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DE FBIPX #0003 1140333

ZNR UUUUU

R 240312Z APR 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: 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.

TEXT CONTINUES:

[redacted] SPECIFICALLY RECALLED THAT KEATING SAID AFTER HE ACQUIRED LSL HE SOON REALIZED THAT HE COULD NOT MAKE ANY MONEY

MAKING HOME LOANS BECAUSE GREAT WESTERN S & L HAD THE REAL ESTATE BROKERS "LOCKED UP." [redacted] SAID THIS IS WHEN KEATING SAID THAT HE HAD [redacted] BECAUSE [redacted] KNEW KEATING AND AGREED WITH HIS BUSINESS TACTICS AND WOULD HELP HIM. [redacted] STATED THAT KEATING WAS TALKING IN THE CONTEXT THAT IF HE COULD NOT MAKE MONEY PURSUANT TO CURRENT RULES, HE WOULD HAVE THEM CHANGED. KEATING REFERRED TO A HIGH ADMINISTRATION OFFICIAL WHO HELPED IN THE [redacted] MATTER; HOWEVER, [redacted] COULD NOT RECALL THE IDENTITY OF THIS PERSON. KEATING ALSO STATED THAT HE HAD INFLUENCE POLITICALLY AND MADE REFERENCE TO THE CHANGING OF THE COURSE OF AN INTERSTATE HIGHWAY IN LOUISIANA TO GO THROUGH HIS PROPERTY WHICH OBVIOUSLY INCREASED ITS VALUE.

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[redacted] HAS BEEN SERVED A SUBPOENA ASKING [redacted]

[redacted]

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[redacted] ADDITIONALLY, AUSA [redacted] HAS ADVISED PHOENIX FBI THAT DONALD RIEGLE'S ATTORNEY APPEARS LESS COOPERATIVE AND IS CONSIDERING THE ISSUANCE OF A SUBPOENA.

[redacted] HAS BEEN IN CONTACT WITH THE PHOENIX FBI. INITIALLY, IT WAS REPORTED THROUGH THE U. S. ATTORNEY'S OFFICE IN LOS ANGELES THAT THE [redacted] WANTED TO BE PRESENT DURING THIS INTERVIEW; HOWEVER, [redacted] HAS INDICATED THAT SHE BELIEVES HE WOULD NOT SERVE HER INTEREST AND HAS AGREED TO MEET WITH THE FBI WITHOUT COUNSEL.

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PHOENIX AND LOS ANGELES WILL IMMEDIATELY REPORT TO HEADQUARTERS ANY SIGNIFICANT DETAILS AS THEY DEVELOP.

BT

#0003

NNNN

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 4/16/90

[redacted] was contacted by telephone [redacted] b3 b6 b7C
[redacted] Washington, D.C. and advised of the interviewing Special Agent's official identity, and that the contact related to the service of a Federal Grand Jury subpoena. The interviewing Special Agent explained that attempts to contact [redacted] had been made since early in the evening.

[redacted] requested and was given time to telephone his attorney in California, after which the interviewing Special Agent went to [redacted] and served [redacted] with the subpoena, at 11:15 p.m. After reading the subpoena, [redacted] stated that [redacted]

Investigation on 4/16/90 at Washington, D.C. File # WMFO 58C-PX-41605-60

by SA [redacted] Date dictated 4/17/90 b6 b7C

RCA

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SRC-PX-41605-60

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 4/17/90

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 Phoenix facsimile to WMFO, 4/6/90.

Enclosed for LA are the original subpoena in captioned matter, received by WMFO via re facsimile, and the original and one copy of an FD-302 re its service.

Enclosed for Phoenix are two copies of the FD-302 re service.

It is noted that the return page was not received with re facsimile, and the enclosed return page was copied from another subpoena, and executed.

Investigation at Washington, D.C. continuing.

58C-PX-41605-61

SEARCHED INDEXED
SERIALIZED FILED
APR 23 1990
FBI — LOS ANGELES

3-Los Angeles (encls. 3)
2-Phoenix (encls. 2)
2-WMFO
REA:rea
(7)

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

SARA

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/26/90

[redacted] b6 b7C
California, [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time she advised as follows:

[redacted] advised her date of birth is [redacted] and she was born in [redacted] Her social security account number [redacted], and she has a California Driver's License Number of [redacted]

[redacted] confirmed the fact that she is familiar with [redacted] b6 b7C

[redacted] advised [redacted]

[redacted] She further recalls on occasion when ALAN CRANSTON was visiting the Los Angeles area [redacted]

[redacted] b6 b7C

Investigation on 3/13/90 at [redacted] California File # 58C-PX-41605 -62 56C-LA-101615

by SA [redacted] SA [redacted] GKM/lkl Date dictated 3/26/90

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[redacted]

[redacted] advised she does recall [redacted] being involved with [redacted] CENTER FOR [redacted]

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[redacted] confirmed the fact that in late 1987 or early 1988, she met CHARLES KEATING. Prior to actually meeting KEATING she recalls [redacted] ALAN CRANSTON went to see KEATING in Phoenix, Arizona, she believes in the latter part of 1987. [redacted]

[redacted] recalls actually meeting CHARLES KEATING in the very latter part of 1987 or early 1988. [redacted] She does not specifically recall if Senator ALAN CRANSTON was at the function.

[redacted] does not recall discussing anything of substance with KEATING at that first meeting. In fact, she does not recall meeting with KEATING again. She does not recall ever sitting in a meeting with [redacted] ALAN CRANSTON, or CHARLES KEATING.

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[redacted] does recall having dinner [redacted] couple of times with [redacted] She does not recall CHARLES KEATING being present at those dinners. She does not rule out the fact that he wasn't, she just simply doesn't remember if he was present.

[redacted] further advised she never went to Phoenix [redacted] nor has she ever met CHARLES KEATING in Phoenix, Arizona.

[redacted] recalls prior to meeting KEATING to the best of her recollection, he was characterized by [redacted] as a very wealthy guy who possibly could be a large contributor.

[redacted] confirmed the fact she was well aware of the activities of the CENTER FOR PARTICIPATION IN DEMOCRACY. She had many discussions with [redacted] about CPD [redacted] She believes the main focus of CPD seemed to be on an experimental basis in the state of California regarding voter registration. She recalls it was to be a non-partisan voter registration drive and if it was successful then the drive would be initiated throughout the country. She does recall a company called AMERICA VOTES and believes it may have been the vehicle to facilitate the voter registration drives throughout the country.

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During the discussions with [redacted] regarding CPD she was well aware that he was committed to voter registration and well aware the activities must be conducted in a non-partisan basis. She advised [redacted] was also well aware that targeting those individuals would result in mostly Democratic registration, however, he never mentioned to her that targeting those individuals was a strategy to strictly register Democrats as opposed to Republicans. He just seemed to be very committed and obsessed with more people getting out to vote. He would frequently use the example of some former President who was elected based on only one-third of the American population voting.

[redacted] advised she has no knowledge regarding the contributions or contributors to the CPD. [redacted]

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[redacted] does not recall having any discussions with [redacted] ALAN CRANSTON or anyone else regarding the savings and loan problems of CHARLES KEATING. At the time [redacted] she does not believe the KEATING problems were publicized on a grand scale.

SBC-PX-41605-62



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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 4/20/90

TO : SAC, PHOENIX (58C-PX-41605)(RUC)

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

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

Re Phoenix airtel to the Director, dated March 21, 1990 and Phoenix teletype to the Director, dated April 4, 1990.

Referenced airtel set forth lead for Seattle to locate and interview [redacted] when notified by Phoenix and Los Angeles Divisions. As set forth in referenced teletype, this lead was covered personally by Special Agent [redacted] Phoenix Division.

As Seattle's lead has been covered and no additional assistance has been requested, Seattle is considering this matter RUC'd.

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58C-PX-41605-63
SEARCHED INDEXED
SERIALIZED FILED
APR 1990

2 - Phoenix (58C-PX-41605)
2 - Los Angeles (info)
2 - Seattle (58C-PX-41605)
OEK:mag
(6)

[redacted]

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

SARA

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/16/90

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[redacted] New York City, New York, 10019, 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] stated his home address is [redacted] New York City, New York, [redacted] telephone [redacted] His date of birth is [redacted] and he was born [redacted] His Social Security Account Number is [redacted]

[redacted]

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[redacted]

[redacted]

[redacted]

Investigation on 3/12/90 at New York City, NY File # 56C-PX-41605 -64

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by SA [redacted] SA [redacted] GKM/cpt Date dictated 3/14/90

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[redacted] recalls in the spring of 1986 he received a call from CHARLES KEATING, JR., [redacted] KEATING was critical of the philosophy of the FEDERAL HOME LOAN BANK BOARD [redacted] KEATING quoted a study which had been conducted by one [redacted] The study stated the savings and loan industry could solve many problems by allowing direct investment and direct ownership by the savings and loan institutions. KEATING was a strong proponent for direct investments and made that philosophy known to [redacted]

[redacted] further stated during the discussions with KEATING he was never threatened or hustled in any way by KEATING. KEATING was very philosophical and expressed his views as to the future of the industry and stated what he (KEATING) wanted to do within the industry. The discussion as a whole seemed to be very orderly.

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[redacted] was not asked by any high ranking political official to see CHARLES KEATING, JR. [redacted] was not contacted by the White House Chief of Staff DONALD REGAN or anyone else connected with the White House, Senate, or Congress. KEATING simply called and made an appointment through [redacted] secretary for the above meeting.

[redacted] stated in addition to CHARLES KEATING he met with other savings and loan owners and individuals in industry. He also met with real estate people and other business people [redacted]

[redacted] had a second meeting with KEATING he believes in mid 1986. [redacted]

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[redacted]

[redacted] stated during the second meeting with KEATING in mid 1986 KEATING went over additional points concerning his philosophy of the savings and loan industry. This meeting seemed to be more of a lobbying effort on KEATING's part. The same assistants accompanied KEATING to the meeting. [redacted] does not specifically recall their names, however, believes his former secretary [redacted] may have the names of the KEATING assistants. [redacted] number is [redacted]

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At the second meeting, [redacted] was aware of the conflict which had begun between KEATING, LINCOLN SAVINGS AND LOAN, [redacted] the FEDERAL HOME LOAN BANK BOARD. [redacted] had been in contact with [redacted] on a consistent basis [redacted] was unable to talk in specifics, however, could address problems of the savings and loan industry and state that the FEDERAL HOME LOAN BANK BOARD was involved in instituting regulations to further govern the federal insured savings and loans.

During the second meeting with KEATING, [redacted] was also aware of the past consent decree which had been placed on KEATING years before. After the first meeting with KEATING, [redacted] OFFICE OF FINANCIAL INSTITUTION PHILOSOPHY and asked the researchers in that office to get some background on CHARLES KEATING. The individuals in that office are made up of approximately 10 high ranking economists and researchers. They

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obtained previous information on KEATING and in doing additional research determined that he had a consent decree placed on him in the late 60's or early 70's.

At the second meeting, KEATING again strongly expressed his views of [redacted] philosophy. KEATING stated [redacted] was dangerous to the savings and loan industry and that he (KEATING) would take it upon himself to stop [redacted] by hiring him away from the FEDERAL HOME LOAN BANK BOARD. KEATING told [redacted] he was willing to hire [redacted] and had attempted to hire [redacted] at a salary of $300,000 per year. KEATING further told [redacted] that [redacted] had refused the offer.

[redacted] made KEATING aware that he supported many of [redacted] philosophies [redacted] KEATING told [redacted] he was wrong by agreeing with that philosophy and stated something to the effect, "By the way, I have a lot of influence on the hill especially in the Senate. I could be very helpful in promoting and passing legislation I agree with and unhelpful with legislation I don't agree with". KEATING further accused [redacted] of being "out of step" with the White House administration's philosophy of deregulation. KEATING stated that direct ownership by the savings and loan was the answer to the savings and loans problems. KEATING referred to the fact that LINCOLN SAVINGS had major stock in ST. REGIS PAPER COMPANY and they soon would be making a fortune.

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[redacted] recalls being extremely surprised as to the extreme nature of KEATING's philosophy and made an attempt to clarify what KEATING was stating. [redacted] recalls saying to KEATING something to the effect, "If I hear you correctly you want to in effect own a Mutual Fund consisting of stocks and directly owned properties funded by the government insured deposits with the downside risk going to the government and the upside profits going to the savings and loan?" [redacted] specifically recalls KEATING stating, "You're exactly right". At this time [redacted] informed KEATING that the philosophy he had just stated was not part of the administration's concept of deregulation. [redacted] then quickly ended the meeting and escorted KEATING and his assistants out of his office. [redacted] advised his staff he did not want to meet with KEATING again and instructed

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his staff not to have any meetings with KEATING or his staff. The main reason [redacted] decided to end any dialogue with KEATING was he did not want to be placed in a position whereby KEATING could align himself with [redacted]

[redacted] advised KEATING did make another attempt to see [redacted] at which time [redacted] secretary simply and cordially put him off. It still would have been to the advantage of KEATING to meet with [redacted] did not grant KEATING an additional meeting.

[redacted]

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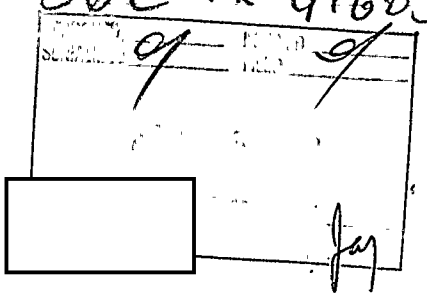
During the time [redacted] he would meet consistently with members of the FEDERAL HOME LOAN BANK BOARD in Washington, D.C. They would meet to discuss various problems within the savings and loan industry. In addition, he would meet with members of the bank board to obtain their views and opinions to assist in the writing of the above mentioned legislation.

[redacted] recalls on or about April 3, 1987, he met with [redacted] On that particular day, [redacted] was very upset and outraged and mentioned to [redacted] that he had been to a meeting on the hill with several United States senators. He did not go into detail but stated the senators had tried to influence [redacted] as a regulator. [redacted] did advise [redacted] at that time that it appeared CHARLES KEATING was behind the attempted influence.

During the period of mid November of 1986 through April of 1987, [redacted] was contacted separately by [redacted] Both met with [redacted] office. He recalls the meeting with [redacted] was after [redacted]

[redacted]

56C-PX-41605-64



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Memorandum

To : SAC, LOS ANGELES (56C-LA-101615) Date 3/19/90

From : SA's [redacted] b6 b7C

Subject: CHARLES KEATING, JR., Chairman,
AMERICAN CONTINENTAL CORPORATION,
Phoenix, Arizona;
UNSUBS;
PRINCIPLES AND OFFICERS OF AMERICAN CONTINENTAL CORP.;
UNSUBS;
PRINCIPLES AND OFFICERS OF LINCOLN
SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
ELECTION LAW VIOLATION;
OO: Los Angeles
(56C-LA-101615)

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

[redacted] 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
(194A-LA-108012)

RECOMMEND APPROVAL
SUPERVISOR
ASAC
APPROVED:
SAC

58C-PX-41605-65

SEARCHED INDEXED
SERIALIZED FILED
APR 06 1990
FBI — LOS ANGELES

(8) - Los Angeles
(2 - 56C-LA-101615)
(2 - 58C-PX-41605)
(2 - 194A-LA-108012)
(2 - 58A-NEW)

GKM/cpt
(8)

56C-LA-101615

[redacted] 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
(58A-NEW)

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Due to the highly sensitive status of the above mentioned matters and the fact all matters are being investigated in conjunction with major case number 24 entitled, "DESERT GEM", it is requested all investigative files currently maintained in Los Angeles headquarters be physically moved to the Santa Ana Resident Agency.

