and/or other organizations affiliated with the senators. Subsequently, the senators sought to intervene with the Federal Home Loan Bank Board (FHLBB) on behalf of Lincoln Savings and Loan, which at that time, was being examined by the Federal Home Loan Bank of San Francisco (FHLB-SF).

When the request for investigation was made, it was determined a preliminary inquiry was in order to determine whether the U.S. Senators may have been in violation of Title 18, U.S. Code, Sections 201 (Bribery), 371 (Conspiracy), 1951 (Hobbs Act), and/or 1505 (Obstructions of Proceedings Before an Agency) as it relates to their intervention on behalf of LSL with the FHLBB.

It was decided investigation under the PI status should be limited to interviews to corroborate statements made by [redacted] the FHLBB, relating to his meetings with the senators and the subsequent meeting arranged by [redacted] for the

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senators with the regulators from the FHLB-SF. These regulators were conducting the examination of LSL in Irvine, California.

Investigation to date has consisted of interviews of the following individuals:

[redacted] Federal Home Loan Bank Board, Washington, DC

[redacted] of the Federal Home Loan Bank Board, Washington, DC

[redacted] at the Federal Home Loan Bank Board, Washington, DC

[redacted] the Agency Group, responsible for supervision of thrifts in the 11th District of the Federal Home Loan Bank Board; [redacted] is currently the District Director of the Office of Thrift Supervision in San Francisco, CA

[redacted] the Federal Home Loan Bank of San Francisco

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[redacted] Federal Savings and Loan Insurance Corporation (FSLIC), Washington, DC; [redacted] is currently the District Counsel for the 11th District for the Office of Thrift Supervision

[redacted] formerly the Supervisory Agent for the Federal Home Loan Bank Board of San Francisco; [redacted] is currently an Assistant Director for the Office of Thrift Supervision in San Francisco, CA.

[redacted] formerly Attorney, Office of General Counsel, Federal Home Loan Bank Board, Washington, DC; [redacted] is currently a practicing attorney in San Francisco. [redacted] of the above-mentioned [redacted]

As previously mentioned, [redacted] b6 b7C of the FHLBB testified before the house banking committee on November 7, 1989 at which time he advised the committee as to two private meetings held with the five U.S. Senators. On April 2, 1987, [redacted] was summoned to the office of Dennis DeConcini to

meet alone with Senators DeConcini, Cranston, Glenn and McCain. In that meeting, Senator DeConcini speaking on behalf of himself and the other senators requested [redacted] to withdraw the direct investment regulation which had recently been enacted and in return Charles Keating and LSL would then increase their home loan program. In addition, the senators asked numerous detailed questions about the length of the examination being conducted and various questions regarding the appraisal procedures being utilized by the San Francisco examiners. [redacted] was unable to fully answer the questions of the senators and referred them to the San Francisco regulators for additional details. At the conclusion of the meeting, [redacted] returned to his office at the FHLBB in Washington, DC and briefed three [redacted] Those [redacted] were [redacted]

[redacted] was later contacted within one week of the meeting with the Senators and requested to set up a meeting between the senators and the regulators in San Francisco. [redacted] then contacted [redacted] in San Francisco to arrange the meeting. The Senators requested the regulators meet on April 9, 1987 also in the office of Dennis DeConcini.

As noted, the three individuals who were immediately briefed by [redacted] were also interviewed concerning this matter. All three of the individuals confirmed the fact the meeting took place and that [redacted] attended the meeting alone without staff. All confirmed the fact that [redacted] was requested to go without staff and the fact the Senators had no staff in the meeting was extremely extraordinary. All three [redacted] confirmed the fact [redacted] immediately returned to the FHLBB offices and briefed them as to the meeting with the Senators.

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During the week of November 27, 1989, the four individuals from the San Francisco FHLB who met with the Senators on April 9, 1987 were interviewed. All those who attended the meeting on April 9, 1987 confirmed that present at the meeting were Senators Dennis DeConcini, Donald Riegle, John Glenn, John McCain. Senator Alan Cranston briefly joined the meeting introduced himself to all the bank board representatives, and advised he concurred in totality with the views of the other Senators and excused himself to go to the Senate floor. The bank board representatives present at the meeting confirmed the Senators had no staff in attendance at the meeting. They said Senator Dennis DeConcini took the lead at the meeting and appeared to be extremely knowledgeable regarding the LSL

situation. All the individuals confirmed the Senators questioned them regarding the length of the examination and the appraisal procedures used during the examination. In addition, they said the Senators requested the bank board to grant LSL "forbearance" regarding the direct investment regulation until a pending lawsuit was decided. All of the individuals confirmed that Attorney [redacted] took detailed notes during the meeting with the Senators. All the individuals had recently reviewed transcripts of the notes and concurred with their completeness and accuracy. b6 b7C

[redacted] was contacted based on information she had received a job offer from Charles Keating, Jr. [redacted] confirmed she was contacted by a Washington, DC lobbyist who was involved with a trade association representing holding companies of thrifts. That individual's name is [redacted] stated LSL was a member of the association and he was representing LSL requesting [redacted] take a position with LSL. She declined the job offer.

Investigation has also included reviewing records from the Federal Election Commission (FEC) in Washington, DC which reflect the following contributions were made to the five U.S. Senators from Keating, his family, and employees:

4/9/85	Keating and associates contribute $13,000 to Senator Alan Cranston
7/31-8/15/85	Keating and associates contribute $22,000 to Senator John Glenn.
7/31 - 8/15/85	Keating and associates contribute $16,000 to Senator Dennis DeConcini.
10/14-25/85	Keating and associates contribute $8,000 to Senator Alan Cranston.
3/17-31/86	Keating and associates contribute $54,000 to Senator John McCain.
8/4-6/86	Keating and associates contribute $11,000 to Senator Alan Cranston.

ALLEGATIONS CONCERNING U.S.
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3/11-24/87 Keating and associates contribute at least $70,750 to Riegle.

10/27/89 Keating and associates contribute $5,500 to Dennis DeConcini.

It has been widely reported that Keating and associates contributed $85,000 to the California State Democratic Party that were used primarily to assist Cranston in winning his 1986 Senatorial campaign.

Investigation has shown that on July 10, 1987, [redacted] organized and incorporated two tax exempt organizations purportedly designed to be involved in "get out the vote" efforts. Those organizations are the Center for Participation in Democracy and the Organizing Institute (originally known as Monterey Leadership Training Institute). On February 10, 1988, ACC contributed $400,000 to the Center for Participation in Democracy. Senator Alan Cranston has admitted soliciting the money from Charles H. Keating and, in fact, flying to Phoenix to personally pick up the $400,000 check. Cranston has further confirmed in the press he solicited from ACC $325,000 for an organization called the Forum Institute and $125,000 for a project called USA Votes affiliated with New Dimension Resources, Washington, DC. b6 b7C

During the period of late 1985 through March 1986, ACC reportedly contributed $200,000 to an organization called the National Council on Public Policy. This organization reportedly is a tax exempt organization affiliated with Senator John Glenn.

On April 13, 1989, ACC filed for Chapter 11 reorganization in the State of Arizona. On April 14, 1989, the FHLBB seized LSL and placed it in conservatorship. Since that time, the above events and the involvement of the five U.S. Senators has been widely publicized. According to statements made to the press by the Senators, they have stated one of the reasons they got involved with the LSL situation and spoke with [redacted] and the San Francisco regulators was due to a letter written to the Senators from [redacted] on March 13, 1987. [redacted] the accounting firm of Arthur Young and Associates. The accounting firm had been hired to conduct an independent audit of LSL, and [redacted] headed the audit. In the letter, [redacted] discusses the examination by the FHLB regulators and states the regulators were unreasonable and the examination lasted longer than necessary. In addition, the b6 b7C

ALLEGATIONS CONCERNING U.S.
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OFFICIALS-LEGISLATIVE

Senators have stated they relied on a letter written by [redacted] b6 b7C
[redacted] the Federal Reserve Board. The letter was written in February 1985 when [redacted] was a private consultant. The letter was written to the FHLBB of San Francisco on behalf of LSL requesting that LSL be exempted from the 10% direct investment rule. Some of the Senators have publicly said they met with Keating and his associates and were simply performing constituent services by meeting with the representatives from the FHLB of San Francisco and with [redacted] [redacted] from the FHLBB of Washington, DC.

Included as part of this memorandum are copies of all FD-302's reflecting interviews with [redacted] and the other FHLB representatives. Also included are copies of the [redacted] letters, the [redacted] letter. [redacted] b6 b7C b7D

On December 7, 1989, a meeting was held in Phoenix, Arizona to discuss the status of the preliminary inquiry and justification for converting this matter to a full investigation. In attendance at the meeting were the following:

Attorney [redacted] from the Public Integrity Section, Department of Justice, Washington, DC, b6 b7C

Supervisor [redacted] FBI Headquarters, Washington, DC

Assistant United States Attorney (AUSA) [redacted] USA Office, Los Angeles, CA

Special Agent (SA) [redacted] Santa Ana, CA

SA [redacted] Phoenix, AZ

SSA [redacted] Phoenix, AZ

SA [redacted] Santa Anna, CA

SSA [redacted] Santa Anna, CA

During this meeting, Attorney [redacted] suggested further investigation be immediately conducted to further corroborate the

initial allegations. [redacted] suggested the investigation focus upon any and all attempts to influence the FHLBB during the time both [redacted] b6 b7C

Public Integrity Section Attorney [redacted] and AUSA [redacted] declined to render a preliminary prosecutive opinion at this time stating additional investigation was warranted. Both agreed based on the direction of the investigation and the current allegations, the applicable statutes in this matter would continue to be Title 18, U.S. Code, Sections 201 (Bribery), 371 (Conspiracy), 1951 (Hobbs Act), and/or 1505 (Obstruction of Proceedings Before an Agency) and additionally Title 18, U.S. Code, Section 208 (Acts Affecting a Personal Financial Interest).

USA Steven M. McNamee, District of Arizona, Phoenix, also declined to render a prosecutive opinion until he had an opportunity to review the results of the pending investigation.

The following interviews were conducted by the FBI in Washington, DC and San Francisco, CA and are included in this LHM:

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/11/89

[redacted] date of birth [redacted] b6 b7C [redacted] Office of Thrift Supervision, 580 California Boulevard, San Francisco, CA 94120, [redacted] residence [redacted] San Carlos, California 94070, [redacted] provided the following information regarding the meeting he attended in April of 1989 with U.S. Senators DENNIS DE CONCINI, JOHN MC CAIN, ALAN CRANSTON, JOHN GLENN, and DON RIEGLE.

[redacted] said that [redacted] the Federal Home Loan Bank Board of San Francisco. [redacted] said that [redacted] Federal Savings and Loan Insurance Corporation (FSLIC) and was the bank board employee who had the responsibility preparing the case for the recapitalization of the FSLIC and the litigation against the "forbearance" provision of 1987 Competitive Equality Banking Act (CEBA Legislation).

[redacted] stated that when he was working with the FSLIC he had been detailed to Washington, DC from the Federal Home Loan Board in San Francisco. b6 b7C

[redacted] said that he has an AB Degree from the University of Michigan, 1973 and a Juris Doctorate Degree from the University of Michigan in 1976.

[redacted] said he first became aware of the LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) in 1984 as the Savings and Loan Association that "led the charge" against direct investment legislation. [redacted] [redacted] at this time and the board had lost several lawsuits regarding brokered accounts. [redacted] responsibility was to assist the board in response to anticipated lawsuits regarding direct investments. [redacted] said that direct investment had been adopted by the board in January 1985 and any direct investment prior to

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Investigation on 11/28/89 at San Francisco, CA File # 58C-PX-41605

by SA [redacted] and SA [redacted] b6 b7C

SA [redacted] rh Date dictated 12/3/89

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this time would be "grandfathered". [redacted] said when he first heard of LSL, it related to their "'charge against' direct investment", LSL was not considered a problem savings and loan association at this time.

[redacted] said that in March of 1985 LSL applied for permission to invest 40% of its assets in direct investments. This application was made to the San Francisco 11th District of the Federal Home Loan Board and it was turned down. The Federal Home Loan Board (11th District San Francisco) decision was appealed by LSL to Washington, DC and as a result [redacted] worked on this decision and the subsequent denial of it by the Federal Home Loan Board. [redacted] said from review of the public documents available (10K's and 10q's) of ACC revealed that the institution was involved in unsafe investment practices. [redacted] alluded to GULF BROADCASTING in an unfriendly takeover and their capital was being invested in other risky investments.

[redacted] said that also in August 1986 there was a meeting b6 b7C in Washington, DC as a result of the March 1986 examination which had taken approximately seven months. This examination revealed that LSL was at that time a failing thrift. At this time, [redacted] was in the Office of Enforcement and Litigation Unit and he assigned an attorney, [redacted] to begin the legal work on the application of conservatorship and/or receivership for LSL.

[redacted] said the next time he met with officials of b6 b7C AMERICAN CONTINENTAL CORPORATION (ACC)/LSL was in the fall of 1986 when [redacted] a New York Attorney, informed the Federal Home Loan Board that they could not review any documents pertaining to LSL unless examiners went through his New York law firm. This led to a meeting in Washington, DC. Those that the attended the meeting were [redacted] from San Francisco Federal Home Loan Board, [redacted] Washington, DC Federal Home Loan Board, and [redacted] As a result of this meeting, there was no resolution with the exception of the fact that the New York law firm would have lawyers at the examination scene and all documents still continued to be reviewed by the New York law firm. [redacted] said this, in effect, was as form of discovery that was being utilized by LSL.

[redacted] said that in January 1985 or January 1986, the direct investment regulation had a built in sunset rule. The bank board at this time only had one member, [redacted] and therefore it could not act. There were two recess appointments to the bank board of [redacted] extended the direct

investment regulation with the vote of [redacted] however, had sponsored a rule which significantly weakened the direct investment regulation. [redacted] proposal in essence was if the S & L had sufficient capital, it could invest some money in whatever deemed appropriate. [redacted] said there were several points to the [redacted] proposal and believed that point 11 would have designated inadvertent investments by an S & L as being grandfathered by the proposal. [redacted] further stated that if a thrift believed its direct investments were grandfathered, they would in fact be grandfathered. [redacted] further stated that this proposal would have benefited LSL directly. [redacted] further stated that [redacted] had significant loans with LSL and this proposal would have directly affected [redacted] repayment of the loans. [redacted] would, in fact, have to refinance his acquisition development and construction (ADC) loans. [redacted] said that he recalls LSL was $600 million in violation of the direct investment rule at the time [redacted] made his proposal to the board.

[redacted] said that he was aware of [redacted] involvement with LSL and informed [redacted] stated that it is his understanding that [redacted] then informed Senator WILLIAM PROXMEYER of this [redacted] information. [redacted] said that he later explained in detail to a PROXMEYER aid, [redacted] said that Federal Home Loan Board employee in Washington, [redacted] also helped [redacted] in the briefing of [redacted] said that as a result of [redacted] referral to Senator PROXMEYER, several government agencies began an investigation of [redacted] one of which he recalls was the Office of Government Ethics. b6 b7C

[redacted] said that in February or March 1987 he accepted the job in San Francisco [redacted] the FSLIC in its efforts to pass the recapitalization legislation. [redacted] said, however, he did not move to San Francisco until July 1987.

[redacted] said that the bank board held public hearings in March 1987 and again LSL had the preponderance of the testimony in favor of direct investment. [redacted] recalls that [redacted] testified at this meeting as well as LSL representatives. b6 b7C

[redacted] said that on April 2, 1987, [redacted] had a meeting with four U.S. Senators. After the meeting, [redacted] called [redacted] on his car telephone and asked him to stay at the office until [redacted] returned. [redacted] was aware that [redacted] had a meeting on the hill, however, he does not reall if he knew the substance of the meeting.

[redacted] said that he did not discuss with [redacted] any agenda

prior to the April 2, 1987 meeting. [redacted] said he was aware that Senator DON RIEGLE had set up the April 2, 1987 meeting with the four senators, but believes he had this after the meeting. [redacted] said at this time the FSLIC was almost bankrupt and [redacted] was attempting to discuss with any senator on the hill the recapitalization of the FSLIC. [redacted] also had been attempting to persuade Congress that "the forbearance" clause was bad for the thrift industry. [redacted] said that [redacted] was aware that the four senators wanted to discuss LSL, however, [redacted] believes that [redacted] in addition to this wanted to discuss forbearance and the recapitalization of the FSLIC. [redacted] said he does not know if [redacted] had been instructed to come to the meeting alone without any member of his staff. [redacted] also does not believe that [redacted] knew the number of senators that were to be present.

[redacted] said that upon [redacted] return to the bank board he met with him [redacted] b6 b7C
[redacted] said that he did not take any notes of this meeting. [redacted] told him that four senators and identified Senators CRANSTON, GLENN, DE CONCINI, MC CAIN as being present. [redacted] said that the senators wanted him to "yank the direct investment regulation in return for LSL making home loans". [redacted] said that the senators were concerned about the length of the exam process, however, [redacted] said he could not respond because he was unfamiliar with the examination of LSL. Senator GLENN seemed to be particularly upset with the length of the examination. [redacted] said he could not respond to specific questions regarding LSL because he supervised over 3,000 thrifts. [redacted] said that the senators were also concerned about the vendetta of the Federal Home Loan Board against LSL. [redacted] responded by saying that he never met CHARLES KEATING. [redacted] further stated that he had confidence in the San Francisco office of the Federal Home Loan Bank and did not believe that they had been unfair in the examination of LSL. [redacted] said that [redacted] was upset with the meeting and said that, "you guys won't believe what they want". [redacted] said that [redacted] was "amazed, bemused, and upset" with the April 2, 1987 meeting. [redacted] informed [redacted] that he had agreed for the senators to meet with the San Francisco Federal Home Loan Bank officials, including [redacted]

[redacted] said that between April 2 and 9, there were numerous scheduling telephone calls with the San Francisco people [redacted] said that DENNIS DE CONCINI or his office was the entity that agreed to the meeting date and its location which was Senator DE CONCINI's office.

[redacted] said that the meeting occurred as scheduled by Senator DE CONCINI's office on April 9, 1987 in Senator DE CONCINI's office. The five U.S. Senators present were DE CONCINI, JOHN MC CAIN, ALAN CRANSTON, JOHN GLENN, and DON RIEGLE.

[redacted] said that in regards to Senator CRANSTON, he did not attend the entire meeting, however, on one occasion he "stuck his head in the door" and stated that he agreed with the topic of discussion.

[redacted] said that he took detailed notes and attributed his experience on a college debating team as assisting him in the taking of these notes. [redacted] said he does not recall if he rough-drafted or dictated into a dictaphone what became his typewritten notes to [redacted] said he is, however, certain he did not type his memo that ultimately was sent to [redacted] said that [redacted] requested the typed version and [redacted] further told [redacted] that he [redacted] sent a copy of these notes to Senator RIEGLE's office. [redacted] said there was nothing to add or to delete from these notes. b6 b7C

[redacted] volunteered the original typed notes and memo to [redacted] dated April 10, 1987 and his handwritten notes taken as the meeting unfolded. [redacted] additionally initialed and dated each page of these notes. The notes have been exhibited as evidence.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/5/89

[redacted] FEDERAL HOME LOAN BANK OF SAN FRANCISCO (FHLB-SF), 120 Kearny, San Francisco, California, telephone [redacted], was advised as to the identity of the interviewing agents and the purpose of the interview at which time CIRONA advised as follows:

[redacted] advised his current position [redacted] FHLB-SF and has been in that position since [redacted] His date of birth is [redacted] and he was born in Brooklyn, New York. He currently resides at [redacted] San Francisco, California.

Prior to [redacted] the FHLB-SF, [redacted] was involved in the thrift industry in Rochester, New York. He [redacted] ROCHESTER, NEW YORK.

[redacted] stated [redacted] the FHLB-SF he basically has the same duties [redacted] any commercial bank with the exception of the fact the FHLB is a wholesale bank. As a wholesale bank they sell money to member institutions and conduct a variety of correspondence services. The area which is covered by the FHLB-SF is called the 11th District and includes California, Arizona, and Nevada.

[redacted] advised as a general rule [redacted] FHLB-SF he does not get involved in the examination process. Normally after an exam is completed he and his staff will review the results of the exam. At that point, if problems exist they will decide on what action to take. The bank may request the institution to make a variety of changes which can be accomplished by a request from the FHLB-SF. If there are major problems and he and his staff recommend receivership or conservatorship, that final decision must be made by the FEDERAL HOME LOAN BANK BOARD in Washington D.C.

[redacted] confirmed he is well aware of past examinations of LINCOLN SAVINGS AND LOAN. He further stated he is aware of the holding company which owns LINCOLN SAVINGS AND LOAN, AMERICAN CONTINENTAL CORPORATION (ACC). He is also familiar with the chairman of ACC, CHARLES KEATING, JR. He believes he met CHARLES KEATING on one occasion at a luncheon-reception in 1986 held by the CALIFORNIA LEAGUE OF SAVINGS AND LOAN INSTITUTIONS. To his knowledge he has not spoken with nor met with CHARLES KEATING at

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Investigation on 11/28/89 at San Francisco, CA File # 58C-PX-41605

by SA [redacted] SA [redacted] SA [redacted] GKM/cpt Date dictated 12/4/89

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any other occasion since that time. Even though an exam was taking place in 1986 during the time he met KEATING, there were not attempts by KEATING people or officers of LINCOLN SAVINGS AND LOAN to meet with or speak directly with [redacted] stated he would have been happy to meet with them however they did not request any meetings.

[redacted] confirmed he was in attendance on April 9, 1987, in a meeting held in the office of Senator DENNIS DECONCINI in Washington D.C. On April 8, 1987, he contacted his office in San Francisco and received a message from his secretary stating he was to report to the office of the FEDERAL HOME LOAN BANK BOARD [redacted] on April 9, 1987. At this particular time he was in New York City conducting business. The message continued to say [redacted] and others would be meeting with a group of United States senators in DECONCINI's office the evening of April 9, 1987, and the subject would be the LINCOLN SAVINGS AND LOAN exam. b6 b7C

[redacted] recalls arriving at the bank board at approximately 5:00 p.m. on April 9, 1987. At that time he observed [redacted] having a meeting regarding the scheduled meeting with the senators. At the time he arrived the plans had already been formulated for [redacted] to give the initial presentation about the exam. [redacted] were to answer any additional questions the senators may ask. [redacted] specifically recalls they felt the purpose of the meeting with the senators was simply to justify the length of the exam and to explain their position and possibly their findings in the exam.

[redacted] advised the meeting was basically started as a lecture from Senator DECONCINI. The lecture changed the original tone and purpose of the meeting. [redacted] felt DECONCINI and the senators were parroting what someone from the KEATING organization had previously briefed them regarding the LINCOLN SAVINGS AND LOAN exam. b6 b7C

At this point in the interview, [redacted] presented a copy of the typed transcript from the notes of [redacted] He confirmed [redacted] took these notes during the April 9,

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1987, meeting with the five U.S. senators. He confirmed he had on many previous occasions reviewed the transcripts which resulted from [redacted] notes. He confirmed he felt they were extremely accurate and that he could add no additional information regarding what was discussed at the meeting. [redacted] agreed to again review the transcript and to sign and date each page verifying its accuracy. [redacted] emphasized he stands behind the transcripts.

[redacted] continued stating his personal feelings of the meeting with United States senators was that he was austruck. He felt it was extraordinary that five high powered United States senators were meeting together on behalf of one constituent. To the best of his knowledge this had never happened before and most likely would never happen again. He advised it was obvious during the meeting the senators did not come to hear the examiners report on the findings of the examination. [redacted] felt they were summoned by the senators to hear the senators displeasure and [redacted] and the others ended up defending their positions in the exam.

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[redacted] feels the entire situation regarding the report, which was eventually sent to the FEDERAL HOME LOAN BANK BOARD after [redacted] is also extremely extraordinary. The report recommending receivership was submitted to the bank board in May of 1987. At that point, [redacted] and the only other board member was [redacted] feels that it is understandable that [redacted] did not want to act on the recommendation as one of his last acts [redacted] In addition, he understood [redacted] position that he did not want to act on the recommendation until [redacted] realized he would be working closely with [redacted] and felt it was necessary to obtain his input prior to making a decision.

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[redacted] advised in July of 1987, [redacted] the FEDERAL HOME LOAN BANK BOARD. By the end of July 1987, [redacted] had already met with KEATING and his associates regarding the LINCOLN examine. [redacted] believes [redacted] then again met with KEATING and associates in August of 1987. [redacted] stated the interesting thing about the [redacted] meetings with KEATING was that [redacted] seemed to be very open minded in regarding

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talking with KEATING and his associates however [redacted] made no attempts whatsoever to meet with [redacted] or any of his examiners regarding the examination.

[redacted] added that in August of 1987 [redacted] who was [redacted] who was [redacted] met with CHARLES KEATING. Also during that period of time, [redacted] was hired and [redacted] the Office of Regulatory Policy Oversight and Supervision (ORPOS). Also in August of 1987, [redacted] instructed [redacted] to take no supervisory action or continue discussions with LINCOLN personnel regarding the LINCOLN SAVINGS AND LOAN exam until they were authorized by the bank board in Washington D.C. [redacted] emphasized that at this point they felt they had lost total authority on the LINCOLN exam.

[redacted] advised all of the above events seemed to be extremely extraordinary to him and unprecedented at least during the time [redacted] the FHLB-SF.

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[redacted] added during the time the examination was taking place and immediately thereafter he was not contacted by any KEATING associate regarding the exam with possibly one exception. [redacted] had known one [redacted] during the time he and [redacted] were both in the thrift industry. In late 1987, [redacted] contacted [redacted] and stated he had just gone to work for CHARLES KEATING and wanted to meet with [redacted] had lunch with him at which time [redacted] emphasized the fact he had been hired by KEATING to restructure LINCOLN SAVINGS AND LOAN to again being a traditional thrift. In other words, they were attempting to liquidate their direct investments and would return to the business of making home loans. At that point, [redacted] was surprised the attempt was to be made and told [redacted] he did not feel it was possible. [redacted] encouraged [redacted] to make the effort to restructure LINCOLN SAVINGS AND LOAN. [redacted] added apparently that arrangement did not work out because in January or February of 1988 [redacted] left that position with LINCOLN SAVINGS AND LOAN. [redacted] also feels [redacted] was maintained on the payroll of LINCOLN SAVINGS AND LOAN for quite some time after his departure so as to keep him quiet regarding LINCOLN's procedures and activities.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/7/89

[redacted] date of birth [redacted] b6 b7C
[redacted] Office of Thrift Supervision, 580 California Street, San Francisco, 94120, telephone number [redacted] residence [redacted] California, 94563, telephone number [redacted] date of birth [redacted] provided the following information regarding his meeting in April, 1989, with United States Senators, DON RIEGLE, DENNIS DE CONCINI, JOHN MC CAIN, JOHN GLENN, and ALAN CRANSTON regarding Lincoln Savings and Loan Association (LSLA) of Irvine, California.

[redacted] said in 1987 [redacted] Agency Group for the Federal Home Loan Board (FHLB) and part of his management function was review of 215 Saving and Loan Associations (SLAs), one of which was LSLA. [redacted] said that the 215 SLAs that he supervises are in the states of California, Arizona, and Nevada.

[redacted] said that he fist met CHARLES KEATING in December of 1986, with [redacted] for American Continental Corporation, [redacted] said that [redacted] had been calling frequently concerning the examination of the LSLA. [redacted] said at the time that he was to meet in Washington, D.C., in December of 1986, he was still attempting to get to know his new job as he had taken a position with the FHLB on August 20, 1986. [redacted] said that on his way to Washington, D.C., he had the opportunity to review a 200 page draft of the examination of the problems associated with LSLA. b6 b7C

Prior to going to Washington, D.C., in December of 1986, [redacted] had become a nuisance because of all his numerous telephone calls regarding the examination of LSLA. [redacted] during these telephone calls had no specific charges concerning the examiners only that they were taking too long to complete the examination. The examiners at this time were [redacted] and [redacted] implied that they were not being fair and that LSLA was being persecuted. [redacted] said again [redacted] could not specifically point to any particular problem concerning the examiners.

[redacted] said that [redacted] told him he was glad that [redacted] had just arrived at the FHLB because "they could work with him". [redacted] said that the FHLB "team was incompetent, made errors in arithmetic, their appraisals were absurd and flawed on their face". [redacted] said he did not take notes when [redacted]

Investigation on 11/28/89 at San Francisco, California File # 58C-41605

by SA [redacted] SA [redacted] SA [redacted] mbh Date dictated 12/3/89 b6 b7C

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called because he considered [redacted] to be just another institution that was complaining.

[redacted] said that the August, 1986, meeting in Washington, D.C., was a regularly scheduled meeting to discuss the findings of the examination of LSLA. Those present were [redacted] (staff members of the Bank Board), [redacted] staff member of the Bank Board. From San Francisco were [redacted] said that this meeting had been scheduled before he had been hired.

[redacted] said that from the very beginning [redacted] appeared to be an apologist for LSLA. b6 b7C

[redacted] said as a result of the meeting in August, 1986, in Washington, D.C., he had been made aware of LSLA. [redacted] further said that he realized that Lincoln was one of the two important cases at the FHLB in San Francisco was involved in. The other was America FCA.

[redacted] said that the next contact he had with an official of LSLA was in October of 1986, when [redacted] came to San Francisco. During the meeting with [redacted] he just continued his complaining concerning the examination of LSLA.

[redacted] said the first time that he met CHARLES KEATING was in December of 1986 when KEATING and other officials from ACC met at the FHLB office in San Francisco (580 California Street). The meeting was called at the request of LSLA in that the examination of LSLA was concluding. [redacted] said in fact the "closing meeting" had been held in Phoenix, Arizona. At this closing meeting, no one authority had appeared on behalf of LSLA and as a result the second meeting was scheduled to accommodate LSLA. [redacted] said that he believes the only official of ACC and LSLA that attended the "closing meeting" was [redacted] b6 b7C

During the December, 1986, meeting in San Francisco, KEATING accused the government of "suckering him with deregulation and now the government was attempting to re-regulate". KEATING said he wanted to "get along with the regulators", but they "continued

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to change the rules in mid-stream". [redacted] said he attempted to explain the problems that had been found as a result of the examination with the management of LSLA. [redacted] in fact, said these findings would have been discussed at the "closing meeting", but no one of authority from ACC or LSLA was present. [redacted] said that as a result, the December, 1986, meeting in San Francisco everyone agreed to reschedule the "closing meeting" that had already occurred in Phoenix. [redacted] said this was done in order to facilitate the complaints of KEATING.

[redacted] said that [redacted] of the FHLB in Washington, D.C., apparently had a meeting on April 2, 1987, with the Unites States Senators JOHN MC CAIN, ALAN CRANSTON, JOHN GLENN, and DENNIS DE CONCINI. [redacted] said that he did not receive and advance warning from [redacted] of this meeting, however, [redacted] called him on April 4, or April 5, 1987, to inform him [redacted] that he was to meet in Washington, D.C., with these senators. [redacted] said he did not know [redacted] meeting occurred until after the fact when [redacted] informed him of a second meeting with these United States Senators. [redacted] said that [redacted] stressed that the meeting with the United States Senators was confidential. [redacted] further informed [redacted] that [redacted] would be the people with whom the senators would meet concerning LSLA.

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[redacted] said that [redacted] briefly discussed [redacted] meeting in detail with the Senators. [redacted] said that they wanted him to "let Lincoln out of the direct investment regulation and in return Lincoln would make home loans". [redacted] specifically said that United States Senators CRANSTON, MC CAIN, DE CONCINI, and GLENN attended the April 2, 1987, meeting with [redacted] also said that [redacted] told him that [redacted] was not knowledgeable regarding the details of the LSLA examination and would arrange for the senators to meet with the San Francisco regulators who would answer their questions.

[redacted] said that after [redacted] call he "smelled a rat" because the findings were confidential yet he had been instructed to meet and discuss these findings with United States Senators. [redacted] said that he called [redacted] and informed him that he was to attend this meeting and that it was confidential. [redacted] said that he stressed to [redacted] that the meeting was confidential and, in fact, told him not to tell his supervisor.

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[redacted] said that [redacted] during the telephone call to him [redacted], expressed his personal feelings of "shock that the senators proposed a deal".

[redacted] said that the April 9, 1987, meeting occurred in the Hart Building and in the office of Senator DENNIS DE CONCINI. [redacted] said that prior to going to this meeting there was a "pre-meeting" at the Bank Board where he [redacted] discussed the briefing they were to give the senators. [redacted] said that [redacted] was also present and had informed the four regarding her depositions taken and the apparent "file stuffing" conducted by LSLA. [redacted] said that he did not see [redacted] prior to the meeting with the senators or have any form of communication with [redacted] said the purpose of the "pre-meeting" was to enable them to be ready to explain the length of the examination of LSLA. [redacted] was selected to give the presentation because he was the junior of the four present. [redacted] prepared notes in preparation for his presentation to the senators. [redacted] said that he took no notes during the "pre-meeting" and took no notes during the actual meeting with the five senators.

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[redacted] said that the meeting with the five United States Senators occurred between 6:00 PM, and 8:00 PM, at Senator DE CONCINI's office and prior to the meeting [redacted] was present and acted as a "hostess", but was not present during the discussion with the five senators. [redacted] said that during the two hour meeting the senators then voted on occasion and left Senator DE CONCINI's office and at this time they [redacted] were in the office with [redacted] said that the senators present were RIEGLE, DE CONCINI, MC CAIN, GLENN, and CRANSTON. [redacted] said that [redacted] made a "brief appearance" saying that he "was in agreement with the concerns and views of the other senators". [redacted] estimates that CRANSTON made the brief appearance and statement one half hour after the meeting started. [redacted] said that Senator DE CONCINI acted as the host and Chief spokesman for the group stating that Senator RIEGLE had been invited because of his banking experience. [redacted] said that Senator DE CONCINI apparently had a monologue prepared concerning LSLA which ended with the offer of "Lincoln making more home loans if the direct investment regulation would be dropped by the regulators".

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[redacted] said Senator DE CONCINI had documents with him and, in fact, passed around an [redacted] letter which he showed to [redacted] and the others [redacted] said this letter indicated that "the Federal Home Loan Board examination had been adversarial and extreme in length". [redacted] said that Senator DE CONCINI had other documents with him, but he [redacted] does not recall what they were. [redacted] also said that Senator DE CONCINI also criticized appraisals that had been conducted by the FHLB.

[redacted] said the senators did not want to hear answers concerning the examination they just "wanted the San Francisco people off the back of LSLA".

[redacted] said that he recalls [redacted] taking copious notes and he [redacted] reviewed these notes prior to the interview with the Federal Bureau of Investigation (FBI). [redacted] said that he reviewed [redacted] notes within three days after the meeting and when he reviewed these note they were typed. [redacted] said that he characterized [redacted] notes as very accurate and could not now add or delete to them.

[redacted] said that after the April, 1989, meeting with the five senator, he had no other contact with them or anyone on their staff. [redacted] said, however, in the Summer of 1989, he was in Washington, D.C., on a separate matter and he went into the office of Senator CRANSTON and talked with an aide, [redacted] She said, "Is it possible that CHARLIE KEATING and those people have done something illegal". [redacted] said this is only the contact he has had with anyone associated with the senators or their staff.

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[redacted] said that in August of 1986, after it had been made public that he had accepted a position with the FHLB in San Francisco, [redacted] was approached by [redacted] newly formed company, Association of Thrift Holding Companies, and offered her a job. [redacted] said his wife was an attorney at the Bank Board in Washington, D.C., and her area of expertise was Thrift Holding Companies. [redacted] mentioned to his wife that a "member" could use a representation in California. [redacted] later identified the "member" as the LSLA. [redacted] said that [redacted] continued to call his wife, but she was uneasy because of his [redacted]

position as a regulator and eventually she asked [redacted] to stop calling her.

[redacted] said that in the Fall of 1987, or early 1988, he received a telephone call from [redacted] of [redacted] During this telephone call, [redacted] told [redacted] about LSLA. [redacted] responded by saying that CHARLIE KEATING was "well known up here". [redacted] further told [redacted] that the Bank Board was considering taking the supervision of LSLA away from the Eleventh District. [redacted] responded by saying, "There are things you don't know, they are doing it for your own good and he's as wired as you can get".