It is noted all of the above matters involve CHARLES KEATING, JR., who is also the main subject of DESERT GEM.

It is necessary to maintain the investigative files for all Political Corruption matters at the Santa Ana RA due to the fact all investigative files for DESERT GEM are maintained in the RA. This facilitates convenience and open dialogue among investigative agents and allows all documentation to be immediately reviewed.

Due to the above, it is requested all political corruption investigative files regarding the above matters be immediately moved to the Santa Ana RA.

Memorandum

To : SAC, LOS ANGELES (58C-PX-41605) (SARA) (P) Date 5/2/90

From : SA [redacted] b6 b7C

Subject: UNITED STATES SENATORS
ALAN CRANSTON;
ET AL;
CORRUPTION OF FEDERAL OFFICIALS -
LEGISLATIVE
OO: Phoenix/Los Angeles

It is contemplated that the following investigation will be conducted by the Santa Ana Resident Agency within the next 60 days:

1. Review documents to be obtained by FGJ Subpoena from [redacted] b3 b6 b7C These subpoenas have been served, and have a returned date of 4/26/90.

2. Review documents to be obtained by FGJ Subpoena from [redacted] The subpoena has been served on [redacted] and has a return date of 4/30/90.

3. The subject senators have been requested to supply copies of the documents they submitted to the Senate Ethics Committee. Senators DECONCINI, MCCAIN, and GLENN have complied with this request, and the documents have been supplied to the Phoenix Division. Senators RIEGLE and CRANSTON are continuing to negotiate the matter with AUSA MANSFIELD. If and when documents are received from CRANSTON and RIEGLE, they will be reviewed to determine whether they show services performed by the senators or their staffs, or services requested by KEATING. Santa Ana Resident Agency will also review the GLENN documents in Phoenix, but the Phoenix Division will review the DECONCINI and MCCAIN documents.

JAJ/lkl
(2)

58C-PX-41605-66

[redacted] b6 b7C

[redacted] b3

5. Review Federal Home Loan Bank board records stored at the ACC bankruptcy Depository in Phoenix, Arizona, regarding contacts between the regulators and the subject senators and ACC/LINCOLN lobbyists. It is contemplated that this review will occur in Phoenix during the week of May 7, by Special Agents [redacted] b6 b7C

6. After reviewing their subpoenaed documents, interview [redacted] regarding the $400,000 contribution to CPD made by ACC on 2/10/88. [redacted] accompanied [redacted] to Phoenix when the $400,000 was solicited from KEATING.

7. Interview Los Angeles Attorney/Lobbyist [redacted] regarding circumstances of (a) $100,000 he reportedly raised for the Republican Party from KEATING and his associates in June, 1988, (b) $172,000 he reportedly raised for California Governor GEORGE DEUKMEJIAN from KEATING and his associates, and (c) lobbying he conducted on behalf of KEATING.

After the above described leads are completed, a trip to Washington, D.C., is contemplated to complete the following interviews:

a. Federal Home Loan Bank Board (now known as the office of Thrift Supervision) [redacted] b6 b7C to learn what, if any, lobbying was directed at them by the subject senators or their staffs.

b. Senator CRANSTON's [redacted] regarding services she or CRANSTON performed on behalf of KEATING and his affiliated companies. In April, 1987, [redacted] traveled to Phoenix at ACC's expense.

c. Senator CRANSTON's [redacted] regarding services [redacted] or CRANSTON performed on behalf of KEATING and his affiliated companies.

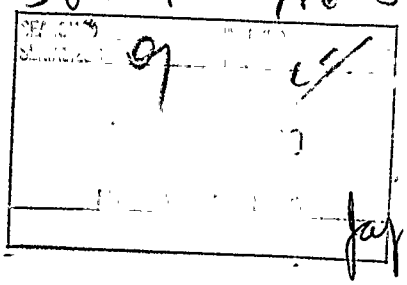
d. Senator RIEGLE's [redacted] regarding services [redacted] his staff, or RIEGLE performed on behalf of KEATING and his affiliated companies. [redacted] traveled with RIEGLE to visit the ACC operations in Phoenix in March, 1987. b6 b7C

e. Lobbyist JOHN ROUSSELOT, who sought CRANSTON's assistance in obtaining Federal Home Loan Bank Board approval of his proposed purchase of LINCOLN SAVINGS from ACC in 1989.

After the above described investigation is completed, additional investigation will be necessary to round out the allegations. Other politicians who received sizable campaign contributions raised by KEATING should be interviewed. These politicians include Senators WILSON, HAWKINS, MATTINGLY, WIRTH, HECHT, HATCH, and Congressman PASHAYAN and BARNARD. In addition, former White House Chief of Staff DON REGAN should be interviewed regarding his involvement in trying to [redacted] out of office and his involvement in promoting KEATING's [redacted] b6 b7C

Santa Ana's investigation is focusing on three occasions where one or more of the subject Senators lobbied the Federal Home Loan Bank Board on behalf of KEATING. The first occasion was in April, 1987, when the five Senators met with [redacted] and one week later with the San Francisco regulators regarding the FHLBB's direct investment regulation and the LINCOLN SAVINGS examination. The second occasion was in 1988 when LINCOLN SAVINGS successfully convinced the Federal Home Loan Bank Board to remove the San Francisco bank from the examination. This lobbying culminated in the execution of a memorandum of understanding on 5/20/88. The third occasion related to ACC's attempts to sell LINCOLN SAVINGS in early 1989. Naturally, the investigation is also focused on what the subject Senators received from KEATING and his companies. This includes campaign contributions and contributions to political action committees or tax exempt organizations controlled by the politician. The investigation will also attempt to develop any connection between the contributions to or for the benefit of the subject Senators and the lobbying done by the Senators.

58C-PK-41665-67



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

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription May 9, 1990

[redacted] made available pursuant to a Federal Grand Jury subpoena were reviewed and information was scheduled by Phoenix Division Accounting Technician [redacted] A copy of the scheduled information follows. b3 b6 b7C

58e-PX-41605-67

Investigation on May 9, 1990 at Phoenix, Arizona File # 29D-LA-102009

by SAA [redacted] Date dictated May 9, 1990 b6 b7C

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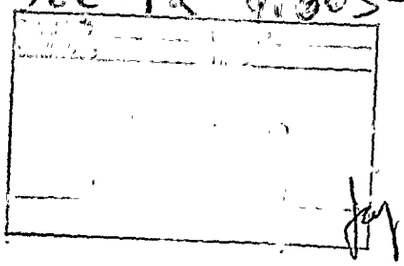
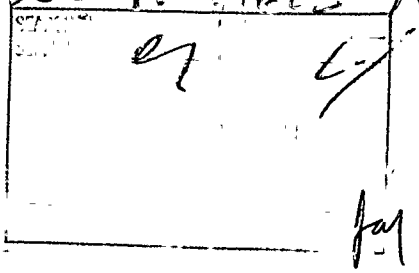
SEC-PR-4605-68

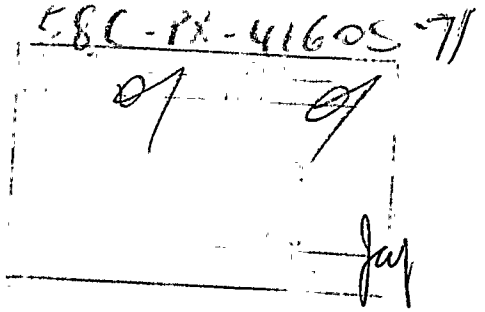


58C-PX-41605-69

FBI — LOS ANGELES

SEC-PX-1165-70

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INFO FBI LOS ANGELES/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI OMAHA/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

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 OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC).

58C-PX-41605-72

WCC-4 MAY 10 1990

[redacted]

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SARA

PAGE TWO DE FBIPX 0001 UNCLAS

PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE; OO: PX/LA.

FOR THE INFORMATION OF RECEIVING OFFICES, THIS CASE AROSE FROM A MEETING OF THE FIVE U.S. SENATORS WITH [redacted] ON 4/2/87. SUBSEQUENT TO THIS MEETING, THE SENATORS AGAIN MET WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON 4/9/87. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) [redacted] AND OFFICIALS OF THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZED 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 PRIOR TO THE 4/2/87 MEETINGS. DURING THE 4/9/87 MEETING, THE SENATORS WERE INFORMED BY THE REGULATORS FROM SAN FRANCISCO THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL. SUBSEQUENT TO THE 4/9/87, SENATORS

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[redacted]

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DECONCINI AND CRANSTON CONTINUED THEIR CONTACTS WITH REGULATORS IN CALIFORNIA AND WASHINGTON, DC.

DURING INTERVIEW WITH NUMEROUS EXAMINERS OF THE FEDERAL HOME LOAN BANK SYSTEM, NOW OFFICE OF THRIFT SUPERVISION (OTS) HAS BEEN DETERMINED THAT THERE WERE ALLEGATIONS OF A "WHITE WASH" THAT OCCURRED DURING THE EXAMINATION OF THE THRIFT WHICH STARTED IN JULY 1988. [redacted] b6 b7C FROM THE SEATTLE DISTRICT HAS BEEN INTERVIEWED AND HE HAS STATED THAT THE EXAM WAS CONTROLLED TO THE EXTENT THAT THE SCOPE WAS LIMITED IN ACCORDANCE TO A MEMORANDUM OF UNDERSTANDING EXECUTED BETWEEN LSL AND THE FEDERAL HOME LOAN BANK BOARD IN MAY 1988. [redacted] DENIES ANY INFLUENCE ON HIM TO NOT REPORT THE FINDINGS. DURING THE WEEK OF 4/30 - 5/4/90, EXAMINERS FROM THE CHICAGO BANK DISTRICT WERE INTERVIEWED AS FOLLOWS: [redacted] [redacted] WAS SO CONCERNED THAT THE THRIFT EXAMINATION OF 7/11/88 WAS A "WHITE WASH" THAT HE MAINTAINED PERSONAL NOTES WHICH REFLECT CONCERNS ON THE PART OF THE VARIOUS EXAMINERS. THE

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[redacted] b6 b7C

EXISTENCE AND INFERRED THAT IT CONTAINED "DAMAGING INFORMATION" ABOUT THE SAN FRANCISCO DISTRICT. [redacted] LATER RETURNED THE FILE TO KEATING. [redacted] HAS BEEN INTERVIEWED, DOES NOT RECALL THE CONTENTS OF THE FILE, HOWEVER, THE FILE WAS COPIED BY [redacted] NEW YORK, NEW YORK 10024, [redacted] IN ADDITION TO HER KNOWLEDGE CONCERNING THIS FILE, [redacted] WOULD HAVE KNOWLEDGE CONCERNING TELEPHONE CALLS FROM SENATORS DECONCINI AND CRANSTON MADE TO [redacted] REGARDING THE PROPOSED SALE OF LSL IN MARCH AND APRIL 1989. [redacted] CHARACTERIZED THE PHONE CALLS TO HIMSELF AND [redacted] AS "PRESSURE-TYPE CALLS" [redacted] ALSO WOULD HAVE KNOWLEDGE OF THE EVENTS THAT OCCURRED BEFORE THE FEDERAL HOME LOAN BANK BOARD WHICH CONCERNED THE TRANSFER OF SUPERVISORY AUTHORITY OF LSL FROM THE SAN FRANCISCO DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD. SPECIFICALLY, IT HAS BEEN REPORTED BY A FORMER AID OF [redacted] INFORMED THE BOARD PRIOR TO THE 5/5/88 VOTE ON LSL THAT CHARLES KEATING WAS THE PRINCIPAL INGREDIENT TO THE SUCCESSFUL OPERATION OF LSL AND IF HE WERE REMOVED, NOT ONLY WOULD THE THRIFT FAIL, BUT THE ARIZONA REAL

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ESTATE MARKET WOULD COLLAPSE.

THIS CASE OBVIOUSLY IS COMPLICATED AND SHOULD LEAD AGENTS NEED ANY ADDITIONAL INFORMATION, THEY SHOULD CONTACT PHOENIX CASE AGENT SA [redacted] b6 b7C

IT SHOULD BE NOTED THAT IT APPEARS THE MAJORITY OF THE CONCERNS THAT THE JULY 1988 EXAMINATION WAS A "WHITE WASH" CAME FROM THOSE EXAMINERS INVOLVED IN THE INVESTMENT AND REAL ESTATE PORTFOLIO OF LSL. [redacted]

ALL OFFICES ARE REQUESTED TO SUBMIT HIGHLIGHTS OF INTERVIEW BY TELETYPE AND FOLLOW IMMEDIATELY WITH FD-302 S.

LEADS. ATLANTA DIVISION AT ATLANTA. INTERVIEW [redacted]

BOSTON DIVISION AT BOSTON. INTERVIEW [redacted]

NEW YORK DIVISION AT NEW YORK. INTERVIEW [redacted]

IT SHOULD BE NOTE[redacted] ADDITIONALLY, [redacted] WOULD KNOW THE IDENTITY OF NEW YORK EXAMINERS WHO EXPRESSED CONCERNS REGARDING THE JULY 1988 BT

#0001

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INFO FBI LOS ANGELES/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI OMAHA/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

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 OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC).

PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-

LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

EXAMINATION.

OMAHA DIVISION AT DES MOINES, IOWA. INTERVIEW [redacted] b6 b7C

THROUGH TELEPHONE NUMBER [redacted]

SAN FRANCISCO DIVISION AT SAN FRANCISCO. INTERVIEW CDSI

EXAMINER [redacted] THROUGH TELEPHONE NUMBER [redacted] b6

(INTERVIEW WILL BE LENGTHY IN VIEW OF THE FACT THAT NEWSOM WAS ON

SIGHT FROM THE INCEPTION AND HE SHOULD BE INTERVIEWED CONCERNING

ANY CONTACTS WITH POLITICAL OFFICIALS AND KEATING OR HIS

EMPLOYEES.)

BT

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SEC-PA-41605-73

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day

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/2/90

[redacted] Business, Transportation and Housing Department, State of California, 1120 N Street, Room 2101, Sacramento, California, 95814, telephone number (916) 445-2793, was contacted at his office. He was advised of the identity of the interviewing agent and that he was being interviewed as part of an investigation into allegations concerning various United States Senators and senior officials of LINCOLN SAVINGS & LOAN ASSOCIATION. [redacted] provided the following information during interview: b6 b7C

[redacted] has been the Undersecretary of the Department since June 1986. In that position, [redacted] reports directly to [redacted] The Department, itself, is divided into several sub departments which specialize in areas such as insurance, real estate, motor vehicles, savings and loans, and transportation. [redacted] did not have direct agency supervisory authority for the various business regulatory departments that included savings and loans. The Savings and Loan Commissioner, [redacted] reported directly to [redacted]

[redacted] has had no contact whatsoever with United States Senators DeCONCINI, GLENN, McCAIN, or RIEGLE. Neither has [redacted] had any contact whatsoever with any member of a staff supporting any of those named Senators. [redacted] has had contact with United States Senator ALAN CRANSTON and with Senator CRANSTON's staff. None of these contacts, however, concerned CHARLES KEATING, LINCOLN SAVINGS & LOAN, AMERICAN CONTINENTAL CORPORATION, or any other entity or individual related to CHARLES KEATING.