[redacted] said that after the Eleventh District had been removed as having supervisory authority of LSLA, [redacted] again warned [redacted] about KEATING's influence. [redacted] said this meeting was at a Bank Board meeting in Washington and would have been in early 1988. [redacted] said during the Summer of 1988, at his residence [redacted] again initiated the warning to [redacted] by saying, "There are things you don't know". This discussion was in the presence of [redacted] who is with the Farm Credit Administration in Mc Clean, Virginia. [redacted] said there was a meeting with [redacted] in Washington, D.C., in May of 1988, when [redacted] again confronted [redacted] about the influence of CHARLES KEATING. [redacted] said he could not more closely fix the telephone calls and meetings, however, he said the first telephone call with [redacted] was after he had moved to San Francisco. b6 b7C

[redacted] reviewed the typed notes of [redacted] taken on April 9, 1987, of the meeting between the FHLB San Francisco personnel and Senators CRANSTON, DE CONCINI, GLENN, MC CAIN, and RIEGLE. [redacted] initialed and dated each page of these notes. [redacted] stated he could not make any changes. These notes have been exhibited as evidence.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/11/89

[redacted] an attorney with the law firm of PILLSBURY, MADISON, AND SUTRO, West 535 Montgomery Street, #1594, San Francisco, California, [redacted] residence [redacted] Orinda, California 94563, [redacted] provided the following information regarding an employment offer made to her by AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona. b6 b7C

[redacted] said that in the spring or summer of 1986, [redacted] offered her employment with ACC.

[redacted] said that during the spring and summer of 1986, she was employed by the Federal Home Loan Board as an attorney in the Office of General Counsel and her expertise was savings and loan association holding companies. Prior to [redacted] making the job offer to her, she had frequent meetings with him in her office regarding holding companies. She and her husband, [redacted] had accepted a dinner invitation at the residence of [redacted] associate prior to the job offer as well.

The actual job offer occurred during a luncheon meeting when [redacted] said, "A member who might need representation in San Francisco" is interested in employing her. She inquired as to the identity and [redacted] said it was ACC and it owned LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). b6 b7C

[redacted] said that prior to [redacted] making the job offer, her husband's leaving the employment of the Office of the Comptroller of the Currency and going to work for the Federal Home Loan Board in San Francisco had been in the press in Washington, DC. [redacted] discussed with [redacted] the conflict of interest that would arise since her husband would be the regulator of thrifts in California. [redacted] accordingly declined the job offer and made no further inquiries.

[redacted] said that after the luncheon meeting, [redacted]

Investigation on 11/28/89 at San Francisco, CA File # 58C-PX-41605

by SA [redacted] and SA [redacted] /rh Date dictated 12/5/89 b6 b7C

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continued to call her asking for additional meetings and generally became a "pest" on the telephone. [redacted] finally instructed [redacted] to not call her any more.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/5/89

[redacted] Agency Group, FEDERAL HOME LOAN BANK OF SAN FRANCISCO (FHLB-SF), 580 California Street, San Francisco, California, telephone [redacted], was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows: b6 b7C

[redacted] advised his current address is [redacted] Richmond, California, telephone [redacted] During the week, [redacted] resides with his in-laws in the city of San Francisco and can be reached at telephone number [redacted]

[redacted] advised he began his appointment with the FHLB-SF in March of 1983 as an Assistant Supervisory Analyst. He was later promoted to Acting Supervisory Agent and then Supervisory Agent. b6 b7C

[redacted] confirmed that in 1986 he was somewhat involved with the examination of LINCOLN SAVINGS AND LOAN of Irvine, California. At that time he was the Acting Supervisory Agent and reported to [redacted] He was later promoted to Supervisory Agent during the time the exam was still being conducted. As Supervisory Agent he was in charge of a team of analysts who would receive reports from various examinations being conducted in the 11th District of the FHLB. The bank was divided up into two separate divisions. Those divisions were the Supervisory Division and the Examination Division. The Examination Division maintained the personnel who would conduct on-site examinations of institutions. Their reports and conclusions from an examination would then be submitted to the Supervisory Division for their review and recommendations. There are a number of supervisory agents assigned to the FHLB-SF and each were assigned approximately 20 cases. In addition to monitoring 20 institutions, they would review and approve new applications.

[redacted] advised regarding the LINCOLN SAVINGS examination it was initially assigned as a regular case to Supervisory Agent [redacted] In early to mid 1986 the bank hired some additional individuals to be Supervisory Agents and they reassigned various cases. At that time the LINCOLN case was assigned to [redacted] At that point the Supervisory Agents would report their findings and conclusions to the Chief Supervisory Agent. The Chief Supervisory Agent would make recommendations and take action based on the report. Any drastic b6 b7C

Investigation on 11/29/89 at San Francisco, CA File # 58C-PX-41605

SA [redacted] SA [redacted] b6 b7C

by [redacted] SA [redacted] GKM/cpt Date dictated 12/2/89

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decisions to be made regarding conservatorship or receivership of an institution was made by the FHLBB in Washington D.C.

In March or April of 1987, the FHLB-SF changed its structures and duties regarding Supervisory Agents. Prior to this time the examiners would only submit final reports to the Supervisory Agents for review. Beginning in March or April of 1987, the Supervisory Agents maintained more of a "hands on" approach and learned about problems in an exam during the course of the examination. In other words, they monitored the examination as it took place rather than receive only a final report.

[redacted] recalls in 1986 during the exam of LINCOLN, they heard various problems existed regarding the underwriting of loans and the lack of proper documentation in loan files. In addition, they heard of problems with direct investments and investments in high risk securities. At that point they requested files from the examination be sent to the bank for review by the Supervisory Agent. [redacted] recalls in reviewing the exam files it was very clear this was a unique situation and many problems existed with LINCOLN which had not been addressed in other examinations or institutions. The LINCOLN SAVINGS AND LOAN examination had isolated problems which had not existed in other institutions. As mentioned, there were major underwriting problems to include no credit applications. There appeared to be no loan manual or rules and regulations being followed by the loan department of LINCOLN SAVINGS AND LOAN.

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Due to the above problems they then set up a meeting in July of 1986 with the management of LINCOLN SAVINGS AND LOAN. [redacted] attended that meeting along with other examiners. Also in attendance was MR. CHARLES KEATING. KEATING was representing the holding company, AMERICAN CONTINENTAL CORPORATION. [redacted] recalled being surprised that KEATING attended the meeting due to the fact he was not a member of the Board of Directors of LINCOLN SAVINGS AND LOAN. The meeting was held in Irvine, California, at the offices of LINCOLN SAVINGS AND LOAN. KEATING seemed to take charge of the meeting and made it very clear in a very disruptive fashion that he felt there was a "vendetta" by the bank board toward the management of LINCOLN SAVINGS AND LOAN. This was the first time [redacted] had met CHARLES KEATING and recalls KEATING

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being very upset. KEATING was under the impression this July 1986 meeting was the "final exam" meeting. Traditionally a meeting would be held with the institution upon the conclusion of an exam wherein different findings and recommendations would be reviewed. KEATING was apparently, as mentioned, under the impression this July 1986 was the final meeting. KEATING emphasized he felt a vendetta existed and stated various reasons for his belief. Among those reasons was the fact LINCOLN SAVINGS AND LOAN had recently applied to the San Francisco FHLB to increase their direct investments. The FHLB-SF had denied that request. KEATING and LINCOLN then appealed to the FHLBB in Washington D.C. who also denied the request. KEATING felt there was a vendetta also due to a denial of a request to have subordinate debt added to their total capital figure. In addition, as part of the assessment to determine if subordinate debt should be added to their capital requirement, the FHLB-SF had requested LINCOLN submit a comprehensive business plan. KEATING also felt this request was unreasonable.

The above meeting was actually called by [redacted] who was the individual in charge of the exam. The meeting was called for the purpose of discussing the findings and problems to date. [redacted] recalls KEATING ranting and raving and being very upset about his belief of a "vendetta" and in fact personally threatened [redacted] with a liability lawsuit.

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[redacted] advised an additional meeting took place where he was present along with KEATING and his associates either in December of 1986 or January of 1987. The LINCOLN exam had actually terminated at the end of October of 1986, and from that point until December 1986 or early 1987 various attempts had been made to get LINCOLN management to respond to problems. [redacted] recalls problems existed with asset evaluation and underwriting of loans. On March 9, 1987, all the responses to the above requests were finally received from LINCOLN. Traditionally, those responses are then reviewed and a final report submitted to the bank. [redacted] recalls a final report was submitted to the FHLBB in Washington D.C. in April of 1987. He recalls the final report recommending conservatorship or receivership of LINCOLN SAVINGS AND LOAN. [redacted] emphasized problems with management responding to the above requests and an attempt to solve problems was the main reason the exam lasted as long as it did without the final report being submitted.

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[redacted] confirmed the fact he was involved in a meeting with other San Francisco bank members and five U.S. senators in Washington D.C. on April 9, 1987. He was notified of the meeting approximately two days before the 9th by [redacted] told him the meeting was to remain confidential and he [redacted] was not to discuss the fact he was attending the meeting with anyone including his immediate supervisor [redacted] was told the meeting was to be with some United States senators however at the time he did not know which senators. He was told to attend a briefing on the LINCOLN exam at the bank board prior to the meeting with the senators. [redacted] flew back to Washington D.C. with [redacted] to attend both meetings. Initially [redacted] was not told to prepare any notes or outline regarding the meeting.

Upon arriving in Washington D.C., as mentioned, the meeting was held at the office of the Federal Home Loan Bank Board. In attendance was [redacted] The purpose of the meeting was to discuss strategy in presenting the facts of the exam to the United States senators. During the meeting it was decided [redacted] would make an initial presentation to the senators. At that point [redacted] did prepare an outline to be used in the meeting. [redacted] did not keep the outline after the meeting with the senators. He does recall all of the bank members felt the purpose of the meeting was to inform the senators as to the status of the exam and possibly to defend the length of the exam.

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[redacted] advised a meeting did in fact take place in the office of Senator DECONCINI on April 9, 1987. Present at the meeting were DECONCINI, RIEGLE, GLENN, MCCAIN and for a short time Senator ALAN CRANSTON. CRANSTON actually stepped in momentarily and stated he concurred with the views of all the other senators. He stated he had to attend a vote and would not be able to stay at the meeting.

At this point in the interview [redacted] made reference to the detailed notes and transcripts of those notes which had been taken by [redacted] He advised he had reviewed the transcripts many times. Most recently he had again reviewed the transcripts on November 26, 1989. [redacted] presented a copy of the notes which he had reviewed and agreed to initial each page

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verifying their accuracy. [redacted] emphasized the notes of [redacted] were extremely accurate and he could add no more as to the conversation which took place with the senators.

In addition to the above, [redacted] added DECONCINI seemed to take the lead from the beginning of the meeting. DECONCINI appeared to present himself as a very knowledgeable individual in real estate in Arizona.

Regarding the request of DECONCINI that LINCOLN SAVINGS AND LOAN be granted "forbearance" from the direct investment regulation, [redacted] interpreted that as a request for the FHLB not to apply the capital increment which results from being over the direct investment limits. He interpreted that to be a request to postpone that increment until a lawsuit had been decided. [redacted] believes the formula for adding the increment is 10% of the amount over the direct investment limit. This amount is then added to the thrift's capital requirement.

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[redacted] added DECONCINI and the other senators appeared to be advocates of LINCOLN SAVINGS AND LOAN as an institution rather than interested senators wanting to hear the facts of an exam. The senators seemed to be lobbying on behalf of LINCOLN SAVINGS AND LOAN. The meeting basically became one of the examiners explaining their position to the senators and defending themselves regarding those positions rather than a meeting of simply presenting the facts and answering questions from the senators.

[redacted] advised at the conclusion of the meeting the members of the FHLB-SF then briefly discussed the meeting and agreed everyone was surprised the senators were together on one issue. They further discussed the fact there appeared to be no dissension among the senators. [redacted] advised they were unable to comply with [redacted] outline during the meeting however they did eventually discuss most of the points on the outline. He added it was interesting once the criminal referral aspect of the conversation was mentioned the mood of the senators definitely changed. [redacted] advised he did not feel the senators were attempting to "cut a deal" on behalf of LINCOLN but rather were defending the position of LINCOLN in its complaints against the examiners.

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[redacted] advised he did not brief anyone after the meeting and basically went directly back to San Francisco. He has had no further contact with any senator or staff members of the senators.

ALLEGATIONS CONCERNING U.S.
SENATORS ALAN CRANSTON, ET AL
CORRUPTION OF FEDERAL PUBLIC
OFFICIALS-LEGISLATIVE

The following attachments were obtained by the FBI through the course of its investigation:

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

1700 Valley Bank Center
Phoenix, Arizona 85073
Telephone: (602) 258-4831

March 17, 1987

The Honorable John McCain
United States Senate
210 Hart Senate Building
Washington DC 20510

Dear Senator McCain:

Certain questions have been raised by you and others with regard to Lincoln Savings, a California-chartered savings and loan association, which is wholly owned by American Continental Corporation (ACC) and its experience with the Federal Home Loan Bank Board (FHLBB). The following sets forth such questions and what I believe are objective answers to the questions.

1. What is Lincoln Savings' financial condition at December 31, 1986 and its operating results for the year then ended?

   My firm, Arthur Young & Company, examined the financial statements of Lincoln Savings at and for the year ended December 31, 1986, and issued an unqualified opinion dated February 17, 1987 on such financial statements. Lincoln Savings' consolidated statement of financial condition at December 31, 1986 reflected stockholder's equity, as determined in accordance with generally accepted accounting principles (GAAP), of $193,024,000 (or approximately 6.8% of its FSLIC-insured deposits) at that date. Its consolidated statement of operations reflected earnings before income taxes of $81,689,000 and net earnings of $48,958,000 for the year ended December 31, 1986.

2. In determining its earnings and stockholder's equity, did Lincoln Savings make provisions for potential losses?

   Yes, the above-cited stockholders' equity is after valuation allowances of approximately $28,000,000 at December 31, 1986 and the pretax earnings for the year are net of provisions for losses of $32,500,000. In the course of my firm's examination of Lincoln Savings' financial statements, the firm tested the valuation allowances and the bases therefor and concluded such allowances were fairly stated in all respects material to Lincoln Savings' financial statements taken as a whole.

3. Is the Federal Home Loan Bank Board currently conducting an examination of Lincoln Savings?

Yes, the FHLBB began an examination in approximately March 1986, and as of this date has not yet concluded such examination. Accordingly, such examination has been ongoing for approximately one year. One team of examiners conducted procedures from March to May 1986, and another group conducted comparable, and in many instances identical, procedures during the period August to October 1986. Since October, the FHLBB continues to seek additional information from Lincoln Savings, some of which has been previously provided to and been reviewed by the field examiners.

4. In your experience, is the duration of the FHLBB examination unusual?

Yes, examinations generally are conducted over a period of two to three months by field examiners, and final reports are usually issued within six months from the start of the examination. Hence, the duration of this examination appears to be clearly outside normal standards.

5. Have the procedures conducted by the examiners appeared to be different or more extensive than you believe is typical?

While I don't have first-person knowledge of the examiners' procedures, I have discussed the procedures with Lincoln Savings' management and legal counsel. Based on these discussions, the extent of loan file reviews, the number of appraisals ordered, the nature of the appraisal process including the location and experience of appraisers selected, the redundant procedures and requests for data, and the types of transactions examined, are unusual. By way of example, the examiners asked to (a) review loan files for loans which had been fully collected by the time of the examination, (b) review files for proposed securities transactions where, after analysis, the securities were not purchased by Lincoln Savings and hence no transaction occurred, (c) review data which had been reviewed in a previous examination, and (d) re-appraise properties using appraisers who were unfamiliar with the markets in which subject properties were located. These requests are not, in my experience, typical.

6. Was the unusual duration of the examination and type and extent of the procedures used caused by the nature of Lincoln Savings operations?

While Lincoln Savings is not a typical association in that it is not a significant single family residential lender but rather tends to concentrate on land development and construction lending, it engages in transactions comparable to those entered into by other associations in Arizona and California. The focus of the FHLBB examination appears to have been centered on (a) land development projects, (b) investments in equity and noninvestment grade debt securities, and (c) commercial and construction loans. Because of the nature of the population growth patterns and economic climate in the western states, savings and loan associations in this area tend to rely more heavily on land development and commercial and construction lending to invest their resources, particularly since 1983, than do associations in other parts of the country.

Land development and commercial and construction lending tend to result in fewer transactions but transactions of greater dollar size than does residential lending. Thus it may be perceived that such lending activities bear greater risk. This perception, which is clearly held by the FHLBB, may not be accurate or realistic.

The residential lender is subject to interest rate risk. If rates rise rapidly, fixed rate loans lose their value rapidly and interest rate spreads quickly erode. And, because variable rate loans usually have annual and life-of-loan interest rate caps, such loans are also highly subject to interest rate risk. The evidence of such risk is the failure of thrifts in the period 1979-1983. During this period, which was prior to deregulation, virtually all failures related to interest spread erosion by single family residential lenders.

In February 1984, when ACC acquired Lincoln Savings, Lincoln was in the position of other traditional thrifts in that its interest spread was insufficient to provide a level of profitability. Since ACC's primary business was land development and home-building, it looked to what it knew best to improve Lincoln's profits and reduce risk. After its acquisition, Lincoln acquired parcels of prime real estate in Arizona and other growth states, increased its construction lending, and sought other nontraditional investments. Since this strategy was put in place, Lincoln has realized aggregate after-tax earnings of more than $141,000,000.

Because the experience of most of the FHLBB's more senior examiners is with traditional single family lenders, Lincoln Savings is different from their prior experience. Also, the more junior examiners generally lack the business acumen to understand complex real estate development projects or complex investment strategies. Hence, while the examiners' decision to focus on real estate, commercial and construction lending, and equity and debt investments may have been proper, they appear to have had neither sufficient experience nor knowledge to deal with Lincoln's transactions effectively, thereby causing the examination to be more protracted than necessary.

Moreover, because Lincoln does not concentrate on single family residential lending, it does not fit the pattern for member institutions that the present FHLBB leadership has espoused publicly and as reflected in recent regulations. This fact has, based on my observations, led to unusually antagonistic positions and actions by the FHLBB towards Lincoln. This is difficult to fully understand because Lincoln's strategies have thus far proved successful and have turned an association headed for failure into a strong and viable financial entity. And, as stated earlier, Lincoln's strategies are not that different from other successful thrifts in the West. Most engage in real estate development, either directly or through joint ventures, many have far greater construction and commercial loan portfolios (as a percent of assets and in dollar volume) than Lincoln, and many have much heavier concentrations of noninvestment grade securities. Many of the associations with these characteristics are among the most profitable in the country and are considered to be the best managed by knowledgeable analysts.

Thus, the nature of Lincoln's operations should not have resulted in the protracted period of the examination or the unusual procedures employed. But, because the examiners did not have the requisite experience or knowledge to evaluate the types of transactions entered into by Lincoln, the nature of the business did, in fact, cause the examination to be inordinately protracted.

As to the nature of the procedures employed, the experience factor contributed to some of the redundant procedures. Others, I believe, based on observations of FHLBB personnel, were the result of the FHLBB'S resistance to Lincoln's nontraditional business profile and the fact that Lincoln does not fit into the mold desired by the FHLBB leadership.

7. Lincoln Savings' representatives have asserted that the FHLBB examiners were unreasonable in their decision making and that at times their conduct bordered on "harassment." Did you observe personally any such conduct by the FHLBB?

The following support Lincoln's assertions:

a. With respect to certain loans, a separate report was requested from Lincoln's independent accountants (the firm which preceded our firm) regarding the appropriateness of Lincoln's accounting for such loans. That firm issued a report concluding that Lincoln's accounting was appropriate under relevant professional literature. The FHLBB did not accept this report and requested a second opinion by another firm. Our firm was contacted by both ACC and the FHLBB to render the second opinion. Our firm independently reviewed the subject loans and issued an opinion concurring with the other accountant's opinion. The FHLBB has subsequently rejected our opinion as well. Such rejection was made by a person with less than eight years' experience in accounting practice. Thus a person with relatively little experience has rejected the opinions of two international accounting firms.

b. On February 6, 1987, the FHLBB notified Lincoln that it had determined that specific reserves in the amount of $36,634,000 were required to be recorded. Such reserve request did not (a) take into account the reserves already established by Lincoln, (b) data supplied to the FHLBB by Lincoln which clearly indicated that certain appraisals on which such reserves were predicated were incorrect, or (c) that certain assets were not subject to their reserve procedures because they were operating properties and not investment assets. Moreover, the notice stated, "The loss reserve directed by the Supervisory Agent must be established before any such subsequent reappraisals will be accepted for consideration." As the Supervisory Agent had been informed that Lincoln believed the requested reserves to be based on erroneous data, the issuance of such a notice and the terms thereof are unreasonable and unusual based on my prior experience with the FHLBB.

c. On at least two occasions that I am aware of the supervisng agent, in group meetings, indicated the examination was complete and a final report would be forthcoming shortly. Additionally, the agent was specifically asked if all issues of concern to the FHLBB had been communicated to Lincoln, to which question the agent answered affirmatively. At this date new issues have been raised and a final report has not been issued. This is in spite of the fact that a draft report was prepared and provided to Lincoln in early November 1986 and again in December 1986.

d. The examination became a fluid event. The first period examined was through December 31, 1985; then through June 30, 1986; and then through September 30, 1986. Draft reports have been issued at various dates stating, "The following agenda items, subject to final review, summarize the results of our examination of Lincoln Savings and Loan Association as of ..." However, after each draft, and apparently after the field examiners concluded they had completed the examination, new inquiries have been made and additional data has been requested from Lincoln. I have specific knowledge that this has caused Lincoln great expense and has distracted its management from the daily operations of the thrift's business.

e. Data requests from the examiners have clearly been redundant and, based on my experience, excessive as to the amount of data and level of detail requested.

f. Lastly, the examiners' interpretations of accounting principles and their own regulations and examination guidelines have been consistently and unreasonably pejorative to Lincoln. In meetings I've attended the FHLBB personnel have appeared, without apparent cause, to be openly hostile and inflexible towards Lincoln personnel and their representatives.

8. Do you believe the eventual outcome of the examination will be detrimental to Lincoln's well being?

Based on the draft reports presented to Lincoln, I believe the results will indicate Lincoln fails to meet the minimum net worth requirement as determined by the FHLBB staff. I don't believe the facts and circumstances will, if objectively viewed, support such a conclusion. Thus, the final report will in all likelihood be detrimental and inappropriately so. This is not to say that Lincoln could not, or should not, improve certain of its internal procedures. But based solely on my personal observations to date, the final report can be expected to be unduly harsh.

I trust the above has been responsive to your questions. I have attempted to answer each question objectively and without bias either towards Lincoln or the FHLBB.

Yours truly,

[redacted]

[redacted] Phoenix Office

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A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

1700 Valley Bank Center
Phoenix, Arizona 85073
Telephone: (602) 258-4831

March 17, 1987

The Honorable Dennis DeConcini
United States Senate
328 Hart Senate Building
Washington DC 20510

Dear Senator DeConcini:

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b. On February 6, 1987, the FHLBB notified Lincoln that it had determined that specific reserves in the amount of $36,634,000 were required to be recorded. Such reserve request did not (a) take into account the reserves already established by Lincoln, (b) data supplied to the FHLBB by Lincoln which clearly indicated that certain appraisals on which such reserves were predicated were incorrect, or (c) that certain assets were not subject to their reserve procedures because they were operating properties and not investment assets. Moreover, the notice stated, "The loss reserve directed by the Supervisory Agent must be established before any such subsequent reappraisals will be accepted for consideration." As the Supervisory Agent had been informed that Lincoln believed the requested reserves to be based on erroneous data, the issuance of such a notice and the terms thereof are unreasonable and unusual based on my prior experience with the FHLBB.

c. On at least two occasions that I am aware of the supervisng agent, in group meetings, indicated the examination was complete and a final report would be forthcoming shortly. Additionally, the agent was specifically asked if all issues of concern to the FHLBB had been communicated to Lincoln, to which question the agent answered affirmatively. At this date new issues have been raised and a final report has not been issued. This is in spite of the fact that a draft report was prepared and provided to Lincoln in early November 1986 and again in December 1986.

d. The examination became a fluid event. The first period examined was through December 31, 1985; then through June 30, 1986; and then through September 30, 1986. Draft reports have been issued at various dates stating, "The following agenda items, subject to final review, summarize the results of our examination of Lincoln Savings and Loan Association as of ..." However, after each draft, and apparently after the field examiners concluded they had completed the examination, new inquiries have been made and additional data has been requested from Lincoln. I have specific knowledge that this has caused Lincoln great expense and has distracted its management from the daily operations of the thrift's business.

e. Data requests from the examiners have clearly been redundant and, based on my experience, excessive as to the amount of data and level of detail requested.

f. Lastly, the examiners' interpretations of accounting principles and their own regulations and examination guidelines have been consistently and unreasonably pejorative to Lincoln. In meetings I've attended the FHLBB personnel have appeared, without apparent cause, to be openly hostile and inflexible towards Lincoln personnel and their representatives.

8. Do you believe the eventual outcome of the examination will be detrimental to Lincoln's well being?

Based on the draft reports presented to Lincoln, I believe the results will indicate Lincoln fails to meet the minimum net worth requirement as determined by the FHLBB staff. I don't believe the facts and circumstances will, if objectively viewed, support such a conclusion. Thus, the final report will in all likelihood be detrimental and inappropriately so. This is not to say that Lincoln could not, or should not, improve certain of its internal procedures. But based solely on my personal observations to date, the final report can be expected to be unduly harsh.

I trust the above has been responsive to your questions. I have attempted to answer each question objectively and without bias either towards Lincoln or the FHLBB.

Yours truly,

[redacted]

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[redacted]

Phoenix Office

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

1700 Valley Bank Center
Phoenix, Arizona 85073
Telephone: (602) 258-4831

March 13, 1987

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen
Senate Building
Washington DC 20510

Dear Senator Riegle:

During a meeting with you on February 28, 1987 you raised certain questions with regard to Lincoln Savings, a California-chartered savings and loan association, which is wholly owned by American Continental Corporation (ACC). The following sets forth such questions and what I believe are objective answers to the questions.

1. What is Lincoln Savings' financial condition at December 31, 1986 and its operating results for the year then ended?

   My firm, Arthur Young & Company, examined the financial statements of Lincoln Savings at and for the year ended December 31, 1986, and issued an unqualified opinion dated February 17, 1987 on such financial statements. Lincoln Savings' consolidated statement of financial condition at December 31, 1986 reflected stockholder's equity, as determined in accordance with generally accepted accounting principles (GAAP), of $193,024,000 (or approximately 6.8% of its FSLIC-insured deposits) at that date. Its consolidated statement of operations reflected earnings before income taxes of $81,689,000 and net earnings of $48,958,000 for the year ended December 31, 1986.

2. In determining its earnings and stockholder's equity, did Lincoln Savings make provisions for potential losses?

   Yes, the above-cited stockholders' equity is after valuation allowances of approximately $28,000,000 at December 31, 1986 and the pretax earnings for the year are net of provisions for losses of $32,500,000. In the course of my firm's examination of Lincoln Savings' financial statements, the firm tested the valuation allowances and the bases therefor and concluded such allowances were fairly stated in all respects material to Lincoln Savings' financial statements taken as a whole.

3. Is the Federal Home Loan Bank Board (FHLBB) currently conducting an examination of Lincoln Savings?

Yes, the FHLBB began an examination in approximately March 1986, and as of this date has not yet concluded such examination. Accordingly, such examination has been ongoing for approximately one year. One team of examiners conducted procedures from March to May 1986, and another group conducted comparable, and in many instances identical, procedures during the period August to October 1986. Since October, the FHLBB continues to seek additional information from Lincoln Savings, some of which has been previously provided to and been reviewed by the field examiners.

4. In your experience, is the duration of the FHLBB examination unusual?

Yes, examinations generally are conducted over a period of two to three months by field examiners, and final reports are usually issued within six months from the start of the examination. Hence, the duration of this examination appears to be clearly outside normal standards.

5. Have the procedures conducted by the examiners appeared to be different or more extensive than you believe is typical?

While I don't have first-person knowledge of the examiners' procedures, I have discussed the procedures with Lincoln Savings' management and legal counsel. Based on these discussions, the extent of loan file reviews, the number of appraisals ordered, the nature of the appraisal process including the location and experience of appraisers selected, the redundant procedures and requests for data, and the types of transactions examined, are unusual. By way of example, the examiners asked to (a) review loan files for loans which had been fully collected by the time of the examination, (b) review files for proposed securities transactions where, after analysis, the securities were not purchased by Lincoln Savings and hence no transaction occurred, (c) review data which had been reviewed in a previous examination, and (d) re-appraise properties using appraisers who were unfamiliar with the markets in which subject properties were located. These requests are not, in my experience, typical.

6. Was the unusual duration of the examination and type and extent of the procedures used caused by the nature of Lincoln Savings operations?

While Lincoln Savings is not a typical association in that it is not a significant single family residential lender but rather tends to concentrate on land development and construction lending, it engages in transactions comparable to those entered into by other associations in Arizona and California. The focus of the FHLBB examination appears to have been centered on (a) land development projects, (b) investments in equity and noninvestment grade debt securities, and (c) commercial and construction loans. Because of the nature of the population growth patterns and economic climate in the western states, savings and loan associations in this area tend to rely more heavily on land development and commercial and construction lending to invest their resources, particularly since 1983, than do associations in other parts of the country.

Land development and commercial and construction lending tend to result in fewer transactions but transactions of greater dollar size than does residential lending. Thus it may be perceived that such lending activities bear greater risk. This perception, which is clearly held by the FHLBB, may not be accurate or realistic.

The residential lender is subject to interest rate risk. If rates rise rapidly, fixed rate loans lose their value rapidly and interest rate spreads quickly erode. And, because variable rate loans usually have annual and life-of-loan interest rate caps, such loans are also highly subject to interest rate risk. The evidence of such risk is the failure of thrifts in the period 1979-1983. During this period, which was prior to deregulation, virtually all failures related to interest spread erosion by single family residential lenders.

In February 1984, when ACC acquired Lincoln Savings, Lincoln was in the position of other traditional thrifts in that its interest spread was insufficient to provide a level of profitability. Since ACC's primary business was land development and home-building, it looked to what it knew best to improve Lincoln's profits and reduce risk. After its acquisition, Lincoln acquired parcels of prime real estate in Arizona and other growth states, increased its construction lending, and sought other nontraditional investments. Since this strategy was put in place, Lincoln has realized aggregate after-tax earnings of more than $141,000,000.

Because the experience of most of the FHLBB's more senior examiners is with traditional single family lenders, Lincoln Savings is different from their prior experience. Also, the more junior examiners generally lack the business acumen to understand complex real estate development projects or complex investment strategies. Hence, while the examiners' decision to focus on real estate, commercial and construction lending, and equity and debt investments may have been proper, they appear to have had neither sufficient experience nor knowledge to deal with Lincoln's transactions effectively, thereby causing the examination to be more protracted than necessary.

Moreover, because Lincoln does not concentrate on single family residential lending, it does not fit the pattern for member institutions that the present FHLBB leadership has espoused publicly and as reflected in recent regulations. This fact has, based on my observations, led to unusually antagonistic positions and actions by the FHLBB towards Lincoln. This is difficult to fully understand because Lincoln's strategies have thus far proved successful and have turned an association headed for failure into a strong and viable financial entity. And, as stated earlier, Lincoln's strategies are not that different from other successful thrifts in the West. Most engage in real estate development, either directly or through joint ventures, many have far greater construction and commercial loan portfolios (as a percent of assets and in dollar volume) than Lincoln, and many have much heavier concentrations of noninvestment grade securities. Many of the associations with these characteristics are among the most profitable in the country and are considered to be the best managed by knowledgeable analysts.

Thus, the nature of Lincoln's operations should not have resulted in the protracted period of the examination or the unusual procedures employed. But, because the examiners did not have the requisite experience or knowledge to evaluate the types of transactions entered into by Lincoln, the nature of the business did, in fact, cause the examination to be inordinately protracted.

As to the nature of the procedures employed, the experience factor contributed to some of the redundant procedures. Others, I believe, based on observations of FHLBB personnel, were the result of the FHLBB'S resistance to Lincoln's nontraditional business profile and the fact that Lincoln does not fit into the mold desired by the FHLBB leadership.

7. Lincoln Savings' representatives have asserted that the FHLBB examiners were unreasonable in their decision making and that at times their conduct bordered on "harassment." Did you observe personally any such conduct by the FHLBB?

The following support Lincoln's assertions:

a. With respect to certain loans, a separate report was requested from Lincoln's independent accountants (the firm which preceded our firm) regarding the appropriateness of Lincoln's accounting for such loans. That firm issued a report concluding that Lincoln's accounting was appropriate under relevant professional literature. The FHLBB did not accept this report and requested a second opinion by another firm. Our firm was contacted by both ACC and the FHLBB to render the second opinion. Our firm independently reviewed the subject loans and issued an opinion concurring with the other accountant's opinion. The FHLBB has subsequently rejected our opinion as well. Such rejection was made by a person with less than eight years' experience in accounting practice. Thus a person with relatively little experience has rejected the opinions of two international accounting firms.

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I trust the above has been responsive to your questions. I have attempted to answer each question objectively and without bias either towards Lincoln or the FHLBB.

Yours truly,

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[redacted]

NEW YORK, N. Y. 10006

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November 1, 1984

[redacted]

Federal Home Loan Bank Board
1700 G. Street, N.W.
Washington, D.C. 20552

Dear [redacted]

I am writing at the request of [redacted] b6 b7C [redacted] Esq. and on behalf of Lincoln Savings and Loan Association to state my professional opinion concerning the rule proposed by the Federal Home Loan Bank Board (the "Board") which would limit the amount of direct investments that state-chartered savings and loan associations may make (the "Proposed Rule").* Further, I am writing to express my agreement with the conclusions drawn by Professor [redacted] on the basis of his study of associations in eleven states that permit direct investments and of savings and loan failures that occurred in the period from January 1, 1981 to June 30, 1984.

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* 49 Fed. Reg. 20719 (1984).

I understand that Professor [redacted] is submitting his study to the Board together with a general summary of his conclusions. Accordingly, I will not discuss his study in detail, but I will state that it is the most comprehensive study of which I am aware that addresses directly the issues raised by the Proposed Rule and that I am in accord with the conclusions that Professor Benston draws from it. b6 b7C

The Structural Crisis Confronting the Savings and Loan Industry

The savings and loan industry in this country was created and grew to maturity under a special set of economic conditions: low inflation and relatively low and stable interest rates. These economic conditions no longer exist and are unlikely to exist for the indefinite future.

The dramatic change in financial conditions during the past several years created a crisis in the savings and loan industry in the early eighties. By 1981 the average cost of funds at savings and loans had risen to an unprecedented 10.9%. Yields on long-term savings and loan mortgage portfolios, heavily weighted with older, lower yielding instruments, lagged, averaging

only 9.9% that year. The Board's figures identify the nature of the resulting crisis:*

	Average Cost of S & L Funds	Average Return on S & L Mortgages	Average Net Interest Return
1978	6.67	8.50	1.83
1979	7.47	8.86	1.39
1980	8.94	9.34	0.40
1981	10.92	9.91	-1.01
1982	11.38	10.68	-0.70

While inflation and skyrocketing interest rates affected every segment of the economy, they struck the savings and loan industry with particular severity. The structure of the industry's balance sheet -- long-term, largely fixed-rate assets matched against short-term liabilities -- made associations inherently vulnerable to increases in interest rates. By the early eighties the industry was under intense strain. Many associations simply failed and either disappeared or were merged with other, stronger associations. Many others, on the verge of failure, were saved temporarily by the infusion of government funds and by the existence of federal deposit insurance.

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* Federal Home Loan Bank Board.

Because the crisis facing the industry resulted from a major and presumably fundamental change in economic conditions. it can be resolved only by equally major changes in the industry. Since the crisis is rooted, in particular, in the mismatch between the industry's long-term assets and short-term liabilities. it can be resolved only by a major restructuring of both those assets and liabilities. There is no realistic alternative.

So far, the industry has been unable to induce depositors to invest in certificates of deposit of sufficiently long-term nature to lengthen significantly the average maturity of the industry's liabilities. The industry should be encouraged to do more along this line.

Notwithstanding the possibility that the average maturity of the industry's liabilities might be lengthened, it is essential that the savings and loan industry be allowed to shorten the average maturity of its assets. Adjustable rate mortgages ("ARMs"), for example, offer one method of effectively shortening the maturity of industry assets. ARMs, however, are not sufficient by themselves to solve the industry's current problem. ARMs are subject to a variety of "caps" and

other restrictions that limit their flexibility and prevent them from being fully adjustable with respect to changing market rates. Moreover, because their interest rates may be adjusted upward, ARMs carry an increased likelihood of default and hence are riskier instruments than fixed-rate mortgages. Further, given the enormous size of the industry's outstanding balance of fixed-rate and long-term mortgages, the use of ARMs -- even if they were otherwise sufficient -- would not allow the industry to cure its overall asset-liability mismatch for many years. Additional corrective measures are, therefore, essential.

Direct Investments are Essential for the Financial Stability and Survival of the Savings and Loan Industries

In this situation, so-called "direct investments" in real estate, equity securities and service corporations offer an economically efficient -- and necessary -- method of allowing savings and loan associations to remedy their asset-liability mismatch. This is true for several reasons. First, direct investments enable savings and loans to hold a wide range of short-term assets which allows them to match more directly the maturities on their liabilities. This would remedy the mismatch at its source. Second, direct investments offer associations an efficient method of diversifying

their holdings. Portfolio diversification is critical to financial soundness, and direct investments will enable associations to acquire assets with characteristics that complement those of home mortgages. thus helping to bring long-term financial stability. Third, direct investments will allow associations to take advantage of, and participate in, the most promising areas of local growth and development. Most associations, in fact, have special knowledge concerning local economic developments, and direct investments will enable them to use this knowledge in the most profitable, sound and effective manner for their associations while simultaneously benefitting the economic well-being of their communities.

Accordingly, direct investments constitute an investment option that is necessary to the financial health -- and, in many cases, the survival -- of savings and loan associations. Any artificial restriction on rational investment opportunities reduces the overall efficiency of the economy, and restrictions that directly impede efficient adjustments to broad and fundamental changes in the economy can only be detrimental to the associations and to the nation as a whole. Although

some direct investments are certainly more risky than some traditional savings and loan investments, whatever risks direct investments may entail are far less dangerous and acute than the risks that currently confront the industry. The risks currently imposed on the industry by fundamental changes in economic conditions and by asset-liability mismatch are severe and immediate, and the use of direct investments to avoid or minimize them would lessen the risks facing both the savings and loan industry and the economy as a whole. Under present and foreseeable future economic conditions, broad utilization of direct investments by savings and loans should lower the industry's overall level of risk and place it on a safer and sounder footing.

The Board's Proposed Rule Restricting Direct Investments Is Unsupported by the Facts and Will Likely Prove Harmful

It is my opinion that the Proposed Rule imposes limitations that are unsound in principle and that will prove to be harmful in practice. The Proposed Rule is based on assumptions that are unsupported by the available evidence and simply contrary to fact.

First, the Board assumes that the Proposed Rule will protect the savings and loan industry This is not true. To the contrary, it will most likely cause serious injury. In my opinion, for every association that may be prevented from taking undue risk by the Proposed Rule, many will be positively harmed. The reason for this is that the industry as a whole requires the broad ability to make direct investments in order to restore and ensure its economic stability and prosperity. The industry simply cannot overcome the structural problems that threaten it if associations are restricted generally in the types of investments they are permitted to make.

Second, the Proposed Rule assumes that direct investments are riskier than traditional savings and loan investments. Some are, and some are not. All investments carry risks, and home mortgages are no exception.* A traditional home mortgage, for example, must

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* For example, even an apparently secure and safe home mortgage carries an interest rate that is higher than the rate paid on AAA rated corporate bonds. The difference in the two interest rates is a measure of the greater riskiness of the home mortgage.

be based on fifteen to twenty-five or even thirty year projections about the physical condition of the structure, the probability that changes in the neighborhood will adversely affect value, and the likelihood that the general community will suffer economic decline or population loss. Further, risk in connection with home mortgages is not limited to the chances that the underlying value of the property will decline. Rather, it includes the financial risk to the association involved in creating and holding a fixed-term, fixed-interest asset -- the risk that unexpected changes in interest rates will reduce the value of the mortgage itself. This, of course, is precisely what happened during the past decade and the reason why the savings and loan industry is in a state of crisis. Thus, the Board's apparent assumptions about risk are both inadequate and misconceived.

Third, the Proposed Rule is based on the assumption that direct investments will reduce the funds available for financing home purchases. Indeed, Professor [redacted] study strongly suggests that direct investments actually increase the mortgage-making

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activities of associations. The relatively short-term nature of direct investments means that funds are continuously available for new mortgage investments. Finally, the undeniable fact is that savings and loans are specialists in home financing, with experience and skills that give them an important comparative advantage in doing business in the home financing market. It is highly unlikely that the industry, or any significant number of associations, would abandon home financing and surrender these competitive advantages.

Moreover, the Board's apparent assumption that direct investments will reduce funds available for home mortgages is questionable for another reason. The single most significant change in the home financing market that has occurred in the past decade is the development and remarkable success of a secondary market in mortgages. Through the use of such instruments as mortgage-backed securities mortgages are now financed and held by a wide range of investors. The growth in this secondary market has been rapid.

Asset Value of Outstanding Home Mortgages*

(billions of dollars)

Year-end	(1) Total	(2) All Savings and Loans	(3) Federally Sponsored Credit Agencies	(4) Mortgage Pools	(5) Total of 3 and 4
1975	490	219	31	25	56
1976	554	254	31	37	69
1977	648	301	32	53	85
1978	760	345	41	65	106
1979	882	385	50	88	139
1980	978	411	58	107	165
1981	1,059	427	64	125	189
1982	1,106	392	74	174	248
1983	1,214	416	84	239	323

Since 1979 the value of home mortgages held by the secondary mortgage market has been growing much more rapidly than the value of home mortgages held by savings and loans associations:

Net Increase in Outstanding Home Mortgages*

(billions of dollars)

Annual	(1) Total	(2) All Savings and Loans	(3) Federally Sponsored Credit Agencies	(4) Mortgage Pools	(5) Total of 3 and 4
1979	120	39	9	22	31
1980	97	26	8	19	26
1981	76	16	5	14	19
1982	52	-31	10	49	60
1983	109	24	9	65	75

* Federal Reserve System Flow-of-Funds.

Thus, in 1932 and 1983 combined, while savings and loans saw a net decline of $7 billion in home mortgages held, the secondary market increased its home mortgage holdings by approximately $135 billion. In percentages, the share of the net increase in home mortgages held by savings and loans dropped from 55% in 1976 to 22% in 1983 while the share held by the secondary market rose from 19% to 69% in the same years.*

The significance of the new secondary market is obvious. Savings and loans are simply no longer the only or dominant source of funding for home financing, and they are no longer critical to mortgage origination. There is, indeed, no evidence to suggest that the savings and loan industry as now constituted -- or the thrift industry in general -- is necessary to maintain a viable home mortgage market. Consequently, in terms of home mortgage financing, there is no reason why savings and loans should not be permitted to make significant amounts of direct investments.

In view of the powerful reasons why direct investments are necessary for the financial health of

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* Federal Reserve System Flow-of-Funds.

the savings and loan industry, only overwhelming evidence of imminent and acute risk from direct investments could rationally justify the Proposed Rule. Professor [redacted] study, with which I concur, demonstrates that the Board's assumptions are apparently without foundation and that the Proposed Rule could seriously harm the savings and loan industry. b6 b7C

Thus, the Proposed Rule is, in my opinion, unsound in principle and unsupported by the evidence.

I understand that Lincoln Savings and Loan Association has requested that the Board allow me to meet with it or its staff in order to discuss my view that the Proposed Rule is unwarranted and could prove harmful if put into effect. I hope that the Board will agree to such a meeting, and I am prepared to meet with the Board or its appropriate staff members in Washington at the earliest possible time.

I appreciate this opportunity to express my opinion about the Proposed Rule, and I hope that the Board will give me the opportunity to discuss the issue with it further before it reaches a final decision in this matter.

[redacted] b6 b7C

Smith

[redacted] b6 b7C

April 10, 1987

[redacted] FSLIC

April 9, 1987 Meeting of FHLBSF Personnel with Senators Cranston, DeConcini, Glenn, McCain & Riegle

WKB

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 ("FHLBSF") personnel who attended the meeting were [redacted] b6 b7C 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.

WKB
11/28/89

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 ~~here~~ hear 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 circulated 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] [redacted] the Federal Home Loan Bank of San Francisco. I have held that position for four years. I am here in my capacity [redacted] We have jurisdic-

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tion over California, Arizona and Nevada savings and loans. [redacted] I was n the industry for 20 years. b6 b7C

DeConcini: Where?

[redacted] In New York.

DeConcini: Did you know [redacted]

[redacted] Yes. [redacted] is a good guy.

DeConcini: Yes. He's great.

[redacted] With me is [redacted] has joined us recently from the Comptroller of the Currency, where he was [redacted] [redacted] Before that he was a lawyer for seven years.

McCain: We won't hold that against you.

[redacted] You were a litigator.

[redacted] No, I was in enforcement for seven years.

[redacted] Also with me is [redacted] b6 b7C [redacted] for the Bank Board for three years. Next to [redacted] is [redacted] 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

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.

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McCain: 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 [redacted] 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 . . .

[redacted] Excuse me, Lincoln is a California chartered S&L.

Glenn: Well, Lincoln is wholly-owned by ACC.

WCB 4/29/91

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 [redacted] about this. Lincoln has been told numerous times that the exam is being directed to continue by Washington. [redacted] said this wasn't true.

b6
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. [redacted] has great confidence in you as a team. He says you are some of the finest people in the system. The

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appearance from a distance is that this thing is out of control and has become a struggle between Keating and [redacted] 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.

[redacted] How long do we have to speak to you? A half hour, an hour?

DeConcini: As quickly as possible. We have a vote coming up soon.

[redacted] 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. [redacted] never gave me instructions on how to conduct this exam or any other exam. At this meeting you'll hear things that [redacted] doesn't know.

b6
b7C

DeConcini: Did [redacted] ever talk to you about the examination of Lincoln?

[redacted] [redacted] talked to me when that article ran in the Washington Post.

[redacted] [redacted] asked for a written response from us to the Washington Post article about the length of the exam at Lincoln. [redacted] is correct. We received no instructions from [redacted] about the exam of Lincoln. We decide how to do the exam.

[redacted] 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. [redacted] you're on, you have 10-12 minutes.

[redacted] b6 b7C

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.

DeConcini: Why not get an independent appraiser?

[redacted]

We did.

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.

[redacted]

If it meets our appraisal standards.

[redacted] 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.

[redacted] 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.

DeConcini: I have trouble with this discussion. Are you saying that their underwriting practices were illegal or just not the best practice?

[redacted] These underwriting practices violate our regulatory guidelines.

[redacted] They are also an unsafe and unsound practice. b6 b7C

DeConcini: Those are two very different things.

[redacted] 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?

[redacted] $47 million in loans were classified by examiners due to lack of adequate credit to assure repayment of the loans.

[redacted] 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.]

[redacted] A fairly long time. b6 b7C

Glenn: How many loans have gone belly-up?

[redacted] 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.

[redacted] These are longer term investments.

[redacted] 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?

[redacted] That approach might be OK if they were doing it with their own money. They aren't, they're using federally insured deposits.

Riegle: Where's the smoking gun? Where are the losses?

DeConcini: What's wrong with this if they're willing to clean up their act?

[redacted] This is a ticking time bomb. b6 b7C

[redacted] 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.

[redacted] 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 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 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.

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McCain: I haven't gotten an answer to my question about why the exam took so long.

[redacted] 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. b6 b7C

McCain: What's the longest exam you ever had before?

[redacted] Some have technically never ended, where we had severe problems with a shop.

McCain: Why would [redacted] say these things about the exam -- that it was inordinately long and bordered on harassment?

Glenn: And [redacted] said they withdrew as Lincoln's prior auditor because of your harassment.

Riegle: Have you seen the AY letter?

[redacted] No.

Riegle: I'd like you to see the letter. It's been sent all over the Senate. [Hands [redacted] the letter] b6 b7C

[redacted] 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?

[redacted] 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.

Glenn: Have you done anything about these violations of law?

[redacted] 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

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.

[redacted] They have a client. The $12 million in earnings was not unwound. b6 b7C

DeConcini: You believe they'd prostitute themselves for a client?

[redacted] Absolutely, it happens all the time.

WKB The Senators left at this point for another vote.

We resumed when Senators DeConcini, McCain and Riegle returned.

[redacted] 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. b6 b7C

[redacted] 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

"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.

[redacted] Also San Marino. b6 b7C

[redacted] Yes. I can tell you from my experience as former [redacted] where I sued for many of these failed shops, that it's routine for the accounting firm to serve as management's expert witnesses and adopt an extremely adversarial tone.

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 ~~its~~ this laudable.

DeConcini: What?

[redacted] Laudable. b6 b7C

[redacted] Our exam has found that $[redacted] 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.

[redacted] They would be taken over by the regulators if they were a bank.

DeConcini: You're saying they're insolvent.

[redacted] They'd be insolvent on a tangible capital basis, which is basically the capital standard for banks.

WKB

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?

[redacted] By regulation we have adopted a regulatory capital standard. b6 b7C

DeConcini: And you'll take control of them if they fail your net worth standard, you'll take operational control of them.

[redacted] That's speculative. We'd take steps to reduce their risk exposure.

Riegle: What would you require them to sell?

[redacted] We'd probably have them decrease their growth. Time and again we've found rapid growth associated with loss. Lincoln has grown rapidly.

[redacted] 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.

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Deconcini: No, then we don't want to go into it. We were just asking very hypothetically, and that's how you [indicating [redacted] were responding. b6 b7C

[redacted] That's right.

DeConcini: Can we do something other than liquidate them?

[redacted] 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?

[redacted] 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?

[redacted] It's never too late.

McCain: What's the best approach? Voluntary guidelines instead of a compulsary order?

DeConcini: How long will it take you to finish the exam?

[redacted] Ten days. b6 b7C

Glenn: Have they been told what you've told us.

[redacted] 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.

[redacted] 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.

[redacted] 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. b6 b7C

[redacted] None where the reappraisal indicated insufficient collateral.

[redacted] In very case, after reviewing the rebuttal, the independent appraiser has stood by his conclusion.

DeConcini: Of course, they have to.

[redacted] 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.

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?

[redacted] 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?

[redacted] 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?

[redacted] b6 b7C

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?

[redacted]

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.

[redacted] 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.

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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.

DeConcini: So you don't know what you'd do with the property even if you took them over.

[redacted] [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

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 Black 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.]

[redacted] I think my colleague [redacted] put it right when he said that it's like these guys put it all on 16 Black in Roulette. Maybe they'll win, but I can guarantee you that if an institution continues such behavior it will eventually go bankrupt. b6 b7C

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[The meeting broke up at this point, approximately 8:20 p.m.]

[redacted]

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April 9, 1987 Meeting in Senator DeConcini's Office [redacted]

Cirona: Introduces himself, [redacted]

De Concini (McCain) + Riegle present

We have determined that the ~~FBD~~ FHLBSF's possible actions could hurt a constituent

Lincoln is prepared to go into a major home loan program up to 55% of assets

Prepared to limit high risk bonds + real estate investments.
Phase-out of insurance process if we wish.

They need ① effect of our reg... viable org made $49M last yr, more the ~~last~~ year before. Fear falling below 3% and becoming subject to reg.
① Direct invest disagreement ② Reappraisal

Suing re direct invest. I can't make a judgment re grandfathering. We suggest that the law suit be accellerate + give forbearance while the suit is pending. I know something re appraisal values of FHLBB. Appears to be grossly unfair. I know the property. My family's in real estate. Lincoln is prepared to reach ~~a come to~~ a compromise value

Glenn comes in

Cranston (arrives) I share the concerns of the other Senators here. [leaves]

DeConcini I asked Don Riegle to explain it to me because he's on ~~House~~ Senate Banking + he explained it to me. That's why he's here.

McCain Thank you for coming. One of our job as elected officials is to help constituents in a proper fashion. ACC is a big employer important to local economy. Wouldn't want any special favors for them. Apache helicopter analogous. I don't want any of our conversation to be improper. I'd like to mention appraisal issue. It seems to me from talking to many folks in Arizona that there's a problem. Arizona is 2d fastest growing. Skyrocketing land values.

Glenn I apologize for being late. ACC is in Ohio + wholly owns Lincoln. I've known them for a long time. Ordinary exams take maybe up to 6 mos. Even the acctg firm says we've taken an unusually adversary view toward Lincoln. Charge them or get off their back. If its bad, get to them. Their view — they took a failing business + put it on its feet. Now viable + profitable. Took it off the endangered species list. Why has it dragged on + on + on. I asked Gray about this. Lincoln has been told numerous times that exam is being directed to continue by Washington. Gray says no.

Riegle I wasn't present at earlier mtg. There are things re the pattern that do raise questions. Concern on Banking Com re American Banker article re FADA. [redacted] b6 b7C has great confidence in you as a team. The appearance from a distance is that this is out of control + a struggle btwn Keating & Gray + is a fight to the death. This discredits everyone if this is the perception. If there are fundamental problems, OK. I've had a lot of people come through the door feeling that they've been put through a meat grinder. I want not just professionalism, but fairness & the appearance of fairness. ∴ I'm interested in your story.

Glenn I'm not trying to get anyone off. If there is wrongdoing I'm on your side. But don't want unfairness vs. a viable entity.

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[redacted] How long do we get? 1/2 hr - 1 hour?

De Concini As quick as possible. We have a vote.

[redacted] If there's any fault re length of exam its on my shoulder. [redacted] gave me no instructions on this exam, or any exam. It's on my shoulders, You'll hear things Gray doesn't know

De Concini Did [redacted] ever talk to you about Lincoln exam
Cirona & [redacted] asked for written response to Wash Post article

[redacted] No instructions from [redacted] re exam. [redacted] is right.
This is very unusual to discuss a company.

De Concini Unusual for us to have a company that could be put out of bus
[redacted] you have 10-12 minutes

[redacted] Appraisal is part of underwriting. Very important
1984 exam showed appraisal deficiencies. Keating promised correction. 1986 exam showed huge appraisal problem
No underwriting on most loans. We have independent appraisals. Merrill, Lynch appraised Phoenician. Shows sign. loss. Other loans had similar loss.

De Concini Why not get an independent appraiser?

[redacted] It was

De Concini No you hired them, get one via arbitration if you want to be fair,

De Concini No appeal. Whatever it is you take it.

[redacted] If it meets our std

[redacted] We went back w/ their rebuttal.

Break to Vote — Riegle & De Concini returned

[redacted] Generic underwriting problem. No loan underwriting policy.
Was being printed when the examiners asked for it.

WKB

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[redacted] No credit reports on 52 loans

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DeConcini: I have trouble. Are you saying its illegal or just not the best practice.

[redacted]. Violates the guidelines [redacted] Also unsafe & unsound. You need credit info to underwrite.

Riegle: [Glenn returns] To Recap for Glenn -- 52 of 52 loans had no credit info. Do we have a history of loans to folks w/o enough credit?

[redacted] $47 M classified due to lack of credit. They're flying blind. On all of their kinds of loans.

Glenn: How long were loans on books

McCain: [McCain returns] [redacted] Fairly long time

Glenn: ~~Hawkins~~ How many have gone belly-up?

[redacted] Interest reserves

Glenn: Some people don't underwrite. Is their judgment good? They aren't doing it w/ their own money.

[redacted]

Riegle: Where's the smoking gun? Losses?

DeConcini: What's wrong if they'll clean up their act?

[redacted] Ticking time bomb.

I had another case w/ 1984 reported strong earnings. Insolvent in 1985.

Riegle: ~~DeConcini~~ saved a failing thrift. ACC highly competent

[redacted] No. Met NW requirement. Profitable before sale. Spread problem. Very tiny substandard assets. Would be very profitable now.

McCain: Why did exam take so long?

[redacted] Complex exam; March - Oct 8 mo's. Asset classification

McCain: What's the longest exam you ever had before

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[redacted] Some have technically never ended

McCain Why would ~~AA~~ AY say these things - Inordinately long, borders on harassment.

Glenn AA said they got out due to harassment

Riegle I'd like you to see the AY letter. [Gives it to us]

Patriarca I've never seen anything like this in banks or S&Ls. violates law, & regulation & common sense

Glenn What violates law?

Patriarca Have direct investment. Have file stuffing.

Glenn Have you done anything re law violations.

Patriarca We're sending a criminal referral. Extraordinarily serious. Whole range of imprudent actions, I can't tell you strongly enough.

Not a profitable institution. Prior year adjustments will reduce that reported $49 M profit. They didn't earn $49. $12 M example

De Concini Why would AY say that?

Patriarca They have a client. $12 M in earnings not unwound.

Break for Vote

De Concini, Riegle & McCain return

[redacted] ~~Concini~~ We've had a lot of problem w/ AY

Glenn — returns

[redacted] Empire saga. Problem w/ AY.

[redacted] $1___ M has to be written off. NW = $25 M

$103 M in goodwill. Tangible capital is insolvent by $75 M.

[redacted] Would be gone if a bank.

De Concini You'll take control if they fail NW. You take operational control

[redacted] Speculative. We'd ↓ risk.

Riegle [redacted] ~~What~~ Would you have them sell?
Probably to growth.
Do you want to talk about this? No recommendation yet.
Bd will decide. Very confidential

b6
b7C

DeConcini No

DeConcini [redacted] Can we do something other than liquidate?
I hesitate to tell an assn what to do. We're not in control + won't be. We want to work the problem out.

McCain [redacted] Have they tried to work it out
Never seen such cantankerous behavior. NY Litigation some lawyer.

Riegle What could they do. Is it too late.

~~McCain~~ [redacted] It's never too late

McCain [redacted] What's the best approach. Voluntary guidelines.
We've met w them many times. We need to complete the exam + give it to them

DeConcini [redacted] How long to finish the exam.
10 days

Olson [redacted] Have they been told what you've told us.
We provide them every opportunity to hear what they say + give them our views. Gave them our classification (Sanctoz) materials + went through loan by loan. Got 52 exhibits on March 1 went through every page.

[redacted] We didn't use in-house appraisers. Sent them out to Independent appraisers. Sent them to Lincoln. Got their rebuttals. Send them to independent appraisers.

DeConcini I'd question the appraiser. Bend over backwards to arbitrate.

WKB

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DeConcini] The criminality surprises me. We're not interested in discussing them. We have a viable institution concerned re over regulation.

Glenn] What can we say to Lincoln?

[redacted] Nothing re criminal referral. We're investigating AA re file stripping. You might want to have them call us. Can say 7-10 days to finish exam. b6 b7C

Riegle] Is this institution so far gone that it can't be salvaged [redacted] I don't know. They've got enough on their books that a little bad luck could nail it.

(Mount Clipping in Space Below)

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Sen. Wilson returns gifts to Keating

$17,500 contribution made in 1985 race

The Register

SACRAMENTO — Sen. Pete Wilson has returned $17,500 in contributions he received in 1985 from Lincoln Savings owner Charles H. Keating, Keating's family and his business associates, an aide said Thursday.

Wilson, considered the front-runner for the 1990 Republican gubernatorial nomination, had logged in 18 checks from Keating associates on April 8, 1985, during his Senate campaign.

Otto Bos, Wilson's campaign manager, said the money was either mailed in or collected at a Los Angeles fund-raiser.

"The money all came together in one package," Bos said. "We decided this was not proper."

Keating's American Continental Corp., a Phoenix-based real-estate development firm, declared bankruptcy in April. About 23,000 Southern California consumers who had purchased uninsured American Continental debentures at Lincoln branches lost $200 million. Irvine-based Lincoln was seized by federal regulators the day after American declared bankruptcy.

At least five other US senators received contributions from Keating. They are being investigated because they met with federal regulators on Keating's behalf. California's other senator, Alan Cranston, solicited nearly $1 million from Keating and his friends and called or met with federal regulators at least eight times to discuss Lincoln.

"We never did anything for Keating," Bos said. "Sen. Wilson doesn't even recall meeting him.

"Sen. Wilson has been known as squeaky clean throughout his political career. He thinks this whole thing stinks and that's why he's returning the money."

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4

FBI/D

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Ex-editor says Ohio paper went easy on Charles Keating

BY BERNIE SHELLUM
Free Press Business Writer

In a sharply worded protest, a former business editor of the Cincinnati Enquirer has accused the newspaper's top editors of "burying" or "spiking" stories about Charles Keating Jr., a native of the city who is the central figure in the $2.5-billion failure of Lincoln Savings & Loan Association.

The newspaper's chairman, a largely honorary post, is William Keating, a brother of Charles Keating.

John Morris stated his protest in a resignation letter dated Dec. 22, although he acknowledged in the letter that he had been "put on notice by management to leave by the end of the year."

Morris contended that the paper's top editors had suppressed "stories that are not upbeat about downtown, retailing or Realtors."

"While all newspapers have one or two sacred cows, the Enquirer has more than most," Morris said in the letter. "They are spawned by the conflict between revenue and news, the unannounced agendas of management, (and) an expressed willingness to protect friends from unfavorable print."

The government filed a $1.1-billion lawsuit against Charles Keating and his top associates in September, accusing them of looting the thrift, based in California, of millions of dollars in insured deposits. William Keating was initially a defendant in that suit, but was dropped in December.

Other lawsuits have been filed

See EDITOR, Page 2B

(Indicate page, name of newspaper, city and state.)
THE DETROIT FREE PRESS
DETROIT, MICHIGAN

Date: 1/10/90
Edition:
Pg. 1(B)

Title: CHARLES KEATING

Character: 29D-LA-102009*
or 58C-PX-41605*
Classification:
Submitting Office: DETROIT

Indexing:

Ex-editor says Ohio paper went easy on Keating

EDITOR, from Page 1B

against Charles Keating and his associates on behalf of thousands of investors, including residents of Michigan and Ohio, who bought junk bonds issued by Keating's Phoenix-based American Continental Corp. and sold through Lincoln, the company's main holding.

As one example of the Enquirer's alleged self-censorship, Morris cited editor George Blake's deletion of a description of a champaign-splashed, window-smashing party at Charles Keating's Phoenix headquarters from a story the newspaper published Dec. 19, 1988.

Blake has acknowledged that he edited out all references to the party but denied he had been influenced by Keating.

According to Morris, however, Blake's editing of the story helped persuade business proprietors that they could pressure the Enquirer into recasting stories "in a more favorable light."

Blake did not return telephone calls Tuesday seeking comment on Morris' letter.

A former publisher of the Enquirer, William Keating left that post in May 1986 to become chief executive officer of the Detroit Newspaper Agency, which manages the business affairs of the Free Press and News under a joint operating agreement.

On Tuesday, Morris would not comment on any aspect of his departure from the Enquirer.

Morris previously edited the business section of the Milwaukee Journal and served as the Chicago bureau chief for American Banker, a daily newspaper for the banking industry.

58C-PX-41605-17

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FBI DETROIT

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/18/90

[redacted] b6 b7C

OFFICE OF THRIFT SUPERVISION, (OTS) DEPARTMENT OF THE TREASURY, 580 California Street, San Francisco, California, telephone number [redacted] was interviewed at the OTS, La Palma, California. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] advised that in the Fall of 1986, when [redacted] left the FEDERAL HOME LOAN BANK BOARD (FHLBB), [redacted] became a private consultant for savings and loan associations. [redacted] who was friendly with FHLBB member [redacted] was retained by the SPENCER SCOTT GROUP in early 1989 in connection with the SPENCER SCOTT GROUP's attempted acquisition of LINCOLN SAVINGS AND LOAN (LSAL). [redacted] said [redacted] of the FHLBB in Washington, D.C., told him that [redacted] was to receive a $50,000 fee if the sale of LINCOLN SAVINGS AND LOAN to [redacted] was approved by the FHLBB. This sale was not approved, due to insufficient capital of the SPENCER SCOTT GROUP.

[redacted] was asked about the history of [redacted] b6 b7C appointment to the FHLBB. [redacted] said his recollection, based primarily on news accounts, was that the popular view was then that the Democratic seat on the board would go to [redacted] and the Republican seat to [redacted] said [redacted] lost support for his supposed antagonism towards the thrift industry, and after Senators DOLE and PROXMIRE objected to [redacted] he was never nominated. [redacted] said [redacted] was selected as [redacted] replacement, because [redacted] had been slated for another federal appointment, and his background investigation had already been completed. [redacted] added that the press then reported that Senator MATTINGLY of Georgia and then Congressman MCCAIN were the primary supporters of [redacted] stated that [redacted] hired his own secretary at the FHLBB, and this secretary had moved with [redacted] from Atlanta, Georgia.

[redacted] stated he was present on the evening of December 17, 1986, when [redacted] discussed his plan to modify the direct investment rule. [redacted] said that the key provisions of the modifications proposed by [redacted] on December 18, 1986,

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Investigation on 1/11/90 at La Palma, California File # 58C-PX-41605-17X1

by SAs [redacted] and [redacted] JAJ:df Date dictated 1/18/90 b6 b7C

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at the bank board meeting, were not discussed by [redacted] the previous evening. [redacted] said [redacted] proposal helped LINCOLN SAVINGS AND LOAN by lowering the capital requirements and permitting future direct investments, in addition to liberalizing the grand-fathering provisions.

[redacted] stated some of LINCOLN SAVINGS' loans to entities in which [redacted] had an interest were reclassified by the bank examiners from Acquisition, Development, and Construction (ADC) loans to direct investments, and therefore could not be extended by LINCOLN SAVINGS AND LOAN without relief from the direct investment rule, as was proposed by [redacted] explained that this is what he had meant when he previously had stated in his testimony before a House Sub-Committee that [redacted] stood to personally benefit from the proposal [redacted] made before the bank board on December 18, 1986.

JAN 19 4 50 PM '90

TELETYPE

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0010 MRI 02148

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FOR FBIHQ, PUBLIC CORRUPTION UNIT.

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS, ALLAN CRANSTON, ET AL; CHARLES H. KEATING, JR., DBA ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX LHM TO THE BUREAU, 12/19/89, AND PHOENIX TELEPHONE CALLS TO THE BUREAU, 1/18/90 AND 1/19/90.

UACB, PHOENIX AND LOS ANGELES WILL EXTEND THE P.I. FOR AN ADDITIONAL 30 DAYS BEYOND THE 90 DAY PERIOD AND CONDUCT THE FOLLOWING INVESTIGATION:

58C-PX-41605-18

TELETYPE

FAXed to [redacted] 1-22-90 -RBB

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1. SUBPOENA CALIFORNIA DEMOCRATIC PARTY RECORDS RELATING TO $85,000 CONTRIBUTION BY ACC IN 1986, WHICH WAS REPORTEDLY SPENT FOR CRANSTON'S RE-ELECTION EFFORT. AFTER THESE RECORDS ARE OBTAINED AND REVIEWED, INTERVIEW APPROPRIATE CALIFORNIA DEMOCRATIC PARTY OFFICIALS.

2. INTERVIEW [redacted] LOS ANGELES, REGARDING b6 b7C CIRCUMSTANCES OF:

A. $100,000 HE REPORTEDLY RAISED FOR THE REPUBLIC PARTY FROM KEATING AND HIS ASSOCIATES.

B. $172,000 HE REPORTEDLY RAISED FOR CALIFORNIA GOVERNOR GEORGE DEUKMEJIAN FROM KEATING AND HIS ASSOCIATES.

C. LOBBYING HE DID ON KEATING'S BEHALF.

3. SUBPOENA RECORDS FROM THE NATIONAL COUNCIL ON PUBLIC POLICY, A WASHINGTON ORGANIZATION AFFILIATED WITH JOHN GLENN, WHICH RECEIVED $200,000 FROM ACC. REVIEW RECORDS OF THE CENTER FOR PARTICIPATION IN DEMOCRACY, LOS ANGELES, THE ORGANIZING INSTITUTE, PACIFIC GROVE, CALIFORNIA, THE FORUM INSTITUTE, WASHINGTON, D.C. AND USA VOTES (NEW DIMENSION RESOURCES), WASHINGTON, D.C., WHICH ARE OR HAVE BEEN SUBPOENAED IN CONNECTION WITH A RELATED FEDERAL ELECTION LAW INVESTIGATION. ACC CONTRIBUTED $400,000 TO CPD, $325,000 TO THE FORUM INSTITUTE, AND

$125,000 TO USA VOTES. THE ORGANIZING INSTITUTE AND CPA WERE FOUNDED BY [redacted] b6 b7C

4. OBTAIN FROM DOJ INTERVIEW REGARDING THE [redacted] INVESTIGATION CONDUCTED IN 1986-1987.

5. REVIEW U.S. SENATE FINANCIAL DISCLOSURE REPORTS FILED BY SENATORS DE CONCINI, MC CAIN, CRANSTON, GLENN, AND RIEGLE TO UNCOVER ANY FINANCIAL RELATIONSHIPS ANY MAY HAVE HAD WITH KEATING, ACC, OR THE ORGANIZATIONS THAT RECEIVED CONTRIBUTIONS FROM ACC. THESE REPORTS HAVE ALREADY BEEN OBTAINED.

6. LOCATE AND REVIEW ACC/LSL RECORDS RELATING TO [redacted] [redacted] BUSINESS DEALINGS WITH KEATING.

7. ATTEMPT TO OBTAIN DETAILS OF MC CAIN'S VACATIONS IN THE BAHAMAS AND OTHER TRAVEL AT KEATING'S EXPENSE.

8. LOCATE AND REVIEW LINCOLN RECORDS RELATING TO LOANS MADE TO R.A. HOMES, A DEVELOPMENT COMPANY OWNED BY TWO UNPAID MEMBERS OF DE CONCINI'S CAMPAIGN STAFF.

9. INTERVIEW [redacted] WHO, WHILE AT ARTHUR YOUNG, WROTE THE SENATORS REGARDING THE UNFAIRNESS OF THE LINCOLN EXAM AND WHO REPORTEDLY MET WITH SENATOR RIEGLE ON 2/26/87.

10. INTERVIEW ACC OFFICER [redacted] REGARDING HIS INVOLVEMENT IN FUND RAISING AND LOBBYING. b6 b7C

11. REVIEW TESTIMONY AND EXHIBITS FROM THE U.S. HOUSE OF REPRESENTATIVES BANKING COMMITTEE 1989 INVESTIGATION.

12. SUBPOENA APPOINTMENT BOOKS AND THE LIKE FROM FHLBB [redacted] TO DISCOVER CONTACTS THEY HAD WITH POLITICIANS AND ACC/LSL OFFICIALS.

13. INTERVIEW FORMER FHLBB MEMBERS [redacted] REGARDING ACC/LSL LOBBYING.

14. INTERVIEW [redacted] WHO, ACCORDING TO [redacted] TOLD [redacted] TWICE BY TELEPHONE AND ONCE IN PERSON THAT THE REASON FOR TRANSFERRING THE FHLB EXAM OF LSL FROM SAN FRANCISCO TO WASHINGTON WAS RELATED TO KEATING'S INFLUENCE, BUT THAT HE COULD NOT DISCUSS IT FURTHER. INTERVIEW FARM CREDIT ADMINISTRATION OFFICIAL [redacted] WHO REPORTEDLY WITNESSED [redacted] SAY THIS TO [redacted]

15. INTERVIEW [redacted] OF THE FHLBB OF SPRINGFIELD, ILLINOIS, WHO PARTICIPATED IN THE LSL EXAM AND WHO REPORTEDLY CLAIMS THAT HE WAS INSTRUCTED TO OVERLOOK CERTAIN POINTS IN THE EXAM.

16. INTERVIEW [redacted] AND OTHER FHLB

EXAMINERS INVOLVED IN THE SECOND EXAM OF LSL.

17. INTERVIEW [redacted] REGARDING KEATING LOBBYING. b6 b7C

18. INTERVIEW [redacted] TUCSON, ARIZONA, FORMER [redacted] WHO WAS A "TRADITIONALIST" OPERATOR OF THRIFTS. [redacted] DISCUSSED THIS NEW JOB WITH [redacted] PRIOR TO ACCEPTING THE POSITION.

19. INTERVIEW [redacted] FHLB, SEATTLE (12TH DISTRICT) REGARDING HIS OBJECTION OF HAVING LSL TRANSFERRED TO SEATTLE.

20. INTERVIEW FORMER [redacted] AND APPRAISER [redacted] LOS ALTOS, CALIFORNIA, AND REVIEW REAL PROPERTY RECORDS OF 215 MAIN STREET, LOS ALTOS, CALIFORNIA, IN CONNECTION WITH [redacted] APPRAISAL OF THIS PROPERTY SHOWING TITLE IN ALAN CRANSTON. THIS APPRAISAL WAS LOCATED IN LSL RECORDS ACQUIRED BY SUBPOENA AND SUGGESTS THAT A LOAN BY LSL TO CRANSTON WAS CONTEMPLATED IN OCTOBER, 1986.

21. INTERVIEW [redacted] FORMER DENNIS DE CONCINI CAMPAIGN TREASURER, WHO WAS INDICTED OCTOBER, 1989, FOR EMBEZZLEMENT OF CAMPAIGN FUNDS.

22. INTERVIEW [redacted] LOAN OFFICER, OF MERCURY SAVINGS AND LOAN OF HUNTINGTON BEACH, CALIFORNIA, REGARDING [redacted] (IT SHOULD BE NOTED THAT THIS INFORMATION WAS RECEIVED BY THE PHOENIX OFFICE FROM AN INDIVIDUAL WHO DID NOT WANT THEIR IDENTITY DISCLOSED. A REVIEW OF [redacted] APPROPRIATE SUBPOENAS WILL BE OBTAINED.