Investigation on 4/27/90 at Sacramento, Calif. File # 58C-PX-41605

by SA [redacted] mjm Date dictated 4/30/90 b6 b7C

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In the spring of 1989, the Savings and Loan Department was very critical of a proposal that LINCOLN SAVINGS & LOAN be purchased by a group of individuals associated with JOHN ROUSSELOT. At least one California newspaper reported that the Savings and Loan Department would give approval to the ROUSSELOT transaction. In response to that story, [redacted] issued a press release denying that the Savings and Loan Department would approve such a transaction. [redacted] press release was followed by public statements wherein he leveled specific criticisms at the ROUSSELOT transaction.

At about the time that [redacted] was making the press release and public statements, [redacted] discussed [redacted] activities with [redacted] Both agreed that [redacted] had the authority to issue such press statements and both relied on [redacted] judgment insofar as his evaluation of the ROUSSELOT transaction. [redacted] had at least one telephone conversation with [redacted] in which the ROUSSELOT transaction was discussed. [redacted] quoted statements made by [redacted] regarding the viability of the transaction and coupled those statements with news reports that [redacted] had either seen or heard regarding LINCOLN SAVINGS. [redacted] did not criticize [redacted] in this telephone conversation, nor did he suggest that [redacted] "tone down" his statements to the press.

Sometime in April 1989, [redacted] received a telephone call from [redacted] in which [redacted] asked [redacted] if he, [redacted] would mind talking to an attorney from AMERICAN CONTINENTAL CORPORATION about the proposed LINCOLN SAVINGS & LOAN sale. [redacted] stated that he would speak with an attorney from AMERICAN CONTINENTAL. Later that same day, [redacted] received a telephone call from an attorney claiming to represent either LINCOLN SAVINGS or AMERICAN CONTINENTAL CORPORATION. [redacted] cannot recall the name of the attorney. This attorney told [redacted] that the sale of LINCOLN SAVINGS & LOAN would be approved federally and he, the attorney, requested that either [redacted] call [redacted] to assure [redacted] that no one from the State, and [redacted] in particular, would say anything critical about the proposed federal sale. [redacted] told this attorney that he would have to discuss this with [redacted] and get back in touch with him.

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[redacted] then recontacted the attorney who had made the original request. [redacted] asked the attorney to be more specific as to what he meant by asking [redacted] "not to make a statement." [redacted] amplified this question by asking if that also meant statements made to regulatory authorities or federal investigators. With that question, the attorney became very flustered and said he did not want [redacted] to refuse to answer any questions from regulators or investigators. The attorney closed the conversation by stating that he would recontact [redacted] in the very near future. No such contact took place.

In April 1990, [redacted] was contacted by investigators from the Senate Ethics Committee. These investigators asked [redacted] a number of questions regarding contacts between Senators and State of California officials regarding the LINCOLN SAVINGS & LOAN matter. [redacted] recounted the telephone conversations with the attorney who represented either LINCOLN SAVINGS & LOAN or AMERICAN CONTINENTAL CORPORATION. The investigators asked [redacted] to review his telephone toll records for April 1989 in an effort to identify the attorney by way of toll calls placed. [redacted] did, in fact, review his telephone toll records and determined that he made no telephone calls to Arizona during the pertinent period of time. [redacted] recalled then that it is possible the telephone call was placed to Southern California and that perhaps the attorney did, in fact, represent LINCOLN SAVINGS rather than AMERICAN CONTINENTAL CORPORATION.

[redacted] was not asked to prepare an affidavit for the Senate Ethics Committee. He did, however, prepare a letter dated April 18, 1990 addressed to [redacted] for the Senate Ethics Committee. [redacted] provided a copy of that letter to the interviewing agent.

[redacted] is aware of at least one and possibly two meetings or conversations that [redacted] had with CHARLES KEATING in 1988. [redacted] was present at no meetings with KEATING, nor was he a participant in any telephone conversations. Meetings which occurred between KEATING and [redacted] most likely would have been attended by [redacted] responsible for banking at the time the meetings occurred.

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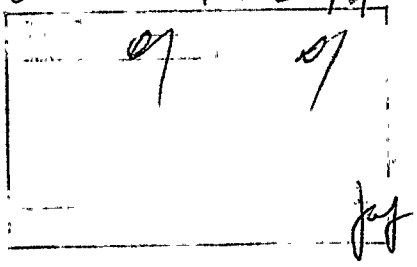
At the conclusion of the interview, [redacted] reiterated that he had not received any telephone calls or other contacts from any public official regarding KEATING or the LINCOLN SAVINGS & LOAN matter.

SEC-PX-41605-74



FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/7/90

[redacted] BUSINESS, TRANSPORTATION, & HOUSING AGENCY, State of California, 1120 N Street, Sacramento, California, [redacted] was contacted at his office. He was advised of the identity of the interviewing agent and that he was being interviewed as part of an investigation into allegations concerning several United States Senators with regard to their association with CHARLES H. KEATING. [redacted] provided the following information during interview:

In 1988, [redacted] had two meetings with CHARLES KEATING and in 1989, he had a telephone conversation with United States Senator DENNIS DeCONCINI. The meetings with KEATING and the phone conversation with DeCONCINI generated a great deal of media interest. [redacted] took no notes during either meeting with KEATING or during the telephone conversation with DeCONCINI. Due to the unanticipated media interest, however, [redacted] made notes of the DeCONCINI phone conversation in response to a media inquiry in October 1989. Approximately one month later, [redacted] made notes of the two KEATING meetings which had occurred in 1988.

Throughout the interview, [redacted] referred to the notes prepared in October 1989 and November 1989, as well as a copy of a press release from Senator DeCONCINI's office dated October 6, 1989. Throughout the interview [redacted] also referred to a signed affidavit of [redacted] dated March 22, 1990 and an amended affidavit of [redacted] dated March 23, 1990. At the conclusion of the interview, [redacted] gave the interviewing agent copies of both sets of notes, the DeCONCINI press release, [redacted] affidavit and the amended affidavit of [redacted]

[redacted] BUSINESS, TRANSPORTATION, & HOUSING AGENCY, [redacted]

Investigation on 5/4/90 at Sacramento, Calif. File # 58C-PX-41605

by [redacted] Date dictated 5/7/90

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[redacted] met with CHARLES KEATING on February 9, 1988, and again on May 3, 1988. The February meeting was set up at the request of [redacted] the Finance Departments was present at both KEATING meetings.

There was nothing unusual about either of the KEATING meetings since the BUSINESS, TRANSPORTATION, & HOUSING AGENCY is a public agency which makes itself available to all members of the public. Since KEATING headed the parent of LINCOLN SAVINGS & LOAN, he had a right to an audience with California public officials. At both KEATING meetings, KEATING complained of over-regulation on the part of the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS. KEATING told [redacted] that, in KEATING's opinion, the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS was "not with the times." KEATING elaborated that the CALIFORNIA DEPARTMENT OF SAVINGS & LOANS was "getting in the way of innovation by sticking to its traditional thinking." KEATING also stated that this pervasive attitude on the part of California regulators, was causing LINCOLN SAVINGS to experience temporary financial problems. KEATING reminded [redacted] that "if Lincoln goes down, there will be a run on the thrifts."

[redacted] listened to KEATING's complaints and responded that the California regulators would continue their pursuit of sound banking practices.

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In early April 1989, [redacted] office received a telephone call from the Office of Senator DENNIS DeCONCINI. [redacted] was not in the office at the time and arrangements were made for the Senator to recontact [redacted] telephonically at a time when it was anticipated that [redacted] would be in his office. Senator DeCONCINI did, in fact, telephonically contact [redacted] This occurred either the same day as the earlier call or within a day or two of that call. Senator DeCONCINI told [redacted] that it was his, DeCONCINI's belief, that the State of California was in a position to stop the sale of LINCOLN SAVINGS & LOAN to the so-called ROUSSELOT group. [redacted] replied that the State of California was not in a position to stand in the way of the proposed ROUSSELOT transaction since that transaction would result in LINCOLN SAVINGS operating under a federal charter. [redacted] went on to state that State regulators in California still have a problem with LINCOLN SAVINGS but the move to a federal charter will essentially "take the State out of the loop." Senator DeCONCINI then began describing his evaluation of the importance

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of AMERICAN CONTINENTAL CORPORATION to the State of Arizona. Senator DeCONCINI described the hardship to Arizona that would result from layoffs at the corporation and the collapse of real estate projects under way in the State of Arizona that were supported by AMERICAN CONTINENTAL CORPORATION. [redacted] expressed his understanding of Senator DeCONCINI's concerns but reiterated that the issue was no longer within the control of the State of California or State regulators.

[redacted] cannot remember Senator DeCONCINI mentioning anything about [redacted] during the telephone conversation. Similarly, he did not infer from this telephone conversation that DeCONCINI wished [redacted] to silence California critics of LINCOLN SAVINGS and the proposed sale.

The telephone call lasted about three or four minutes and while [redacted] considered the call to be a lobbying effort, it was not much different from other lobbying calls he receives from time to time.

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[redacted] is aware of no other contacts by public officials with the BUSINESS, TRANSPORTATION, & HOUSING AGENCY in connection with the LINCOLN SAVINGS matter, with the exception of one instance, when an Aide to Senator ALAN CRANSTON, (FIRST NAME UNKNOWN) [redacted] contacted [redacted] of the DEPARTMENT OF SAVINGS & LOANS. In this telephone conversation, [redacted] that Senator CRANSTON's office thinks the LINCOLN SAVINGS & LOAN buy-out is a good idea and a good deal for the State of California. [redacted] went on to state that Senator CRANSTON's office wholeheartedly supports the LINCOLN SAVINGS & LOAN sale.

[redacted] probably discussed the DeCONCINI telephone conversation with [redacted] did not instruct [redacted] to tone down his criticism of the operations of LINCOLN SAVINGS & LOAN, nor does he recall telling CRAWFORD that that move had been suggested in the DeCONCINI telephone conversation.

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 5/8/90

TO : SAC, PHOENIX

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

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

Enclosed for the Phoenix Division are the following:

1) The original and one copy of an FD-302 reporting the results of interview of [redacted] at Sacramento, California. b6 b7C

2) One copy of a letter dated 4/18/90 from [redacted] to [redacted] Special Council, United States Senate.

3) The interview notes taken during the [redacted] interview.

4) The original and one copy of an FD-302 reporting the results of interview of [redacted] at Sacramento, California.

5) One copy of notes prepared by [redacted] concerning meetings he had with CHARLES KEATING.

2 - Phoenix (Encl. 12)
2 - Los Angeles (Encl. 10)
1 - Sacramento
JTS:mjm
(5)

58C-PX-41605-75
SEARCHED INDEXED
SERIALIZED FILED
MAY 11 1990
FBI — LOS ANGELES

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

SARA

6) One copy of notes prepared by [redacted] in connection with a telephone conversation he had with United States Senator DENNIS DeCONCINI. b6 b7C

7) One copy of a news release dated 10/6/89 from the office of Senator DeCONCINI.

8) One copy of an affidavit of [redacted] dated 3/22/90.

[redacted] 9) One copy of an amended affidavit of [redacted] dated 3/23/90.

10) The notes taken during interview of [redacted]

Enclosed for the Los Angeles Division is one copy each of the Phoenix enclosures, with the exception of the original interview notes.

While the [redacted] interviews create the potential for additional leads in the captioned matter, the Sacramento Division will await specific directions from the Offices of Origin before conducting additional investigation at Sacramento.

58C-PX-41605-76

Jay

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

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 5/4/90

[redacted] (Protect Identity) [redacted] b6 b7C b7D
[redacted] was interviewed at [redacted]
[redacted] New Jersey (NJ), and [redacted] furnished the following information.

[redacted] stated that [redacted]

[redacted] b6 b7C b7D

[redacted]

[redacted]

[redacted]

[redacted] b6 b7C b7D

Investigation on 4/30/90 at New Jersey File # NK 58C-PX-41605

by SA [redacted] rmb Date dictated 4/30/90

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FEDERAL BUREAU OF INVESTIGATION
FOI/PA
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Page 66 ~ b6; b7C; b7D;

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FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Keating seeks deal in Senate

Offers to testify on lawmakers

By Jerry Kammer
The Arizona Republic

In a bid to win immunity from prosecution, Charles H Keating Jr. has offered to testify before the Senate Ethics Committee about senators' last-ditch attempts in 1989 to help him sell Lincoln Savings and Loan Association and avoid the collapse of his financial empire.

Keating's attorney said in a letter to the panel Monday that the beleaguered Phoenix financier is "anxious to appear" and testify, "assuming proper arrangements for immunity."

Stephen Neal wrote the letter in response to the committee's request that Keating testify about "possible

— See KEATING, page A9

(Indicate page, name of newspaper, city and state.)

Date: 2/26/92
Edition: ARIZONA REPUBLIC

Title: KEATING SEEKS DEAL IN SENATE

Character: 58C-PX-41605
or
Classification: 80-307A
Submitting Office: PHOENIX

Indexing:

58C-PX-41605-106

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____
FEB 28 1992
FBI — PHOENIX

FBI/DOJ

Keating would testify before Senate panel in exchange for immunity

— KEATING, *from page A1*

assistance of certain senators" in the proposed sale of the thrift to Keating associates, which was being viewed skeptically by regulators whose approval was needed.

Wilson Abney, legal counsel for the Ethics Committee, refused to comment Tuesday.

But a Washington, D.C., official familiar with the exchange said it was prompted by a newly surfaced February 1989 memorandum to Keating in which his personal secretary, Carol Kassick, described one or more senators' efforts that month to help Keating sell Lincoln.

The correspondence signals a possible extension of the committee's controversial investigation into the "Keating Five," senators who intervened with federal regulators in behalf of Keating after he raised $1.3 million for their campaigns.

It also appears to signal an attempt by Keating to pressure the committee into shielding him from fraud and racketeering indictments returned by federal grand juries in Phoenix and Los Angeles.

During its extensive Keating Five probe, the committee refused previous offers by Keating to testify in return for immunity.

But Neal this week sought to raise the stakes, implying that only Keating could correct what Neal called "substantial misrepresentations, discrepancies and errors throughout much of the testimony" before the panel.

The committee concluded its investigation last year with severe criticism of Sen. Alan Cranston, D-Calif., for providing help to Keating that appeared linked to political contributions. It issued milder rebukes to Sens. Dennis DeConcini, D-Ariz.; John McCain, R-Ariz.; Donald Riegle, D-Mich.; John Glenn, D-Ohio.

The Kassick memorandum suggests that a senator or senators assisted Keating as he tried to sell Lincoln in a desperate attempt to bolster the financially troubled American Continental Corp. of Phoenix, according to the Washington official, who spoke on condition of anonymity.

The Irvine, Calif.-based thrift was American Continental's chief subsidiary. It was seized in April 1989 by regulators, who estimate its failure will cost taxpayers $2.6 billion. American Continental is being liquidated.

Kassick refused to comment Tuesday except to say, "We don't know what's in the memo, and we don't have the memo."

Kassick still works for Keating and spent much of last year with him in Los Angeles, where a criminal-fraud trial ended with his conviction on state securities-fraud charges involving the sale of junk bonds.

His trials on the federal charges are to begin in March in Phoenix and in August in Los Angeles.

Keating also is one of several defendants in a $1.2 billion fraud and racketeering lawsuit filed by investors in American Continental's stocks and bonds. That suit is scheduled for trial in Tucson next month.

But Neal said in a letter to Judge Richard Bilby on Friday that he will not be able to represent Keating because of an insurance company's refusal to pay for Keating's defense. Neal said that Keating "will be unable to conduct any defense" in the trial.