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BT

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Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (WCC-4/SARA) (P)

Date 1/5/90

From : SA [redacted]

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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 of
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] the FEDERAL HOME LOAN BANK BOARD (FHLBB)

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2/22/84 AMERICAN CONTINENTAL CORPORATION (ACC) buys LINCOLN SAVINGS AND LOAN ASSOCIATION (LINCOLN) for $51,000,000

12/7/84 CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN [redacted] approves $800,000,000 of direct investments by LINCOLN immediately before the 12/10/84 deadline for the investments to quality 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

12/84-1/85 Congressman CHARLES "CHIP" PASHAYAN lobbies [redacted] to not adopt direct investment regulation

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1/1/85	[redacted] leaves DEPARTMENT OF SAVINGS AND LOAN ASSOCIATIONS and begins work with TCS FINANCIAL of San Diego
1/18/85	LINCOLN invests $2,900,000 in TCS FINANCIAL for a 19.1 percent stake sold in private offering - 578,000 shares at $5.00 per share
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 later denied
2/13/85	[redacted] writes the FHLBB of San Francisco on behalf of LINCOLN requesting that LINCOLN be exempted from the ten percent direct investment rule
4/8/85	KEATING and associates contribute $15,000 to Senator PETE WILSON
4/9/85	KEATING and associates contribute $13,000 to Senator ALAN CRANSTON
5/27/85	[redacted] and UNIVERSITY OF ROCHESTER Professor [redacted] testify, on behalf of LINCOLN, before Government Operations Oversight Subcommittee in opposition to FHLBB's direct investment position
7/20/85	White House staffer [redacted] tells [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

9/30/85	White House staffer [redacted] relays REGAN's request to [redacted] that [redacted] resign	b6 b7C
10/1/85	[redacted] told by Washington attorney [redacted] that he had a job offer for [redacted] had previously been so advised by FHLBB member [redacted]	
10/14/85-10/25/85	KEATING and associates contribute $8,000 to Senator CRANSTON	
11/13/85	KEATING and associates contribute $8,000 to Congressman JACK KEMP	
11/22/85	[redacted] meets with KEATING and [redacted] in Washington regarding job offer for [redacted]	
11/ /85	[redacted] California Assemblyman PAT NOLAN successfully lobby CALIFORNIA SAVINGS AND LOAN [redacted] to drop proposed rule that would have limited LINCOLN's investments by requiring 80 percent be mortgage loans	
11/26/85	KEATING and [redacted] contribute $4,000 to DEMOCRATIC CONGRESS CAMPAIGN COMMITTEE	
11/27/85	NOLAN, [redacted] lobby CALIFORNIA LEAGUE OF SAVINGS INSTITUTIONS [redacted], to drop support of [redacted] proposal	
12/ /85	NOLAN reported receives $9,000 campaign contribution from KEATING	
Late 1985 and 3/86	ACC contributes $200,000 to NATIONAL COUNCIL ON PUBLIC POLICY - affiliated with Senator JOHN GLENN	
3/1/86	KEATING and Senator DON RIEGLE meet in Detroit at opening of HOTEL PONTCHARTRAIN ("Los Angeles Times", 5/30/89)	
3/3/86	KEATING and associates contribute $12,000 to KOLBE	

3/12/86	Regularly scheduled FHLBB examination of LINCOLN begins	
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 MATTINGLY	
4/ /86	[redacted]	b6 b7C
4/9/86	KEATING and associates contribute $5,000 to NATIONAL ACTION COMMITTEE, identified as Congressman DAVE EVANS' political action committee (PAC)	
6/2/86	KEATING and associates contribute $11,000 to Congressman CHARLES PASHAYAN	
7/3/86	KEATING meets with San Francisco examiners and reportedly threatens to sue members of FHLBB	
7/25/86	KEATING and associates contribute $20,000 to Senator PAUL HAWKINS	
7/28/86	KEATING and associates contribute $19,000 to Congressman DOUG BARNARD	
8/4/86	[redacted] writes White House Chief of Staff DONALD REGAN complaining about [redacted] and mentioning his adverse effect on Republican fundraising.	b6 b7C
8/4-6/86	KEATING and associates contribute $11,000 to Senator CRANSTON	
8/14-17/86	KEATING and associates contribute an additional $13,000 to Congressman PASHAYAN for a total of $24,000	
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	

8/22 - 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/ /86	FHLBB member [redacted] quits Board and takes job with KEATING, shortly after refusing to approve a $407 million fraud investigation of LINCOLN	b6 b7C
9/20/86	"Washington Post" writes that LINCOLN officials claim FHLBB harassment. [redacted] asks FHLBB OF SAN FRANCISCO to explain - San Francisco blames LINCOLN for delays in examination	
Fall 1986	KEATING and associates reportedly contribute $85,000 to the CALIFORNIA DEMOCRATIC PARTY for CRANSTON's benefit	
10/23/86	CRANSTON's Los Altos commercial property is appraised at the request of LINCOLN	
10/31/86	FHLB exam of LINCOLN that began 3/12/86 is completed. Closing meeting with LINCOLN official held on 11/7/86	
11/ /86	Atlanta attorney [redacted] a friend of KEATING and borrower from and attorney for LINCLON, is appointed to the FHLBB	
12/5/86 and 12/16/86	KEATING meets in San Francisco with FHLB-SF regulator [redacted] regarding LINCOLN exam	b6 b7C
12/18/86	[redacted] proposes at FHLBB meeting a rule change that would protect LINCOLN from enforcement of the direct investment rule. [redacted] proposal died for lack of a second	
1/27/87	A second closing meeting is held, at KEATING's request, between LINCOLN and FHLB officials	
2/13 - 3/18/87	KEATING and associates contribute $11,000 to Senator TIM WIRTH	

2/26/87	Senator RIEGLE meets with [redacted] then with ARTHUR YOUNG and an ACC official to discuss LINCOLN's dispute with regulators ("Wall Street Journal", 11/15/89)	b6 b7C
2/27/87	FHLBB [redacted] 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	KEATING and [redacted] contribute $4,000 to DALE EVANS' PAC	
3/3/87	LINCOLN contributes $100,000 to AMERICA VOTES, later known as USA VOTES	
3/6/87	Senator RIEGLE meets with [redacted] - says Arizona senators are quite concerned about FHLBB regulation of LINCOLN. Shortly thereafter, RIEGLE and [redacted] vist KEATING in Phoenix and after a helicopter tour, RIEGLE reportedly states, "I like what I see here. I can reason with [redacted] ("American Banker", 11/14/89)	b6 b7C
3/13/87	[redacted] of ARTHUR YOUNG (later of ACC) writes letter to senators critical of regulators	
3/18/87	LINCOLN sues FHLBB, challenging the direct investment limitations	
3/19/87	[redacted]	b6 b7C b7D
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. DE CONCINI meets separately with KEATING during this time period ("Arizona Republic", 10/17/89)	
3/11-24/87	KEATING and associates contribute at least $70,750 to RIEGLE; KEATING has luncheon for RIEGLE at HOTEL PONTCHARTRAIN on 3/23/87	
4/1/87	[redacted] resigns from FHLBB	b6 b7C

4/2/87 [redacted] meets with Senators DE CONCINI, MC CAIN, CRANSTON and GLENN in DE CONCINI's office regarding LINCOLN

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4/9/87 [redacted] 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

4/20/87 FHLB Report of Examination sent to LINCOLN

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 [redacted] leaves FHLBB post; replaced by [redacted]

7/ /87 LINCOLN sues FHLBB over leaks of information regarding LINCOLN examination; lawsuit is dropped on 7/29/87, after assurances received from WALL

7/10/87 CENTER FOR PARTICIPATION IN DEMOCRACY and THE ORGANIZING INSTITUTE (originally known as MONTEREY LEADERSHIP TRAINING INSTITUTE) are incorporated - [redacted]

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7/23/87 FHLBB's Office of Regulatory Policy, Oversight and Supervision (ORPOS), recommends LINCOLN be placed in conservatorship

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 Following a meeting of LINCOLN representatives and FHLBB [redacted] and [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

9/24/87	KEATING meets with [redacted] regarding 1986 FHLB OF SAN FRANCISCO examination and requests FHLBB take an independent review of San Francisco findings	b6 b7C
9/30/87 (approx.)	KEATING meets with CRANSTON in Washington; KEATING agrees to contribute $250,000 to USA VOTES and FORUM INSTITUTE	
10/16/87	FHLBB's ORPOS (with a new executive director), completes review of San Francisco exam of LINCOLN, concludes that LINCOLN is being operated in an "unsafe and unsound manner", and recommends FHLBB proceed with a cease and desist order	
10/29/87	KEATING and associates contribute $5,500 to DE CONCINI - brings total contribution to $39,000	
11/5/87	ACC contributes $225,000 to the FORUM INSTITUTE, and $25,000 to USA VOTES, an association chaired by CRANSTON and managed by NEW DIMENSION RESOURCES	
1/28/88	[redacted] meets with KEATING regarding KEATING's complaints of news leaks and length of exam. This meeting may have been arranged by CRANSTON	b6 b7C
2/2/88	KEATING and associates contribute $4,000 to DENNIS KOLBE	
2/4/88	KEATING meets with FHLBB executives - San Francisco examiners excluded	
2/10/88	CRANSTON visits KEATING in Phoenix at the 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 [redacted] that he is in "full agreement" with a proposed Memorandum of Understanding that would transfer supervision of LINCOLN to FHLB-Seattle	

2/22/88	FHLB-SF again recommends conservatorship for LINCOLN to FHLB's Enforcement Review Committee; condemns ORPOS' proposed Memorandum of Understanding
3/ /88	Senator RIEGLE returns contributions made by KEATING and associates
3/11/88	KEATING contributes $10,000 to Congressman DALE EVANS' PAC (NATIONAL ACTION COMMITTEE)
4/9/88	KEATING and associates contribute $11,500 to Senator ORRIN HATCH
5/5/88	[redacted] vote to transfer regulation of LINCOLN from San Francisco to Washington b6 b7C
5/20/88	FHLBB and LINCOLN sign memo of understanding, providing for a new examination to be conducted in Washington after FHLBB's Enforcement Review Committee votes to conduct a new exam of LINCOLN
6/8/88	KEATING and associates contribute $100,000 to REPUBLICAN NATIONAL COMMITTEE and attend dinner with Vice President GEORGE BUSH
10/18-24/88	KEATING and associates contribute $41,000 to Senator CHIC HECHT
1/17/89	KEATING visits [redacted] and reveals his intention to sell LINCOLN b6 b7C
2/14/89	FHLBB begins third examination of LINCOLN
4/ /89	CRANSTON urges [redacted] and FHLBB member [redacted] [redacted] to reconsider sale of LINCOLN to [redacted] ("Los Angeles Times", 5/27/88)
4/ /89	At KEATING's request, DE CONCINI telephones [redacted] and asked him to support the sale of LINCOLN to [redacted] ("Mesa Tribune", 4/23/89). [redacted] reportedly calls California officials in support of the sale
4/11/89	[redacted]
4/13/89	ACC files for Chapter 11 reorganization
4/14/89	FHLBB seizes LINCOLN - placed in conservatorship

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	[redacted] 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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[redacted]

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SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]

JAN 24 1990

FBI - LOS ANGELES

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FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

SEN. RIEGLE

He has more to answer than just the specific charges

Sen. Don Riegle, D-Mich., is entitled to put the best face he can on his role in the Lincoln Savings & Loan debacle, as well as to a presumption of innocence on the specific ethics committee charge. The issues go deeper, though, and will require more skillful rebuttal than anything the senator has said yet, whether his "you're another" argument about the Free Press or his attempt to use tape of his performance in a WXYZ-TV (Channel 7) news program

The senator faces both a legal/ethical problem and a political problem, and that makes his defense of his actions somewhat awkward. His efforts to deal with his political problem have the ironic effect of making less defensible his plea that he not be judged until the Senate ethics committee has completed its inquiry into his actions and those of four other senators who met with federal banking regulators to discuss the treatment of Lincoln Savings & Loan and the chairman of its holding company, Charles Keating. If he asks to be judged politically on the basis of his own performance on a TV program, he invites others to draw their own conclusions and make their own judgments about his performance without waiting for the committee's report.

Sen. Riegle may well have a better chance of winning the specific argument before the ethics committee than he does of winning the political argument. The question of whether he acted **improperly** may in the end matter less than whether it is thought by his constituents that he served them well or poorly. We don't happen to think the Senate — or the House or the Reagan administration — served the country very well during this period. They lost sight of their oversight function and helped to assure that the country would not get control of savings and loan practices and their potential impact until unnecessary damage was done. Sen. Riegle didn't really answer that complaint in his letter to us, or his TV performance, or anything else. He didn't answer it because there is no good answer: Too many watchdogs, including the present chairman of the Senate Banking Committee, were focusing on the wrong questions about federal regulation. The country will pay a price that is far greater than the legal/ethical questions the Senate ethics committee must still try to answer.

(Indicate page, name of newspaper, city and state.)
Detroit News
Detroit, Mi.
Date: 1/14/90
Edition: Editorials

Title: Senator Riegle

Character: 58C-PX-41605
or
Classification:
Submitting Office: Detroit

Indexing:

58C-PX-41605-21

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SERIALIZED ____ FILED ____
JAN 22 1990
FBI — LOS ANGELES

FBI/DOJ

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)
Detroit News
Detroit, Mi.
Date: 1/14/90
Edition: Editorials

Title: Senator Riegle

Character: 58C-PX-41605
or
Classification:
Submitting Office: Detroit

Indexing:

Damage control?

In announcing Kevin Gottlieb's resignation as chief of staff for the Senate Banking Committee, Sen. Don Riegle, D-Mich., denied that the resignation had anything to do with the senator's own difficulties over his relations with the savings and loan industry. The senator, though, has a plain need to limit the liabilities he faces as much as possible as he tries to wrestle with political as well as ethical questions about his relations with the industry.

Mr. Gottlieb had a lot to do with shaping the way the Senate and Sen. Riegle dealt with the savings and loan bailout law. In recent weeks, important questions have been raised about some of his connections during an 18-month period in 1987-88, when he was out of government, and about the way he has reported speaking fees during the time he has worked for Sen. Riegle. Mr. Gottlieb is knowledgeable about the savings and loan business, and that is an asset. As expensive and as controversial as the bailout legislation is, however, we would feel a lot more comfortable if Mr. Gottlieb had maintained a bit more independence of the S&Ls.

Sen. Riegle and Mr. Gottlieb both have to deal with a political question as well as a specific ethical issue: Did the senator and his staff represent all his constituencies as aggressively and effectively as they should have in a matter of very great potential cost and obvious importance? Sen. Riegle argues that he did, that he was arguing for a strong regulatory stance. The record looks somewhat different to us. What we see is a senator and his principal advisor who have compromised their claim to independence and strength and who are scrambling now to control the political and possibly legal damage that has resulted.

58C-PX-41605-22

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)
Detroit News
Detroit, Mi.
Date: 1/14/90
Edition: Editorials

Title: Senator Riegle

Character: 58C-PX-41605
or
Classification:
Submitting Office: Detroit

Indexing:

BillDay Detroit Free Press





58C-PX-41605 Riegle 23

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FD-350 (Rev. 5-8-81)

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(Indicate page, name of newspaper, city and state.)
Detroit Free Press
Detroit, Mi.
Date: 1/15/90
Edition: 10A

Title: Keating Defends Seeking Help of Senators for S & L
Character: or
Classification: 58C-PX-41605
Submitting Office: Detroit

Indexing:

Keating defends seeking help of senators for S&L

BY DAVID EVERETT
Free Press Washington Staff

WASHINGTON — Charles Keating Jr. said Sunday that he sought help from Michigan Democrat Donald Riegle Jr. and four other U.S. senators in 1987 because his now-failed savings and loan had investments in their states.

Speaking on NBC-TV's "Meet the Press," Keating defended his political contributions to the five, whose ties to Keating are being reviewed by the Senate Ethics Committee. Keating faces criminal investigations, a $1.1 billion federal fraud suit and other legal problems from the failure of Lincoln Savings & Loan of Irvine, Calif.

"They had in common the presence of our S&L in a major way in their states," Keating said of the five. "We had successful projects all over that gave employment, gave economic benefits to the community."

Keating's empire, which crumbled last year amid federal fraud charges, included the Hotel Pontchartrain in downtown Detroit.

Keating's comments support Riegle's contention that he was interested in the businessman's case because Keating was a constituent who had invested in Michigan.

On the TV show, Keating said he gave money to the senators' campaigns because he wanted to be part of the political and government process, not because he wanted to buy influence.

That statement contrasts with a widely circulated comment Keating made last April on the question of whether his financial contributions were attempts to influence politicians. "I want to say in the most forceful way I can, I certainly hope so," he said at the time.

On Sunday, Keating called that comment "dumb."

"I wanted to say that I wanted to be involved in the process," he said Sunday. "It's important to me how this country goes, and it was particularly important to me the way the savings and loan industry went."

Keating repeated earlier statements that he believes there was nothing wrong with the five senators meeting with federal regulators in 1987 to discuss Lincoln.

The Senate Ethics Committee and Justice Department are reviewing the conduct of the five. Officials estimate the failure's cost to taxpayers may be more than $2.3 billion.

Riegle denies any impropriety, saying campaign contributions from Keating and his associates had no impact on his conduct. Riegle later returned $78,250, saying he wanted to avoid any appearance of impropriety.

58C-PX-41605-24

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FD-36 (Rev. 8-29-85)

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☐ Facsimile
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PRECEDENCE:
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☐ Priority
☐ Routine

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

Date 2/7/90

TO : LOS ANGELES (58-PX-41605)
PHOENIX (58-PX-41605)

FROM : SAC, WMFO (58-PX-41605) (RUC)

ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MCCAIN, DON RIEGLE; CHARLES H. KEATING, JR., DBA ET AL;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE
(OO:PX/LA)

RePXairtel, 2/7/90.

In view of the fact that no investigation remains outstanding in WMFO, WMFO is considering this matter RUC. Should additional investigation be necessary, WMFO will reopen instant investigation.

FILE REVIEWED
DATE 4/6/99
INITIALS

2 - Los Angeles
2 - Phoenix
1 - WMFO
WJH:wjh
(5)

58C-PX-41605-25
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FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1259813-1

Total Deleted Page(s) = 147
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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/5/90

[redacted] Phoenix, Arizona, home telephone [redacted] work telephone [redacted] was advised as to the identity of the interviewing agent and the purpose of the interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted]

[redacted] confirmed the fact that from [redacted] he was employed by LINCOLN SAVINGS AND LOAN (LSL) at 2735 East Camelback, Phoenix, Arizona, 85016. [redacted] b6 b7C

[redacted] b6 b7C

[redacted] b6 b7C

[redacted]

Investigation on 1/31/90 at Phoenix, Arizona File # 58C-PX-41605-26

by SA [redacted] cpt Date dictated 2/2/90 b6 b7C

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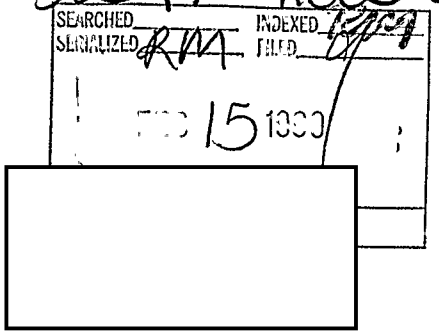
b6
b7C

[redacted] advised he does vaguely recall a situation which was related to him where by [redacted] with LSL Loan Department by the name of [redacted] was apparently riding in a limousine with some senior LSL officials and ALAN CRANSTON. Apparently the reason they were together was to view the above properties in Los Altos and Palo Alto. [redacted] recalls the story that after completing the review of the properties CRANSTON was in a hurry to catch a flight and they eventually dropped [redacted] at a curb side at a location unknown.

As mentioned, [redacted] stated the above situation happened very quickly and appeared to be an issue one day and not very important the next day. He does not believe any actual loan materialized for CRANSTON. If so, he is not aware of the loan nor is he aware of the ultimate use of the appraisal.

In addition to the above, [redacted] does not recall at this time any other loans made by LSL to political officials.

58C-PX-41605-26



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58C-PX-41605 a6x1

[redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/2/90

[redacted] date of birth [redacted] was interviewed in the office of his attorney, [redacted] who was also present. [redacted] said he resides at [redacted] Mesa, Arizona 85204, telephone number [redacted] provided the following information regarding his employment [redacted] for Senator DENNIS DE CONCINI. b6 b7C

[redacted] said that [redacted] said that he never developed a personal relationship with Senator DE CONCINI and that his association was strictly business.

[redacted] said he never consulted with DE CONCINI on any personal business or any other business. His contacts with Senator DE CONCINI related to DE CONCINI's campaign. [redacted] said he was aware that Senator DE CONCINI had substantial land holdings in Arizona, and inherited some property in San Diego, California, from his deceased father. Other than this, [redacted] said he had no knowledge concerning the acquisition of any land holdings of DE CONCINI. [redacted] said the only knowledge he had concerning a development firm in Colorado called MDC or RA HOMES in Tucson was what he learned in the newspaper. [redacted] said, however, he was aware that [redacted] said these individuals assisted DE CONCINI in his campaign fund raising, and [redacted] recalled RA HOMES being reimbursed for expenses related to the campaign. [redacted] said these expenses were for machine copying of documents and rent. [redacted] said he was unaware that RA HOMES had loans from LINCOLN SAVINGS AND LOAN ASSOCIATION until he read this in the newspaper. [redacted] reiterated the fact that he never discussed any loan arrangement with Senator DE CONCINI. b6 b7C

Investigation on 2/1/90 at Phoenix, Arizona File # PX 58C-41605-~~Sub B~~ 26X1

by SAs [redacted] (Los Angeles) and REB/khc Date dictated 2/1/90 b6 b7C

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PX 58C-41605

 b6 b7C

[redacted]

[redacted] said he is not aware of any charitable group with whom Senator DE CONCINI has affiliation. b6 b7C

[redacted] said he does not recall any particular fund raising activity involving AMERICAN CONTINENTAL CORPORATION or MDC. [redacted] said he recalls RA HOMES conducting some type of fund raising activity in Las Vegas, Nevada, for DE CONCINI but cannot recall the details.

[redacted] said that the BANK OF BEVERLY HILLS account was used for direct mail campaign contributions in California.

[redacted] said that the Arizona Democratic Party Federal Account, Arizona, Inc., was an account that helped candidates in Arizona and "DE CONCINI '88 Campaign" contributed to this organization. [redacted] said that the Southwestern Voter

PX 58C-41605

 b6 b7C

Registration was a "get out the vote" organization but he is not familiar with its activities.

[redacted]

[redacted] said that he never discussed with [redacted] or DE CONCINI direct investment regulations concerning the savings and loan industry.

[redacted] said he does not know [redacted] however, he does know that her husband, [redacted] is a contributor to DE CONCINI and is president of PIMA SAVINGS. [redacted] said he was unaware of the memorandum that she produced and only saw this memorandum when it appeared in the newspaper. [redacted] said he never discussed this memorandum with anyone on the DE CONCINI staff present or former, and never with Senator DE CONCINI.

2 - Addressee
(2 - Los Angeles (58C-PX-41605)
2 - Phoenix (58C-PX-41605)

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58C-PX-41605-27

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FEB 15 1990

FBI
LOS ANGELES

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U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

11000 Wilshire Boulevard
Los Angeles, California 90024

February 7, 1990

Mr. Charles D. Fowler
Assistant Inspector General for Investigations
U.S. Department of the Treasury
1201 Constitution N.W.
Washington, D.C. 20535

RE: [redacted] b6 b7C

Dear Mr. Fowler:

This letter confirms a telephone conversation on February 7, 1990, between [redacted] of your office and SA [redacted] of our office.

We understand that [redacted] is in possession of the file for an investigation conducted by the Inspector General of the Federal Home Loan Bank Board (FHLBB), the subject of which was [redacted] For criminal investigative purposes, the Federal Bureau of Investigation (FBI) respectfully requests that you make this file available to FBI agents for review and copying. b6 b7C

[redacted] has agreed to provide this week, the file for review and copying to SA [redacted] of the FBI's Phoenix Division.

Thank you for your courtesy.

Sincerely yours,

LAWRENCE G. LAWLER
Special Agent in Charge

[redacted]
Senior Supervisory Resident Agent

1*

2 - Addressee
(2) - Los Angeles (58C-PX-41605)
2 - Phoenix (58C-PX-41605)

JAJ:kah
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FBI — LOS ANGELES

58-PX-41605-27X1



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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/1/90

[redacted] date of birth [redacted] was interviewed at his employment, [redacted] Washington, D.C. 20036, telephone number [redacted] was served a subpoena from the Central District of California as [redacted] After receipt of the subpoena, [redacted] provided the following information regarding [redacted]

[redacted] said that he was [redacted] however Senator JOHN GLENN is now represented by CHARLES RUFF and DWIGHT SMITH of the law firm of COVINGTON AND BURLEY located at 1201 Pennsylvania Avenue, Washington, D.C., telephone number (202) 662-5378. [redacted]

[redacted] said that when CHARLES KEATING contributed two $100,000.00 checks to Senator GLENN, [redacted] was then the [redacted]

[redacted]

[redacted]

Investigation on 2/9/90 at Washington, D.C. File # PX 58C-41605 -27X1

by SAs [redacted] REB/khc Date dictated 2/9/90

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PX 58C-41605

 b6 b7C

[redacted] said that [redacted] were [redacted] However, he said that the staff of Senator JOHN GLENN should know their current addresses.

[redacted] said that charitable groups with whom Senator GLENN is affiliated are the Mercury Astronaut Foundation and a Florida group involved with terminally ill children, but he could not recall the name.

[redacted] b6 b7C

[redacted] said that [redacted]

[redacted] said it was common knowledge at this time that GLENN was having difficulty in paying bills incurred from his presidential campaign activities [redacted]

[redacted] b6 b7C

b6
b7C

attorney who was familiar with the election laws. [redacted] said as a result [redacted] was contacted and he issued an opinion concerning the KEATING donation. This opinion would be part of the file that was maintained [redacted]

[redacted] said that he believes Senator GLENN first met CHARLIE KEATING at his residence in 1982 (CHARLES KEATING's residence) during a fund raising party for Senator DENNIS DE CONCINI. [redacted] said that all this information would have been disclosed in the DUKAKIS Questionnaire which GLENN filled out as a potential vice president candidate in the DUKAKIS election.

[redacted] said that he first met KEATING [redacted]

b6
b7C

[redacted]

b6
b7C

[redacted] said that when meetings were scheduled for the Senator a "scheduler" is called and arranges a time in the Senator's day for the meeting. An administrative assistant or legislative staff member such as [redacted] would arrange a meeting. [redacted] said that there would just not be a meeting scheduled without appropriate staff members and scheduling being involved.

PX 58C-41605

 b6 b7C

[redacted]

[redacted] said that a complete list of lobbyists can be obtained from the Records and Registration Office located in the Longworth House Building on the First Floor in Room 1036.

[redacted]

[redacted] invited the Federal Bureau of Investigation to return for interview should any additional questions arise.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/16/90

[redacted] accompanied by his Attorney, [redacted] [redacted] Irvine, California, telephone [redacted] appeared at the office of the FEDERAL BUREAU OF INVESTIGATION (FBI), Santa Ana, California. Assistant United States Attorney (AUSA) [redacted] California, and [redacted] agreed that this interview of [redacted] would be according to the same terms as a proffer agreement between [redacted] and the United States Attorney for the Central District of California, made on [redacted] then provided the following information:

b6
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b7D

[redacted]

b6
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b7D

[redacted]

[redacted]

Investigation on 1/9/90 at Santa Ana, California File # 58C-PX-41605 28
56C-LA-101615

by SAs [redacted] JAJ/lm Date dictated 1/10/90

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PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 2/15/90

TO : SAC, LOS ANGELES

FROM : SAC, MILWAUKEE (56C-PX-41605) (RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS D. DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD REIGLE, CHARLES H. KEATING, JR., dba ET AL;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE BRANCH
OO: PHOENIX / LOS ANGELES

Re Phoenix FD-448 to Milwaukee, dated 2/12/90.

Enclosed for Los Angeles are the following:

1. Original FGJ subpoena served on [redacted]
2. Letter from [redacted]

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Enclosed for Phoenix are the following:

1. Copy of FGJ subpoena served on [redacted]
2. Copy of letter from [redacted]

Inasmuch as no further investigation remains at Milwaukee Division, this matter is considered RUC.

2 - Los Angeles (56C-PX-41605) (Enc. 2)
2 - Phoenix (56C-PX-41605) (Enc. 2)
1 - Milwaukee (56C-PX-41605)
KG/dg
(5)

[redacted]

58C-
56C-PX-41605-30

SEARCHED ... INDEXED ... SERIALIZED ... FILED ...
FEB 23 1990

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[redacted]

Approved: _____ Transmitted _____ (Number) _____ (Time) Per _____

ORIGINAL.

AO 110 (Rev. 10/85)

SUBPOENA TO TESTIFY BEFORE GRAND JURY

United States District Court

DISTRICT: CENTRAL DISTRICT OF CALIFORNIA

TO:

SUBPOENA FOR:
- ☐ Person
- ☒ Document or Object

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YOU ARE HEREBY COMMANDED to appear in the United States District Court at the location, date, and time specified below to testify before the Grand Jury

PLACE:
United States Courthouse
312 North Spring Street
Los Angeles, California 90012

COURTROOM: 1346B

DATE AND TIME: March 1, 1990 9:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):[1]

SEE ATTACHMENT

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK: LEONARD A. BROSKIN

DATE: January 31, 1990

(BY) DEPUTY CLERK:

This subpoena is issued on application of the United States of America by:

ROBERT L. BROSIO
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY:

Stephen A. Mansfield
Assistant United States Attorney
1300 United States Courthouse
312 North Spring Street
Los Angeles, California 90012
Telephone: (213) 894-3358

[1] If not applicable, enter "none."

AGENT: S/A

NOTE: AN AGENT OF THE FBI WILL DELIVER THE ABOVE-MENTIONED DOCUMENT TO THE GRAND JURY SHOULD YOU DESIRE VOLUNTARILY TO

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FEB 12 '90 11:50 FBI

RETURN OF SERVICE[1]

	DATE	PLACE
RECEIVED BY SERVER	2/13/90	Milwaukee, Wisconsin
SERVED	2/14/90	Menomonee Falls, Wisconsin

SERVED ON (NAME)

b3
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SERVED BY

TITLE: Special Agent, FBI

STATEMENT OF SERVICE FEES

TRAVEL	SERVICES	TOTAL
		b6 b7C

DECLARATION OF SERVER[2]

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 2/14/90
DATE

SIGNATURE OF SERVER

5320 Milwaukee, Wis.

ADDITIONAL INFORMATION

[1] As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

[2] "If the subpoena is issued on behalf of the United States or an officer or agency thereof, the declaration described in Rule 45(c), Federal Rules of Civil Procedure, Rule 17(c), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay court costs (28 USC 1915, Rule 17(b) Federal Rules of Criminal Procedure)."

FEB 12 '90 11:51 FBI

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/15/90

[redacted] b6 b7C
[redacted] Los Altos, California 94022, telephone [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

[redacted] advised his home address is [redacted] Mountain View, California. His date of birth is [redacted] and he was born in [redacted] His social security account number is [redacted]

[redacted] advised [redacted] b6 b7C

[redacted] recalls being contacted be one [redacted] from LINCOLN SAVINGS & LOAN, on or about [redacted] He specifically recalls [redacted]

[redacted] believes [redacted] was referred to him by either BEVERLY HILLS SAVINGS & LOAN and/or SOUTHWEST SAVINGS & LOAN. At that time [redacted] b6 b7C

[redacted] recalls [redacted] advised him something to the effect that CRANSTON [redacted]

[redacted] recalls this particular request was rather unique due to the fact he is not requested to [redacted] United States Senator.

[redacted]

Investigation on 2/5/90 at Los Altos, California File # 58C PX-41605 - 31

by SA [redacted] and SA [redacted] Date dictated 2/12/90 b6 b7C

GKM:adv

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.

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[redacted]

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[redacted]

[redacted] stated he had no further contact with [redacted]

[redacted] has never met [redacted] nor has he met ALAN CRANSTON.

[redacted]

In addition to the above, [redacted] provided the following documentation:

1. A letter, dated [redacted] of LINCOLN SAVINGS, [redacted]

2. A letter, dated [redacted]

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3. [redacted]

4.

5.

58C-PX-411605 3L

SEARCHED INDEXED
SERIALIZED FILED

MAR 2 1999

FBI - LOS ANGELES

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/READ/REF.3
0015 MRI 01071

MAR 5 1 50 PM '90

TELETYPE ROOM

PP RUEHFB FBILA FBINY FBIWMFO

DE FBIPX #0001 0642141

ZNR UUUUU

P 051830Z MAR 90

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

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

FBI NEW YORK/PRIORITY/

FBI WMFO/PRIORITY/

BT

UNCLAS

CITE: //3630//

PASS: FBIHQ, SSA [redacted] FINANCIAL CRIME UNIT - WHITE COLLAR CRIME SECTION.

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS D DECONCINI, JOHN GLENN, JOHN MC CAIN, DON RIEGLE, CHARLES H. KEATING, JR; DBA ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

RE TELCAL OF SSA [redacted] TO SSA [redacted] WMFO, b6 b7C

58C-PX-41605-32

Self Self

WCC

4

[redacted]

TELETYPE

AND SA [redacted] RELIEF SUPERVISOR, NYO, MARCH 2, 1990. b6 b7C b7D

FOR THE INFORMATION OF THE BUREAU AND RECEIVING OFFICES, PHOENIX CASE AGENT [redacted] AND LOS ANGELES AGENT [redacted] [redacted] WILL TRAVEL FROM LOS ANGELES AND PHOENIX TO WASHINGTON, D.C., ON MARCH 5, 1990, TO CONDUCT AN INTERVIEW WITH WITH [redacted]

[redacted]

FOR THE INFORMATION OF NEW YORK, [redacted] FORMER FEDERAL HOME LOAN BANK BOARD MEMBER, IS PRESENTLY EMPLOYED BY THE b6 b7C b7D

[redacted]

NEW YORK, NEW YORK. [redacted] AS MENTIONED, WAS A FORMER BANK BOARD MEMBER [redacted]

[redacted]

[redacted] b6 b7C b7D

[redacted] INTERVIEW WILL OCCUR AT 10:00 AM, MARCH 7, 1990, IN NEW YORK.

[redacted] FORMER [redacted] NOW RESIDING AND WORKING IN NEW YORK CITY, WILL ALSO BE INTERVIEWED.

REVIEW OF CHARLES KEATING'S AGENDA DETERMINED THAT IN [redacted] [redacted] KEATING HAD MEETINGS WITH [redacted] REGARDING [redacted]

INVESTIGATION HAS REVEALED KEATING [redacted]

NO ASSISTANCE IS BEING REQUESTED OF WMFO OR NEW YORK. SAC'S CONCUR IN THE TRAVEL OF AGENTS FOR THE PURPOSE OF CONDUCTING AFOREMENTIONED INTERVIEWS.

BT

#0001

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FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] POWELL, GOLDSTEIN, FRAZER and MURPHY, 6th Floor, 1001 Pennsylvania Avenue, N.W., Washington, D.C., (202) 347-0066, [redacted] telephoned the Santa Ana office of the FEDERAL BUREAU OF INVESTIGATION (FBI) and provided the following information:

[redacted] advised that on the day following the FBI interview of [redacted] on [redacted] told [redacted] that she neglected to mention during the interview a contribution made by AMERICAN CONTINENTAL CORPORATION (ACC). [redacted] stated that [redacted] told her that ACC contributed $10,000 to the Committee for Democratic Consensus in January of 1989. This contribution was made in connection with a Super Bowl party where the CDC had sold tickets for $2,500 each. [redacted] said [redacted] According to [redacted] records, the Super Bowl party was attended by [redacted]

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Investigation on 2/26/90 at Santa Ana, California File # 58C-PX-41605 ✓ - 33
56C-LA-101615

by SA [redacted] cpt Date dictated 3/5/90

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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-PX-41605-33-

Sdf Sdf

PBB

/READ/REF 16
0028 MRI 00361

Mar 21 8 12 PM '90

TELETYPE

RR RUEHFB FBILA

DE FBIPX #0003 0810406

ZNR UUUUU

R 220248Z MAR 90

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: FOR FBIHQ, 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, CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED DURING THE PERIOD 2/22/90 TO 3/15/90:

TELETYPE

58C-PX-41605-34

[redacted] b6 b7C

ON 2/22/90 AND 2/23/90, [redacted] b6 b7C

[redacted] WERE INTERVIEWED IN WASHINGTON, D.C. [redacted]

[redacted] U.S.A. VOTES, SENATOR ALAN CRANSTON'S PARTISAN FUND RAISING ORGANIZATION, THROUGH WHICH CRANSTON RAISED $850,000 FROM KEATING IN 1987 AND 1988. [redacted] ADVISED U.S.A. VOTES WAS ESTABLISHED BY CRANSTON TO RAISE FUNDS FOR "NON-PARTISAN", TAX EXEMPT VOTER REGISTRATION GROUPS TARGETING SPECIFIC POPULATIONS (AS AN EXAMPLE, BLACK VOTERS) THAT CRANSTON EXPECTED WOULD VOTE DEMOCRATIC. [redacted] CLAIMED LITTLE OR NO KNOWLEDGE OF CRANSTON'S CONTACTS WITH KEATING. [redacted] PROVIDED INFORMATION REGARDING KEATING'S CONTRIBUTIONS TO CRANSTON'S TAX EXEMPT ORGANIZATIONS, CAMPAIGNS, AND AFFILIATED POLITICAL ACTION COMMITTEES. [redacted] SAID IT WAS NOT UNUSUAL FOR CRANSTON TO ARRANGE MEETINGS WITH [redacted] OR CONTRIBUTORS SUCH AS KEATING.

ON 3/13/90, DOCUMENTS WERE RECEIVED FROM [redacted] b3 b6 b7C [redacted] IN WASHINGTON, D.C. PURSUANT TO FEDERAL GRAND JURY SUBPOENAS ISSUED BY THE CENTRAL DISTRICT OF CALIFORNIA, HOWEVER THESE DOCUMENTS HAVE NOT YET BEEN REVIEWED.

ON 3/6/90, [redacted] WAS INTERVIEWED IN THE PRESENCE OF HER COUNCIL, [redacted] IN WASHINGTON, D.C. [redacted] b6 b7C

[redacted] SENATOR DE CONCINI. [redacted]

CONFIRMED THE FACT [redacted]

[redacted]

b6
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b7D

HAVE BEEN PRESENT IN THE OUTER OFFICE DURING THE 4/2 MEETING WITH GREY AND POSSIBLY THE 4/9 MEETING WITH THE FHLBB, SAN FRANCISCO, REPRESENTATIVES.

ON 3/7/90, GEORGE GOULD (FORMER SECRETARY OF TREASURY), CURRENTLY EMPLOYED IN NEW YORK CITY, STATED HE MET WITH CHARLES KEATING ON TWO OCCASIONS. DURING THE FIRST MEETING, KEATING AND HE "TALKED PHILOSOPHY" CONCERNING THE OPERATIONS OF SAVINGS AND LOAN INSTITUTIONS. THE SECOND MEETING, KEATING "THREW HIS WEIGHT AROUND", BECAUSE KEATING WAS AWARE GOULD WAS DRAFTING LEGISLATION WHICH WOULD BE SUPPORTIVE OF [redacted] POSITION, REGARDING DIRECT INVESTMENTS BY SAVINGS AND LOANS. KEATING TOLD [redacted] HE HAD SIGNIFICANT INFLUENCE IN THE SENATE AND COULD HELP OR HINDER GOULD'S EFFORT TO HAVE LEGISLATION PASSED. KEATING FURTHER INFORMED GOULD THAT GOULD WAS NOT "IN LINE WITH THE ADMINISTRATION'S PHILOSOPHY". GOULD TOLD KEATING HIS (KEATING'S) PHILOSOPHY WAS TO RUN A SAVINGS AND LOAN ASSOCIATION AS A MUTUAL FUND WITH THE FSLIC BEARING THE COMPLETE AND TOTAL RISK. KEATING RESPONDED HE, IN FACT, FELT THIS WAY. KEATING INFORMED GOULD HE HAD ATTEMPTED TO HIRE [redacted] AWAY FROM THE FHLBB IN AN EFFORT TO HELP THE COUNTRY. GOULD, AFTER THE SECOND MEETING WITH KEATING,

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b7C

ALERTED APPROPRIATE SECURITY AT THE DEPARTMENT OF TREASURY NOT TO ALLOW KEATING OR HIS ASSOCIATES BACK IN THE TREASURY BUILDING FOR MEETINGS WITH ANY TREASURY PERSONNEL. GOULD FURTHER COMMENTED THAT UPON THE CONCLUSION OF THE 4/2/87, MEETING BETWEEN [redacted] b6 b7C AND THE SENATORS, [redacted] INFORMED HIM THE SENATORS HAD ATTEMPTED TO INFLUENCE HIM. [redacted] HOWEVER, WAS FORBIDDEN BY LAW, TO GO INTO DETAIL CONCERNING THE MEETING WITH THE SENATORS.

ON 3/7/90, [redacted] (FORMER MEMBER OF THE FHLBB), NOW b6 b7C EMPLOYED IN NEW YORK CITY STATED HE WAS CONFIRMED WHEN [redacted] WAS BEING CONSIDERED FOR A MEMBER OF THE BANK BOARD. [redacted] SAID ON 12/18/86, THE BOARD WAS CONSIDERING WHETHER TO CONTINUE, CHANGE, OR ABOLISH THE DIRECT INVESTMENT REGULATION. [redacted] WAS COMPLETELY UNFAMILIAR WITH THIS REGULATION AND HAD REQUESTED THE CURRENT REGULATION BE EXTENDED APPROXIMATELY 75 DAYS. ACCORDING TO [redacted] THERE HAD BEEN AN UNDERSTANDING BETWEEN [redacted] [redacted] THAT THE REGULATION WOULD BE EXTENDED, HOWEVER, ON THE DAY THE BOARD WAS TO VOTE ON THIS ISSUE, [redacted] PRESENTED AN ELEVEN POINT PLAN, WHICH, IF ADOPTED, WOULD HAVE DIRECTLY BENEFITED LINCOLN SAVINGS AND LOAN ASSOCIATION IN SAN JACINTO,

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RR RUEHFB FBILA

DE FBIPX #0004 0810405

ZNR UUUUU

R 220248Z MAR 90

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

PASS: FOR FBIHQ, 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, CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

TEXT CONTINUES:

CALIFORNIA ALLOWING THEM TO CIRCUMVENT THE DIRECT INVESTMENT

REGULATION. [redacted] STATED THIS WAS COMPLETELY CONTRARY TO THE AGREEMENT AND UNDERSTANDING PREVIOUSLY REACHED AMONG BOARD MEMBERS. b6 b7C

[redacted] SAID HE HAD MET CHARLES KEATING AND OTHER KEATING ASSOCIATES AND NO IMPROPER REQUEST OR FAVOR WAS REQUESTED, HOWEVER, HE WAS INVITED BY [redacted] TO PHOENIX TO REVIEW THE KEATING OPERATION.

ON 3/13-14/90, THE FOLLOWING EMPLOYEES OF THE OFFICE OF THRIFT SUPERVISION, SAN FRANCISCO, WERE INTERVIEWED: [redacted] b6 b7C

[redacted] THE PURPOSE OF THESE INTERVIEWS WAS TO ADDRESS STATEMENTS MADE BY [redacted] BEFORE THE HOUSE BANKING COMMITTEE IN DECEMBER, 1989. THESE INTERVIEWS CONCERNED THE POSITION OF THE FHLBB, WASHINGTON, D.C., IN 1987, REGARDING LINCOLN SAVINGS AND LOAN. AT THAT TIME, THE FHLBB IN WASHINGTON, D.C., AGREED WITH THE POSITION TAKEN BY THE SAN FRANCISCO DISTRICT. [redacted] b6 b7C

[redacted] THE ATTITUDE AND POSITION CHANGED TO THE POINT WHERE THE FHLBB IN WASHINGTON CHALLENGED EVERY ASPECT OF SAN FRANCISCO'S PREVIOUS LINCOLN SAVINGS AND LOAN EXAM OF MARCH, 1986. IT SHOULD BE NOTED FROM

1984 TO 1986, SAN FRANCISCO SUPERVISED THE RECEIVERSHIP OF OVER 32 S&LS AND WAS NEVER CHALLENGED BY THE FHLBB IN WASHINGTON, D.C. [redacted] STATED [redacted] b6 b7C A MEMBER OF THE BANK BOARD, APPROACHED [redacted] INDICATING THAT CHARLES KEATING HAD GIVEN HIM A FILE ON THE 11TH DISTRICT. THIS FILE HAS SINCE BEEN CHARACTERIZED AS THE "SECRET" FILE, BECAUSE ONLY [redacted] ACTUALLY OBSERVED THE CONTENTS. HOWEVER, [redacted] INDICATED [redacted] TOLD HIM IF THE 11TH DISTRICT COMMENCED LEGAL PROCEEDINGS AGAINST LINCOLN SAVINGS AND LOAN, THE CONTENTS OF THE "SECRET" FILE WOULD BE DISCLOSED AND THE INFORMATION CONTAINED THEREIN COULD BE DAMAGING TO UNNAMED FHLBB PERSONNEL IN THE SAN FRANCISCO DISTRICT. [redacted] INDICATED HE HAD GOTTEN THIS FILE DIRECTLY FROM CHARLES KEATING, HOWEVER, ITS CONTENT WAS NEVER REVEALED TO [redacted] OR ANY MEMBER OF THE SAN FRANCISCO DISTRICT OF FEDERAL HOME LOAN BANK.

INTERVIEWS WITH THE ABOVE INDIVIDUALS IN SAN FRANCISCO, DETERMINED THAT EXAMINERS OF THE 1988 AND 1989 EXAM OF LSL WERE CONCERNED THEIR FINDINGS WOULD NOT BE MADE A PART OF THE OFFICIAL REPORT AND THEREFORE KEPT SEPARATE RECORDS. THE NAMES OF THESE INDIVIDUALS HAVE BEEN OBTAINED AND WILL BE INTERVIEWED. THE

PAGE FOUR DE FBIPX 0004 UNCLAS

BUREAU WILL BE KEPT APPRISED BY SUMMARY TELETYPE OF THE PERTINENT

FACTS DEVELOPED IN CAPTIONED MATTER.

BT

#0004

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58C-LA-41605-34

Sdf Sdf

RBB

FD-36 (Rev. 8-29-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 3/21/90

TO : DIRECTOR, FBI
(ATTN: SSA [redacted] PUBLIC CORRUPTION UNIT) b6 b7C

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

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS D. DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; 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: PX/LA

Re Bureau tel to Phoenix dated 2/22/90 and Phoenix FD-761 and LHM dated 12/19/89.

For information of receiving offices, captioned matter addresses allegations of regulatory intervention by the above senators. KEATING and employees of his affiliated companies contributed approximately $200,000 to the election campaigns of the five senators, as well as over $1 million in additional funds to political action committees associated with the senators.

On 4/2/87, [redacted] was summoned to the office of Senator Dennis DE CONCINI to meet alone with Senators DE CONCINI, CRANSTON, GLENN, and MC CAIN concerning issues involving a Federal Home b6 b7C

2-Bureau
2-Cincinnati
2-Los Angeles (SARA)
1-Miami (info)
1-Milwaukee (info)
2-Phoenix
JDN:rh (17)
1-New York (info)
1-San Francisco (info)
1-Seattle (info)
2-Springfield
2-WMFO

58C-PX-41605-35

UCC-4
MAR 27 1990

[redacted] b6 b7C

Approved: _____ Transmitted _____ (Number) (Time)

58C-PX-41605
JDN:rh

Loan Bank examination of LINCOLN SAVINGS AND LOAN (LSL) conducted by the San Francisco District. The senators lobbied on behalf of LSL and attempted to obtain concessions for LSL. On 4/9/87, regulators from the Federal Home Loan Bank of San Francisco met with Senators DE CONCINI, RIEGLE, GLENN, and MC CAIN as well as a brief appearance by CRANSTON, to discuss the findings of the Federal Home Loan Bank of San Francisco's examination of LSL. Again, the senators appeared to lobby the position of LSL by questioning regulatory findings and recommendations.

Subsequent actions and inactions on the part of the Federal Home Loan Bank Board to react to the recommendations of the Federal Home Loan Bank of San Francisco's examination findings and recommendations have resulted in allegations focused upon regulatory intervention with [redacted] b6 b7C The issue was ultimately resolved by a July 1988 re-examination of LSL which disclosed numerous violations of regulatory guidelines and apparent criminal irregularities warranting the placement of LSL into conservatorship on 4/14/89. The potential loss to the insured deposit fund and the American taxpayer is reported to be approximately $2 billion.

Receiving offices provided with informational copies will be notified by Phoenix and Los Angeles Division's when investigation is to be conducted within their divisional boundaries and appropriate notification will be provided at that time with the necessary details.

58C-PX-41605
JDN:rh

LEADS:

CINCINNATI DIVISION

AT COLUMBUS, OHIO

During the period of late 1985 to March 1986, KEATING and his affiliated companies contributed $200,000 to the National Council on Public Policy, a tax-exempt Political Action Committee (PAC) affiliated with Senator JOHN GLENN. Investigation has disclosed KEATING and his affiliated companies had already contributed the maximum allowable amount to registered tax-exempt PAC's for the year and therefore instructed GLENN's office the contribution should be applied to non-federal "soft money" purposes rather than federal "hard money" purposes. Senator GLENN stated the funds went to his non-federal political action committee to be used for state and local campaigns, while discussing the issue during a TV interview with DAVID BRINKLEY.

Cincinnati Division should contact the appropriate officials within the Ohio Attorney General's Office and conduct interviews concerning state reporting requirements and regulations for non-federal Political Action Committee activities as they pertain to state and local election campaigns. Once the state reporting requirements are disclosed, determine whether Senator GLENN's non-federal "soft money" Political Action Committee, which also does business under the name National Council on Public Policy, complies with all appropriate state regulations. Conduct all logical investigation necessary to disclose bank accounts, regulatory filings, and activities of said non-federal PAC which addresses state and local campaign issues under the name National Council on Public Policy. Should bank accounts be identified, notify Phoenix Division for issuance of Grand Jury Subpoenas.

58C-PX-41605
JDN:rh

SPRINGFIELD DIVISION

AT SPRINGFIELD, ILLINOIS

Will locate and interview [redacted] of the Office of Thrift Supervision, formerly Federal Home Loan Bank, Seattle, Illinois, regarding his participation in the July 1988 examination of LSL and ACC. Issues to be addressed should be all aspects of the exam, to include but not limited to, instructions regarding the review of the 1986 Federal Home Loan Bank of San Francisco examination report and supporting work papers, the scope of the examination, discussions with other examiners, rumors of the examination being a "whitewash", reported claims that examiners were instructed to overlook certain aspects of the examination, and any other unusual circumstances surrounding the exam. It should be determined whether there was any attempt, implied or direct, to influence the examiners objectivity to critical issues. Additional issues should include the precedent for such an exam utilizing personnel from numerous districts, opinion of the 1986 San Francisco exam findings and whether their 1988 examination supported San Francisco District's findings and recommendations to the bank board, and whether a standard examination format was utilized in the 1986 San Francisco District exam and the 1988 examination in which [redacted] participated. Finally, it should be determined if the 1988 examination differed materially from the 1986 San Francisco District examination in the areas of scope, findings, and resulting recommendations, and what the perceived underlying reasons for those difference may have been.

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58C-PX-41605
JDN:rh

WASHINGTON METROPOLITAN FIELD OFFICE

AT WASHINGTON, DC

1) Will contact the Office of Public Records, Room 1036, U.S. House of Representatives, Longworth Office Building, Capitol Hill, Washington, DC and obtain a listing of all lobbyists associated with a) CHARLES H. KEATING, JR., b) AMERICAN CONTINENTAL CORPORATION, c) LINCOLN SAVINGS AND LOAN ASSOCIATION, d) FIRST LINCOLN FINANCIAL CORPORATION, e) AMCOR FUNDING CORPORATION, f) AMCOR INVESTMENTS CORPORATION, g) PHOENICIAN FINANCIAL CORPORATION, h) LINFIN CORPORATION.

2) Will also obtain from the Office of Public Records, a listing of all lobbyists of record who were hired to lobby the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Company (FSLIC), Office of Thrift Supervision, as well as Senators ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, and DONALD RIEGLE.

3) Will locate and interview [redacted] Association of Thrift Holding Companies, Washington, DC, concerning his contacting of [redacted] is the wife of [redacted] who accepted the position of [redacted] Federal Home Loan Bank, San Francisco, California, shortly before [redacted] contacted [redacted] At the time [redacted] contacted [redacted] she was an attorney at the bank board in Washington, DC. When [redacted] learned that the California "member" was LSL, she became uneasy because [redacted] new position as a regulator for the San Francisco District within which LSL is located. [redacted] continued to call her and she eventually had to ask [redacted] to stop calling.

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WMFO should determine when [redacted] was hired to solicit [redacted] employment and who hired him for ACC/LSL. Full details concerning job duties, salary, fringe benefits, etc., which [redacted] was prepared to offer should also be obtained, as well as any instructions provided by ACC/LSL personnel pertaining to the solicitation. Further, as LSL is located in Irvine, California, with headquarters in Phoenix, Arizona, where did [redacted] propose that [redacted] work for LSL as no apparent branches are located within the San Francisco, California area.

58C-PX-41605
JDN:rh

Due to the complex and sensitive nature of caption investigation, the following leads will be conducted by Phoenix/Los Angeles Agents with the concurrence of the appropriate SAC's. A teletype will be submitted to the appropriate Division confirming SAC concurrence regarding travel of Phoenix/Los Angeles Agents. The teletype will also provide travel itineraries for Agents and outline the scope of the investigation being conducted within that Division.

PHOENIX DIVISION

AT PHOENIX, ARIZONA

1) Will interview [redacted] Federal Election Commission, Washington, DC, concerning all political action committees associated with the five senators, as well as attempt to identify non-federal political action committee affiliations. Investigation was conducted 2/8/90 and Phoenix Division continues its record review upon receipt of documents from [redacted] b6 b7C

2) Will serve Grand Jury Subpoena upon [redacted] Washington, DC for records relating to [redacted] Subpoena was served 2/8/90 and record review to follow upon receipt of records. b3 b6 b7C

3) Will subpoena [redacted] Washington, DC, for records of [redacted] 2/8/90. Record review to follow upon receipt of documents. b3 b6 b7C

4) Will subpoena [redacted] records detailing [redacted] Subpoena was served upon [redacted] on 2/9/90. Record review to follow upon receipt of documents.

5) Will subpoena [redacted] for records related to [redacted] KEATING, and other affiliated companies and members of Congress. Subpoena was forwarded to the Milwaukee Division by facsimile on 2/12/90. Record review to follow upon receipt of documents.

6) Will subpoena [redacted] for records related to [redacted] Subpoena was forwarded to New York City Division by

facsimile on 2/12/90. Record review to follow upon receipt of documents.

7) Will review [redacted] b3 b6 b7C Will interview officials associated with the examination, to include but not limited to [redacted], who testified before the Committee on Banking regarding said transactions and the financial concerns raised by the transactions.

8) Will review original records and work papers of [redacted] Will attempt to identify and obtain interviews of officials/personnel associated with the [redacted] attempt to obtain an interview with [redacted]

9) Will locate and review ACC/LSL records in the Phoenix, Arizona depository relating to business dealings between KEATING and Senator MC CAIN's wife and father-in-law.

10) Will review ACC's pilot logs located within Phoenix Division evidence to obtain details of MC CAIN's vacations in the Bahamas and other travel at KEATING's expense. Will also attempt to identify travel by other senators utilizing ACC's corporate jets.

11) Will locate and review LSL records relating to loans made to R. A. HOLMES, a development company [redacted] b6 b7C DE CONCINI's campaign staff.

12) Will serve Grand Jury Subpoena provided by Santa Ana RA upon [redacted] and attempt to obtain an interview regarding his involvement [redacted] b3 b6 b7C

13) Will interview former Arizona Governor BRUCE BABBITT concerning reportedly unsuccessful attempts by KEATING to influence BABBITT in his behalf.

14) Will interview Scottsdale, Arizona, Mayor HERB DRINKWATER concerning reportedly unsuccessful attempts by KEATING to influence DRINKWATER in his behalf.

15) Will interview [redacted] former DE CONCINI [redacted] b6 b7C

AT TUCSON, ARIZONA

Interview [redacted] has a reputation as a "traditionalist" operator of thrift institutions. It will be determined [redacted] purported duties as the new president of LSL in November 1987 as well as the circumstances surrounding his employment, short tenure, and subsequent resignation.

AT MEQUON, WISCONSIN

Will interview [redacted] former member of the Federal Home Loan Bank Board regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Also to be addressed will be details surrounding a secret file provided by KEATING to [redacted] and other board members concerning the Federal Home Loan Bank Board's 11th District in San Francisco, California. b6 b7C

AT NEW YORK CITY, NEW YORK

1) Will interview [redacted] former Federal Home Loan Bank Board member regarding ACC/LSL lobbying and exerting pressure upon board members to vote upon issues in a manner favorable to LSL. Will also address details surrounding the investigation of [redacted] and his reported association to KEATING and his affiliated companies. b6 b7C

2) Will interview GEORGE GOULD, former U.S. Treasury Department official regarding his reported comment that KEATING bragged to him about his political influence and his job offer to former Federal Home Loan Bank Board [redacted]

AT SAN FRANCISCO, CALIFORNIA

Will review Federal Home Loan Bank Board, San Francisco District, 1986 examination report of LSL and available work papers dealing with critical issues and interview/re-interview San Francisco District examiners regarding issues raised by [redacted] as well as other

Washington, DC supervision concerning San Francisco District's inadequate examination and lack of sufficient evidence to warrant the appointment of a conservator or a cease and desist order as recommended. Individuals to be interviewed/re-interviewed shall include but not be limited to [redacted] b6 b7C other officials associated with the 1986 examination of LSL.

AT WASHINGTON, DC

Will interview [redacted] b6 b7C b7D of Senator DENNIS DE CONCINI regarding [redacted] This interview is to be conducted by Phoenix and Santa Ana RA agents the week of March 5, 1990.

AT SEATTLE, WASHINGTON

Will locate and interview [redacted] b6 b7C Office of Thrift Supervision, Seattle, Washington, concerning his opposition to a proposal that LSL's supervisory district be transferred from San Francisco to Seattle, Washington.

On 2/19/88, ACC/LSL personnel met with Federal Home Loan Bank of Seattle's supervision at the suggestion of [redacted] the Office of Regulatory Activities, Federal Home Loan Bank Board, Washington, DC. [redacted] suggested that the Seattle supervision meet with LSL/ACC personnel to discuss the possibility of transferring supervision from the Federal Home Loan Bank of San Francisco to Seattle should LSL/ACC acquire an institution within the territory of the Seattle District. [redacted] has stated that after the Seattle District completed its review, [redacted] contacted him to explain that Seattle District had decided to make a recommendation which would show support for a fellow district. On 3/11/88, the Federal Home Loan Bank of Seattle submitted a memorandum opposing the proposed transfer of supervision as it would set a bad precedent. Furthermore, the Federal Home Loan Bank of Seattle believed LSL was engaged in a delaying tactic to thwart regulatory action as long as possible.

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Will obtain details of the LSL/ACC contacts with the Federal Home Loan Bank of Seattle prior to the meeting of 2/19/88. It will be determined what proposals and concessions LSL/ACC made to the Seattle District in an attempt to gain their support for the proposal. Should any Federal Home Loan Bank of Seattle employees have received job offers from LSL/ACC near this time period, those individuals will be identified and interviewed concerning all aspects of the job offer.

[redacted] will be interviewed concerning any outside influence being exerted upon himself or others involved in the assessment, to include Washington, DC supervision. This questioning should include the overall nature of the request by [redacted] for Seattle District to meet with LSL/ACC officials and discuss an issue with little or no precedence and whether undue criticism of Federal Home Loan Bank, San Francisco, was conveyed by [redacted] in an apparent effort to influence Federal Home Loan Bank, Seattle's recommendation. b6 b7C

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LOS ANGELES DIVISION

AT SANTA ANA, CALIFORNIA

1) Will subpoena California Democratic party for records relating to an $85,000 contribution by AMERICAN CONTINENTAL CORPORATION (ACC) in 1986, which was reportedly spent for Senator ALAN CRANSTON's re-election effort. Record reviews should follow along with interviews of appropriate California Democratic party officials.

2) Will interview [redacted] Los Angeles, California, regarding circumstances of a) $100,000 he reportedly raised for the Republican party from KEATING and his associates, b) $172,000 he reportedly raised for California Governor GEORGE DEUKMEJIAN from KEATING and his associates, and c) lobbying to be conducted on behalf of KEATING. b6 b7C

3) Will subpoena and review records of the Center for Participation in Democracy, Los Angeles, California, The Organizing Institute, Pacific Grove, California, The Forum Institute, Washington, DC, and U.S.A. Votes (New Dimension Resources), Washington, DC. Investigative leads will be set upon the conclusion of the record reviews.

4) Will interview appraiser [redacted] Los Altos, California, and review real property records in connection with [redacted] appraisal of property located at 215 Main Street, Los Altos, California, showing title in the name of ALAN CRANSTON. Will also interview former LSL employee [redacted] concerning the contemplation by LSL to provide a loan to CRANSTON for the Los Altos property in October 1986. Interviews have been concluded by Santa Ana RA on January 31, 1990 and February 5, 1990, respectively. b6 b7C

5) Will interview [redacted], Center for Participation in Democracy Fund Raiser regarding the $400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88. b6 b7C

6) Will interview [redacted] regarding a [redacted]

7) Will interview [redacted] regarding the $400,000 contribution to Center for Participation in Democracy made by ACC on 2/10/88. [redacted] accompanied his father to Phoenix when this contribution was solicited from KEATING.

8) Will subpoena relevant records in possession of [redacted] a U.S.A. Votes Fundraiser. [redacted] has already been interviewed by Santa Ana RA. b6 b7C

9) Will follow-up on source information that CRANSTON may have received two unsecured loans of approximately $200,000 each in 1988 from MERCURY SAVINGS, Los Angeles, California. No such loans were disclosed upon CRANSTON's Senate Disclosure Forms.

10) Will provide Phoenix Division with a Grand Jury Subpoena for [redacted] b3 b6 b7C

AT PHOENIX, ARIZONA

Will review Federal Home Loan Bank records stored at the Phoenix, Arizona Depository regarding contacts between regulators and the United States Senators.

AT WASHINGTON, DC

1) Will interview CRANSTON's banking aid, [redacted] regarding services she or CRANSTON performed on behalf of KEATING and his affiliated companies. b6 b7C

2) Will interview CRANSTON's administrative aid, [redacted] regarding services [redacted] his staff, or CRANSTON performed on behalf of KEATING and his affiliated companies.

3) Will interview [redacted] who sought CRANSTON's assistance in obtaining Federal Home Loan Bank Board approval of his proposed purchase of LSL from ACC in 1989.

Upon the completion of the aforementioned investigative leads, the following investigation will be conducted by Phoenix/Los Angeles Agents with the concurrence of appropriate SAC's:

a) Re-interview [redacted] b6 b7C b7D Federal Home Loan Bank Board, at Miami, Florida, regarding [redacted]

b) Locate and interview [redacted] b6 b7C the Office of Regulatory Policy, oversight and supervision of the Federal Home Loan Bank Board concerning his assessment of the San Francisco District's March 1986 examination of LSL and his support for action based upon this exam. It should also be determined whether [redacted] memorandum dated 7/23/87 recommending regulatory action against LSL led to his dismissal or resignation from the Federal Home Loan Bank Board.

c) Interview [redacted] Office of Thrift Supervision, Washington, DC, regarding her 407-Investigation of LSL concerning "file stuffing" to bolster and enhance inadequately documented loan files.

d) Interview [redacted] Washington, DC [redacted] b6 b7C regarding [redacted] conversations with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s political influence at the Federal Home Loan Bank Board in Washington, DC, and the pressure to remove the exam process away from the San Francisco District to the Washington, DC District.

e) Interview [redacted] Farm Credit Administration official, Washington, DC, who reportedly witnessed [redacted] conversation with [redacted] in late 1987 or early 1988 concerning CHARLES H. KEATING, JR.'s influence with the Washington, DC Federal Home Loan Bank Board and the effort to move the exam process from San Francisco, California to Washington, DC.

f) Interview [redacted] Office of Thrift Supervision, Washington, DC, regarding the 1988 exam of LSL. The interview should address specific differences/similarities in the findings as compared to the March 1986 examination conducted by the San Francisco District. This interview will rely heavily upon the investigative findings set forth in leads above. b6 b7C

g) Interview the staff of [redacted] at the Office of Thrift Supervision, Washington, DC, directly associated with the 1988 examination of LSL to include but not limited to 1) [redacted]

h) Interview [redacted] Enforcement Regulatory Commission, Office of Thrift Supervision, Washington, DC with the detailed specifics of the San Francisco District's 1986 examination findings as compared to the Washington 1988 exam findings and address each issue she made during her 11/21/89 testimony to the committee on banking which discredited the San Francisco District exam and heaped laudatory praise upon herself despite the belated action taken against LSL.

i) Interview [redacted] Office of Thrift Supervision, Washington, DC, with detail specifics of the San Francisco District's 1986 examination findings as compared to the 1988 exam findings of LSL and address each issue he made during his 11/21/89 testimony before the Committee on Banking to discredit the San Francisco District's regulatory recommendations and justify the bank board's lack of action against LSL until 4/14/89. b6 b7C

j) Interview senators and congressmen who received campaign contributions raised by CHARLES H. KEATING, JR., and his affiliated companies and those who met with KEATING in order to learn whether KEATING solicited favors from these congressmen as well. Investigation to date has disclosed these politicians include Senators WILSON, HAWKINS, MATTINGLY, and WIRTH, as well as Congressman PASHAYAN, BARNARD, and former Congressman JACK KEMP, currently serving as Secretary for Housing and Urban Development.

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k) Interview [redacted] regarding his knowledge of 1) KEATING pressure upon [redacted] and 2) KEATING's influence on the nomination of [redacted] to the Federal Home Loan Bank Board. b6 b7C

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TO DIRECTOR FBI/ROUTINE/

FBI SEATTLE (58C-PX-41605)/ROUTINE/

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

BT

UNCLAS

CITE: //3630//

PASS: SSA [redacted] PUBLIC CORRUPTION UNIT.

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SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL; DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX AIRTEL TO THE BUREAU, MARCH 21, 1990, AND TELEPHONE CALL OF SA [redacted] (PHOENIX) TO SA [redacted] (SEATTLE), APRIL 2, 1990.

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TELETYPE

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SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
APR 03 1990

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FOR THE INFORMATION OF THE BUREAU AND LOS ANGELES, DURING INTERVIEWS OF FEDERAL HOME LOAN BANK AND OTS EMPLOYEES IN SAN FRANCISCO, CALIFORNIA, IT WAS LEARNED AFTER THE ELEVENTH DISTRICT OF THE FEDERAL HOME LOAN BANK, SAN FRANCISCO, WAS REMOVED AS SUPERVISORY AUTHORITY TO THE FEDERAL HOME LOAN BANK BOARD, NUMEROUS EXAMINERS CHOSEN TO CONDUCT THE 1988 AND 1989 EXAMINATION OF LSL THOUGHT THE EXAM WAS A "WHITEWASH". [redacted] b6 b7C [redacted] OF THE TWELFTH DISTRICT (SEATTLE) WAS THE INDIVIDUAL WHO BRIEFED THE EXAMINERS REGARDING THE 1988 AND 1989 EXAMS. IT HAS BEEN FURTHER LEARNED THAT [redacted] WOULD HAVE RECEIVED HIS INSTRUCTIONS FROM [redacted] OF THE FEDERAL HOME LOAN BANK BOARD.

ADDITIONALLY, PRIOR TO THE TRANSFER AUTHORITY FROM SAN FRANCISCO TO THE FEDERAL HOME LOAN BANK BOARD, [redacted] RECEIVED SEVERAL TELEPHONE CALLS FROM [redacted] THE SEATTLE BANK, REGARDING THE TRANSFER OF SAN FRANCISCO'S AUTHORITY. THE FINAL DECISION MADE BY [redacted] WAS TO NOT ACCEPT AUTHORITY OVER LSL.

[redacted] WILL BE INTERVIEWED AND NO ASSISTANCE IS REQUESTED OF THE SEATTLE DIVISION. PHOENIX CASE AGENT, AS AGREED IN RE TELCAL, WILL BRIEF SEATTLE FBI PRIOR TO HIS DEPARTURE

CONCERNING THE INTERVIEWS CONDUCTED. SAC'S PHOENIX AND SEATTLE CONCUR IN THE NECESSITY OF PHOENIX CASE AGENT'S TRAVEL TO SEATTLE APRIL 16-19, 1990, TO CONDUCT THESE INTERVIEWS.

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TO FBI PHOENIX (58C-PX-41605)/PRIORITY/

FBI LOS ANGELES (29D-LA-102009)/PRIORITY/

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CITE: //0622//

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

REPX FD-761 AND LHM DATED DECEMBER 19, 1989, AND BUTELCALL OF SSA [redacted] TO PHOENIX ON FEBRUARY 8, 1990.

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58C-PX-41605-37

29D-LA-102009

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[redacted]

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ON FEBRUARY 8, 1990, A MEETING WAS HELD AT THE PUBLIC INTEGRITY SECTION (PIS), DEPARTMENT OF JUSTICE (DOJ) CONCERNING CAPTIONED MATTER. PRESENT AT THE MEETING WERE REPRESENTATIVES OF THE PIS/DOJ, U.S. ATTORNEY'S OFFICE, CENTRAL DISTRICT OF CALIFORNIA, AND FBIHQ. AT THAT MEETING IT WAS AGREED THAT CAPTIONED MATTER SHOULD BE UPGRADED TO A FULL INVESTIGATION. THE INVESTIGATIVE LEADS IN REFERENCED LHM WERE REVIEWED AND IT WAS AGREED CERTAIN AREAS SHOULD RECEIVE PRIORITY. THOSE AREAS HAVE BEEN TELEPHONICALLY PROVIDED TO PHOENIX AND LOS ANGELES. SPECIFICALLY, INTERVIEWS CONCERNING [redacted] ARE CONSIDERED EXTREMELY IMPORTANT TO THE SUCCESSFUL RESOLUTION OF THIS MATTER. IN ADDITION, PHOENIX AND LOS ANGELES ARE REMINDED THAT PRIOR TO INTERVIEWING JOURNALIST [redacted] A SPECIFIC REQUEST MUST BE SUBMITTED TO FBIHQ IN ORDER THAT THE APPROPRIATE APPROVAL MAY BE OBTAINED.

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PHOENIX AND LOS ANGELES SHALL CONTINUE TO KEEP THE BUREAU ADVISED OF DEVELOPMENTS IN CAPTIONED MATTER ON A TIMELY BASIS.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] was interviewed [redacted] b6 b7C b7D

[redacted]

Present for the entire interview were Assistant United States Attorney (AUSA) [redacted] and [redacted] Present for a portion of the interview was [redacted] The interview was conducted according to the agreement [redacted] between the United States Attorney for the Central District of California and [redacted] which is attached hereto. After having been advised of the interviewing agent's identity and the nature of the interview, [redacted] provided the following information:

[redacted] said [redacted] b6 b7C b7D

[redacted] Social Security number is [redacted]

[redacted] home address is [redacted]

[redacted]

[redacted] advised that [redacted] b6 b7C b7D

[redacted]

Investigation on 2/22/90 at [redacted] File # 58C-PX-41605 ✓ -38 56C-LA-101615

by SA [redacted] /cpt Date dictated 3/1/90 b6 b7C b7D

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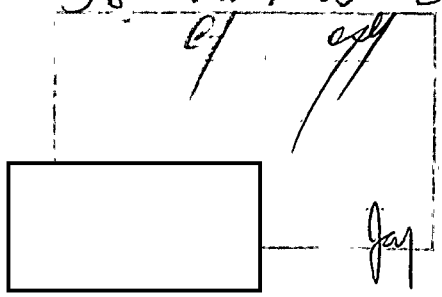

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/7/90

[redacted] was interviewed at [redacted] The interview was conducted pursuant to the attached agreement [redacted] between the United States Attorney for the Central District of California and [redacted] Present during the entire interview on [redacted] Assistant United States Attorney (AUSA) [redacted] After having been advised of the interviewing agent's identity and the nature of the interview, [redacted] provided the following information:

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[redacted] stated [redacted] Social Security number is [redacted] home address is [redacted]

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Investigation on 2/22/90 2/23/90 at [redacted] File # 58C-PX-41605 ✓-39 56C-LA-101615

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by SA [redacted] cpt Date dictated 2/28/90

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FD-36 (Rev. 8-29-85)

FBI

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PRECEDENCE:
- [ ] Immediate
- [ ] Priority
- [ ] Routine

CLASSIFICATION:
- [ ] TOP SECRET
- [ ] SECRET
- [ ] CONFIDENTIAL
- [ ] UNCLAS E F T O
- [ ] UNCLAS

Date 3/1/90

TO : DIRECTOR, FBI
(ATTN: [redacted] SUPERVISOR,
INVESTIGATIVE SUPPORT SECTION, CID)

b6
b7C

FROM : SAC, PHOENIX (29D-LA-102009)(P)

SUBJECT: DESERT GEM;
MAJOR CASE 24;
OO: LOS ANGELES

ALAN CRANSTON;
DENNIS D. DECONCINI;
JOHN GLENN;
JOHN MC CAIN;
DONALD RIEGLE;
U. S. SENATORS;
CHARLES H. KEATING, JR.;
dba LINCOLN SAVINGS AND LOAN ASSOCIATION,
AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
OO: PHOENIX

Re Phoenix telephone call of SAA [redacted] 2/15/90.