Two of the Keating Five senators have acknowledged that they urged regulators in 1989 to approve the thrift sale that Keating had described as vital to the survival of American Continental.

DeConcini said he had sought to protect one of the largest employers in Arizona; Cranston said he wanted to help one of his state's largest thrifts.

Bob Maynes, DeConcini's press secretary, said Tuesday that the senator "has seen the memo, and it does not refer to Senator DeConcini."

Scott Celley, McCain's press secretary, said McCain broke with Keating in 1987 and called no regulators on the proposed sale of Lincoln.

Memorandum

To : SAC, PHOENIX (58C-PX-41605) Date 3/13/92

From : SA [redacted] b6 b7C

Subject: Allegations Concerning U.S. Senator ALAN CRANSTON, ET AL; Corruption of Federal Public Officials - Legislative
OO: Phoenix

Re Los Angeles Teletype to Phoenix dated 11/26/91.
Re Memo of SA [redacted] to Phoenix dated 1/30/92. b6 b7C

On 1/31/92, [redacted] b7D Federal Election Commission (FEC), Washington, D.C., telephone # [redacted] was contacted and asked to provided FEC records concerning, [redacted]

On 2/21/92, the requested records were received from [redacted] b6 b7C

Between 2/21/92 and 3/12/92 a review and comparison of these records and the records of Senators, JOHN GLENN, ALAN CRANSTON, JOHN McCAIN, DENNIS De CONCINI and JOHN RIEGLE, were made and no inconsistencies were found.

In view of the fact that the Statue of Limitation, has expired on an Election Law violation and a review of the FEC records fail to show a False Statement violation it is recommended that no further investigation be conducted on the allegation in referenced Los Angeles Teletype.

58C-PX-41605-107

SEARCHED
SERIALIZED SIC
MAR 13 1992
FBI - PHOENIX

2- Phoenix
GJW/gjw

Memorandum

To : SAC, PHOENIX (58C-PX-41605) Date 1/30/92

From : SA [redacted] b6 b7C

Subject: Allegations Concerning U.S. Senator ALAN CRANSTON, ET AL; Corruption of Federal Public Officials - Legislative
OO: Phoenix

Re Los Angeles Teletype to Phoenix dated 11/26/91.

The reporting agent has reviewed the allegations contained in reference Teletype. Although the allegation may have merit, the Statue of Limitation (three years) has expired on all charges alleged in this Teletype.

Also noted in the Teletype was the fact that [redacted]

[redacted] b6 b7C b7D

[redacted]

In view of this fact no further effort will be made to locate [redacted]

2- Phoenix
GJW/gjw

SEARCHED
SERIALIZED
JAN 30 1992
FBI - PHOENIX

Routing Slip
FD-4 (Rev. 5-31-84)

Date 1/24/92

To: ☐ Director
Att.: _____

☐ SAC _____
☐ ASAC _____
☐ ~~Supv.~~ _____ #12
☐ Agent _____
☐ OSM _____
☐ Rotor # _____
☐ Steno _____
☐ Typist _____
☐ M _____
Room _____

FILE # _____

Title _____

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	
	_____	

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b7C

You read my mind!

Statute of limitation 3 years has run.

SAC _____

_____ See reverse side

Office _____

Routing Slip
FD-4 (Rev. 5-31-84)

Date 4/12/92

To: ☐ Director
Att.: _____

FILE # _____

☐ SAC _____
☐ ASAC _____
☐ Supv. _____
☑ Agent [redacted]
☐ OSM _____
☐ Rotor # _____
☐ Steno _____
☐ Typist _____
☐ M _____
Room _____

Title _____

b6
b7C

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 pls
☐ Discontinue	☐ Recharge file ☐ serial	☐ Type
☐ Expedite	_____	
☐ File	☐ Send to	
	_____	

b6
b7C

[redacted]

Since [redacted] has some expertise in Election Law violations - pls discuss with him - If we have a new case from this SAC probably assign to [redacted] unless you see a problem -

SAC _____

_____ See reverse side

Office _____

☆ U.S.G.P.O.: 1988 - 202-042/85016

COVERSHEET
FBI FACSIMILE
LOS ANGELES DIVISION
SANTA ANA RA

PRECEDENCE

O IMMEDIATE
O PRIORITY
@ ROUTINE

CLASSIFICATION

O TOP SECRET
O SECRET
O CONFIDENTIAL
O SENSITIVE
@ UNCLASSIFIED

TIME TRANSMITTED _____
SENDER'S INITIALS _____
NUMBER OF PAGES 5

TO: FBI Phoenix DATE: 11/26/91

FACSIMILE NUMBER:

ATTN: SA [redacted] b6 b7C

FROM: FBI Los Angeles

SUBJECT: Allegations Concerning U.S. Senators Alan Cranston, ET AL; OO: PX/LA

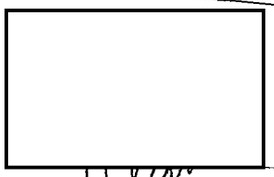
SPECIAL HANDLING INSTRUCTIONS: PLEASE HAND CARRY TO

ORIGINATOR'S NAME: SA [redacted] b6 b7C

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

APPROVED: [signature]

b6
b7C



Idem
need a
copy

58C PX41605

SEARCHED ____ INDEXED ____
SERIALIZED SK FILED SK

FBI — PHOENIX

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

FBI

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

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

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

Date 11/26/91

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

TO FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3410:0670//

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

RE TELCALL BETWEEN PHOENIX SA [redacted] AND LOS ANGELES SA [redacted] ON 11/25/91.

FOR INFORMATION, SENATE ETHICS COMMITTEE RECORDS AND OTHER DOCUMENTATION RELATING TO ITS INVESTIGATION OF SENATORS CRANSTON, DECONCINI, GLENN, MCCAIN, AND RIEGLE WERE MADE AVAILABLE FOR REVIEW BY LOS ANGELES SPECIAL AGENTS [redacted] [redacted] AND [redacted] ON 11/21/91. ALSO PRESENT DURING PORTIONS OF THE REVIEW WERE AUSA [redacted] AND DOJ

b6
b7C

JFO/dlm

Approved: _____ Original filename: _____

Time Received: _____ Telprep filename: _____

MRI/JULIAN DATE: _____ ISN: _____

FOIPA DATE & TIME OF ACCEPTANCE: _____

^PAGE 2 58C-PX-41605, UNCLAS

ATTORNEY [redacted] COPYING OF THE DOCUMENTS WAS NOT PERMITTED BY THE ETHICS COMMITTEE, WITHOUT AUTHORITY FROM THE FULL SENATE. THE REVIEW FAILED TO DISCOVER ANY ADDITIONAL PERTINENT EVIDENCE OR ANY NEW AND WORTHWHILE LEAD INFORMATION IN CAPTIONED MATTER. b6 b7C

HOWEVER, REVIEW OF CERTAIN INTERVIEW MEMORANDA REVEALED INFORMATION OF POSSIBLE VIOLATIONS OF FEDERAL ELECTION LAWS AND RELATED FEDERAL CONSPIRACY LAW RELATING TO EMPLOYEES OF EMERALD HOMES, 5333 7TH STREET, PHOENIX, ARIZONA. PERTINENT MEMORANDA RELATE TO INTERVIEWS OF [redacted] ON 5/2/90, [redacted] ON 4/19/90, AND [redacted] ON 6/5/90, AND REVIEW OF ACCOUNTING RECORDS OF THE EMERALD HOMES POLITICAL ACTION COMMITTEE ON 6/5/90. [redacted] TELEPHONE [redacted] ALLEGED THAT [redacted] b6 b7C b7D

^PAGE 4 58C-PX-4[illegible]05, UNCLAS

[redacted] WAS NOT INTERVIEWED BY THE ETHICS COMMITTEE INVESTIGATORS. b6 b7C b7D

THIS INFORMATION IS BEING PROVIDED TO PHOENIX DIVISION FOR WHATEVER INVESTIGATION PHOENIX DEEMS APPROPRIATE.

BT

58C-PX-41605-108

SEARCHED
SERIALIZED
MAR 13 1992
FBI

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/5/92

[redacted] Washington, D.C., upon the request of the reporting agent, mailed FEC records on [redacted]

b6
b7C
b7D

These records were reviewed and placed into the file.

Investigation on 2/21/92 at Phoenix, Arizona File # 58C-PX-41605

by SA [redacted] gjw Date dictated 2/27/92

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.

FD-761 (5-8-89)

FBI

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

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

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

Date 4/1/92

To : Director, FBI (Attention: Criminal Investigative Division)
From : SAC, Los Angeles — Resident Agency (*if applicable*) Santa Ana
Subject : Public Corruption Data Transmittal Form

1. **Title :** *(use additional page if necessary)* 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, CA; AMERICAN CONTINENTAL CORPORATION, Phoenix, Arizona; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA

   Re: Phoenix LHM dated 9/25/91.

2. ☒ **Enclosed are the original and three 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** ☒ **Final submission** *(check one)*

5. **Date opened upon SAC authority** 11/14/89

6. **Level of subject public official(s)** *(See codes on reverse. Use additional pages, as necessary, for additional subjects.) (all inclusive)*

   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) (all inclusive)*

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 Tel____ Non Tel____	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 Date Init. _____ Date Covert Activity Ceased _____
Z11 (A)	☐ Symboled Informant	Z24	☐ Group II UCO Date Init. _____ Date Covert Activity Ceased _____
Z11 (B)	☐ Cooperating Witness	Z25	☐ Undercover - Other
Z11 (C)	☐ Cooperating Subject	Z26	☐ NCAVGAVI - CAP
Z12	☐ Lab. Div. Exams	Z27	☐ VIA
Z13	☐ Lab. Div. Field Support		

2 - Field Office
3 - FBIHQ
(1 - White-Collar Crimes Section, Public Corruption Unit)

2 - Phoenix

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

Close-5 4/23/92

SEARCHED____ INDEXED____
SERIALIZED SK FILED SK
APR 20 1992
FBI — PHOENIX

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b7C

FBI/DOJ

GKM/cpt
(7)

8. **Type of Corruption Investigated** *(check all appropriate boxes)*

Code Number/Description		Code Number/Description		Code Number/Description	
(A)	Judicial Corruption	(D)	Regulatory Corruption	(G)	Election Law Matters
A1	☐ Federal	D1	☐ Federal	G1	☐ Vote Buying
A2	☐ State	D2	☐ State	G2	☐ Alien Voting
A3	☐ Local	D3	☐ Local	G3	☐ Ballot Box Stuffing
A4	☐ Territorial	D4	☐ Territorial	G4	☐ Fraudulent Registrations
				G5	☐ Tampering with Voting Equipment
(B)	Legislative Corruption	(E)	Law Enforcement Corruption	G6	☐ Campaign Financing
B1	☒ Federal	E1	☐ Federal	G7	☐ Intimidation
B2	☐ State	E2	☐ State	G8	☐ All Others
B3	☐ Local	E3	☐ Local		
B4	☐ Territorial	E4	☐ Territorial		
(C)	Contract Corruption	(F)			
C1	☐ Federal	F1	☐ Abuse of Office		
C2	☐ State		*Not Involved*		
C3	☐ Local				
C4	☐ Territorial				

9. **Does corruption involve drug related activity?** *(check one)* ☐ *Yes* ☒ *No*

10. **Statistical Accomplishments** *(cumulative total)*

A. Complaints	_____	F. Acquittal	_____
B. Informations	_____	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 *(Limited to 90 days)*
☐ Pending Full Investigation
☒ Closed

13. **Basis for Closing**

	Level of Official	Number of Subjects (All inclusive)
☒ U.S. Attorney Declination	_____	_____
☐ Dismissal	_____	_____
☐ Acquittal	_____	_____
☐ Conviction	_____	_____
☐ Administrative by SAC	_____	_____

Additional Administrative Data *(if needed):*

For information, since the last LHM sent on 9/25/91, various interviews have been conducted with individuals who have contributed to various CRANSTON soft money groups. All interviews met with negative results concerning any agreed upon quid pro quo whereby ALAN CRANSTON would perform any political services for the contributor in exchange for the contribution.

In addition, all investigation requested by Attorneys from the Department of Justice, Public Integrity Section and the Assistant United States Attorney in Los Angeles has been completed and met with negative results concerning the obtainment of a quid pro quo between Senator ALAN

(see additional page)

58C-PX-41605

Additional Administrative Data (con't):

CRANSTON and individuals who had contributed money to organizations and causes supported by CRANSTON.

Results of the investigation for the past two years has consistently been shared with AUSA [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

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. During meetings held periodically during the course of the investigation, it was decided to conclude the investigation on various Senators. At the final phase of the investigation, the only Senator being investigated was Senator ALAN CRANSTON. Investigation has met with negative results in proving an agreed upon quid pro quo between Senator ALAN CRANSTON and CHARLES KEATING or his associates.

On 2/3/92, AUSA [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. Department of Justice Attorney [redacted] as mentioned, has been kept apprised of this investigation and in recent conversations concur with the above declination. b6 b7C

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

11000 Wilshire Boulevard
Los Angeles, California 90024

April 1, 1992

ALLEGATIONS CONCERNING UNITED STATES SENATORS
ALAN CRANSTON, DENNIS DECONCINI, JOHN GLENN,
JOHN MCCAIN AND DONALD RIEGLE;
CHARLES H. KEATING, JR.,
DOING BUSINESS AS LINCOLN SAVINGS AND LOAN ASSOCIATION,
IRVINE, CALIFORNIA;
AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE

As previously reported this matter was opened as a preliminary investigation on November 14, 1989, by FBIHQ on the written request of the Department of Justice. The request asked for an investigation of former Federal Home Loan Bank Board (FHLBB) [redacted] allegations of undue pressure asserted by Senators CRANSTON, DECONCINI, RIEGLE, MCCAIN, and GLENN, at two meetings with [redacted] and San Francisco bank regulators in April of 1987. The initial investigation showed that there were numerous services performed by the subject Senators on behalf of LINCOLN SAVINGS AND LOAN (LSL) and that these services could have been connected with campaign contributions received by the Senators. In addition, it appeared there may have been a correlation between money contributed to "soft money" groups supported by the Senators. Therefore, by Phoenix LHM dated December 19, 1989, [redacted] By Bureau teletype dated February 22, 1990, [redacted]

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b7E

The investigation has focused on services performed by the Senators for LSL during the period of 1986 through 1989, and the campaign and other related contributions received by the Senators from CHARLES KEATING and his companies and associates. AUSA [redacted] had advised that a successful prosecution would require that a link between the contributions and the services be proven.

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From the inception of the investigation until approximately April of 1991, all five Senators were investigated to determine their activities as it related to LSL, CHARLES KEATING, and his companies and associates. Various interviews of staffers of the Senators took place along with numerous subpoenas served obtaining records from the Senate offices.

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.

In addition, various records being maintained at a separate location in Phoenix were periodically reviewed to substantiate the activities performed by the Senators on behalf of LSL.

On April 15, 1991, a meeting was held at the United States Attorney's Office in Los Angeles to discuss the investigation to date. In attendance were AUSA [redacted] b6 b7C DOJ Public Integrity Section Attorney [redacted] FBIHQ Supervisor [redacted] Phoenix Supervisor [redacted] Phoenix Case Agent [redacted] Los Angeles FBI Supervisor [redacted] and Los Angeles Case Agents [redacted] and [redacted]

At this meeting, the evidence to date concerning the activities of Senators MCCAIN and GLENN was reviewed and analyzed. AUSA [redacted] and Attorney [redacted] decided it was not necessary to conduct any further investigation of MCCAIN and GLENN. Although the case against MCCAIN and GLENN was not formerly declined at this time, investigation was concluded and the formal declination was deferred until the entire case was complete.

The evidence concerning the activities of Senators RIEGLE and DECONCINI was then summarized and reviewed. At that point, it was determined the investigation would continue regarding RIEGLE and DECONCINI. It was determined a few additional individuals would be interviewed concerning the activities of RIEGLE and DECONCINI, to include the fund raisers for RIEGLE. Senator RIEGLE's testimony before the Senate Ethics Committee would be scrutinized for any statements made by RIEGLE which appear to be contrary to the evidence which existed to date.

It was then determined that three additional areas should be reviewed concerning Senator DECONCINI. One related to the charitable contributions raised by [redacted] from KEATING. Another area related to the loans made to R.A. HOMES, [redacted] b6 b7C

The third area related to whether [redacted] and DECONCINI had any business partnerships, in particular whether they were partners in P.B. INVESTORS or PINNACLE PEAK NORTH INVESTORS.

In addition to the above, the evidence to date concerning Senator ALAN CRANSTON was also summarized and reviewed. [redacted] and [redacted] agreed that a successful prosecution of CRANSTON [redacted] b5 b6 b7C

[redacted] b5 b6 b7C b7D

On July 9, 1991, a meeting was held at the United States Attorney's Office in Los Angeles to discuss the investigation. In attendance again were the same individuals who attended the April 15, 1991 meeting.

At the meeting, the evidence to date concerning Senator DECONCINI was summarized, reviewed, and discussed.

It was decided at the July 9, 1991 meeting that there was insufficient evidence to charge DECONCINI with a criminal violation and that there were no worthwhile leads outstanding. Although DECONCINI may have received in excess of $45,000 from KEATING and/or his associates, there was no direct evidence to link any activities he may have performed directly with the contributions. In addition, there was no evidence to suggest that there was an agreed upon quid pro que between CHARLES KEATING and any of his associates with Senator DECONCINI or any of his staff.

The evidence to date concerning Senator RIEGLE was also summarized, reviewed, and discussed. All at the meeting agreed that there was insufficient evidence to charge RIEGLE with a bribery or receiving a gratuity. There was evidence that Senator RIEGLE organized the April 2, 1987 meeting between [redacted] and the Senators. This appears to have been done within one week after KEATING had sponsored a major fund raising event for RIEGLE in Detroit which raised approximately $100,000 for RIEGLE's campaign. Other than the timing, there is no evidence of a correlation between the fund raiser and RIEGLE's actions. With respect to RIEGLE's testimony before the Senate Ethics Committee, although there was strong evidence that RIEGLE had committed perjury regarding his explanation of learning about the funds contributed by KEATING, his family and employees. AUSA [redacted] and [redacted] stated that the point on which RIEGLE apparently gave false testimony was not significant enough to justify a perjury charge. b6 b7C

Therefore at the July 9, 1991 meeting it was decided investigation would conclude concerning Senators DECONCINI and RIEGLE. The formal declination concerning those Senators would be deferred until the investigation in full had been completed. It was then decided to focus primarily on Senator ALAN CRANSTON and his relationship with CHARLES KEATING, et al.

The evidence to date concerning Senator ALAN CRANSTON was then summarized, reviewed, and discussed. In addition, evidence concerning [redacted] and [redacted] was discussed. The discussion focused on evidence that [redacted] had violated the federal election law in connection with conduit contributions and that [redacted] may have committed perjury in her testimony before the Senate Ethics Committee. The attorneys decided that the offenses were not serious enough to merit prosecution. b6 b7C

After reviewing the evidence against CRANSTON, the attorneys agreed there was not enough evidence to support a criminal charge against CRANSTON for receiving a bribe or gratuity for receiving compensation in violation of section 203.

The attorneys did further request investigation to continue in order to determine whether CRANSTON had required political contributions from other individuals for whom he may have performed official acts. The attorneys requested all other contributors to CRANSTON's voter registration projects who contributed in excess of $25,000 be interviewed regarding the circumstances of their contributions and whether they had any matters pending with CRANSTON's office. In addition, it was requested to determine if those contributors had any legislation pending before the United States Senate through which CRANSTON could assert his influence.

It was agreed that if the above described interviews met with negative results no further investigation would be conducted. It was anticipated the attorneys would then decline prosecution concerning all five Senators.

Beginning in August of 1991 and continuing through December of 1991, approximately 10 to 12 interviews were conducted with individuals who had contributed large sums of money to the various CRANSTON supported "soft money" groups. These groups included voter registration and Get-Out-The-Vote efforts. The interviews met with negative results concerning any agreed upon quid pro quo between the contributors and Senator ALAN CRANSTON.

The results of the Senate Ethics Committee investigation were discussed with AUSA [redacted] and Attorney [redacted]. It was determined the FBI investigation obtained very similar if not identical results in their investigation and both were unsuccessful in obtaining evidence showing the existence of an agreed upon quid pro quo between any of the U.S. Senators and CHARLES KEATINGS and/or his associates. b6 b7C

On February 3, 1992, this matter in its entirety was again discussed with AUSA [redacted] AUSA [redacted] advised he would decline prosecution concerning the five U.S. Senators due to the fact insufficient evidence to show an agreed upon quid pro quo existed. He added an agreed upon quid pro quo is absolutely required for a Hobbs Act extortion and/or bribery violation. The AUSA opinion was subsequently discussed with Attorney [redacted] who concurred with the declination. b6 b7C

Therefore, due to the above, the Los Angeles Division and the Phoenix Division of the FBI have at this time concluded the investigation concerning the relationship and activities between CHARLES H. KEATING, JR., and Senators ALAN CRANSTON, DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, and DONALD RIEGLE.

Memorandum

To : SAC PHOENIX
ATTN: SA [redacted]

Date 4/23/92

b6
b7C

From : [redacted]
EVIDENCE TECHNICIAN

Subject: ALAN CRANSTON, US SENATOR
ETAL
OO:PX

ATTACHED IS A COMPUTER PRINTOUT OF EVIDENCE STILL BEING MAINTAINED ON THIS CASE IN THE EVIDENCE CONTROL ROOM (ECR) AND THE BULKY EVIDENCE ROOM (BEC). THIS FILE WAS RUC/CLOSED ON 4/23/92 .

PLEASE INDICATED ON THIS DOCUMENT WHY THIS EVIDENCE IS STILL BEING MAINTAINED OR CALL ME TO DISCUSS HOW TO HANDLE EACH PIECE OF EVIDENCE.

ANY QUESTIONS SHOULD BE ADDRESS TO SANDY LAUER ON EXT 3116 AND THIS DOCUMENT SHOULD BE COMPLETED WITHIN 5 WORKING DAYS AND RETURNED TO THE ECR.

58C-PX-41605-110

(1) 58C-PX-41605
(1) SA [redacted]

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SEARCHED ..... INDEXED .....
SERIALIZED ..... FILED .....
APR 23 1992
FBI — PHOENIX

FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: [redacted] DATE RECEIVED: 05071990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(5); 4 BOXES CONTAINING DOCUMENTS SENATORS GAVE SENATE ETHICS COMMITTEE	ECR/SHELF12	E0244020	

RECEIVED BY: [redacted] RECEIVED FROM: [redacted] DATE RECEIVED: 05071990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B([redacted]4 BOXES OF DOCUMENTS SUPPLIED BY SENATORS TO THE SENATE ETHICS COMMITTEE	ECR/SHELF12	E0244019	

RECEIVED BY: [redacted] RECEIVED FROM: [redacted] DATE RECEIVED: 05071990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(3); 4 BOXES CONTAINING DOCUMENTS SUPPLIED BY SENATORS TO SENATE ETHICS COMMITTEE	ECR/SHELF12	E0244018	

RECEIVED BY: [redacted] RECEIVED FROM: [redacted] DATE RECEIVED: 05071990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(2); 4 BOXES CONTAINING DOCUMENTS SENT TO SENATE ETHICS COMMITTEE BY SENTORS	ECR/SHELF12	E0244017	

RECEIVED BY: [redacted] RECEIVED FROM: [redacted] DATE RECEIVED: 11281989

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(1); COPY OF [redacted] MEMO TO [redacted] INITIALED BY [redacted] COPY [redacted] MEMO TO [redacted] INITIALED BY [redacted] ORIGINAL [redacted] MEMO INITIALED BY [redacted]	ECR/SHELF12	E0273692	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ DATE RECEIVED: 10101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(6); VIDEO TAPE OF C-SPAN COVERAGE OF SNNATE ETHICS COMMITTEE HEARING ON 11/15/90	ECR/SHELF12	E0255860	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ DATE RECEIVED: 02201991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted] AFFIDAVITS OF [redacted] PETE WILSON, [redacted] ALAN CRANSTON, [redacted] ALAN CRANSTON, DENNIS DECONCINI.	ECR/SHELF12	E0255919	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(60); SENATE ETHICS COMMITTEE EXHIBITS FOR CRANSTON, GLENN, DECONCINI, AND MCCAIN SEE FD-192 FOR EXACT INFO DESCRIPTION.	ECR/SHELF12	E0255914	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERIVES DATE RECEIVED: 01081991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(38); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/2/91	ECR/SHELF12	E0255892	

RE[redacted]D BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICE DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(56); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/8/91	ECR/SHELF12	E0255910	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICE DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(54): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/5/90	ECR/SHELF12	E0255908	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted] VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEA[redacted]G ON 12/4/90	ECR/SHELF12	E0255872	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(17); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/3/90	ECR/SHELF12	E0255871	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(16); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/30/90	ECR/SHELF12	E0255870	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(15); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90	ECR/SHELF12	E0255869	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(14); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90	ECR/SHELF12	E0255868	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted];VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/27/90	ECR/SHELF12	E0255867	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 12171990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(19); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/11/90	ECR/SHELF12	E0255873	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(20); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/12/90	ECR/SHELF12	E0255874	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01091991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(37); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/91.	ECR/SHELF12	E0255891	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(58); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/10/91	ECR/SHELF12	E0255912	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted]; VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/9/91	ECR/SHELF12	E0255911	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(55); VIDEO TAPES OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/7/91 AND 1/8/91	ECR/SHELF12	E0293499	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(53) VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/91	ECR/SHELF12	E0255907	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(52); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHIC COMMITTEE HEARING ON 1/3/91	ECR/SHELF12	E0255906	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 02201991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(64): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/16/91	ECR/SHELF12	E0255918	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIA SERVICES DATE RECEIVED: 02201991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted] VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/15/91	ECR/SHELF12	E0255917	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ MEDIAL SERVICES DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(12); VIDEO TAPE OF C SPAN COVERAGE SENATE ETHICS COMMITTEE HEARING ON 11/26/90	ECR/SHELF12	E0255866	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGREESIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(61): SENATE ETHICS COMMITTEE EXHIBITS AND SPECIAL COUNSEL EXHIBITS [redacted]	ECR/SHELF12	E0255915	

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RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGREESIONAL AFFAIRS DATE RECEIVED: 01221991

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ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(43): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/10/90	ECR/SHELF12	E0255897	

FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGREESIONAL OFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(49); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/4/91	ECR/SHELF12	E0255903	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIOAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted] TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/4/90 AND 10/3/90 BY EXECUTIVE SESSION	ECR/SHELF12	E0255880	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(48); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/2/91	ECR/SHELF12	E0255902	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(28); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/15/90 BY ROBERT S BENNETT, OPENING STATEMENTS	ECR/SHELF12	E0255882	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(11); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/20/90	ECR/SHELF12	E0255865	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(10); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/19/90	ECR/SHELF12	E0255864	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted]VIDEO TAPE OF C-SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEA[redacted]G ON 11/16/90	ECR/SHELF12	E0255863	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(8); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/16/90	ECR/SHELF12	E0255862	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 12101990

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(7); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/15/90	ECR/SHELF12	E0255861	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(36); INDEX OF SPECIAL COUNSEL EXHIBITS, NEWSPAPER ARTICLES USED AS EXHIBITS, ACC/LSL CONSOLIDATED CIVIL ACTION W/OTS 8/22/90 MEMO OF 2/12/90 TO SENATE ETHICS RE MCCAIN INTERVIEW, SPECIAL COUNSEL EXHIBIT #59 MCCAIN REPORT OF RECEIPTS AND DISBURSEMENTS	ECR/SHELF12	E0255890	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

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ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(35): SENATE ETHICS SPECIAL COUNSEL EXHIBITS; MCCAIN [redacted] LETTER, OTS EXAM DATES, MEMO [redacted] MEMO DECONCINI [redacted] PHONE BIL [redacted] LETTER [redacted] AFFIDAVIT, MEMO DECONCINI [redacted] HEARING ORDER, [redacted] MEMO, LETTER DECONCINI [redacted] MEMO FHLBB, AFFIDAVIT - [redacted] LETTER [redacted] DECONCINI, LETER [redacted] /DECONCICI, MEMO DECONCINI [redacted] LETTER [redacted] MEMO, AFFIDAVIT [redacted] AFFIDAVIT [redacted] CALENDAR, BILL	ECR/SHELF12	E0255889	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(34); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/3/90	ECR/SHELF12	E0293984	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(33): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/30/90	ECR/SHELF12	E0255887	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted]; TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/29/90	ECR/SHELF12	E0255886	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(31): TRANSCRIPTS OF TESTIMONY SEFORE THE SENATE ETHICS COMMITTEE ON 11-28-90	ECR/SHELF12	E0255885	

FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(30); TRANSCRIPTS OF TESTIMAONY BEFORE THE SENTAE ETHIC COMMITTEE ON 11/27/90	ECR/SHELF12	E0255884	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B[redacted] TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICE COMMITTEE ON 11/26/90	ECR/SHELF12	E0255883	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(27); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/17/90 BY EXECUTIVE SESSION	ECR/SHELF12	E0293985	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(25); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 7/19/90 BY [redacted]	ECR/SHELF12	E0293979	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(24); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 4/30/90 AND 5/17/90 BY [redacted]	ECR/SHELF12	E0255878	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(23); SPECIAL COUNSEL EXHIBIT BEFORE THE SENATE ETHIS COMMITTE THE FOLLOWING AFFIDAVITS ARE INCLUDED, [redacted]	ECR/SHELF12	E0255877	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01031991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(21); STATEMENT AND REMARKS BEFORE SENATE ETHICS COMMITTEE FOR JOHN GLENN, ALAN CRANSTON, DENNIS DECONCINI, JOHN MCCAIN, [redacted] TRENT LOTT.	ECR/SHELF12	E0255875	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01041991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(22): SPECIAL CONSEL EXHIBITS PERTAINING TO ALAN CRANSTON: 1987 CALENDAR, [redacted] LETTER TO [redacted], CRANSTON LETTER TO KEATING, ACC CHECK TO FORUM, ACC CHECK TO CENTER/DEM, LSL CHECK TO AMERICAN VOTES, MEMO - [redacted] TO [redacted] CENTER/DEM UPDATE, MEMO [redacted] TO ALAN, MEMO [redacted] TO ALAN, MEMO, AM VOTES, CONTRIBUTIONS, CENTER/DEM, MEMO [redacted] NOTES, LETTER TO KEATING, CALENDOR PAGES, ACC CHECK [redacted] LETTER, [redacted] LETTER, [redacted] CRANSTON LETER, CRANSTON [redacted] LETTER	ECR/SHELF12	E0255876	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(59); SENATE ETHICS COMMITTEE EXHIBITS PERTAINING TO SENATOR DONALD RIEGLE AS FOLLOWS: AFFIDAVIT OF [redacted] RIEGLE, [redacted] AM EXPRESS BILL, MEMO, AFFIDAVIT OF [redacted] 2/16/88 ENFORCEMENT REVIEW COMMITTEE MEETING.	ECR/SHELF12	E0255913	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(51); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/8/91 PREVIOUS BAR-CODE E0255905	ECR/SHELF12	E0293899	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(50); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/7/91	ECR/SHELF12	E0293900	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(47); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/15/90	ECR/SHELF12	E0293980	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(46): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/13/90	ECR/SHELF12	E0293981	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(45); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/12/90	ECR/SHELF12	E0293982	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(44): TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 12/11/90	ECR/SHELF12	E0293983	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B([redacted] TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/6/90	ECR/SHELF12	E0255896	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(41); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/5/90	ECR/SHELF12	E0255895	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(40); TRANSCRIPTS OF TESTIMONY BEFORE HE SENATE ETHICS COMMITTEE ON 12/4/90	ECR/SHELF12	E0255894	

RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(39); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 11/26/90	ECR/SHELF12	E0255893	

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FIELD OFFICE: PHOENIX
CASE NUMBER: PX-0041605 (058C)
EVIDENCE TYPE: GENERAL
RECEIVED BY: [redacted] RECEIVED FROM: FBIHQ OFFICE OF CRONGRESSIONAL AFFAIRS DATE RECEIVED: 01171991

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b7C

ITEM DESCRIPTION	LOCATION	BARCODE	DISPOSITION
1B(62); TRANSCRIPTS OF TESTIMONY OR DEPOSITIONS FOR THE SENATE ETHICS COMMITTEEE, SENATOR DONALD W. RIEGLE, SP COUNSEL DEPOSITION E, SENATOR DENNIS DECONCINI SP COUNSEL DEPOSITION B, [redacted] SPECIAL COUNSEL DEPOSITION [redacted] SPECIAL COUNSEL DEPOSITION I [redacted]	ECR/SHELF12	E0255916	

Memorandum

To : SAC, PHOENIX Date 4/10/92

From : FA [redacted] b6 b7C b7D

Subject: [redacted]

[redacted] came to the FBI-Phoenix office, 201 E. Indianola, Suite 400, Phoenix, Arizona for Evidence Discovery purposes on 4/3/92. Present during the Discovery process were FA [redacted] and RASU [redacted] of the FBI-Phoenix Division. b6 b7C

Among other items of evidence, [redacted] requested to see [redacted] While [redacted] remained with [redacted] went to retrieve the requested items. Upon locating [redacted] approached SA [redacted] about whether or not [redacted] could be given to [redacted] for review since [redacted] immediately realized he had inadvertently given [redacted] from an unrelated case. b6 b7C b7D

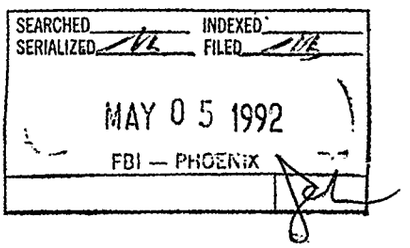
[redacted] then instructed [redacted] he could not review [redacted] because it was from an unrelated case and had incorrectly been listed on the inventory of evidence. [redacted] then informed [redacted] that he had requested and received that [redacted] on a prior occasion. [redacted] He felt that since [redacted] and would inform his attorney of the situation.

2 - Phoenix
(1)
1 - [redacted]

58C-PX-41605-111

SEARCHED INDEXED
SERIALIZED FILED
APR 1992
FBI-PHOENIX

58CRK4160S-112



FD-448 (Rev. 5-23-90)

FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

- ☐ Immediate
- ☐ Priority
- ☑ Routine

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

Time Transmitted: 8:22 A.M.
Sender's Initials: KS
Number of Pages: 2 (including cover)

To: Office of Investigations, US Senate (Name of Office) Date: 4/21/92

Facsimile number: 202-224-3240

Attn: [redacted] b6 b7C

From: FBI Phoenix (Name of Office)

Subject: U.S. Senators Alan Cranston, et al 58CPX41605, [redacted] letter to Sen DeConcini dated Aug 18, 1989, Bates # D000902

Special Handling Instructions: Any questions call SA [redacted]

[redacted]

Originator's Name: _____ Telephone: _____

Originator's Facsimile Number: _____

Approved: _____

FBI/DOJ

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 8/17/92

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

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

SUBJECT : ALLEGATIONS CONCERNING UNITED STATES SENATORS ALAN CRANSTON; ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATURE
(OO:PX)

Re Cincinnati telephone call to Los Angeles, on 8/14/92.

Referenced Cincinnati telephone call to Los Angeles, on 8/14/92, indicates that captioned matter is in a closed status.

In view of the above, Cincinnati is placing this matter in an RUC status.

2-Los Angeles
(2)-Phoenix
2-Cincinnati
(1-58C-PX-41605)
(1-29D-LA-102009)

EAV:gmb
(6)

58C-PX-41605 - 113

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____
AUG 24 1992
FBI — PHOENIX

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

FD-491 (Rev. 1-17-77)

UNITED STATES GOVERNMENT

Memorandum

TO : FBI Phoenix

DATE: 4/10/94

58C-PX-41605

FROM : FBI CINCINNATI

SUBJECT: Allegations Concerning U.S. Senator Alan Cranston
(Title)

☐ RUC

☒ File Destruction Program

Enclosed are 1 items.
These items are forwarded your office since:

☐ All logical investigation completed in this Division

☒ You were OO at the time our case was RUC'd.

Enclosures are described as follows:

_____ ORIGINAL FD-302's

_____ ORIGINAL INSERTS

_____ ORIGINAL LAB REPORTS

1 1A's

_____ ORIGINAL SUBPENA

Enc. 1

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES

58C-PX-41605-114

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____

APR 12 1994

FBI/DOJ
FBI PHOENIX

FD-491 (Rev. 4-21-80)

Memorandum

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

☐ RUC

☑ File Destruction Program

Enclosed are 2 items.
These items are forwarded your office since:

☑ All logical investigation completed in this Division

☑ You were OO at the time our case was RUC'd.

Enclosures are described as follows:

ONE (1) ORIGINAL FD-302.

ONE (1) 1A EXHIBIT CONTAINING ORIGINAL DOCUMENT.

58C-PX-41605-115

Enc. 2

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

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] ADM, [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

---

Investigation on 9/3/91 at Decatur, Illinois File # SI 58C-PX-41605-7

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

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.

[redacted]

b6
b7C

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.

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.

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/15/90

A Federal Grand Jury subpoena from United States District Court, Central District of California, was served on [redacted] which commands [redacted]

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Investigation on 2/14/90 at [redacted] # 56C-PX-41605 - 116

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

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.

FD-491 (Rev. 5-26-92)

Memorandum

To : SAC, PX (56C-PX-41605) Date 6/30/95

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

Subject: Allegations Concerning U.S. Senators Alan Cranston, Dennis D. DeConcini, John Glenn, John McCain, Donald Reigle, Charles H. Keating, Jr., DBA et al; (Title)

OO: PX/LA

☐ RUC

☒ File Destruction Program

Enclosed are 1 items.

These items are forwarded to your office since file meets criteria for destruction.

Enclosures are described as follows:

☐ Original Notes.

☒ Original FD-302's.

☐ Laboratory and/or Technical Support.

☐ Miscellaneous Documents.

1 Enc.

58C-PX-41605-117

SEARCHED ____ INDEXED ____
SERIALIZED RG FILED RG
JUL 2 1995
FBI — PHOENIX

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

58-PX-41605-1/8

Re [redacted]

SA [redacted]

I:/12 [redacted] DJM29566.EC

SEARCHED _____ INDEXED _____
SERIALIZED _____ FILED _____

OCT 21 1996

FBI PHOENIX

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(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 10/21/1996

To: Phoenix

From: [redacted] b6 b7C
Squad 12
Contact: [redacted]

Approved By: [redacted]

Drafted By: [redacted] djm

Case ID #: 29D-LA-102009 (Pending)
58C-PX-41605 (Pending)

Title: US SENATORS JOHN MC CAIN, ALAN CRANSTON
ET AL
CDO - LEGISLATIVE

Synopsis: Re-open case to reassign evidence review to case agent of Phoenix file 29D-LA-102009.

Details: 58C-PX-41605, commonly known as the "Keating 5 Case", has evidence in Bulky which should not be destroyed because this case was part of the Discovery in 29D-LA-102009. Over the last several evidence inventory reviews, SA [redacted] has written this notation on the Pending Collected Evidence reports. b6 b7C

It is recommended that this case be opened and reassigned to SA [redacted], case agent of 29D-LA-102009. In view of the reports in local newspapers that consideration is being given to a new trial, evidence collected in this case should be reviewed by SA [redacted] prior to any destruction.

♦♦

(29DLA102009)

Collected Item Type: General
Category Type: 1B

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B61	01/17/1991	G	E0255915		1B(61): SENATE ETHICS COMMITTEE EXHIBITS AND SPECIAL COUNSEL EXHIBITS, 7/23/87 BANK BOARD MEMO, 4/14/89 MEMO, HANDWRITTEN, CHRONOLOGY OF LSL, 4/14/89 FHLBB MEET, 5/5/88 FHLSS MEET, [redacted] LETTER 5/20/88, LSL-FHLBB MOU, 1/14/89 SCHEDULE, 1/10/89 MEMO, [redacted] AFFIDAVIT, [redacted] LETTERS 3/24/89, NOTES, LSL MEMO, FHLBB MAIL MEMO, [redacted] LETTER 5/10/88, [redacted] AFFIDAVIT, [redacted] INTERVIEW, [redacted] MCLEAN AFFIDAVIT, FHLBB-LSL AGREEMENT, WM PROXMIRE AFFIDAVIT, CHECK MEMO KILL HIM DEAD, KEATING STMT. ACC MEMO, LSL MEMO
1B62	01/17/1991	G	E0255916		1B(62); TRANSCRIPTS OF TESTIMONY OR DEPOSITIONS FOR THE SENATE ETHICS COMMITTEEE, SENATOR DONALD W. RIEGLE, SP COUNSEL DEPOSTION E, SENATOR DENNIS DECONCINI SP COUNSEL DEPOSITION B, [redacted] SPECIAL COUNSEL DEPOSITION P [redacted] SPECIAL COUNSEL DEPOSITION I [redacted]
1B63	02/20/1991	G	E0255917		1B(63); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/15/91
1B64	02/20/1991	G	E0255918		1B(64): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/16/91

[redacted]

See last Core Core report dated 8/13/86

TH
B

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B41	01/17/1991	G	E0255895		1B(41); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/5/90
1B42	01/17/1991	G	E0255896		1B(42); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/6/90
1B43	01/22/1991	G	E0255897		1B(43): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/10/90
1B44	01/17/1991	G	E0293983		1B(44): TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 12/11/90
1[redacted]	01/17/1991	G	E0293982		1B(45); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/12/90
1B46	01/17/1991	G	E0293981		1B(46): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/13/90
1B47	01/17/1991	G	E0293980		1B(47); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/15/90
1B48	01/17/1991	G	E0255902		1B(48); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/2/91
1B49	01/17/1991	G	E0255903		1B(49); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/4/91
1B50	01/17/1991	G	E0293900		1B(50); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/7/91
1B51	01/17/1991	G	E0293899		1B(51); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/8/91 PREVIOUS BAR-CODE E0255905
1B52	01/17/1991	G	E0255906		1B(52); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHIC COMMIT TEE HEARING ON 1/3/91
1B53	01/17/1991	G	E0255907		1B(53) VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/91
1B54	01/17/1991	G	E0255908		1B(54): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/5/90
1B[redacted]	01/17/1991	G	E0293499		1B(55); VIDEO TAPES OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/7/91 AND 1/8/91
1B56	01/17/1991	G	E0255910		1B(56); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/8/91
1B57	01/17/1991	G	E0255911		1B(57); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/9/91
1B58	01/17/1991	G	E0255912		1B(58); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/10/91
1B59	01/17/1991	G	E0255913		1B(59); SENATE ETHICS COMMITTEE EXHIBITS PERTAINING TO SENAT OR [redacted] AS FOLLOWS: AFFIDAVIT OF [redacted] [redacted] AM EXPRESS [redacted] MEMO, AFFIDAVIT OF [redacted] 2/16/88 ENFORCEMENT REVIEW COMMITTEE MEETING.
1B60	01/17/1991	G	E0255914		1B(60); SENATE ETHICS COMMITTEE EXHIBITS FOR CRANSTON, GLENN , DECONCINI, AND MCCAIN SEE FD-192 FOR EXACT INFO DESCRIPTION.

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Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B26	01/03/1991	G	E0255880		1B(26); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/4/90 AND 10/3/90 BY EXECUTIVE SESSION
1B27	01/03/1991	G	E0293985		1B(27); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/17/90 BY EXECUTIVE SESSION
1B28	01/03/1990	G	E0255882		1B(28); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/15/90 BY [redacted] OPENING STATEMENT S
1B29	01/03/1991	G	E0255883		1B(29); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICE COMMITTEE ON 11/26/90
1B30	01/03/1991	G	E0255884		1B(30); TRANSCRIPTS OF TESTIMAONY BEFORE THE SENTAE ETHIC COMMITTEE ON 11/27/90
1B31	01/03/1991	G	E0255885		1B(31): TRANSCRIPTS OF TESTIMONY SEFORE THE SENATE ETHICS COMMITTEE ON 11-28-90
1B32	01/03/1991	G	E0255886		1B(32); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/29/90
1B33	01/03/1991	G	E0255887		1B(33): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/30/90
1B34	01/03/1991	G	E0293984		1B(34); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/3/90
1B35	01/03/1991	G	E0255889		1B(35): SENATE ETHICS SPECIAL COUNSEL EXHIBITS; MCCAIN [redacted] LETTER, OTS EXAM DATES, MEMO [redacted] MEMO DECONCINI [redacted] PHONE BILL, [redacted] LETTER, [redacted] AFFIDAVIT, MEM O DECONCINI [redacted] HEARING ORDER, [redacted] MEMO, LETTER DECONCINI [redacted] MEMO FHLBB, AFFIDAVIT [redacted] LETT ER [redacted] DECONCINI, LETER [redacted] DECONCICI, MEMO DECONCINI [redacted] LETTER [redacted] MEMO, AFFIDAVIT [redacted] AFFIDAVIT [redacted] CALENDAR, BILL
1B36	01/03/1991	G	E0255890		1B(36); INDEX OF SPECIAL COUNSEL EXHIBITS, NEWSPAPER ARTICLE S USED AS EXHIBITS, ACC/LSL CONSOLIDATED CIVIL ACTION W/OTS 8/ 22/90 MEMO OF 2/12/90 TO SENATE ETHICS RE MCCAIN INTERVIEW, SPECIA L COUNSEL EXHIBIT #59 MCCAIN REPORT OF RECEIPTS AND DISBURSEME NTS
1B37	01/09/1991	G	E0255891		1B(37); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/91.
1B38	01/08/1991	G	E0255892		1B(38); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/2/91
1B39	01/17/1991	G	E0255893		1B(39); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 11/26/90
1B40	01/17/1991	G	E0255894		1B(40); TRANSCRIPTS OF TESTIMONY BEFORE HE SENATE ETHICS COMMITTEE ON 12/4/90