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b7C

REQUEST OF THE BUREAU.

Investigative Support Section is requested to consider captioned case for the creation of a time-flow data base and subsequent time-flow charts to assist in the investigation and prosecution of both captioned cases due to their complex nature. As this case has progressed, it is apparent to the investigators and by request of the six prosecutors currently assigned, that a time-flow chart or charts would greatly assist in understanding and correlating the events that occurred in these cases. The

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4 - Phoenix (2 - 58C-PX-41605)
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Approved: _____ Transmitted _____ (Number) (Time)

[redacted]

time-flow charts would assist the investigators, which currently include FBI Phoenix, FBI Los Angeles (Santa Ana RA), State of Arizona ATTORNEY GENERAL'S OFFICE, Orange County Prosecutors Office, INTERNAL REVENUE SERVICE (IRS), U. S. DEPARTMENT OF LABOR (DOL), and FDIC, who meet on a periodic basis to discuss the various aspects of the case.

Any additional information necessary for this request may be directed to SAA [redacted] Phoenix Division, or SAA [redacted] Santa Ana RA, Los Angeles Division. b6 b7C

BACKGROUND INFORMATION:

Captioned Bank Fraud and Embezzlement investigations involves the failure and subsequent takeover of LINCOLN SAVINGS AND LOAN (LINCOLN SAVINGS), Phoenix, Arizona. LINCOLN SAVINGS was, at the time of the takeover, the third largest savings and loan association in the State of California with approximately 5.6 billion dollars in assets. LINCOLN SAVINGS was a subsidiary of AMERICAN CONTINENTAL CORPORATION (ACC), Phoenix, Arizona, a publically traded corporation with majority owner CHARLES H. KEATING, JR., acting as Chairman of the Board. [redacted] are also ACC shareholders and employees of ACC and LINCOLN SAVINGS at above market salaries. KEATING himself is from a wealthy, prominent family in Cincinnati with ties to national political figures. b6 b7C

Three referrals have been received by the FBI in Los Angeles and Phoenix, alleging various criminal acts perpetrated by a consortum of LINCOLN SAVINGS and ACC employees numbering between 30 to 40 individuals. Los Angeles and Phoenix agents have met and agreed upon a course of investigation in which both offices will be primarily responsible for different aspects with assistance from the other.

This is the largest savings and loan failure in the history of the United States. The FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) and OFFICE OF THRIFT SUPERVISION (OTS) estimates the cost of the takeover to the U. S. will be between 2 billion and 2.5 billion dollars. The House Banking Subcommittee chaired by U. S. Representative HENRY GONZALES, held hearings during October through December, 1989, into the Federal Home Loan Bank Board's regulation of LINCOLN SAVINGS. This committee has taken under consideration the possibility of resuming those hearings to focus on the relationship between KEATING/LINCOLN

SAVINGS and [redacted] The committee is also considering focusing the hearings and the relationships between KEATING/LINCOLN SAVINGS and the following: MDC/SILVERADO SAVINGS, Denver, Colorado; [redacted] SOUTHMARK CORPORATION, SAN JACINTO SAVINGS AND LOAN ASSOCIATION (SJ), Dallas and Houston, Texas; and [redacted] CENTRUST SAVINGS BANK, Miami, Texas. b6 b7C

The State of California Assembly Banking Committee held hearings in December, 1989, chaired by California Assemblyman PATRICK JOHNSON. The hearings focused on the circumstances relating to the State approval for the sale of ACC subordinates debenture bonds through the LINCOLN SAVINGS branches.

The SECURITIES EXCHANGE COMMISSION (SEC) has initiated an investigation regarding the sale of the ACC subordinate debenture bonds and the ACC financial condition which supported the bond prospectus. The SEC has devoted 12 investigative personnel to this matter and considers the investigation their highest priority.

The FDIC has obtained the Kansas City law firm of MORRISON AND HECKER to file a lawsuit. In August, 1989, the FDIC filed a 1.1 billion dollar suit against KEATING, numerous officers and directors of ACC and LINCOLN SAVINGS alleging various acts of RICO violations.

On 4/13/89, KEATING placed ACC and 11 subsidiaries of LINCOLN SAVINGS into bankruptcy before U. S. District Judge HENRY BILBEY, Phoenix, Arizona. Approximately 16 law firms representing various civil litigants who have suits filed against ACC/LINCOLN SAVINGS or are defendants in these suits have petitioned Judge BILBEY's bankruptcy court [redacted] were also subpoenaed by the Federal Grand Jury, Central District of California, pursuant to this matter. These actions prompted Judge BILBEY [redacted] in the civil suits, the ACC bankruptcy, and a central location to address Federal Grand Jury subpoenas. b3 b6 b7C

ACC and other designated parties [redacted] ACC provided an

additional [redacted] b3

[redacted]

The investigation is being investigated in various aspects, a synopsis of each follows:

1. Backdating of loan files involve a 300 million dollar loan from LINCOLN SAVINGS to one of its subsidiaries. The direct investment banking regulation proposed on 12/10/84 limited a savings and loan's direct investments to 10% of assets. Documentation of land transfers and the loan did not commence until February, 1985; however, documents were backdated to 11/30/84, in an attempt to grandfather the 300 million dollar investment and exempt it from regulation.

2. File stuffing involves the apparent production and placement of analysis documents into LINCOLN SAVINGS investment files to give the appearance that adequate underwriting and analysis had been performed before the investment purchases were made. LINCOLN SAVINGS debt securities during 3/86 at bank examination time were 350 million dollars in "junk bonds" and 170 million dollars in equity securities. ARTHUR ANDERSON AND COMPANY, Certified Public Accountants (CPAs) and LINCOLN SAVINGS investment analysts were involved in fraudulent file stuffing to deceive the bank examiners.

3. HOTEL PONTCHARTRAN focuses on proving members of a partnership, which includes officers, directors, and major borrowers of LINCOLN SAVINGS and ACC of causing a misapplication of LINCOLN SAVINGS funds of at least 20 million dollars in the investment acquisition and refurbishing of the HOTEL PONTCHARTRAN in Detroit, Michigan.

4. MEMOREX securities deals in the sale of stock to E. C. GARCIA by LINCOLN SAVINGS with the subsequent purchase by ACC. This circumvented bank regulator approval and caused a gain of 11,300,000 dollars to ACC and a corresponding loss to LINCOLN SAVINGS.

5. PLAYTEX securities also deals in the sale of stock on 4/30/87 to ACC from LINCOLN SAVINGS for 1.2 million dollars with the subsequent sale by ACC for 12.47 million dollars through DREXEL, BURNHAM AND LAMBERT, a securities firm also suspect in its

other securities transaction for or with ACC officials, including sales of 125 million dollars in ACC bonds in 1983, a portion of which was used by ACC to acquire LINCOLN SAVINGS in 1984.

6. Subordinate Debenture Bonds is a matter involving the sale of 230 million dollars of ACC bonds (junk bonds) through the 29 LINCOLN SAVINGS branches in California between 12/86 and 3/89 to approximately 23,000 investors. The bonds, now worthless and sold to many elderly and retired individuals who converted insured CD's from LINCOLN SAVINGS, were sold with false and misleading representations.

7. Land fraud area involves sales and acquisition of undeveloped property financed by LINCOLN SAVINGS deposits that profited certain customers and allowed ACC to upstream a percentage of the fraudulently created book profits. The cash upstreaming to ACC occurred pursuant to a tax sharing agreement and created a source of needed income to the parent company. The income reflected on ACC and LINCOLN SAVINGS' financial statements would not have been allowed by accounting principals on multi-million dollars of land sales on thousands of acres of Arizona desert land.

8. Employee Stock Option Plan (ESOP) investigation targets KEATING, [redacted] and certain insiders from suspect ACC stock sales that benefited them personally and left debt owing on the books of LINCOLN SAVINGS. b6 b7C

9. [redacted] is a targeted land developer who is involved in the land fraud area, a PONTCHARTRAN investor and a borrower who left owing 155 million dollars on the books of LINCOLN SAVINGS.

10. Political matters focus on the campaign contributions made by KEATING and other LINCOLN SAVINGS and ACC offices to campaigns of five U. S. Senators who intervened on behalf of CHARLES KEATING. KEATING had objected to [redacted] direct investment regulation that impacted on LINCOLN SAVINGS' percentage of direct investment and its ability to operate.

[redacted] testimony before the House Banking Committee and other factors have prompted the Senate Ethics Committee to initiate an investigation into this area.

The Political matters area also focus on the numerous other political acts done by KEATING to affect regulation and impede the examination of LINCOLN SAVINGS by examiners. The various acts allowed KEATING and other ACC officers to upstream funds from LINCOLN SAVINGS to further enrich themselves.

The time line or lines in the matter would run between years 1983 and 1989 would focus on:

1. Banking regulatory dates affecting ACC and LINCOLN SAVINGS.

2. Banking examination dates for ACC and LINCOLN SAVINGS.

3. Financial statement dates such as yearly and quarterly.

4. Political contribution dates.

5. Bond sales and dates.

6. Financial condition dates of ACC and LINCOLN SAVINGS.

7. Employment dates of subjects/targets.

8. Major land/security sales affecting book profits of ACC and LINCOLN SAVINGS.

FD-302 (REV. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/90

[redacted] New York City, New York, 10012, was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows: b6 b7C

[redacted] advised his date of birth is [redacted] and he was born in New York City, New York. His social security account number is [redacted] His current profession [redacted]

[redacted] b6 b7C

[redacted] confirmed the fact that [redacted] the Federal Home Loan Bank Board located in Washington D.C. [redacted]

[redacted] advised [redacted] b6 b7C

[redacted] did not previously know [redacted] however, believes he may have spoken with him on the phone prior to [redacted] He believes at the time [redacted]

[redacted] nor was he initially interested in the position at the Federal Home Loan Bank Board. He had been originally solicited to take a position with the INTERNATIONAL TRADE COMMISSION and had agreed. The background investigation had been completed, however, the position had not officially opened up at the time.

[redacted] recalls on either October 15, 1986 or October 22, 1986, he received a call from one [redacted] of the White House personnel office. [redacted] asked [redacted] if he would be interested [redacted] the Federal Home Loan Bank Board. He stated [redacted] since the background investigation on [redacted] had

Investigation on 3/7/90 at New York, New York File # 58C-PX-41605 - 41

by SA [redacted] GKM/lkl Date dictated 3/12/90 b6 b7C

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been completed he could immediately fill the position. [redacted] also mentioned that a prior candidate [redacted] had been disqualified based on his relationship with one CHARLES KEATING. [redacted] then inquired if [redacted] knew [redacted] answered negative.

[redacted]

[redacted]

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[redacted] He later heard third or fourth hand that [redacted] was a very close associate of [redacted] never told [redacted] he was a friend of [redacted] The only knowledge [redacted] had of KEATING has been from what he read in the newspaper.

[redacted]

[redacted]

[redacted] advised [redacted] the main issue facing the board was the issue of direct investments. The direct investment regulation had been

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in force for approximately two years and was due to either be renewed, changed, or canceled as of December of 1986. [redacted] stated that this particular time was personally [redacted] During this period of time, [redacted] also became aware of the fact KEATING opposed the direct investment regulation. He also became aware of the friction which was occurring between the bank board and KEATING, specifically regarding the Grandfather Clause and the backdating allegations which had been discovered in an examination.

[redacted] stated [redacted] He was not knowledgeable enough about the bank board business nor the history and ramifications of the direct investment regulation. [redacted] To the best of his knowledge there had never been a public hearing on the regulation, even though there had been a comment period.

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[redacted] advised [redacted] was opposed to an extension and simply wanted to renew the existing regulation. [redacted] initially appeared to be non-committal and [redacted] believed he would vote for an extension.

On Monday, December 15, 1986, three days before the scheduled board meeting to have a final vote, [redacted] had a discussion with [redacted] regarding his position on the extension. [redacted] surprised [redacted] at that point and said no, he knew what had to be done and the regulation needed to be changed.

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[redacted]

At this point, on December 15, 1986, it then appeared the three man board was split three ways. [redacted] wanted an extension, [redacted] wanted to change the regulation and [redacted] wanted to renew the regulation as it existed. By December 17, 1986, the day before the scheduled vote, the issue still had not been resolved.

[redacted] recalls on that day there was a lot of activity by the staff of the bank board. There were a number of briefings which took place and discussions regarding the direct investment regulation. [redacted] further recalls meeting with one [redacted] an Attorney and lobbyist for the association of THRIFT HOLDING COMPANIES. Also with him was one [redacted] of an existing savings and loan. They both were attempting to lobby [redacted] however, he refused to discuss the direct investment matter with them. He does not recall what they talked about. [redacted] He believes [redacted] may have not only been a savings and loan officer but also a [redacted]

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[redacted] recalls on December 17, 1986, the board members and staff got together at approximately 8:00-8:30 p.m. [redacted] initially gave a speech on the direct investment and wanted it to remain in its present form. He does not recall if [redacted] made a proposal that evening. [redacted] continued to discuss the matter with [redacted] finally agreed to a ninety day extension. The following day, December 18, 1986, the scheduled day for the vote, staff members of [redacted] met and an extension was arranged. The extension actually ended up being approximately seventy-five days.

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[redacted] recalls on December 18, 1986, the board meeting took place and lasted about one and a half hours. The meeting was held in public, however, was not a public hearing. [redacted] recalls various staff members spoke about the direct investment

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regulation. He further recalls [redacted] formerly proposing an eleven point plan in written form regarding changes in the direct investment regulation. He further recalls [redacted] passing out a copy of the eleven point proposal to all individuals present. [redacted] recalls thinking it was very strange that [redacted] was pursuing this eleven point proposal due to the fact he was well aware that [redacted] had agreed to an extension and a majority vote decides an issue. [redacted] feels its a major point as to why [redacted] submitted the proposal when he knew very well the other two were going to vote for an extension. [redacted] recalls the proposal was neatly typed and [redacted] read it on the record. In addition, [redacted] formerly voted against the extension.

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[redacted] advised a comment period then began and a public hearing took place on either January 29 or January 30, 1987. During the comment period he recalls there were a number of lobbying efforts and letters written to the bank board. In addition, [redacted] convened a panel of six well known economists so as to hear their opinions regarding the direct investment regulation. Those economists included the following:

[redacted] does not recall the final economist.

[redacted] advised the public comment period lasted approximately sixty days and expired around February 19, 1987.

[redacted]

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[redacted] advised during this period of time [redacted] He felt the regulation was a good one and could even have been made tougher. A vote on the regulation did in fact take place on February 27, 1990, and modifications were made making it tougher. The staff had made proposals for additional capital reserve and

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Continuation of FD-302 of [redacted], On 3/7/90, Page 6

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[redacted]

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[redacted]

[redacted]

At this point, due to [redacted] schedule, the interview was terminated and it was agreed to continue at a later date.

58C-PX-41605-41

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58C - PX - 41605-43



Jay

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/1/90

HERB DRINKWATER, Mayor, Scottsdale, Arizona, 3939 Civic Center Plaza, Scottsdale, Arizona 85251, telephone number (602) 994-2433, provided the following information regarding the campaign contributions received from CHARLIE KEATING.

Mayor DRINKWATER stated he recalls receiving money from CHARLIE KEATING in 1980 and 1984; however, the money was returned. Mayor DRINKWATER said that he never spoke with KEATING about political contributions and was never asked for any favor by KEATING. DRINKWATER said he only recalls meeting CHARLIE KEATING two or three times at social events.

Mayor DRINKWATER recalled, at one of these social events, talking with CHARLIE KEATING about zoning changes that KEATING had requested. These properties were located at 11000 North Scottsdale Road, Indian Bend Road, and Thomas. Mayor DRINKWATER said that he recalled KEATING saying, "You never voted for anything I ever had." Mayor DRINKWATER said that he, in fact, did not think these zoning changes that KEATING wanted were good for the city.

Mayor DRINKWATER further stated he recalled vaguely CHARLIE KEATING saying that, "You're the only one that never took any money." However, Mayor DRINKWATER said that these were not the exact words of CHARLIE KEATING, only his recollection of the sentiments expressed by CHARLIE KEATING.

Mayor DRINKWATER said that [redacted] might recall the amounts of the checks sent, the dates of these checks and the manner in which the campaign contributions arose. [redacted] home telephone number is [redacted] and his car telephone number is [redacted]

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Investigation on 2/22/90 at Phoenix, Arizona File # 58C-PX-41605-Sub C PX 58C-41605-43

by SA [redacted] kkc Date dictated 2/22/90

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SEC-PX-41605-44



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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/16/90

[redacted] Date of Birth [redacted] b6 b7C b7D
was interviewed in the presence of [redacted]
[redacted] Washington, D.C. [redacted] telephone number [redacted]
stated that her Washington residence is [redacted]
[redacted] Washington, D.C. [redacted] telephone number [redacted]
[redacted] telephone number [redacted] provided the
following information regarding [redacted]
[redacted] and information regarding CHARLES
KEATING and business associates.

[redacted] said that [redacted] b6 b7C b7D
[redacted] began
working [redacted]

[redacted]

[redacted] stated that [redacted] b6 b7C b7D
[redacted] and CHARLES KEATING [redacted]

[redacted]

Investigation on 3/6/90 at Washington, D.C. File # PX 58C-41605

by SA [redacted] (Los Angeles Division) and b6 b7C
SA [redacted] REB/kf Date dictated 3/9/90

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SEC-PX-41665-45



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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/27/90

[redacted] Federal Home Loan Bank of San Francisco (FHLB-SF), 120 Kearny Street, San Francisco, California, [redacted] provided the following information: b6 b7C

[redacted] said that he was unsure why the Federal Home Loan Bank Board transferred supervisory authority over LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) of Irvine, California. [redacted] believed that there was a belief on the part of the Federal Home Loan Bank Board (FHLBB) that there was friction between LSL and the FHLB-SF examination staff.

[redacted] said that he never had a conversation with [redacted] regarding [redacted]

[redacted] b6 b7C

[redacted] believes that the removal of the San Francisco District was not a condition of the Memorandum of Understanding (MOU) signed by LSL and the bank board. [redacted] believes that the removal of the San Francisco District's authority over LSL assisted in the signing of the MOU.

Investigation on 3/13/90 at San Francisco, CA File # 58C-PX-41605 -45

by SA [redacted] rh Date dictated 3/26/90 b6 b7C

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[redacted]

[redacted] said that he was never made aware of the 1988 and 1989 exams of LSL that was conducted by the Federal Home Loan Bank Board except what he read in the newspapers. [redacted] said he did read that both exams supported the findings of the March 1986 exam that had been conducted by the 11th District. [redacted] said he had no contact with any of the examiners and had no conversation with other bank presidents concerning these examinations (1988 and 1989).

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[redacted]

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[redacted]

b6
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[redacted]

[redacted]

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It should be noted that the above interview occurred without benefit of records to refresh [redacted] memory and he stated with review of these records he could fix dates accurately.

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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted] Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, [redacted] was contacted at his place of business. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

[redacted] advised that his date of birth is [redacted] and his Social Security Account Number is [redacted]

The San Francisco District of the Federal Home Loan Bank Board conducted their first major examination of LINCOLN SAVINGS AND LOAN (LSL), Irvine, California, since LSL had been acquired by AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona, beginning upon March 13, 1986. This was a full scope examination as outlined in a memorandum to LSL from the San Francisco Federal Home Loan Bank prior to the beginning of the examination. Although the examination was full scope, it did not include LSL's holding company, ACC.

The bank examination team was composed of numerous examiners who conducted the hands-on examination procedures, an Examiner in Charge (EIC) who supervised the LSL exam, a Field Manager who supervised the LSL exam, as well as several other association examinations. A supervisory agent is also assigned to the association to receive examination reports and analyze the reports for appropriate action as deemed necessary in the circumstances.

[redacted] supervised all examination personnel within the San Francisco District and was responsible for assigning [redacted] of the LSL exam, as well as [redacted] to spearhead the Phoenix-based portion of the

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Investigation on 3/13/90 at San Francisco, CA File # 58C-PX-41605-46

by SA [redacted] SA [redacted] rh Date dictated 3/13/90

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examination. It was deemed necessary to have [redacted] assigned to the LSL exam as considerable records and operational activities were located at LSL locations in Irvine, California and headquarters operations in Phoenix, Arizona.

In 1986, the examination function was separate from the supervisory function and personnel responsible for each task reported to different individuals within the Federal Home Loan Bank. [redacted]

Shortly after the initiation of the March 13, 1986 examination, the examination team disclosed major problem areas which later became the primary focus of the examination. These problem areas included; 1) major underwriting violations for loans, 2) violation of the direct investment regulations as a percentage of net worth, and 3) real estate transactions involving heavy concentration in the Phoenix, Arizona, and Tucson, Arizona areas. [redacted] added that [redacted] Federal Home Loan Bank of San Francisco, [redacted] advised in June 1986 that LSL's real estate transactions were a potential disaster in the making. Furthermore, the amount of LSL's violation of the direct investment regulation was greater than the entire direct investment portfolios of any other savings and loan within the San Francisco District. When the examiners began reviewing the direct investments of LSL, they found a very complex problem due to direct investments by LSL's subsidiaries creating consolidation problems. They also found investment purchases involving a "grandfather" issue wherein the dates which certain investments transpired became an issue, as well as the apparent forging of documentation. b6 b7C

Although the examination findings did not call for an expansion of the examination's scope, additional examination procedures and tests were called for in the circumstances which proved to be very time consuming. These additional procedures and tests included the ordering of re-appraisals for real estate transactions, hiring qualified analysts to conduct reviews of LSL's junk bond portfolio, as well as the examiner's review of virtually non-existent loan file documentation. A series of memorandums were created by San Francisco District personnel addressing the 1986 LSL examination. These memorandums include one from [redacted] of [redacted] in New York City, New York which addressed the examination process and procedures applied, a memorandum from [redacted] to [redacted] addressing those issues responsible for additional time consuming b6 b7C

examination procedures and a December 10, 1986 memorandum from Supervisory Agent [redacted] to LSL as a follow-up to a meeting between San Francisco District examiners and LSL personnel setting forth the 1986 examination's preliminary report which addressed unreported losses, violations of the direct investment regulations, net worth concerns, and a directive that no further dividends be paid to ACC by LSL.

LSL and ACC took the position that the San Francisco District's 1986 examination found no violations during their examination, however [redacted] sent the examiners back into LSL to find some sort of violation. [redacted] advised that he believes this allegation arose due to the cancellation of the examination's exit conference, which was delayed due to incomplete real estate re-appraisals and junk bond reviews which had not been completed and reported upon. Due to San Francisco's examination findings, San Francisco District retained the services of PILLSBURY, MADISON, AND SUTRO, Attorney's-at-Law as outside counsel to assist in preparing recommendations for enforcement action which the San Francisco District fully expected and anticipated LSL to contest through litigation. The law firm of PILLSBURY, MADISON, AND SUTRO assigned [redacted] (phonetic) and [redacted] to this matter. b6 b7C

In 1986, the Federal Home Loan Bank Board was in the middle of the Thrift Institution crisis. Routine examination intervals for savings and loan associations averaged every one and one-half to two years depending upon the condition of the institution. In recent years, this interval has been more frequent. Typically, a full scope examination would be conducted during each field visit at the scheduled intervals. Examinations are primarily conducted in accordance with the Examination Objectives and Procedures Manual (EOP) which has since been replaced by new examination procedures. [redacted] advised that the EOP had basically been moth-balled nationwide prior to 1986, however, EIC's and Field Managers would set forth the examination's scope within a memorandum to the management and used basic examination and documentation techniques which were standard to the industry. [redacted] added that procedures are less standardized today than in 1986, however, the emphasis today is to conduct the examination in a timely manner. b6 b7C

During the course of the examination, the EIC's would write up a series of interim reports as significant findings were disclosed in order to notify management of problem areas. The EIC's would also apply additional resources to those problem areas as deemed necessary. During the LSL examination in 1986, the EIC's used considerable outside resources as they hired outside

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real estate appraisers, outside experts to review junk bond transactions, and outside real estate investment analysts. Furthermore, the San Francisco District notified Washington, DC [redacted] of major problem areas which would likely require Washington, DC action, i.e. enforcement involving conservatorship/receivership. In addition to outside resources such as real estate appraisers and securities analysts, the San Francisco District hired the law firm of PILLSBURY, MADISON AND SUTRO as well as the accounting firm of KENNETH LEVENTHAL to gain specific expertise which San Francisco believed would be necessary to address anticipated litigation from LSL. Washington, DC supervision was informed of each step taken by the San Francisco District. To support their position, San Francisco District acted at Washington, DC's direction by retaining the services of KENNETH LEVENTHAL and PILLSBURY, MADISON AND SUTRO.

Around July 1986, the San Francisco District briefed Federal Home Loan Bank Board officials in Washington, DC concerning LSL's examination and the huge problem LSL was perceived to be by the San Francisco District. In attendance for San Francisco District was [redacted] while Washington, DC personnel included key Washington [redacted] knew of instances back as far as 1984 where such action had been taken and added that although it was not common practice, it was occurring more and more frequently due to the new school of thought that institutions should be placed into conservatorship before becoming totally insolvent. b6 b7C

In October through December 1986, a series of drafts were composed in order to create a Statement of Supervisory Concerns to LSL. This 200-page document set forth San Francisco District's concerns, as well as the gravity of the situation as they perceived it to be. The San Francisco District also began drafting their examination report, which San Francisco fully expected to be litigated by LSL. The 1986 examination report was compiled by [redacted] b6 b7C

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The only criticism of the Washington, DC supervision at this time was criticism concerning the time it was taking San Francisco to get the examination report and accompanying recommendations submitted so action could be initiated against LSL. [redacted] reiterated the delay was largely due to outside conditions involving real estate re-appraisals and expert analytical review of junk bonds and real estate investments.

In response to the San Francisco District's report of examination, LSL's outside counsel, KAYE SCHOLER of New York City, delivered over 700 pages of rebuttal with exhibits to the Federal Home Loan Bank Board of San Francisco. [redacted] advised that KAYE SCHOLER had the reputation as one of the toughest litigation firms in the United States, which reinforced San Francisco's belief that LSL would litigate the issues within their examination report therefore requiring the report and its accompanying recommendations for enforcement action to be fully documented and supported. The recommendation for conservatorship/receivership is the key document when action is to be instituted against an association. The recommendation becomes a legal document which is the heart of the administrative record upon which the case is won or lost. The seriousness which the San Francisco District placed upon this recommendation was indicated by their hiring the law firm of PILLSBURY, MADISON, AND SUTRO to assist in preparing the recommendation for conservatorship.

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[redacted] advised the San Francisco District was experienced in the area of placing institutions into conservatorship/receivership as the San Francisco District had placed a large number of institutions into such a status without ever having lost a recommendation for conservatorship/ receivership. The San Francisco District's track record was extremely good in this area and [redacted] believed it to be the best in the Federal Home Loan Bank Board system.

[redacted] advised the determination for recommending appointment of a conservator for LSL would have been made by [redacted] upon review of the 1986 examination findings. The recommendation for the appointment of a conservator would have been written by [redacted] and his assistant, [redacted]

Although all recommendations for enforcement action were initiated by the San Francisco District, a conservatorship/ receivership action must be conducted by the Federal Home Loan Bank Board of Washington, DC. The Washington, DC supervision

spearheading the effort would have been [redacted] the Office of General Counsel for the Federal Savings and Loan Insurance Corporation (FSLIC), and the litigation division of the Federal Home Loan Bank Board when a challenge is anticipated. Cease and Desist Orders must also be conducted by Washington, DC's Office of Enforcement. The only action the San Francisco District can institute is to issue directives which are not enforceable by law. As a result of the 1986 examination, the San Francisco District issued directives to LSL stating no further dividends should be paid by LSL to ACC and income claimed from certain transactions should be reversed or written off.

[redacted] advised that in order for the Federal Home Loan Bank Board to place a state chartered savings and loan association into conservatorship, one of the following conditions must be met: 1) the institution must be insolvent, 2) the institution must be subject to unsafe and unsound practices and conditions, 3) there must be substantial dissolution of their assets due to unsafe and unsound practices or violations of law. [redacted] advised that the number two option was the San Francisco District's most likely avenue of pursuit, however, issues were disclosed when reviewing the purported sale of a 45% interest in the PHOENICIAN RESORT which may have enabled the San Francisco District to pursue conservatorship under option number three. b6 b7C

Although it was apparent LSL felt animosity towards the San Francisco District, [redacted] did not perceive that the San Francisco District's personnel felt animosity towards LSL. Relations between the San Francisco District and LSL were further strained by the litigious nature of LSL and the use of litigation as a tactical maneuver to stall supervisory or enforcement action.

[redacted] felt that the San Francisco District had a good relationship with the Washington, DC supervision, including [redacted] added that the only criticism he could recall from the Washington, DC supervision concerned the timeliness of San Francisco District's Report of Examination. [redacted] admitted that the San Francisco District had been critical of the Office of Enforcement, however, the Dallas and Atlanta Districts, as well as the Securities and Exchange Commission had all experienced major problems with [redacted] and the Office of Enforcement. b6 b7C

[redacted] advised that LSL was the only institution ever removed from San Francisco's jurisdiction. However, San Francisco did experience difficulty with the Washington, DC supervision in cases involving Saratoga Savings and Loan Association, Westwood

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Savings and Loan Association, and American Savings and Loan Association. [redacted] described the Saratoga Savings and Loan situation as one wherein San Francisco recommended enforcement action while the institution represented a 10% capital margin with apparent account gimmickry similar to LSL. This institution has since failed for those reasons specifically noted by San Francisco. The Westwood Savings and Loan matter involved a situation wherein former Speaker of the House, JIM WRIGHT, applied political pressure to release FSLIC funding legislation which he was holding up in the House of Representatives. As a result, the handling of one group of assets was removed from San Francisco jurisdiction. The American Savings and Loan incident involved a situation where San Francisco had warned the Federal Home Loan Bank Board for years the institution would fail. However, Washington, DC supervision blocked action which was recommended by the San Francisco District.

Concerning [redacted] allegations that [redacted] intentionally leaked confidential information concerning LSL to the press and that [redacted] attempted to hold LSL out as a bad association because of their direct investment practices, [redacted] advised [redacted] has since retracted the statements made before the Congressional Banking Subcommittee. Although [redacted] made it appear [redacted] released confidential information concerning former Home Loan Bank Board member [redacted] loans with LSL, the apparent source of the Wall Street Journal's information came from a public recorder of deeds in Georgia. b6 b7C

[redacted] advised between 1984 and 1986, the San Francisco Federal Home Loan Bank did not issue any enforcement orders against LSL. However, the San Francisco District did deny a request of LSL in January 1985 to exceed the direct investment threshold of 10% of the association's net worth. LSL appealed the decision of the San Francisco District only to be denied a second time by the district with no further appeals. [redacted] added the San Francisco District issued non-enforceable directives to LSL concerning questionable practices, they kept the Washington, DC supervision informed of potentially problem areas, and they continued to gather additional facts in support of their recommended directives and enforcement action.

In response to [redacted] Congressional testimony describing the San Francisco District's 1986 examination as "woefully inadequate" and deficient in available evidence with the exception of 1) underwriting violations, 2) direct investment violations, and 3) loan concentration violations, [redacted] advised these three areas were immediately identified as the biggest b6 b7C

problem areas in the 1986 examination. Even the enforcement office of Office of Regulatory Policy, Oversight and Supervision (ORPOS) agreed the 1986 Examination Report was well documented and later admitted basis for a Cease and Desist Order existed. [redacted] questioned [redacted] comment that the examination lacked adequate evidence as [redacted] killed the San Francisco District's scheduled 1987 field visit which would have provided them the opportunity to gather additional data in support of their position. [redacted] also refuted [redacted] claim that San Francisco failed to provide enforcement with "adequate legal basis" to act upon those recommendations submitted by San Francisco. [redacted] contends San Francisco did establish adequate legal basis concerning LSL's direct investment violations, violations of underwriting regulations, and violations of loan concentration regulations. Furthermore, it was the Office of Enforcement that hired and retained the law firm of PILLSBURY, MADISON, AND SUTRO at this time to assist in preparing an enforceable case against LSL.

The San Francisco District took little informal supervisory action against LSL with the exception of issuing directives to LSL's management. San Francisco found LSL's management unwilling to change their practices merely on the basis of non-enforceable actions issued by San Francisco. However, the San Francisco District made two criminal referrals, two Securities and Exchange Commission referrals, and one Internal Revenue Service referral in addition to recommendations to the Federal Home Loan Bank Board's enforcement office, relating to "file stuffing" of inadequately documented loan files and the back-dating of direct investment transactions whereby LSL personnel admitted the deceitful acts in both instances. [redacted] advised that the San Francisco District considered both issues to be major red flags as an indication of LSL management's character. b6 b7C

[redacted] did not attend a May 1987 meeting including personnel from the San Francisco District, Washington, DC supervision, general counsel, and Office of Enforcement whereby the 1986 examination report was discussed and found to inadequately support the appointment of a conservator as recommended by the San Francisco District, as stated by [redacted] in her congressional subcommittee testimony. [redacted] advised San Francisco District did believe grounds existed for their recommendation of a conservatorship or they would not have hired the law firm of PILLSBURY, MADISON, AND SUTRO to assist in preparing the conservatorship recommendation. Furthermore, the memorandum by [redacted] of ORPOS further contradicts [redacted] statements as [redacted] also recommended conservatorship for LSL. However, [redacted] concedes it may not have been possible for the Federal Home Loan Bank Board to place LSL into

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receivership at that time due to a technical glitch whereby the Garn-St. Germaine Act, which provides the Federal Home Loan Bank Board with such regulatory power, had temporarily lapsed and was awaiting re-enactment, which was realized in August 1987.

On August 31, 1987, the San Francisco District advised LSL they would conduct a limited scope examination beginning in September 1987 to address issues set forth in LSL's 700-page response to the 1986 Examination Report. San Francisco District identified those issues which would be reviewed in the limited scope examination, which addressed issues made by LSL's counsel in their 700-page response to the examination findings and directives issued by San Francisco District. Also at this time, the firm of KENNETH LEVENTHAL, Certified Public Accountants, had been retained to review several major accounting problems, including a tax sharing agreement between LSL/ACC. The San Francisco District provided LSL with written documents showing exactly what was to be examined within the two-week limited scope field visit. One of the transactions to be reviewed was the Hidden Valley real estate transaction which San Francisco had recently identified as a potentially major problem.

After San Francisco District advised LSL of the intended field visit, LSL's management traveled to Washington, DC where they met with [redacted] the Federal Home Loan Bank Board and [redacted] LSL management advised [redacted] they would sue the Federal Home Loan Bank Board should the examination take place and further demanded to know why the examination was to occur and why it was needed. San Francisco was subsequently ordered not to conduct the field visit by [redacted] b6 b7C

In the fall of 1987, the Washington, DC supervision conducted an independent review of the San Francisco District's 1986 examination report of LSL. Their review led to an October 1987 meeting which lent support to San Francisco District's examination findings as the Washington, DC supervision confirmed that write-downs to assets of LSL were necessary. However, San Francisco District was asked to allow a period of time to lapse until January 1988 before going back to LSL for additional examination work which would update information within the 1986 examination report. Also during this time of October or November 1987, the Office of Enforcement sat down with the San Francisco District to draw up a Cease and Desist Order which would initially be presented to LSL as a Consent Cease and Desist Order.

[redacted] advised in November 1987, it appeared Washington, DC supervision had come to the following conclusions: 1) San b6 b7C

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Francisco was correct in their facts concerning LSL, 2) removing San Francisco's supervisory jurisdiction of LSL was wrong, 3) San Francisco District had not been abusive to LSL, and 4) LSL's management had been engaged in deceitful practices. In light of the apparent realizations by Washington, DC, [redacted] was stunned when Washington, DC entered into the May 20, 1988 Memorandum of Understanding (MOU) and Supervisory Agreement with LSL which removed San Francisco's jurisdiction for supervisory authority of LSL.