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B17	12/10/1990	G	E0255871		1B(17); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/3/90
1B18	12/10/1990	G	E0255872		1B(18); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/4/90
1B19	12/17/1990	G	E0255873		1B(19); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/11/90
1B[redacted]	01/03/1991	G	E0255874		1B(20); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/12/90
1B21	01/03/1991	G	E0255875		1B(21); STATEMENT AND REMARKS BEFORE SENATE ETHICS COMMITTEE FOR JOHN GLENN, ALAN CRANSTON, DENNIS DECONCINI, JOHN MCCAIN, [redacted] TRENT LOTT.
1B22	01/04/1991	G	E0255876		1B(22): SPECIAL CONSEL EXHIBITS PERTAINING TO ALAN CRANSTON: 1987 CALENDAR, GANA LETTER TO [redacted] CRANSTON LETTER TO KEATING, ACC CHECK TO FORUM, ACC CHECK TO CENTER/DEM, LSL CHECKTO AMERICAN VOTES, MEMO - [redacted] TO [redacted] CENTER/DEM UPDATE, MEMO [redacted] TO [redacted] N, MEMO [redacted] TO ALAN, MEMO, AM VOTES, CONTRIBUTIONS, CENTER/DEM, MEMO [redacted] TO ALAN, NOTES, LETTER TO KEATING, CALENDOR PAGES, ACC CHECK [redacted] LETTER, [redacted] LETTER, [redacted] CRANSTON LETER, CRANSTON [redacted] LETTER
1B[redacted]	01/03/1991	G	E0255877		1B(23); SPECIAL COUNSEL EXHIBIT BEFORE THE SENATE ETHIS COMMITTE THE FOLLOWING AFFIDAVITS ARE INCLUDED. [redacted]
1B24	01/03/1991	G	E0255878		1B(24); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 4/30/90 AND 5/17/90 BY ALAN CRANSTON
1B25	01/03/1991	G	E0293979		1B(25); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 7/19/90 BY [redacted]

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Case Number: 58C-PX-41605 Case Agent [redacted] Closed: 04/23/92

Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B2	05/07/1990	G	E0244017		1B(2); 4 BOXES CONTAINING DOCUMENTS SENT TO SENATE ETHICS COMMITTEE BY SENTORS
1B3	05/07/1990	G	E0244018		1B(3); 4 BOXES CONTAINING DOCUMENTS SUPPLIED BY SENATORS TO SENATE ETHICS COMMITTEE
1B4	05/07/1990	G	E0244019		1B(4)' 4 BOXES OF DOCUMENTS SUPPLIED BY SENATORS TO THE SENATE ETHICS COMMITTEE
1B5	05/07/1990	G	E0244020		1B(5); 4 BOXES CONTAINING DOCUMENTS SENATORS GAVE SENATE ETHICS COMMITTEE
1B1	11/28/1989	G	E0273692		1B(1); COPY OF [redacted] MEMO TO [redacted] INITIALED BY [redacted] COPY [redacted] MEMO TO [redacted] INITIALED BY [redacted] ORIGINAL [redacted] MEMO INITIALED BY [redacted]
1B65	02/20/1991	G	E0255919		1B(65); AFFIDAVITS OF [redacted] PETE WILSON, [redacted] ALAN CRANSTON, [redacted] ALAN CRANSTON, DENNIS DECONCINI.
1B6	10/10/1990	G	E0255860		1B(6); VIDEO TAPE OF C-SPAN COVERAGE OF SNNATE ETHICS COMMITTEE HEARING ON 11/15/90
1B7	12/10/1990	G	E0255861		1B(7); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/15/90
1B8	12/10/1990	G	E0255862		1B(8); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/16/90
1B9	12/10/1990	G	E0255863		1B(9); VIDEO TAPE OF C-SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/16/90
1B10	12/10/1990	G	E0255864		1B(10); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/19/90
1B[redacted]	12/10/1990	G	E0255865		1B(11); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/20/90
1B12	12/10/1990	G	E0255866		1B(12); VIDEO TAPE OF C SPAN COVERAGE SENATE ETHICS COMMITTEE HEARING ON 11/26/90
1B13	12/10/1990	G	E0255867		1B(13); ;VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/27/90
1B14	12/10/1990	G	E0255868		1B(14); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90
1B15	12/10/1990	G	E0255869		1B(15); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90
1B16	12/10/1990	G	E0255870		1B(16); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/30/90

Closed Cases with pending Collected Items
01/01/1980 thru 10/11/1996
Collected Item Type: General
Category Type: 1C

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

b6
b7C

Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1C1	12/04/1991	G	E0598268		1C(1) MISC. FEDERAL ELECTION COMMISSION REPORTS ON CONTRIBUTORS TO US SENATORS CAMPAIGNS
1C2	12/04/1991	G	E0598269		1C(2) BOUND VOLUMES OF TESTIMONY AND EXHIBITS PRESENT TO ETHICS COMMITTEE
1C3	08/16/1990	G	E0597974		1C(3); MISC DOC'S GIVEN BY [redacted] 8-16-90.
1C4	02/21/1992	G	E0597958		1C(4) [redacted]

b6
b7C

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 01/31/1997

To: Phoenix

From: Phoenix
0004
Contact: [redacted] 602-650-3174 b6 b7C

Approved By: [redacted]

Drafted By: [redacted] jk

Case ID #: 58C-PX-41605 (Pending Inactive)

Title: Cranston, Alan; et al

Synopsis: Reassign to SA [redacted] b6 b7C

Administrative: Re SSA [redacted] conversation with SA [redacted] on 1/27/97.

Details: The purpose of this memo is to request reassignment of this case to SA [redacted]

SA [redacted] has recently been assigned investigative responsibilities in the Charles Keating Jr. investigation (29D-LA-1002009).

Because evidence in captioned matter is being retained due to its possible relevance to that investigation, it is recommended that this matter be reassigned to SA [redacted]

♦♦

b6 b7C

[redacted]

To SA [redacted]

Reassign

SSA [redacted]

58C-PX-41605-119

SEARCHED _____ INDEXED _____
SERIALIZED _____ FILED _____

JAN 3 1 1997

FBI PHOENIX

jk03166.ec

FD-491 (Rev. 5-26-92)

Memorandum

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

Date 3/23/97

From : SAC, CE

WEP/[illegible]

Subject: _____ (Title)

☐ RUC
☑ File Destruction Program

Enclosed are 1 items.

These items are forwarded to your office since file meets criteria for destruction.

Enclosures are described as follows:

☐ Original Notes.

☐ Original FD-302's.

☐ Laboratory and/or Technical Reports.

☑ Miscellaneous Documents.

58-PX-41605-120

APR 01 1997

FBI PHOENIX

Enc.

NOTE: DO NOT BLOCK STAMP ORIGINAL ENCLOSURES.

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 5/24/90

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

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

BT

UNCLAS

CITE: //3140//

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: PHOENIX/LOS ANGELES.

RE ATLANTA TELETYPE TO CHARLOTTE, DATED MAY 21, 1990.

[redacted] ALSO KNOWN AS [redacted] [redacted] OFFICE OF THRIFT SUPERVISION (OTS), CHARLOTTE, NORTH CAROLINA, WAS INTERVIEWED BY SPECIAL AGENT

b6
b7C
b7D

58C-PX-41605-3

SEARCHED ____ INDEXED ____
SERIALIZED ____ FILED ____

GHK:ljf
(1)

Approved: _____ Transmitted LJF001W.144 (Number) (Time) Per 1727ZORO

IWS - LOIS

MRI/1373
ISN/001

SENT VIA ENCIPHERED TELETYPE

[redacted] ON MAY 23, 1990. [redacted]

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[redacted]

[redacted] FURNISHED

FOLLOWING INFORMATION:

[redacted]

[redacted]

[redacted]

[redacted] b6 b7C b7D

[redacted]

[redacted]

FOR INFORMATION OF PHOENIX CONTACTS AT OTS, CHARLOTTE, DETERMINED [redacted] b6 b7C

[redacted]

NORTH CAROLINA.

CHARLOTTE AT LEXINGTON, NORTH CAROLINA: CONTACT AND INTERVIEW [redacted] HOME TELEPHONE NUMBER [redacted]

SUTEL SUMMARY OF INTERVIEW BY JUNE 1, 1990, AND FOLLOW WITH FD-302.

BT

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 09/25/1997

To: Phoenix **Attn:** SSA [redacted] b6 b7C

From: Phoenix

Approved By: [redacted]

Drafted By: [redacted]

Case ID #: 58C-PX-41605 (Pending) 1121

Title: Cranston, Alan; et al

Synopsis: Determination needed of what to do with evidence.

Enclosures: 2 copies of printouts of evidence collected.

Details: On 9/25/97, SSA [redacted] advised SSA [redacted] he soon would be meeting with AUSA's currently assigned to the Charles Keating Jr. criminal matter, (29D-LA-102009) in Los Angeles and would ascertain for SA [redacted] what should be done with the evidence collected in captioned case. (Possibly relevant to the Keating matter.) b6 b7C

♦♦

I:\58\[redacted] Kem 2661.EC b6 b7C

29DLA102009

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Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

[redacted]

Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B61	01/17/1991	G	E0255915		1B(61): SENATE ETHICS COMMITTEE EXHIBITS AND SPECIAL COUNSEL EXHIBITS, 7/23/87 BANK BOARD MEMO, 4/14/89 MEMO, HANDWRITTEN , CHRONOLOGY OF LSL, 4/14/89 FHLBB MEET, 5/5/88 FHLSS MEET, [redacted] LETTER 5/20/88, LSL-FHLBB MOU, 1/14/89 SCHE DULE, 1/10/89 MEMO, [redacted] AFFIDAVIT, [redacted] LETTERS 3/2 4/89, NOTES, LSL MEMO, FHLBB MAIL MEMO, [redacted] LETTER 5/1 0/88, [redacted] AFFIDAVIT, [redacted] INTERVIEW, [redacted] AFFIDAVIT, FHLBB-LSL AGREEMENT, WM PROXMIRE AFFIDAVIT, CHECK MEMO KILL HIM DEAD, KEATING STMT. ACC MEMO, LSL MEMO
1B62	01/17/1991	G	E0255916		1B(62); TRANSCRIPTS OF TESTIMONY OR DEPOSITIONS FOR THE SENA TE ETHICS COMMITTEEE, SENATOR DONALD W. RIEGLE, SP COUNSEL DEPO STION E, SENATOR DENNIS DECONCINI SP COUNSEL DEPOSITION B, [redacted] TZ SPECIAL COUNSEL DEPOSITION P, [redacted] SPECIAL COUN SEL DEPOSITION I, [redacted]
1B63	02/20/1991	G	E0255917		1B(63); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/15/91
1B64	02/20/1991	G	E0255918		1B(64): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/16/91

See last Close Case report dated 8/13/86

TLH
B

Closed Cases with pending Collected Items
01/01/1980 thru 10/11/1996
Collected Item Type: General
Category Type: 1B

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B41	01/17/1991	G	E0255895		1B(41); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/5/90
1B42	01/17/1991	G	E0255896		1B(42); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/6/90
1B43	01/22/1991	G	E0255897		1B(43): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/10/90
1B44	01/17/1991	G	E0293983		1B(44): TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 12/11/90
1B45	01/17/1991	G	E0293982		1B(45); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/12/90
1B46	01/17/1991	G	E0293981		1B(46): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/13/90
1B47	01/17/1991	G	E0293980		1B(47); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/15/90
1B48	01/17/1991	G	E0255902		1B(48); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/2/91
1B49	01/17/1991	G	E0255903		1B(49); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/4/91
1B50	01/17/1991	G	E0293900		1B(50); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/7/91
1B51	01/17/1991	G	E0293899		1B(51); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 1/8/91 PREVIOUS BAR-CODE E0255905
1B52	01/17/1991	G	E0255906		1B(52); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHIC COMMITTEE HEARING ON 1/3/91
1B53	01/17/1991	G	E0255907		1B(53) VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/91
1B54	01/17/1991	G	E0255908		1B(54): VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/5/90
1B55	01/17/1991	G	E0293499		1B(55); VIDEO TAPES OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/7/91 AND 1/8/91
1B56	01/17/1991	G	E0255910		1B(56); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/8/91
1B57	01/17/1991	G	E0255911		1B(57); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/9/91
1B58	01/17/1991	G	E0255912		1B(58); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 1/10/91
1B59	01/17/1991	G	E0255913		1B(59); SENATE ETHICS COMMITTEE EXHIBITS PERTAINING TO SENATOR DONALD RIEGLE AS FOLLOWS: AFFIDAVIT OF [redacted] [redacted] MEMO, AFFIDAVIT OF [redacted] 2/16/88 ENFORCEMENT REVIEW COMMITTEE MEETING.
1B60	01/17/1991	G	E0255914		1B(60); SENATE ETHICS COMMITTEE EXHIBITS FOR CRANSTON, GLENN, DECONCINI, AND MCCAIN SEE FD-192 FOR EXACT INFO DESCRIPTION.

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B26	01/03/1991	G	E0255880		1B(26); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/4/90 AND 10/3/90 BY EXECUTIVE SESSION
1B27	01/03/1991	G	E0293985		1B(27); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 10/17/90 BY EXECUTIVE SESSION
1B28	01/03/1990	G	E0255882		1B(28); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/15/90 BY [redacted] OPENING STATEMENT S
1B29	01/03/1991	G	E0255883		1B(29); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICE COMMITTEE ON 11/26/90
1B30	01/03/1991	G	E0255884		1B(30); TRANSCRIPTS OF TESTIMAONY BEFORE THE SENTAE ETHIC COMMITTEE ON 11/27/90
1B31	01/03/1991	G	E0255885		1B(31): TRANSCRIPTS OF TESTIMONY SEFORE THE SENATE ETHICS COMMITTEE ON 11-28-90
1B32	01/03/1991	G	E0255886		1B(32); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/29/90
1B33	01/03/1991	G	E0255887		1B(33): TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/30/90
1B34	01/03/1991	G	E0293984		1B(34); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 12/3/90
1B35	01/03/1991	G	E0255889		1B(35): SENATE ETHICS SPECIAL COUNSEL EXHIBITS; MCCAIN [redacted] LETTER, OTS EXAM DATES, MEMO [redacted] MEMO DECONCINI [redacted] PHONE BILL, [redacted] LETTER, [redacted] AFFIDAVIT, MEM O DECONCINI [redacted] HEARING ORDER, [redacted] MEMO, LETTER DECONCINI [redacted] MEMO FHLBB, AFFIDAVIT [redacted] LETT ER [redacted] DECONCINI, LETER [redacted] DECONCICI, MEMO DECONCINI [redacted] R, LETTER [redacted] MEMO, AFFIDAVIT [redacted] AFFIDAVIT [redacted] CALENDAR, BILL
1B36	01/03/1991	G	E0255890		1B(36); INDEX OF SPECIAL COUNSEL EXHIBITS, NEWSPAPER ARTICLE S USED AS EXHIBITS, ACC/LSL CONSOLIDATED CIVIL ACTION W/OTS 8/ 22/90 MEMO OF 2/12/90 TO SENATE ETHICS RE MCCAIN INTERVIEW, SPECIA L COUNSEL EXHIBIT #59 MCCAIN REPORT OF RECEIPTS AND DISBURSEME NTS
1B37	01/09/1991	G	E0255891		1B(37); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/91.
1B38	01/08/1991	G	E0255892		1B(38); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMI TTEE HEARING ON 1/2/91
1B39	01/17/1991	G	E0255893		1B(39); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHIC COMMITTEE ON 11/26/90
1B40	01/17/1991	G	E0255894		1B(40); TRANSCRIPTS OF TESTIMONY BEFORE HE SENATE ETHICS COMMITTEE ON 12/4/90