On May 20, 1988, when the Washington, DC supervision of the Federal Home Loan Bank Board obtained the consent of LSL to conduct a new examination pursuant to the Supervisory Agreement/MOU, LSL was due for a new examination anyway. The Supervisory Agreement/MOU also resolved the contested issues in that it stated the San Francisco District's 1986 examination findings of LSL could not be used to support enforcement action against LSL. The Supervisory Agreement/MOU addressed the critical examination findings in the following manner: 1) loan underwriting violations-LSL agreed to institute a loan underwriting policy for which they presently had none, 2) direct investment violations-the agreement contained no requirement for LSL to stop making illegal direct investments and further allowed LSL to make new illegal direct investments upon current projects, 3) junk bonds-no restrictions were set forth, 4) real estate issues-received no mention in the agreement.

[redacted] believes the Federal Home Loan Bank Board would have been better off had this agreement never been executed as it subjected the association to additional losses in junk bonds, direct investments, and poor loan underwriting. [redacted] added this supervisory agreement provided LSL with all the advantages because it was not enforceable. Should LSL violate a condition of the supervisory agreement, the Federal Home Loan Bank Board would still be required to seek a Cease and Desist Order in an enforcement proceeding to deal with the violation. [redacted] advised that the only apparent advantage the Federal Home Loan Bank Board gained by the Supervisory Agreement/MOU was the receipt of LSL's consent to conduct an examination in 1988. However, LSL was due for a new examination and the Federal Home Loan Bank Board had the statutory right to conduct the examination regardless of whether LSL consented. b6 b7C

In order to assist the Federal Home Loan Bank Board in conducting the 1988 examination of LSL, the San Francisco District drew up a suggested scope memorandum setting forth those areas of concern which should be addressed during the 1988 examination. [redacted] advised that the 1988 exam scope was restricted by the

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Supervisory Agreement/MOU as the Federal Home Loan Bank Board agreed not to utilize the 1986 examination findings to determine the direction and focus of the new examination.

Despite the San Francisco District's suggested scope memorandum, the original scope of the 1988 examination did not include examination of the tax sharing agreement between LSL and its holding company, ACC. Further, the original scope of the examination did not include any exam procedures directed toward the holding company as the Supervisory Agreement/MOU did not allow for this variable. Other restrictions imposed by the Supervisory Agreement/MOU included the prohibition of the examiners to review 1986 examination findings and work papers.

Examiners participating in the 1988 examination stated they had been given very unusual, limiting instructions concerning the examination by [redacted] b6 b7C
[redacted] the Federal Home Loan Bank and had previously worked with [redacted] was assigned to the [redacted] prior to his appointment as [redacted] in Washington, DC. [redacted] selected [redacted] as well as (FIRST NAME UNKNOWN) [redacted] phonetic) of the Pittsburgh District, who was tasked with reviewing real estate transactions. [redacted] chose not to conduct any re-appraisals of real estate during his examination. This created a controversy as the California Department of Savings and Loan Associations was conducting a concurrent examination at the time and the California State Commissioner [redacted] approached [redacted] for an advance of funds to conduct the necessary real estate re-appraisals only to be refused by [redacted] later stated in testimony before the Congressional Subcommittee that [redacted] was incompetent in the performance of his examination duties associated with the 1988 examination of LSL.

[redacted] (phonetic), an examiner with the California Department of Savings and Loan Associations, stated that after the federal examiners were nearly completed with their field work, they had identified only $5-$10 million in LSL losses. However, the California Department of Savings and Loan Associations examiners found substantially greater losses and more problems with two examiners than all the federal examiners combined. [redacted] advised that those examiners reporting through [redacted] did not disclose the violations which were expected. However, the Chicago Federal Home Loan Bank examiners conducting the examination of ACC's holding company disclosed blistering details of the tax sharing transactions between LSL and ACC. The Chicago examiners identified $94 million in questionable transactions which was recoverable to LSL if action was taken in a timely manner. The

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violation was found to be so flagrant that even [redacted] attempted to have [redacted] and the Enforcement Review Committee take action in a timely manner to recover the $94 million. However, [redacted] declined to take the necessary action as she contended ACC had the money in their accounts and it could be recovered at a later date. ACC later declared bankruptcy before the Federal Home Loan Bank Board could recover the money and now the Federal Home Loan Bank Board is an unsecured creditor with no chance of recovering the dollars for LSL.

[redacted] advised that enforcement was afraid of violating the Supervisory Agreement/MOU by taking action against LSL, therefore, no enforcement action was taken at all except for the issuance of directives which LSL did not acknowledge.

[redacted] added that examiners from the Atlanta District, Chicago District, and the California Department of Savings and Loan Associations testified before the Congressional Subcommittee on Banking that they believe the 1988 examination by the Federal Home Loan Bank Board to be a whitewash. [redacted] recalls a [redacted] (phonetic) of the Chicago District showed particular disgust in his testimony before the Congressional Banking Subcommittee and advised that he kept notes concerning irregularities associated with the examination.

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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/21/90

[redacted] Office of Thrift Supervision, 580 California Street, San Francisco, California 94104, [redacted] was contacted at his place of employment. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

[redacted] advised his date of birth is [redacted] and his Social Security Number is [redacted]

[redacted] the San Francisco Federal Home Loan Bank Board [redacted] LINCOLN SAVINGS AND LOAN (LSL) ASSOCIATION, Irvine, California. At this time, the Federal Home Loan Bank of San Francisco was divided into the Examination Department and the Supervision Department, both of which reported to the Federal Home Loan Bank of San Francisco [redacted] reported to [redacted] but had an analyst staff consisting of [redacted] General counsel for the Federal Home Loan Bank of San Francisco was [redacted]

When the San Francisco Federal Home Loan Bank began the examination of LSL in March 1986, [redacted] was [redacted] assigned the examination. [redacted] has since retired and is living in the Los Angeles area. [redacted] was also assigned to the LSL examination [redacted] shortly after the beginning of the examination when it was discovered problems occurred within the association. [redacted] the Phoenix, Arizona portion of the exam where numerous documents and records of LSL were maintained.

During the months of April through June 1986, [redacted]

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Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-47

by SA [redacted] SA [redacted] ch Date dictated 3/14/90

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would travel to Irvine, California with [redacted] to review the examiners work papers and discuss the arising problems with the Examiner in Charge. The examination was scheduled to close on July 5, 1986, however, it became apparent San Francisco District was nowhere near closing the examination. It was conveyed to LSL's management the July 5, 1986 would only be an interim meeting whereby the supervisory and examination team would address their findings to date and then continue their examination.

During the July 5, 1986 meeting, [redacted] got on his soap box concerning [redacted] and proceeded to complain about [redacted] policies and the screwed up nature of the industry. [redacted] advised that KEATING controlled the meeting and rolled right over [redacted] not allowing him the opportunity to address the issues and findings to date. The San Francisco District made it clear to LSL management the meeting was not a closing meeting as additional examination was to be conducted. KEATING became irate and began to personally attack [redacted] experience level and made a vague threat against [redacted] indicating he could become the subject of LSL's litigation. [redacted] stated the meeting was not conducive to the examiners addressing their findings to date so the meeting would be terminated, the examination concluded, and then the findings would be addressed with management. b6 b7C

[redacted] advised that the San Francisco District exam personnel utilized examination work programs to perform their examination tasks. These work programs were standardized and ever-changing as indicated by the 1985 Federal Home Loan Bank Board's implementation of new asset classification guidelines dealing with loans and direct investments. The examination of LSL became difficult as the examiners were addressing new issues such as equity securities, junk bonds, and direct investments regulated by the Garn-St. Germaine Act. As these were new issues, no standardized work programs existed for dealing with the issues. Therefore, the San Francisco District looked to outside resources in order to adequately review and analyze their status and impact upon LSL. The San Francisco Federal Home Loan Bank retained the firm of HOULIHAN, LOKEN, HOWARD, AND ZUKIN, INCORPORATED OF LOS ANGELES to review and analyze the junk bond portfolio of LSL. They also retained professors [redacted] from the University of Southern California to analyze the methodology of LSL's investments. The San Francisco law firm of PILLSBURY, MADISON, and SUTRO was retained to assist San Francisco in compiling the necessary documentation for support of a recommended conservatorship/receivership. [redacted] advised that the examiners b6 b7C

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attempted to conclude their exam as quickly as possible after the July 5, 1986 meeting, however, LSL wanted their counsel to have the opportunity to review everything the examiners reviewed. The Federal Home Loan Bank Board's Office of Enforcement provided assistance to the San Francisco District in July 1986 when they met with LSL and their counsel to insure the continued flow of information to the examiners so the examination could be concluded. San Francisco District's examiners concluded their field work in October 1986 when they felt they had obtained all the information they would be allowed to receive by LSL.

[redacted] advised that the San Francisco District communicated regularly with Washington, DC supervision of the Federal Home Loan Bank Board in order to keep them informed of the issues and events surrounding the examination of LSL. San Francisco District primarily communicated with [redacted] (phonetic) [redacted] In October 1986, a statement of supervisory concerns was written by [redacted] of PILLSBURY, MADISON, AND SUTRO, and edited by [redacted] addressing concerns disclosed by the 1986 examination. In October and November 1986, [redacted] conveyed concerns to [redacted] regarding the manner in which LSL was being operated. [redacted] wanted San Francisco to issue a directives letter addressing unsafe and unsound practices at LSL. San Francisco responded to Washington, DC, they believed it would be better to complete the documentation of their examination to support the recommended action of a conservatorship. [redacted] added that San Francisco fully expected litigation from LSL and they wanted to insure their documentation was in order prior to taking on the anticipated litigation. For this reason, the San Francisco District hired PILLSBURY, MADISON AND SUTRO to make sure their supporting documentation adequately supported their recommendation of conservatorship. Although San Francisco believed they had compiled substantial information concerning LSL's activities, they also realized they were never going to obtain everything they wanted or needed due to the legal and administrative roadblocks LSL's legal counsel continually inflicted upon them.

[redacted] advised that the issue a vendetta had developed between [redacted] and LSL was always a mystery to [redacted] advised San Francisco was required to respond to an inquiry by [redacted] in late 1986 concerning why the examination was taking so long. [redacted] responded to [redacted] by memorandum addressing the roadblocks initiated by LSL's legal counsel as well as the timeliness created by additional real estate appraisals, junk bond analysis and review, equity securities analysis, and real estate analysis. b6 b7C

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[redacted] was providing LSL management with memorandums and notifications of the 1986 examination findings throughout the entire examination process. These memorandums addressed issues which management was encouraged to respond to in order to possibly resolve the matters. By late November or early December 1986, San Francisco was prepared to conduct a final closing meeting with LSL. The closing meeting was attended by one LSL employee, [redacted] sat through the meeting without any comments and approximately two weeks after the conclusion of the meeting, LSL came back to the San Francisco District requesting another meeting as their management team was unable to attend the previous closing meeting. San Francisco scheduled another meeting for January 1987 wherein they presented all their examination findings and issues. The LSL management team was accompanied by outside legal counsel from KAYE SCHOLER of New York, New York and San Francisco District requested a response from LSL concerning the asset classifications addressed.

Field work for the 1986 examination from LSL initiated on March 13, 1986 and concluded on October 16, 1986. The examination report was written by [redacted] b6 b7C assistance from their examiners and outside consultants. [redacted] was responsible for the overall report with assistance from [redacted] The report would then be submitted to [redacted] who would review all the work papers supporting the report and determine whether critical areas needed to be addressed in greater detail. [redacted] had the final say concerning what constituted a major issue and how it was to be addressed in the examination report. Upon [redacted] approval, the report would be forwarded to the San Francisco District office for final analysis and edification by [redacted] and [redacted] The final report was concluded on April 20, 1987.

The recommendation for conservatorship/receivership with an alternate proposal of a Cease and Desist Order was concluded and forwarded to Washington, DC on May 1, 1987. The recommendation initiated with [redacted] and his assistants and was discussed as length with [redacted] b6 b7C advised that each of these individuals must approve of the recommendation and sign off on the document before it can be submitted to Washington, DC for action. The recommendation was written by [redacted] and his [redacted] with considerable input from the law firm of PILLSBURY, MADISON AND SUTRO. [redacted] added that he believes this recommendation to be the best piece of work produced by the San Francisco District, where no previous recommendations had ever been questioned by the Washington, DC supervision. Furthermore, the San Francisco District had

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instituted over 30 requests for conservatorship/receivership without a single failure.

When San Francisco District forwarded their recommendation to Washington, DC, the Washington, DC supervision knew the recommendation was coming and were familiar with all the issues. [redacted] advised the organizational structure of Washington, DC was changing at the time as [redacted] Office of Regulator Policy, Oversight and Supervision (ORPOS) [redacted] was being replaced by [redacted] believes this change in organizational structure impacted upon how the Washington, DC personnel acted, as [redacted] did not want to deal with the issue of LSL in his last month of office. Rumors existed throughout the Federal Home Loan Bank Board that no action would be taken [redacted]

[redacted] wrote a memorandum dated July 23, 1987 to the Federal Home Loan Bank Board supporting conservatorship for LSL as the San Francisco District had recommended. However, [redacted] was not aware that such a memorandum had been executed by [redacted] ever seen the document. [redacted] does not know what became of [redacted] recommendation, nor did [redacted] ever converse with [redacted] concerning his recommendation. b6 b7C

When [redacted] replaced [redacted] on July 31, 1987, [redacted] requested a review of the San Francisco District's recommendations and 1986 examination report be conducted by [redacted] and report their opinion to [redacted] Upon the conclusion of their review, [redacted] agreed with 90-95% of the recommendations set forth by the San Francisco District.

At this time, San Francisco District did not believe that the Washington, DC supervision would place an association into conservatorship when the association was not insolvent, despite questionable leniency provided LSL in respect to proposed reserves involving the Phoenician Resort's losses. Therefore, San Francisco proposed an alternative action of cease and desist orders.

[redacted] advised that Washington, DC supervision never came to the San Francisco District and asked for additional information on a given issue to satisfy their criteria for conservatorship. San Francisco District had also been engaged in disagreements with the Washington, DC supervision concerning what b6 b7C

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is required in order to support a conservatorship/receivership or a cease and desist order. [redacted] advised that this was not a problem unique to the San Francisco District as other districts supposedly experienced the same problems. [redacted] added that Washington, DC's enforcement would traditionally "take a long time, all the time".

San Francisco District could have issued a directive letter to LSL setting forth significant issues, however, the directive letter would not be enforceable to LSL. San Francisco District did not believe this would be productive so they prepared for conservatorship/receivership and alternatively cease and desist orders. Directives were presented to LSL within the examination report addressing income adjustments and appraisal reserves, but enforceability was not strong and management was not usually responsive to the directives. San Francisco District could have attempted to sit down with LSL and hammer out a supervisory agreement also, however, San Francisco did not feel this would be productive as LSL's Board of Directors rejected a proposal by the San Francisco District to address their concerns of unsafe and unsound management practices.

In September 1987, the San Francisco District planned to conduct a limited scope field visit of LSL and forwarded a letter to LSL's management setting forth those issues to be reviewed. The scope of the field visit was limited to LSL's rebuttal responses to the examination report completed March 20, 1987. [redacted] was told by [redacted] the field visit was not to occur as planned and [redacted] believed San Francisco was notified of their cancelled field visit by [redacted] b6 b7C

In November or December 1987, an Office of Enforcement attorney, [redacted] (phonetic), came to San Francisco to work on a cease and desist order with [redacted] The cease and desist order was drafted, however, action was postponed by the San Francisco District and Washington, DC in order to provide LSL's [redacted] an opportunity to place the institution's management upon more traditional and solid ground. After [redacted] met with the San Francisco District, it was realized [redacted] purported efforts were a ruse when he resigned from LSL.

[redacted] advised that although San Francisco District made the recommendation for conservatorship/receivership or Cease and Desist Order, Washington, DC had to act upon their recommendations. [redacted] was not knowledgeable of specific instances wherein San Francisco District or Washington, DC personnel were apparently influenced by LSL to affect recommended

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regulatory action. [redacted] advised that he had no contact with [redacted] the other examiners involved in the 1988 examination of LSL as San Francisco District was completely out of the supervision over LSL. [redacted] was not aware of any attempt to influence examiners involved in the 1988 examination of LSL. Furthermore, [redacted] last dealing with LSL occurred in May 1988 when jurisdiction over LSL was removed from San Francisco.

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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/23/90

[redacted] Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, [redacted], was contacted at her place of employment. After being advised of the identity of the interviewing agents and the official nature of the interview, [redacted] voluntarily provided the following information:

[redacted] advised her date of birth is [redacted] and her Social Security Account Number is [redacted]

[redacted] has been employed with the Federal Home Loan Bank of San Francisco since [redacted] She was assigned [redacted] to the Lincoln Savings and Loan (LSL) case on [redacted] worked with [redacted] and reported to [redacted]

[redacted] was responsible for the monthly monitoring of LSL, which included the review of their Thrift Financial Report, Securities and Exchange Commission filings, Junk Bond Reports, internal reports, and day-to-day contact with accountants conducting the institution's examination and the legal staff reviewing issues disclosed. [redacted] reviewed all examination findings in order to advise [redacted] and Washington supervision of the situation at LSL. [redacted] primary contact with Washington, [redacted]

[redacted] would receive examination information from the LSL Examination [redacted] as well as the California Savings and Loan Association examiners and disseminate the information to Washington, DC supervision in order to keep them abreast of the issues so timely enforcement action could be pursued upon the completion of the examination. [redacted] advised that [redacted] was very receptive to the information provided by the San Francisco District and was cognizant of San Francisco's desire to seek a conservatorship/receivership with an alternative enforcement action of a cease and desist order. [redacted] and San Francisco had repeatedly conveyed this position to [redacted] who appeared to be supportive of San Francisco's

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Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-48

by SA [redacted] SA [redacted] rh Date dictated 3/15/90

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position and even vocalized his support on various occasions, including his testimony before the Congressional Subcommittee on Banking.

The recommendation for conservatorship/receivership with an alternative backup of a cease and desist order was drafted by [redacted] San Francisco Counsel [redacted] of the law firm PILLSBURY, MADISON, AND SUTRO. [redacted] advised that experienced outside counsel was retained to insure sufficient legal justification and current evidence was present in order to support the enforcement action recommended by the San Francisco District. Furthermore, the San Francisco District was specifically following [redacted] recommendation concerning the documentation of sufficient legal justification to support action on the basis of unsafe and unsound practices at LSL. [redacted] recommendations and concerns were conveyed to the San Francisco District through [redacted] (phonetic) and were usually general in nature but addressed the issue of documenting sufficient evidence. [redacted] was also in continual contact with [redacted] of the law firm PILLSBURY, MADISON, [redacted] to insure sufficient legal justification for San Francisco's recommended action.

[redacted] advised the San Francisco District sent voluminous amounts of information supporting all aspects of their concerns with LSL so Washington, DC supervision had sufficient evidence to pursue whatever avenue they desired in seeking enforcement against LSL. San Francisco always forwarded newly received and updated data to Washington, DC to keep them abreast of their findings, however, San Francisco did not always receive feedback from Washington, DC concerning their examination findings and concerns. On one occasion, San Francisco even requested of [redacted] to allow them to go back into LSL in 1987 to accumulate additional current documentation to replace evidence which may have become stale. However, San Francisco was denied the opportunity to conduct additional examination procedures by Washington, DC supervision.

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By March 1, 1987, when [redacted] was assigned to the LSL matter, the examination team was out of LSL and the examination report was being completed. Upon the examination report's completion in April 1987, [redacted] conducted extensive reviews of the examination report and prepared a supervisory cover letter which was forwarded to LSL with the examination report around May or June 1987. In July 1987, LSL responded to the examination report findings in an effort to

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refute San Francisco District's position on apparent violations. [redacted] advised LSL attempted to refute every single issue within the examination report and their response was comprised of 15-20 volumes making it the most voluminous response to an examination report in the history of the Federal Home Loan Bank.

Upon receipt of LSL's response, San Francisco was responsible for reviewing the entire response for merit. [redacted] advised it was Washington, DC supervision's opinion they should not institute any enforcement action until the LSL rebuttal was reviewed in its entirety and San Francisco's information updated from the data provided within LSL's response. Furthermore, Washington, DC supervision believed that should the Federal Home Loan Bank Board take action without the benefit of reviewing LSL's rebuttal to the examination findings, the Federal Home Loan Bank Board could end up in court without the benefit of LSL's defense position as represented within their rebuttal to the 1986 examination.

[redacted] assisted in the review of LSL's response as it addressed operational issues. However, the firm of KENNETH LEVENTHAL, Certified Public Accountants, was retained to review accounting violations while the law firm of PILLSBURY, MADISON AND SUTRO reviewed real estate transactions. The San Francisco District utilized third party experts to prevent any criticism of their review and enable them to conduct the review in a timely manner without exhausting the entire resources of the San Francisco District. [redacted] remained in close contact with [redacted] concerning LSL's status. During this time period, [redacted] believed that [redacted] supported San Francisco's position and conveyed their support to [redacted] office. However, [redacted] was not aware of the memorandum of [redacted] Office of Regulatory Policy, Oversight and Supervision (ORPOS) dated July 23, 1987 recommending conservatorship/receivership for LSL as recommended by the San Francisco District. [redacted] was not aware this memorandum existed until 1989 when [redacted] sent a copy of the memorandum to the San Francisco District. In addition to being unaware of the document, [redacted] could recall no discussions during the period of July 1987 wherein [redacted] recommended conservatorship/receivership to the Federal Home Loan Bank Board as recommended by the San Francisco District. However, [redacted] does recall [redacted] mentioning the need to brief the Federal Home Loan Bank Board on LSL but later postponed a possibly scheduled meeting until after LSL's response to the examination report could be fully reviewed and analyzed. b6 b7C

[redacted] recalls allegations concerning the leaking of

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confidential information concerning the LSL examination on the part of San Francisco District personnel around Christmas of 1986. The nature of the allegedly leaked information concerned the San Francisco District's recommendation that a conservator be appointed for LSL. This information apparently surfaced in the Wall Street Journal and resulted in the beginning of a very adversarial relationship with LSL management.

On July 31, 1987, [redacted] replaced [redacted] Upon taking office, [redacted] observed the adversarial situation between the San Francisco District and LSL, as well as the lack of enforcement action by the Office of Enforcement because they apparently felt the data provided by San Francisco District was too stale to act upon. Furthermore, [redacted] was not familiar with the San Francisco District when he took office so it appears he attempted to take a middle ground while he weighed the facts of the situation. [redacted] asked [redacted] of the Washington supervision, as well as [redacted] of the San Francisco District to conduct independent analysis of the 1986 examination report findings with reference to LSL's response to the examination report and present to him their opinion which should be derived independent of each other. b6 b7C

San Francisco conducted their analysis and prepared a written response for [redacted] and traveled to Washington, DC for a meeting on October 7, 1987. [redacted] was present in this meeting along with [redacted] of PILLSBURY, MADISON AND SUTRO, and a Washington, DC attorney from the litigation department of the Federal Home Loan Bank Board. [redacted] had also prepared their report for the meeting, which someone from the San Francisco District obtained a copy of during the meeting. The independent reports were presented to [redacted] and a lengthy discussion followed concerning the examination findings and the rebuttal of LSL. San Francisco District hoped they would return from the meeting with the situation resolved so appropriate action could be instituted as soon as possible. b6 b7C

Upon [redacted] review of the independent reports, he expressed concerns about several different areas and implied the San Francisco District was not objective in their analysis. [redacted] also implied that certain areas of the San Francisco analysis had holes in it due to the apparent lack of objectivity.

[redacted] recalls that the PHOENICIAN HOTEL AND RESORT issue tied up a good portion of the meeting and seemed to stand in the

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way of a decision by [redacted]. The San Francisco appraisals of the resort contained a huge discrepancy between the appraisal provided by LSL in their examination report response. [redacted] added that the amount of the discrepancy would have rendered LSL insolvent should the San Francisco District's position be fully supported by the Federal Home Loan Bank Board. San Francisco's position was that even without consideration for the PHOENICIAN HOTEL issue, LSL was still insolvent.

For the most part, [redacted] independent report to [redacted] was very close to the San Francisco District's position. [redacted] even recalls [redacted] stating that if LSL is not insolvent at the present time, they will be within five years. [redacted] consented during the meeting that LSL was without a doubt a problem institution requiring corrective action and something needed to be done. However, [redacted] dismissed himself at one point in the meeting and never returned to render any form of decision. Therefore, the meeting was concluded without any issues being resolved.

Several of the meeting's participants from the San Francisco District took notes and upon their return to San Francisco prepared a follow-up letter to [redacted] setting forth their understanding of the meeting. [redacted] assisted [redacted] in preparing this letter and recalls the letter set forth the offer to [redacted] that should he determine additional information is needed to support the recommendation, then San Francisco should be allowed to obtain the information and move forward with whatever action was deemed necessary. The San Francisco District also attached a draft scope memorandum to the letter setting forth what information they would obtain from LSL should San Francisco District be allowed to go back to LSL and conduct a limited examination. The San Francisco District received no response from Washington, DC as a result of this letter. The San Francisco District later discovered [redacted] was in possession of the "secret file" provided by CHARLES H. KEATING, JR., which alluded to purportedly embarrassing information to the San Francisco District concerning leaks to the media of confidential information. b6 b7C b6 b7C

Approximately two to three weeks after the October 7, 1987 meeting in Washington, DC, [redacted] had a conference telephone call with LSL/AMERICAN CONTINENTAL CORPORATION (ACC) counsel, [redacted] to advise him the San Francisco District would be conducting a limited scope field visit to LSL in the near future. [redacted] advised LSL had already met with a Washington, DC Federal Home Loan Bank Board and believed the situation had been resolved and LSL was on the road to putting

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together an agreement of some kind. [redacted] also advised [redacted] and [redacted] the San Francisco District examiners would need a court order to get into LSL for another examination. [redacted] were "floored" by [redacted] statements and were equally surprised to find the Washington, DC Federal Home Loan Bank Board had met with LSL officials on October 21, 1987 without consulting the San Francisco District.

About this same time, [redacted] b6 b7C travelled to San Francisco to draft a cease and desist order for enforcement against LSL. During the process, a big battle occurred between the San Francisco District and [redacted] regarding what should be included in the cease and desist order. The San Francisco District believed Washington, DC was watering down the cease and desist order and moving away from issues previously agreed upon. [redacted] recalls that [redacted] ran the meeting while [redacted] remained quiet during the majority of the meeting. The San Francisco District personnel could not figure out where [redacted] was coming from until they later discovered [redacted] was in possession of a draft Memorandum of Understanding (MOU) provided by LSL during the meeting of October 21, 1987 between LSL personnel and Washington, DC supervision. It was discovered [redacted] was working upon a mutually agreeable variation of the MOU at the same time he was in San Francisco to draft a cease and desist order.

[redacted] advised that the cease and desist order effort did b6 b7C not come to fruition as the San Francisco District and Washington, DC supervision agreed to provide LSL with an opportunity to allow their new President, [redacted] an opportunity to move the institution away from its current risk-based operations to a more traditional method.

[redacted] advised she did not attend the May 1987 meeting in Washington, DC wherein San Francisco District personnel, Washington, DC supervision, Federal Home Loan Bank Board general counsel, and Office of Enforcement personnel, including [redacted] discussed the 1986 examination findings of LSL. GAWET does not believe [redacted] statements indicating the San Francisco District did not protest Washington, DC's opinion that the 1986 examination did not provide adequate legal basis or sufficient evidentiary data to support the conservatorship/receivership action proposed by San Francisco District. [redacted] does not believe this statement to be accurate as [redacted] would have never backed down on the basis San Francisco had insufficient documentation to support their recommendation. Furthermore, the San Francisco District had specifically taken additional care and measure to insure they had

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more than adequate basis to support their position that LSL was being operated in an unsafe and unsound manner. [redacted] believed this issue was more than adequately documented based on the issues of direct investment violations, loan file stuffing, and direct investment back dating to meet the grandfather clause pertaining to direct investments.

[redacted] believed the San Francisco District began losing control of their supervision over LSL around July 1987 when [redacted] asked [redacted] to prepare an independent review and analysis of San Francisco District's concerning the 1986 examination report and LSL's response to the report. [redacted] belief is further supported by the lack of action by Washington, DC upon San Francisco District's recommendation for conservatorship/receivership or an alternative cease and desist order. It came as further surprise to the San Francisco District when they were preparing to conduct additional examination procedures at LSL only to be informed by [redacted] of LSL/ACC the examination would not take place. [redacted] recalls that she and [redacted] were informed the LSL examination would not take place by [redacted]

In November 1987 when [redacted] travelled to San Francisco with [redacted] to draft a cease and desist order for LSL, [redacted] already had a draft MOU submitted by LSL. However, San Francisco District did not find out about the memorandum until about a month later. San Francisco learned this MOU was provided to Washington, DC during the October 21, 1987 meeting of LSL personnel and members of ORPOS and Office of General Counsel. [redacted] advised that [redacted] attended the meeting and possibly [redacted] LSL's presentation at the meeting included statements including San Francisco's vendetta against LSL, the incompetency of the examination personnel, and laudatory remarks indicating LSL to be a well-run institution, wherein numerous attorneys and accountants lent credibility to their operations. When LSL discussed or submitted the MOU to Washington, DC during the meeting, they refused to negotiate the issue with the San Francisco District. b6 b7C

Very little dialogue occurred between San Francisco District and Washington, DC supervision in early 1988 and San Francisco was very concerned about their legal liabilities associated with LSL. In February or March 1988, San Francisco was informed by Washington, DC a MOU was being negotiated with LSL. When [redacted] discovered this, he forwarded an electronic mail message to Washington, DC asking [redacted] for information concerning the conditions of the negotiated agreement. Washington, DC supervision never responded to [redacted] request b6 b7C

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until after the formal agreement was signed. [redacted] believes that San Francisco District was relieved of their supervisory jurisdiction over LSL around March 1988 as San Francisco District was not consulted at all concerning the contents or conditions of the Supervisory Agreement/MOU. When the Supervisory Agreement/MOU was executed on May 20, 1988, San Francisco was formally removed as the supervisory agency of LSL. [redacted] added that [redacted] tried very hard to determine from [redacted] why San Francisco was being cut out of this process.

[redacted] advised she never received any pressure to influence her objectivity concerning LSL. In January or February 1988, [redacted] was party to a conference call with bank board member, [redacted], who was trying to give San Francisco an idea of what was happening at the bank board level and also attempting to gather information concerning LSL status.

FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

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Date of transcription 3/27/90

[redacted] b6 b7C Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94101, mailing address P. O. Box 7165, San Francisco, California 94120, residence [redacted] San Anselmo, California 94960, [redacted], provided the following information:

[redacted] said that he, in 1986, was Vice-President of the San Francisco Home Loan Bank and acted as a Supervisory Agent. As such, he was responsible for oversight of savings and loan institutions in the 11th District. Supervisory agents also reported to [redacted] described his position in 1986 as the number three man in the Supervisory Department of the Federal Home Loan Bank-San Francisco.

[redacted] said that he first learned of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) in 1984 after it was acquired by AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona. The operation of LSL changed from that of a traditional thrift, making home loans, to investment in high-risk transactions. [redacted] specifically alluded to the Gulf Broadcast purchase that initially brought his attention to LSL and its management.

In mid- to late-1984 [redacted] attended a meeting at the California Department of Savings and Loan (CDSL) in San Francisco, California. At this meeting, ACC presented their business plan which did not remotely resemble the promised operation of LSL. LSL, at this meeting, was requested to furnish a new business plan due to the fact their present risk profile was different than promised. At this meeting were [redacted] who was the California commissioner of savings and loans, [redacted] and other LSL representatives. [redacted] said also the activities of LSL were brought to his attention through the review of Significant Supervisory Concerns, a report which is written by supervisory agents involved in the examination of institutions. This report also pointed to problem areas that related to the operation of LSL.

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Investigation on 3/14/90 at San Francisco, Ca File # 58C-PX-41605-49

by SA [redacted] SA [redacted] rh Date dictated 3/26/90

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[redacted] said that in February 1985, LSL wanted to increase direct investments from its present 40% and asked for an exemption. [redacted] said the standard in the industry at that time was 10%. LSL submitted a request to exceed the limit allowed and as a result a meeting occurred that was attended by CHARLES KEATING and key management personnel of the San Francisco Federal Home Loan Bank. During this meeting, [redacted] recalls KEATING saying, "I hate to admit a mistake to a regulator, but money in junk bonds is wrong, but we're going to get out." [redacted] said the request on the part of LSL to increase their direct investment limit was denied and LSL appealed to the Federal Home Loan Bank Board in Washington, DC. The bank board also denied the LSL request.

[redacted] said at the initial meeting with KEATING in February 1985 when there was discussion concerning direct investment, KEATING had the lead in the meeting, but was civil to the regulators. b6 b7C

[redacted] said that the next meeting he attended with CHARLES KEATING was in December 1986 and this meeting was also held in San Francisco. The attendees were [redacted] KEATING, LINDA ROBINSON of LSL, and LSL Attorney [redacted] The purpose of this meeting was to discuss payment of dividends from LSL to ACC. The 11th District decision was to not allow dividends to be paid to ACC from LSL.

[redacted] said that in March 1986 a routine examination was initiated of LSL. [redacted] said that this examination was a full scope examination, however, it was initiated because of the acquisition of LSL by ACC. Early on in the examination, major problems were discovered in loan underwritings. [redacted] said 52 of 55 loans that were examined were found to be deficient. [redacted] of the Federal Home Loan Bank in San Francisco was ordered to go to LSL to inform them of the problems discovered. [redacted] was to provide an oral briefing to the management of LSL so that they could address the problems. [redacted] from Irvine, California where LSL is located and said that CHARLES KEATING had threatened to sue him [redacted] personally and had become confrontational and would not give [redacted] a chance to explain the initial findings. [redacted] said that LSL from the beginning of the examination had been difficult and uncooperative. [redacted] said that one additional Examiner in Charge in Phoenix and one in Irvine, California were added to the examination. In Phoenix was [redacted] was added in Irvine. b6 b7C

[redacted] said that from the inception of the March 1986

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exam, dialogue was established between personnel of the San Francisco District and the Federal Home Loan Bank Board in Washington, DC. [redacted] said that he specifically talked with [redacted] who was [redacted] Office of Regional Affairs, San Francisco was one of three district banks for which he had oversight responsibility. [redacted] said that all of the documents generated by San Francisco would have been sent to [redacted] suggested that the exam should proceed faster in view of the fact that the lending policies of LSL appeared to be unsafe and unsound. [redacted] wanted the exam done quickly so that enforcement could be implemented. [redacted] said that [redacted] wanted directives to apply to single issues, however, San Francisco decided to proceed more cautiously and complete the exam so that the total problem at LSL could be addressed. [redacted] said, in fact, he informed [redacted] that the San Francisco position was to move in the direction of receivership of LSL.

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[redacted] said, in fact, [redacted] for the San Francisco District and [redacted] for the 11th District, flew to Washington in July 1986 to brief the Federal Home Loan Bank Board on the exam and the position taken by the 11th District. [redacted] said he does not know with whom [redacted] met in Washington, DC. [redacted] said he did know, in fact, that this briefing related to the effort on the part of examiners to conduct an examination of LSL. [redacted] said that there was an apparent agreement, that documents requested by examiners would be reviewed prior to release by LSL counsel on-site and not through the New York law firm of LSL. [redacted] characterized this compromise as being struck by [redacted] of the Federal Home Loan Bank Board.

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[redacted] said that the examination lasted from March 1986 until October 1987 and during this time he [redacted] and [redacted] would travel to Washington, DC to brief [redacted] who was a deputy of [redacted] and [redacted] regarding the examination of LSL and the findings. [redacted] said the early meetings in Washington, DC concerned the magnitude of the problems that were being found and that enforcement action would be necessary. Initial enforcement action that was considered were cease and desist orders and later, because of the magnitude of the problem, there was a movement towards receivership of LSL.

[redacted] said that from 1984 to 1986 thirty-two savings and loan institutions were placed into receivership or conservatorship in the 11th District without challenge from the Federal Home Loan Bank Board. LSL was the first institution which

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was challenged by the Federal Home Loan Bank Board. [redacted] characterized the examination of LSL as the best he has witnessed, yet the 11th District findings were challenged and ultimately supervisory authority was transferred from San Francisco.

[redacted] said that in December 1986 or January 1987 the [redacted] Federal Home Loan Bank Board of San Francisco, convened a meeting with his staff and at this time it was determined that enforcement action was not enough and that insurance action, receivership or conservatorship should be applied to LSL. This information was later relayed to the Federal Home Loan Bank Board in Washington, DC. [redacted] said the actual recommendation was sent to the Federal Home Loan Bank Board on May 1, 1987. The recommendation which was for receivership or conservatorship was challenged by the Federal Home Loan Bank Board. [redacted] were appointed to review the San Francisco findings. [redacted] said that after their verification of the San Francisco findings, they agreed with approximately 95% of the San Francisco findings. [redacted] said the only area of disagreement with was the appraisal of the PHOENICIAN HOTEL.

[redacted] said that on October 7, 1987 there was a meeting in Washington, DC which he attended as well as [redacted] of the San Francisco District. [redacted] and two female attorneys from litigation and the Office of Enforcement were also present. [redacted] could not remember the identities of these two females. [redacted] said, however, during this meeting [redacted] reported that they supported 95% of the San Francisco findings. The purpose of this meeting was to allow San Francisco the opportunity to defend its position. [redacted] said he was aware that San Francisco's findings were challenged before this meeting, however, he could not recall by whom or when he learned that the findings were being challenged and accordingly reviewed by [redacted] said he was the San Francisco official who made the presentation at this meeting. [redacted] excused himself from the meeting and never returned. [redacted] said nothing of a decisive nature came from this meeting with [redacted]

[redacted] said he is aware that [redacted] had prepared a memo dated July 23, 1987 for submission to the Federal Home Loan Bank Board which supported the San Francisco position regarding the receivership of LSL. [redacted] prepared this memo which was signed by [redacted]

[redacted] said after the October 1987 meeting with

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[redacted] the San Francisco District was informed that the March 1986 examination had become stale and the information specifically relating to the loans were classified as stale. [redacted] cannot recall by whom or the date he was informed of this fact. [redacted] said during this time (October 1987) the California Department of Savings and Loan had independently conducted an examination of LSL and found more problems. [redacted] said as a result, San Francisco recommended to the Federal Home Loan Bank Board that a "field visit" be conducted of LSL. [redacted] in fact, called LSL counsel, [redacted] on August 28, 1987 to inform him that the "field visit" was to occur. [redacted] characterized this call as a courtesy call to LSL.

[redacted] said that during this August 1987 telephone call to [redacted] he informed him of certain areas to be covered, in fact, the examination was to be of limited scope. The field visit also was a response to the rebuttal on the part of LSL to the March 1986 exam findings. [redacted] said by this time several hundred pages of response to every finding on the part of the 11th District had been supplied by LSL. [redacted] said this was the first time in his career than an institution disagreed with every single finding on the part of the examiners. [redacted] said [redacted] told him his examiners could not examine LSL and "it will take a court order and we won't let [redacted] in this institution". [redacted] (a real estate CPA accounting firm) had stolen some proprietary interests relating to real estate analysis developed by LSL.

[redacted] said in addition to the telephone call on August 28, 1987 to [redacted] he also sent a letter dated August 31, 1987 to LSL regarding the limited scope field visit to the institution.

[redacted] said on September 2, 1987, representatives of LSL met with the Federal Home Loan Bank Board Executive Committee which included [redacted] The result was that no field visit was to be conducted by the San Francisco examiners. This information was relayed to [redacted] on September 3, 1987 by [redacted] said that from this time forward, the 11th District effectively was removed from supervisory authority of LSL. [redacted] said this removal became official in May 1988 with the signing of a Memorandum of Understanding (MOU) between LSL and the Federal Home Loan Bank Board.

[redacted] said on September 24, 1987 the Office of Regulatory Policy Oversight and Supervision (ORPOS) of the Federal Home Loan Bank Board directed that an independent review of the San Francisco findings be conducted. [redacted] said that as

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previously mentioned to [redacted] were given this assignment and their findings agreed with 95% of the San Francisco findings. [redacted] said that this review was presented to [redacted] in the October 1987 meeting.

[redacted] said from this time forward, the focus of the Federal Home Loan Bank Board in Washington, DC ranged from receivership to enforcement and the issuance of a cease and desist order covering all of the deficient areas of LSL. [redacted] said ORPOS had now been changed to the Office of Regulatory Activities (ORA). ORA sent its representative to San Francisco, [redacted] to work on the details concerning the cease and desist order. [redacted] and [redacted] worked out the details which were taken back to Washington, DC.

[redacted] said LSL sent in a draft MOU on November 5, 1987 which included language removing the San Francisco District from supervision of LSL.

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[redacted] said from this act, it became clear that LSL and "bank board folks" (Federal Home Loan Bank Board officials) were communicating and San Francisco was not being informed of their communications.

[redacted] said the MOU was "obscene" and, in effect, removed any supervision on LSL. [redacted] said he or the San Francisco had absolutely no input to the development of this MOU. [redacted] said an MOU had never been used in the San Francisco District and was normally used for minor problems found by examiners with cooperating management of institutions. [redacted] said he could not recall an example when an MOU was used. [redacted] said, in fact, the MOU did not restrain LSL, but restrained the "hands" of the bank board. [redacted] said, in fact, it set conditions for the bank board and not LSL. [redacted] said the so-called "Supervisory Agreement" was basically the same document as the MOU.

[redacted] said that the "side letter" that was sent by [redacted] was an unknown document until it was discovered in preparation for House Banking Committee testimony. [redacted] said the new exam which was initiated in 1988 and another exam in 1989 as a result of the MOU could not be built on the March 1986 exam. [redacted] said he is aware that the 11th District sent "scope memos" which identified problem areas for the '88 and '89 exams, however, he is not aware if this "scope memos" were utilized by the examiners. [redacted] said he had heard that the 1988 and 1989 exams found significant problems, however, examiners were concerned that their findings would not find their way into

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the final report. [redacted] a Chicago examiner, conducted the examination of ACC and found significant problems. He met with [redacted] the Chicago District, and told him that the examination of LSL was a "whitewash". As a result, [redacted] informed [redacted] to keep separate records of his findings. [redacted] said that, however, the findings were reported in the final report.

[redacted] the Seattle Office, was the individual who gave instructions to the examiners who were selected from all the districts to conduct the 1988 and 1989 examination of LSL. [redacted] is presently in Seattle and can be reached at [redacted]

[redacted] said the San Francisco District was not allowed to have any input into the 1988 and 1989 examinations and was to be conducted independent of any San Francisco examiner. [redacted] was the [redacted]

[redacted] said he learned that [redacted] was fired for one day because CHARLES KEATING complained about [redacted] who made negative remarks concerning KEATING. [redacted] said [redacted] is associated with the U.S. Savings and Loan League. [redacted] said he understood that due to this fact, KEATING complained that [redacted] could not objectively oversee the operation of LSL. [redacted] job was apparently saved by [redacted] said approximately two weeks ago, [redacted] affirmed this firing stating that the firing was "fixed in a day" and that he still was involved in the examination of LSL without their knowledge.

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[redacted] said on December 18, 1987, [redacted] informed [redacted] that he would become the new President of LSL. [redacted] had the reputation as being a traditional S&L operator and as a result LSL would start making home loans again. [redacted] said [redacted] were also present at this meeting with [redacted] specifically said that he would run LSL as a traditional savings and loan institution and that CHARLES KEATING would operate other investments such as junk bonds. When [redacted] was specifically asked about risk investments, he said he could only respond to questions concerning home loans. [redacted] said KEATING would be involved in the junk bond and direct investments by LSL. [redacted] believed the hiring of [redacted] was only a smoke screen on the part of KEATING to

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further delay enforcement action.

[redacted] said he was aware of the statements made by [redacted] before the House Banking Committee, however, [redacted] said based upon his knowledge and their knowledge of the March 1986 examination (and later exams), he could not rationally explain their testimony.

[redacted] said there was never any vendetta on the part of the 11th District to "get" LSL and there was no "hidden agenda" by the 11th District. [redacted] said there was no "leak" by employees of the 11th District and [redacted] cited the fact that [redacted] would not even tell him, his supervisor, about the meeting with the senators prior to its happening or afterwards.

[redacted] said even though the 11th District had been removed as the supervisory authority, in March 1989 it was learned that [redacted] was attempting to purchase LSL. The 11th District wrote letters to the Federal Home Loan Bank Board identifying this as a "sham transaction". [redacted] said, in fact [redacted] wrote the memo which was later signed by either himself or [redacted]

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[redacted] who is the Director of the Enforcement Review Committee, has a reputation not only within the 11th District but others as not being sufficiently aggressive when it came to enforcement actions. [redacted] had the reputation of only taking action if she thought she could win and appeared to be reluctant to initiate action when she did not feel that she had a perfect case. [redacted] said she, in effect, seemed to be reluctant to "make law". [redacted] asked him to put together a list which [redacted] had not taken appropriate action. [redacted] siad his review compiled 18 S&L's where inappropriate action was taken or no action was taken after recommendations had been made by the 11th District. [redacted] said [redacted] of the Atlanta District, [redacted] also had problems with [redacted] that related to the lack of enforcement action. [redacted] seemed to believe that the districts were not her clients and that she represented the Federal Home Loan Bank Board and as a result was not receptive to suggestions from the various bank districts. [redacted] said, as an example, [redacted] often times would have savings and loan institutions sign cease and desist orders without conferring with the 11th District and upon review of the cease and desist orders were found to be deficient. This information was finally brought to the attention of [redacted] and he agreed with those instances brought to his attention. [redacted] is unaware if [redacted] took any action or confronted [redacted] with the problem.

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[redacted] further stated he had heard CHARLES KEATING attempted to have [redacted] of the California Savings and Loan Commission removed because of their support for the San Francisco District's examination of LSL.

[redacted] during this interview did not have documents for review and as such was unable, in some instances, to fix dates of events. [redacted] said, however, he would be able to do so with review of Federal Home Loan Bank Board and Federal Home Loan Bank San Francisco documents.

58C-PX-41605-50



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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 3/27/90

B. J. DAVIS, Deputy District Director, 11th District, Office of Thrift Supervision (OTS), 580 California Street, San Francisco, California 94104, (415) 393-1814, provided the following information:

DAVIS stated that he has been employed with the Federal Home Loan Bank for 29 years and in 1986, he was the Director of Examinations for the Federal Home Loan Bank of San Francisco, also called the 11th District.

DAVIS said that he had been aware of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) for many years because he had examined the institution as an examiner after it was first formed. DAVIS said that the examination of LSL in 1984 was a routine examination because of the change of ownership when AMERICAN CONTINENTAL CORPORATION (ACC) purchased LSL. DAVIS, as the Director of Examinations, reviewed on a period basis, the reports being submitted by the examiners and realized that examination had revealed problems which were significant. DAVIS then called the Examiner in Charge (EIC) to be brought up-to-date rather than wait for the review of examinations.

DAVIS said he first briefed the Federal Home Loan Bank Board in Washington, DC before August 1986. The individuals he briefed concerning LSL were [redacted] His discussion with these individuals concerned the management of LSL and the fact that they appeared to be "stonewalling". [redacted] said, in fact, the management of LSL were less than cooperative from the very beginning of the March 1986 examination. The meeting in Washington related to the fact that the examiners could not get pertinent documents. b6 b7C

DAVIS said that he believes that he attended a meeting in July 1986 in Washington to discuss with representatives from LSL a method to obtain documents. DAVIS said that [redacted] was the attorney who attended the meeting on behalf of LSL. [redacted] said that [redacted] was also present as was himself, [redacted] from the 11th District, [redacted] from the 11th District,

Investigation on 3/14/90 at San Francisco, CA File # 58C-PX-41605-510

by SA [redacted] and SA [redacted] /rh Date dictated 3/26/90 b6 b7C

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and [redacted] and [redacted] from the bank board in Washington, DC. DAVIS characterized this meeting as being "heated" and, in fact, [redacted] terminated the meeting when he believed that [redacted] was using the meeting as a discovery process to learn about the examination. The resulting agreement was that documents would be made available from an attorney that was on-site in Phoenix, Arizona. [redacted] said prior to that [redacted] attempted to have all documents released through his New York law office.

DAVIS characterized the examination of LSL from the onset as "pulling teeth" and LSL would not cooperate in any facet of the examination. DAVIS said that from the inception of the examination there was a flow of communication, written and oral, between the 11th District and the Federal Home Loan Bank Board in Washington, DC. DAVIS said that he personally talked with [redacted] as to what was occurring during exam and the findings from the inception of the exam in March 1986.

DAVIS said that on March 1, 1987 he became the Deputy Director of the Agency Group which, in effect, removed him from the examination and knowledge of the examination of LSL. DAVIS said that from this point on, he was taken out of the "examination loop".

DAVIS said that, however, every Tuesday there was a meeting in [redacted] office which is entitled the Significant Events Meeting and during this time there were briefings on what was going on in the 11th District. DAVIS said that it was during this time that he became aware of the continuing problems that were existing with LSL and the continued lack of cooperation on their part during the examination.

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DAVIS said up until he became Deputy Director of the Agency Group, he reviewed examinations from LSL and believed that the examiners were doing a competent job. DAVIS said he participated in the interim report sent to Washington, DC which highlighted the problems found at LSL. DAVIS said that he was additionally involved in the hiring of outside experts to conduct real estate appraisals, and the review of junk bond transactions. The outside experts were hired because at this time (1984) thrifts had been able to invest directly in real estate ventures and purchase junk bonds. As a result, the Federal Home Loan Bank did not have the necessary expertise to evaluate these types of portfolios. DAVIS said that the Federal Home Loan Bank in San Francisco hired an accounting firm [redacted] to conduct real estate appraisals and [redacted]

INCORPORATED, of Los Angeles to review the junk bond portfolio.

DAVIS said that [redacted] in Irvine, California and [redacted] in Phoenix, Arizona. [redacted] in Phoenix and [redacted] in Irvine, California. b6 b7C

DAVIS said that during the time that he was director of examinations and reviewed the examination reports, he saw no evidence of any "vendetta" or any "out to get LSL attitude" on behalf of the examiners. DAVIS said that he recalls the hotels purchased and being built by LSL represented the biggest loss that DAVIS had seen in his tenure with the bank in San Francisco. DAVIS also stated that he recalls LSL had only made five to six home loans from the time of acquisition by ACC.

DAVIS said that [redacted] was hired by LSL and believes [redacted] was hired after the March 1986 exam was completed. DAVIS said he recalls [redacted] was hired in October 1987 by LSL. DAVIS said that, in fact, when he realized that LSL was not going to be a routine examination, he hired [redacted] to help [redacted] because [redacted] was not known as an examiner who could handle a "heavy duty exam". DAVIS said that he did not doubt the abilities of [redacted] but it was only a continued effort on his part to make sure that he had the "right horses" to conduct the exam at LSL.

DAVIS said he is aware of [redacted] position and he can find no "explanation for her comments". DAVIS said from the very beginning after they realized how difficult the management of LSL was going to be, the 11th District hired nothing but the best experts to assist the 11th District examiners. DAVIS pointed to the hiring of the law firm, PILLSBURY, MADISON, AND SUTRO (of San Francisco) to assist in preparation of the examination report of LSL. [redacted] is the lead attorney at this law firm handling the LSL matter. DAVIS characterized the examination of LSL as having been more thorough than other exams in its effort to support the actions and recommendations of the San Francisco District. DAVIS said that he examined the Report of Examination and the recommendation drafts that were submitted by San Francisco to the Federal Home Loan Bank Board. b6 b7C

DAVIS said he was aware of the intimidation attempts of LSL and specifically stated that [redacted] had been threatened by the management of LSL with a personal lawsuit and refused to hear from him the exam findings. DAVIS reiterated the fact that from the inception of the exam, management at LSL stonewalled and would "get loud" and refuse to supply information requested by the examiners. DAVIS said that he was never

personally threatened or was not aware of any threats made to the examiners. DAVIS said that his examiners evidenced no vendetta or ill will towards LSL but were "just doing their job".

DAVIS said that he had been an examiner for 13 years, 8 years as Examiner in Charge, 4 years as Field Manager, and 5 years as Assistant Director with the Federal Home Loan Bank in San Francisco. DAVIS said that he is aware of 30-40 receiverships handled by the 11th District and was never challenged on these receiverships. LSL is the first institution where the Federal Home Loan Bank Board in Washington, DC challenged the findings of the 11th District.

FD-36 (Rev. 8-29-85)

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Date 4/2/90

TO : SAC, PHOENIX (58C-PX-41605)

FROM : SAC, SPRINGFIELD (58C-PX-41605) (RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS D. DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; 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: PX/LA

Re PX airtel to the Bureau, 3/21/90.

Due to the complexity of captioned matter, re airtel is enclosed for the St. Louis Division.

On 3/29/90, it was determined that [redacted] is assigned to, but not physically located at, the Office of THRIFT SUPERVISION, 3 North Old State Capitol Plaza, Springfield, Illinois 62701, telephone [redacted] Contact with [redacted] (LAST NAME UNKNOWN), revealed that [redacted] is currently involved in an examination of GERMANIA BANK, 701 Market Street, Suite 201, Gateway One, The Mall, St. Louis, Missouri, telephone

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2 - Phoenix (58C-PX-41605)
(2) - Los Angeles
2 - St. Louis (Enc. 1)
1 - Springfield (58C-PX-41605)
DLB/gab
(7)

58C-PX-41605-51
SERIALIZED [redacted] FILED [redacted]
wce
4 APR 06 1990
FBI — LOS ANGELES
[redacted]

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- 1 -

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

[redacted] extension [redacted] is expected to be involved in an examination of that bank through mid-April. It was further revealed that TAYLOR resides somewhere in Southern Illinois. b6 b7C

Springfield Division check of Indices negative.

LEADS

ST. LOUIS DIVISION

AT ST. LOUIS, MISSOURI

Interview [redacted] re his participation in the July, 1988 examination of LSL and ACC. Enclosed airtel contains background information with specific questions for [redacted] on page four.

FD-302 (REV. 3-10-82)

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted] b3 b6 b7C

[redacted] provided to the Federal Bureau of Investigation [redacted] were provided in response to a Federal Grand Jury subpoena dated February 12, 1990, in the Central District of California, directed to [redacted] before the Grand Jury on March 6, 1990.

GRAND JURY MATERIAL - Dissemination Only Pursuant to Rule 6(E), Fed. R. Crim. P.

Investigation on 3/13/90 at Los Angeles, California File # 58C-PX-41605 - 52

by SA [redacted] /mao Date dictated 3/15/90 b6 b7C

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58C-PX-41605-52

[redacted]

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FD-302 (REV. 3-10-82)

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/13/90

Pursuant to a Federal Grand Jury (FGJ) Subpoena for the Central District of California directed to [redacted] advised that. [redacted]

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Investigation on 4/6/90 at Huntington Beach, File # 58C-PX-41605 -53

by SA [redacted] kbg Date dictated 4/6/90

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58C-PX 41605-53



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58C-PX-41605
JAJ:kbg

The following investigation was conducted by SA [redacted] on March 16, 1990:

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[redacted] (protect identity at his request) [redacted]

[redacted]

58C-PX-41605-54

FD-36 (Rev. 8-28-85)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ X AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

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

Date 4/9/90

TO : SAC, PHOENIX (58C-PX-41605)

FROM : ADIC, NEW YORK (58C-PX-41605)(RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DE CONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
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: PX/LA

RE Phoenix airtel to Director 3/21/90, NY tel call to PX SA [redacted] 4/9/90.

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In referenced tel call to SA [redacted] NY was advised that leads to interview [redacted] and [redacted] were completed by Phoenix and Los Angeles Agents during the week of 3/7/90. New York is, therefore, considering this matter RUC.

2 - Phoenix
2 - Los Angeles (SARA)
1 - New York

LCM:lcm
(5)

58C-PX-41605-55

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____
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APR 13 1990
FBI — LOS ANGELES

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

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DE FBIPX #0001 1060432

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

TO DIRECTOR FBI/ROUTINE/

FBI SACRAMENTO/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FOR FBIHQ, SSA [redacted] PUBLIC CORRUPTION UNIT, WHITE COLLAR CRIME SECTION

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SUBJECT: (ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; 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: PX LA.

TELETYPE

58C-PX-41605-56

WCC APR 16 1990

[redacted]

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FOR THE INFORMATION OF SACRAMENTO, THIS CASE ARISES FROM A MEETING OF THE FIVE U.S. SENATORS WITH [redacted] ON APRIL 2, 1987, AND THEN WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) [redacted] FEDERAL HOME LOAN BANK OF SAN FRANCISCO OFFICIALS, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

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INVESTIGATION THUS FAR HAS SHOWN THAT THE SENATORS, FROM REVIEW OF DOCUMENTS AVAILABLE TO THE FBI, MET FREQUENTLY WITH KEATING AND SENATORS DE CONCINI AND CRANSTON AFTER HAVING LEARNED APRIL 9, 1987 THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL, CONTINUED TO CONTACT VARIOUS INDIVIDUALS CONCERNING LSL. THESE CONTACTS NOT ONLY INCLUDE OFFICIALS OF THE FHLBB IN WASHINGTON, D.C., BUT STATE OFFICIALS AS WELL.

ON APRIL 12, 1990, [redacted] ADVISED THAT HE

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LEARNED THAT SENATOR DENNIS DE CONCINI CONTACTED [redacted] b6 b7C
[redacted] TRANSPORTATION AND HOUSING, WHICH OVERSEAS
THE STATE DEPARTMENT OF SAVINGS AND LOAN IN CALIFORNIA. THIS
CONTACT WOULD HAVE BEEN IN MARCH TO APRIL OF 1989. AT THIS TIME,
JOHN ROUSSELOT WAS ATTEMPTING TO PURCHASE LSL. ROUSSELOT WAS
LATER DETERMINED BY THE FHLBB TO BE A "FRONT MAN" FOR CHARLES
KEATING. [redacted] SAID THAT DE CONCINI TOLD [redacted] THAT [redacted]
[redacted] HAD SAID THAT [redacted] WOULD
BE A PROBLEM WITH THE PROPOSED SALE. SENATOR DE CONCINI FURTHER
STATED THAT LSL WOULD BE CONVERTED TO A FEDERAL SAVINGS AND LOAN,
THEREFORE, CALIFORNIA WOULD HAVE NO JURISDICTION. [redacted]
FURTHER STATED IT WAS HIS UNDERSTANDING THAT DE CONCINI EXPRESSED
CONCERN THAT [redacted] WOULD LEAK THIS PROPOSED SALE TO THE PRESS.
HE SPECIFICALLY REQUESTED THAT [redacted] REQUEST [redacted] NOT TO
COMMENT ON THE SALE. [redacted] SAID THAT HE RECEIVED THIS
INFORMATION FROM [redacted] HOWEVER, [redacted] DID NOT EXPRESS OR
ISSUE ANY ORDERS TO CRAWFORD CONCERNING HIS ACTIVITIES, PUBLIC OR
PRIVATE, CONCERNING THIS PROPOSED SALE.

[redacted] ALSO STATED THAT HE RECEIVED A TELEPHONE CALL FROM
[redacted]

TRANSPORTATION AND HOUSING AFTER [redacted] TELEPHONE CALL. b6 b7C

[redacted] ASKED [redacted] SPECIFICALLY WHY THE [redacted] SALE WAS NOT GOOD AND THEN DISCUSSED THE PARTICULARS OF THE SALE IN DETAIL. [redacted] DOES NOT KNOW IF [redacted] ALSO RECEIVED A TELEPHONE CALL FROM SENATOR DE CONCINI OR HAD BEEN BRIEFED BY [redacted] BOTH [redacted] AND [redacted] HAVE A WORK ADDRESS OF 1120 NORTH N STREET, NUMBER 2101, SACRAMENTO, CALIFORNIA. GEOGHEGAN'S BUSINESS TELEPHONE NUMBER IS [redacted] SULLIVAN'S TELEPHONE NUMBER IS [redacted]

FOR THE INFORMATION OF SACRAMENTO, PHOENIX HAS OBTAINED THE AGENDA OF CHARLES KEATING AND REVIEW OF THIS DOCUMENT REVEALS THAT KEATING MET WITH [redacted] ON FEBRUARY 9, 1988 REGARDING THE LSL EXAMINATION. KEATING ALSO MET WITH [redacted] ON MAY 3, 1988 b6 b7C AT 11:00 AND WAS ACCOMPANIED BY [redacted]

IT SHOULD BE NOTED THAT [redacted] ALSO ADVISED THAT [redacted] HAS PROVIDED AN AFFIDAVIT TO THE U.S. SENATE ETHICS COMMITTEE CONCERNING THIS MATTER. [redacted] WAS UNCLEAR AS TO WHETHER [redacted] HAD PROVIDED AN AFFIDAVIT OR THERE WAS A PROPOSED INTERVIEW BY THE SENATE ETHICS COMMITTEE.

SACRAMENTO DIVISION AT SACRAMENTO, CALIFORNIA. WILL INTERVIEW [redacted] AND [redacted] REGARDING THE

TELEPHONE CALL FROM U.S. SENATOR DENNIS DE CONCINI IN REGARDS TO THE PROPOSED SALE OF LSL TO ROUSSELOT AND THE MEETINGS IN 1988 WITH KEATING. A COPY OF [redacted] AFFIDAVIT SHOULD ALSO BE OBTAINED. INTERVIEW [redacted] REGARDING SOURCE OF HIS INFORMATION CONCERNING THE SALE OF LSL AND IF HE HAS BEEN INTERVIEWED BY THE SENATE ETHICS COMMITTEE. OBTAIN A COPY OF HIS [redacted] AFFIDAVIT. SACRAMENTO SHOULD ALSO INQUIRE THESE INDIVIDUALS IF THEY RECEIVED ANY OTHER TELEPHONE CALLS FROM ANY PUBLIC OFFICIAL REGARDING KEATING, HIS ASSOCIATES AND HIS BUSINESS ENTITIES.

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FD-302 (REV. 3-10-82)

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted] Assistant United States Attorney (AUSA) [redacted] Los Angeles, California, provided to the Federal Bureau of Investigation [redacted] pursuant to Federal Grand Jury subpoenas directed to [redacted]

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GRAND JURY MATERIAL - Dissemination Only Pursuant to Rule 6(E), Fed. R. Crim. P.

Investigation on 3/13/90 at Los Angeles, California File # 58C-PX-41605 - 57

by SA [redacted] /mao Date dictated 3/15/90

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58C-PX-41605-57



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DE FBIPX #0013 1101958

ZNR UUUUU

R 201728Z APR 90

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

TO FBI NEWARK/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

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

FOR THE INFORMATION OF NEWARK, THIS CASE AROSE FROM A MEETING OF FIVE U.S. SENATORS WITH [redacted] FEDERAL FEDERAL HOME LOAN BANK BOARD (FHLBB), ON APRIL 2, 1987, AND WITH

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58C-PX-41605-58

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[redacted]

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TELETYPE

SARA

SUBSEQUENT MEETINGS WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FHLBB AND THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, OFFICIALS QUESTIONED THESE INDIVIDUALS CONCERNING LSLA. [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZE THE CONTACTS BY THE U.S. SENATORS AND UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER. b6 b7C

AFTER [redacted] THE SUPERVISORY AUTHORITY WAS REMOVED FROM THE ELEVENTH DISTRICT (SAN FRANCISCO) AND A NATIONAL EXAM TEAM WAS FORMED AND COORDINATED FROM THE FHLBB IN WASHINGTON, D.C.

INVESTIGATION HAS RECENTLY SHOWN THAT SOME OF THE NATIONAL EXAM TEAM MEMBERS VOICED CONCERN TO SUPERVISORS THAT THIS EXAM WHICH BEGAN IN JULY OF 1988 OF THE THRIFT AND THE HOLDING COMPANY IN AUGUST OF 1988 WERE "WHITEWASHES".

[redacted] IS ONE SUCH EXAMINER THAT WAS ASSIGNED FROM THE SEATTLE DISTRICT OF THE FEDERAL HOME LOAN BANK. [redacted] b6 b7C

[redacted] b6 b7C b7D

[redacted] b6 b7C b7D

NEWARK DIVISION AT LANOKA HARBOR, NEW JERSEY: INTERVIEW [redacted] WHO CAN BE REACHED THROUGH [redacted] AND LOAN ASSOCIATION, TELEPHONE NUMBER [redacted]

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/READ /REF 12
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APR 23 9 11 PM '90

TELETYPE ROOM

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DE FBIPX #0002 1140334

ZNR UUUUU

R 240312Z APR 90

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

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UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: SSA [redacted] PUBLIC CORRUPTION UNIT, FBIHQ.

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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: PX/LA.

RE PHOENIX TEL TO BUREAU, MARCH 21, 1990.

THE FOLLOWING IS A SUMMARY INVESTIGATION CONDUCTED SINCE MARCH 21, 1990:

58C-PX-41605-59

SERIALIZED FILED

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[redacted]

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SARA TELETYPE

NO IMMEDIATE ACTION REQUIRED 4/23/90

ON APRIL 3, 1990, [redacted] FEDERAL HOME LOAN BOARD, WAS INTERVIEWED. [redacted] INDICATED THAT [redacted] HE LEARNED THAT [redacted] HAD BECOME [redacted] FURTHER STATED THERE WAS A RUMOR (HE ATTRIBUTED THIS RUMOR TO [redacted] A WHITE HOUSE STAFFER) THAT KEATING HAD CONTRIBUTED OVER $200,000.00 TO A REPUBLICAN ENTITY AND THIS WAS THE REASON THAT DON REGAN HAD [redacted] APPOINTED TO THE FEDERAL HOME LOAN BANK BOARD. [redacted] FURTHER STATED THAT CHARLES KEATING PROVIDED HIM A FILE WHICH WAS LATER CHARACTERIZED BY MEMBERS OF THE FEDERAL HOME LOAN BANK IN SAN FRANCISCO AS A "SECRET FILE" THAT CONTAINED DAMAGING INFORMATION REGARDING THE ELEVENTH DISTRICT. [redacted] INFORMED [redacted] THE SAN FRANCISCO BANK, OF THIS FILE'S EXISTENCE; HOWEVER, HE WOULD NOT IDENTIFY THE CONTENTS TO [redacted] ADMITTED THAT WHEN KEATING GAVE HIM THE FILE THERE WERE NO PRE-EXISTING CONDITIONS TO ITS ACCEPTANCE; HOWEVER, HE COULD NOT SPECIFICALLY RECALL WHY HE WOULD NOT SHOW THE FILE OR INFORM [redacted] OF ITS CONTENTS. [redacted] WAS UNAWARE OF CERTAIN ACTIVITIES ON THE PART OF THE FEDERAL HOME

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LOAN BANK BOARD STAFFERS AS THEIR ACTIVITY RELATED TO LINCOLN SAVINGS AND LOAN ASSOCIATION. [redacted] IN FACT, CHARACTERIZED THIS LACK OF KNOWLEDGE AS "THE CREW ALWAYS RUNS THE SHIP." [redacted] THE TRANSFER OF SUPERVISION FROM THE ELEVENTH DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD BASED ON INFORMATION SUPPLIED HIM BY THE ENFORCEMENT REVIEW COMMITTEE. [redacted] STATED HE UNDERSTOOD THAT THERE WAS A POSSIBLE VENDETTA ON THE PART OF OFFICIALS OF THE ELEVENTH DISTRICT (SAN FRANCISCO); HOWEVER, HE COULD NOT ALLUDE TO A SPECIFIC INSTANCE AND SAID IT WAS JUST RUMORED THAT THERE WAS A VENDETTA. [redacted] SAID HE RETURNED THE "SECRET FILE" TO KEATING AND HIS STAFF EMPLOYEES [redacted] HANDLED THE RETURN AND SUBSEQUENT CONVERSATIONS WITH KEATING REGARDING THIS FILE.

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[redacted] STATED THAT HE RECEIVED TELEPHONE CALLS IN MARCH OR APRIL, 1989, FROM SENATORS ALAN CRANSTON AND DENNIS DE CONCINI CONCERNING THE SALE OF LINCOLN SAVINGS AND LOAN (LSL) TO FORMER CALIFORNIA CONGRESSMAN JOHN ROUSSELOT. [redacted] CHARACTERIZED THESE TELEPHONE CALLS AS BOTH IDENTICAL IN NATURE AS IF "THEY WERE READING FROM THE SAME SCRIPT." THE PURPOSE OF THE TELEPHONE CALLS WAS FOR [redacted] TO MEET WITH ROUSSELOT CONCERNING THE

PURCHASE OF LSL. [redacted] SAID AFTER HE MET WITH ROUSSELOT, IT WAS OBVIOUS THAT ROUSSELOT WAS ACTING AS A "FRONT MAN" FOR CHARLES KEATING. [redacted] IN FACT, STATED THAT THERE WAS AN UNRECALLED ATTORNEY WHO WAS REPRESENTING CHARLES KEATING AT THIS MEETING WHO HAD TO EXPLAIN THE DETAILS OF THE PURCHASE. b6 b7C

ON APRIL 12, 1990, [redacted] STATE OF CALIFORNIA SAVINGS AND LOAN DEPARTMENT, WAS INTERVIEWED AND HE ADVISED THAT SENATOR DE CONCINI CONTACTED [redacted] TRANSPORTATION AND HOUSING WHICH OVERSEES [redacted] DEPARTMENT IN MARCH OR APRIL, 1989. [redacted] INFORMED [redacted] THAT DE CONCINI HAD CALLED HIM EXPRESSING CONCERN THAT [redacted] WOULD SAY SOMETHING NEGATIVE TO THE PRESS CONCERNING THE SALE OF LSL TO JOHN ROUSSELOT. DE CONCINI FURTHER TOLD [redacted] THAT LSL WAS IN THE PROCESS OF BEING CONVERTED TO A FEDERAL SAVINGS AND LOAN; THEREFORE, CALIFORNIA WOULD HAVE NO FURTHER SUPERVISORY JURISDICTION. [redacted] FURTHER STATED THAT [redacted] FURTHER INFORMED HIM THAT DE CONCINI WAS CONCERNED THAT [redacted] MIGHT LEAK INFORMATION OF THIS PROPOSED SALE TO THE PRESS. [redacted] SAID THAT [redacted] DID NOT INSTRUCT HIM TO DO ANYTHING AND THAT HE WAS ONLY PASSING ON THIS INFORMATION.

[redacted] ALSO RECEIVED A TELEPHONE CALL FROM [redacted]

[redacted] TRANSPORTATION AND HOUSING AFTER [redacted] TELEPHONE CALL. [redacted] HAD SPECIFIC INFORMATION CONCERNING THE PROPOSED SALE; HOWEVER, [redacted] IS UNSURE IF [redacted] RECEIVED THIS INFORMATION FROM [redacted] OR HAD RECEIVED A TELEPHONE CALL FROM SENATOR DE CONCINI. [redacted] ALSO STATED THAT ONE OF THE CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN EMPLOYEES, [redacted] ALSO RECEIVED A TELEPHONE CALL FROM [redacted] THE AID TO SENATOR CRANSTON. THIS TELEPHONE CALL WAS TO PASS ON THE FACT THAT CRANSTON WAS IN FAVOR OF THE PROPOSED SALE OF LSL.

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DURING THE WEEK OF APRIL 16 - 18, 1990, EMPLOYEES OF THE FEDERAL HOME LOAN BANK IN SEATTLE AND OFFICE OF THRIFT SUPERVISION WERE INTERVIEWED CONCERNING THEIR UNDERSTANDING OF WHY SEATTLE WAS CONSIDERED AS A SUPERVISORY DISTRICT FOR LSL. FURTHER INFORMATION HAS BEEN DEVELOPED WHICH INDICATES THAT VARIOUS "NATIONAL EXAMINERS" WHO CONDUCTED EXAMINATIONS OF THE THRIFT AND THE HOLDING COMPANY, AMERICAN CONTINENTAL CORPORATION (ACC), DURING 1988 AND 1989 WERE CONCERNED THAT THIS EXAM WAS A "WHITE-WASH." [redacted] THE OTHER INDIVIDUALS INTERVIEWED WERE [redacted]

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[redacted] b6 b7C

[redacted] SAYING HE DID NOT BELIEVE THERE WAS A "WHITE-WASH," ADMITTED THAT THE EXAM TO A CERTAIN EXTENT WAS CONTROLLED BY THE CONTENTS OF THE MEMORANDUM OF UNDERSTANDING (MOU) EXECUTED BETWEEN THE FEDERAL HOME LOAN BANK BOARD AND LSL. [redacted] IN FACT STATED THAT WHEN CERTAIN EXAM ITEMS WERE TO BE DISCUSSED OFFICIALS OF LSL WOULD SIMPLY STATE THAT THIS HAD BEEN COVERED IN THE MOU AND WAS NOT TO BE GONE INTO FARTHER. [redacted] WAS AWARE THAT EXAMINERS WERE DISGRUNTLED; HOWEVER, HE CHARACTERIZED THESE DISAGREEMENTS AS DISAGREEMENTS CONCERNING METHODOLOGY BETWEEN EXAMINERS AND THEIR SUPERVISORS. [redacted] ALL ADMITTED REMEMBERING CHARLES KEATING DURING THE FEBRUARY, 1988 MEETING INDICATING THAT HE WAS CONCERNED THAT HE MIGHT GO TO JAIL IF SUPERVISION REMAINED IN SAN FRANCISCO. KEATING APPARENTLY FELT THAT THE SAN FRANCISCO DISTRICT WAS "OUT TO GET HIM."

[redacted] ALL REMEMBER THAT KEATING SAID THAT HE HAD [redacted]

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