Closed Cases with pending Collected Items
01/01/1980 thru 10/11/1996
Collected Item Type: General
Category Type: 1B

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B17	12/10/1990	G	E0255871		1B(17); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/3/90
1B18	12/10/1990	G	E0255872		1B(18); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/4/90
1B19	12/17/1990	G	E0255873		1B(19); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/11/90
1B[redacted]	01/03/1991	G	E0255874		1B(20); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 12/12/90
1B21	01/03/1991	G	E0255875		1B(21); STATEMENT AND REMARKS BEFORE SENATE ETHICS COMMITTEE FOR JOHN GLENN, ALAN CRANSTON, DENNIS DECONCINI, JOHN MCCAIN, [redacted] TRENT LOTT.
1B22	01/04/1991	G	E0255876		1B(22): SPECIAL CONSEL EXHIBITS PERTAINING TO ALAN CRANSTON: 1987 CALENDAR, [redacted] LETTER TO [redacted] CRANSTON LETTER TO KEATING, ACC CHECK TO FORUM, ACC CHECK TO CENTER/DEM, LSL CHECKTO AMERICAN VOTES, MEMO - [redacted] TO [redacted] CENTER/DEM UPDATE, MEMO [redacted] TO [redacted] N, MEMO [redacted] TO [redacted] MEMO, AM VOTES, CONTRIBUTIONS, CENTER/DEM, MEMO [redacted] TO [redacted] NOTES, LETTER TO KEATING, CALENDOR PAGES, ACC CHECK [redacted] LETTER, [redacted] LETTER, [redacted] CRANSTON LETER, CRANSTON [redacted] LETTER
1B[redacted]	01/03/1991	G	E0255877		1B(23); SPECIAL COUNSEL EXHIBIT BEFORE THE SENATE ETHIS COMMITTE THE FOLLOWING AFFIDAVITS ARE INCLUDED. [redacted] [redacted] PETE WILSON, [redacted]
1B24	01/03/1991	G	E0255878		1B(24); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 4/30/90 AND 5/17/90 BY ALAN CRANSTON
1B25	01/03/1991	G	E0293979		1B(25); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 7/19/90 BY [redacted]

Closed Cases with pending Collected Items
01/01/1980 thru 10/11/1996
Collected Item Type: General
Category Type: 1B

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

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Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1B2	05/07/1990	G	E0244017		1B(2); 4 BOXES CONTAINING DOCUMENTS SENT TO SENATE ETHICS COMMITTEE BY SENTORS
1B3	05/07/1990	G	E0244018		1B(3); 4 BOXES CONTAINING DOCUMENTS SUPPLIED BY SENATORS TO SENATE ETHICS COMMITTEE
1B4	05/07/1990	G	E0244019		1B(4)' 4 BOXES OF DOCUMENTS SUPPLIED BY SENATORS TO THE SENATE ETHICS COMMITTEE
1B5	05/07/1990	G	E0244020		1B(5); 4 BOXES CONTAINING DOCUMENTS SENATORS GAVE SENATE ETHICS COMMITTEE
1B1	11/28/1989	G	E0273692		1B(1); COPY OF [redacted] MEMO TO [redacted] INITIALED BY [redacted] COPY [redacted] MEMO TO [redacted] INITIALED BY [redacted] ORIGINAL [redacted] MEMO INITIALED BY [redacted]
1B65	02/20/1991	G	E0255919		1B(65); AFFIDAVITS OF [redacted] PETE WILSON, [redacted] ALAN CRANSTON, [redacted] ALAN CRANSTON, DENNIS DECONCINI.
1B6	10/10/1990	G	E0255860		1B(6); VIDEO TAPE OF C-SPAN COVERAGE OF SNNATE ETHICS COMMITTEE HEARING ON 11/15/90
1B7	12/10/1990	G	E0255861		1B(7); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/15/90
1B8	12/10/1990	G	E0255862		1B(8); TRANSCRIPTS OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/16/90
1B9	12/10/1990	G	E0255863		1B(9); VIDEO TAPE OF C-SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/16/90
1B10	12/10/1990	G	E0255864		1B(10); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTE ON 11/19/90
1B	12/10/1990	G	E0255865		1B(11); TRANSCRIPT OF TESTIMONY BEFORE THE SENATE ETHICS COMMITTEE ON 11/20/90
1B12	12/10/1990	G	E0255866		1B(12); VIDEO TAPE OF C SPAN COVERAGE SENATE ETHICS COMMITTEE HEARING ON 11/26/90
1B13	12/10/1990	G	E0255867		1B(13); ;VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/27/90
1B14	12/10/1990	G	E0255868		1B(14); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90
1B15	12/10/1990	G	E0255869		1B(15); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/29/90
1B16	12/10/1990	G	E0255870		1B(16); VIDEO TAPE OF C SPAN COVERAGE OF SENATE ETHICS COMMITTEE HEARING ON 11/30/90

Case Number: 58C-PX-41605 Case Agent: [redacted] Closed: 04/23/92

Cat/Num	Acquired	Type	Barcode	Anticipated Dispostion and Date	Description
1C1	12/04/1991	G	E0598268		1C(1) MISC. FEDERAL ELECTION COMMISSION REPORTS ON CONTRIBUTORS TO US SENATORS CAMPAIGNS
1C2	12/04/1991	G	E0598269		1C(2) BOUND VOLUMES OF TESTIMONY AND EXHIBITS PRESENT TO ETHICS COMMITTEE
1C3	08/16/1990	G	E0597974		1C(3); MISC DOC'S GIVEN BY [redacted] 8-16-90.
1C4	02/21/1992	G	E0597958		1C(4); [redacted]

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FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.) 41, A22 The Arizona Republic Phoenix, Az

Date: 3/28/98
Edition: Final

Title: Business deal lands Keating back in jail

Character: 58C-PX-41605 (SF)

Classification: 58-307A
Submitting Office: Phoenix

Indexing:

Business deal lands Keating back in jail

Passport request a violation

By Pat Flannery and Eric Miller
The Arizona Republic

The case of former savings-and-loan magnate Charles H Keating Jr. took a bizarre twist Friday when his plans for an overseas business deal landed him back behind bars.



Charles H Keating Jr.

Keating surrendered to a magistrate in Phoenix on Friday evening after a federal judge in California issued a warrant accusing him of violating the terms of his release pending his retrial.

Keating, 73, is expected to be taken to Los Angeles early next week to appear before U.S. District Judge Mariana Pfaelzer.

"At five o'clock today he came into the courthouse and surrendered himself, and was seen by the judge," said Enrique Perez, assistant chief deputy U.S. marshal for Arizona.

Pfaelzer issued the warrant Thursday or Friday, several days after learning that Keating had applied for a new U.S. passport, a technical violation of his terms of release.

"The report that I have from Phoenix is that he is in custody tonight, following a no-bail warrant that was issued out of Los Angeles," said Thom Mrozek, a spokesman for the U.S. Attorney's Office in Los Angeles.

He declined to give specifics on why Keating was in jail.

"I'm not in a position to reveal that, other than to say he allegedly violated the terms of his bond, and it was reported to the court," Mrozek said. "I can tell you it was not reported to the court by our office."

— Please see KEATING, Page A22

Keating jailed on technical violation

— KEATING, from Page A1

Most defendants are required by terms of their pretrial release from federal custody to report their movements to a pretrial services officer. They also must seek permission from a judge to travel out of the country.

Keating, a longtime Phoenix financier, became a notable figure in the 1980s savings-and-loan scandals after the failure of Lincoln Savings and Loan Association. Its collapse cost taxpayers more than $3 billion and wiped out millions of dollars in junk bonds he had sold to investors, many of them elderly.

Many of those investors have since recovered most of their losses by suing some of Keating's professional associates.

58C PX 41605-122

SEARCHED _____ INDEXED _____
SERIALIZED _____ FILED _____
APR 7 1998
FBI — PHOENIX

FBI/DOJ

Pg 2
The Arizona Republic
3/28/98
P. A1, A22
"Business deal ..."
58C-Bx-41605(SF)

Keating is awaiting retrial on federal charges stemming from the 1989 collapse of Lincoln Savings. His 1993 conviction on racketeering, fraud and conspiracy charges was overturned in 1996.

That same year, a 1991 California state conviction on securities fraud charges also was overturned. The California charges were reinstated last year, only to be overturned once more earlier this month.

Keating served a total of more than five years in prison before being released from prison in late 1996.

Since then, Keating has remained free as the legal wrangling continues over both his state and federal cases. He reportedly has been engaged in business activities.

The events leading up to his arrest began when he tried to swing a business deal in Belize, said his daughter, Mary Hall. He had been asked to consult on a hotel construction project, and hoped to travel to the site "if the court would give him permission," Keating's attorney, Stephen Neal, said.

Neal said he asked prosecutors whether they would object to Keating's plans. They remained neutral and asked for more information. Keating's pretrial services officer did not object, Neal said.

Neal intended to ask the judge for permission for Keating to travel if prosecutors did not object. But prosecutors later "said that they would not, in fact, agree," Neal said.

The attorney said he instructed Keating not to travel, but to proceed to apply for a new passport. His previous passport had been lost after it was impounded earlier this decade.

Neal said he advised pretrial service officers that once the passport was issued, Keating would turn it over immediately to court custody until the travel could be cleared by a judge.

But pretrial officers said that Keating should not have applied for the passport without a judge's permission.

"They said it was a violation (of his terms of release), and told him to withdraw the application," Neal said. Keating complied.

The pretrial services department notified Pfaelzer, who presided over Keating's first federal trial. Pfaelzer's office soon gave indications that a warrant was likely to be issued for the violation of his terms of release.

Neal said he filed a motion last week seeking to be heard by Pfaelzer on the matter, but "we haven't received anything from the court other than the message that this warrant would be issued."

Anticipating that, Keating flew to Los Angeles earlier this week to await the warrant. Hall said he wanted to avoid being transported on a jailhouse bus in handcuffs. She said he waited to be arrested, but was not.

Hall said Keating returned to the Valley on Thursday. He was notified of the warrant Friday by his attorney's office.

"The U.S. marshal's service will make arrangements to transport him to Los Angeles to appear before Judge Pfaelzer," Mrozek said. "I understand that can take as long as a week for him to be transported out."

Neal said he will seek a hearing before Pfaelzer "at the earliest possible date" to seek Keating's release. He called the events leading up to his Friday arrest "totally benign."

Federal defendants generally are allowed to remain free on bail unless they are proven to be a threat to society or a flight risk. Neal insists that Keating is neither, and that he had no intention of leaving the country without consulting the judge.

Hall expressed concern about her father's arrest because of his age.

"He's not getting any younger," she said.

(01/26/1998)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 09/01/1998

To: Phoenix **Attn:** SSA [redacted] b6 b7C

From: Phoenix
Squad 18
Contact: [redacted] ext. 3178

Approved By: [redacted]

Drafted By: [redacted] kem

Case ID #: 58C-PX-41605 (Pending)

Title: ALLEGATIONS CONCERNING U.S. SENATORS
DENNIS DE CONCINI; JOHN GLENN; JOHN MCCAIN
DONALD RIEGLE; CHARLES H. KEATING JR.; ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE

Synopsis: Case should be reassigned to Squad 12 and placed into pending inactive status.

Details: This matter, commonly known as the "Keating 5 Case" was opened as a preliminary investigation on 11/14/89, by FBIHQ upon the written request of the Department of Justice. By Bureau teletype dated 2/22/90, this investigation was upgraded to a full investigation. The investigation focused on services performed by the Senators for Lincoln Savings and Loan (LSL) during the period of 1986 to 1989 and the campaign and other related contributions received by the Senators from Charles Keating and his companies and associates.

On 2/3/92, this matter in its entirety was discussed with Assistant United States Attorney (AUSA) [redacted] Central District of California. On this date, AUSA [redacted] declined prosecution concerning the 5 U.S. Senators due to the lack of sufficient evidence to show an agreed upon quid pro quo existed, necessary to charge a Hobbs Act extortion and/or bribery violation. b6 b7C

On 10/21/96, this matter was re-opened due to the possibility of a second federal trial against Charles H. Keating Jr., 29D-LA-102009. Evidence in the Keating 5 Case, was part of the discovery process in the Keating case.

Due to the continued possibility of a second federal trial against Keating, it is recommended this matter be re-assigned to Squad 12 and placed into a pending inactive status for evidence retention purposes, until it is learned from SSA [redacted] PX Squad 4 Supervisor, the outcome of the decision to federally retry Charles H. Keating Jr.

12 Rotor
Reassign to SA
9/4/98
P* 10/28/98

I:) 58 18 [redacted] Kem2446/.EC

This EC:	Initials	
Is OK To Upload		9/4/98
Was Uploaded By		

(01/26/1998)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 02/26/1999

To: Phoenix

From: Phoenix
Squad 12
Contact: SA [redacted] x3270

b6
b7C

Approved By: [redacted]

Drafted By: [redacted] wos WOS

Case ID #: 58C-PX-41605-124 (Pending Inactive)

Title: ALLEGATIONS CONCERNING U.S. SENATORS
DENNIS DE CONCINI; JOHN GLENN; JOHN MCCAIN
DONALD RIEGLE; CHARLES H. KEATING JR.; ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE

Synopsis: Status of captioned case.

Details: On 02/24/1999, SA [redacted] discussed the status of captioned case with SSA [redacted] and SA [redacted] According to SSA [redacted] this case will need to remain open for evidence retention purposes until it is determined if Charles Keating will be retried. A plea offer is currently on the table for Keating, and his new trial is scheduled for 09/1999.

b6
b7C

♦♦

58C-PX-41605
i:\sql2 [redacted] WOS 05763.EC

b6
b7C

(X) WOS

FD-631 (11-28-86)

Phoenix, Arizona 85012

May 26, 1999

Office of Thrift Supervision
U.S. Department of the Treasury
#1 Montgomery St. Suite 400
San Francisco, CA 94104
Attn: [redacted]

b6
b7C

Dear [redacted]

The attached material obtained from you in connection with an investigative activity of the Federal Bureau of Investigation (FBI) is of no further value to this agency or the Department of Justice. The FBI is prohibited from destroying this material; therefore, it is being returned to you for whatever disposition you deem appropriate.

Very truly yours,

Guadalupe Gonzalez
Special Agent in Charge

By: [redacted]
SUPERVISOR
Supervisory Special Agent

Encl.

1 - Addressee 41605-125
1 - File (58C-PX-) 1A-
( ) 1B- 1

Date Sent 6/2/99
Registry/BLNo. R 736392704
Employee's Initials [redacted]
Method of Shipment USPO
Reimbursable Value (if any) 0

I:\RASU [redacted] CAS14661.LHM 58C-PX-41605-125

b6
b7C

(01/26/1998)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 02/26/1999

To: Phoenix

From: Phoenix
Squad 12
Contact: SA [redacted] wos

b6
b7C

Approved By: [redacted]

Drafted By: [redacted] wos WOS

Case ID #: 58C-PX-41605-125 (Pending Inactive)

Title: ALLEGATIONS CONCERNING U.S. SENATORS
DENNIS DE CONCINI; JOHN GLENN; JOHN MCCAIN
DONALD RIEGLE; CHARLES H. KEATING JR.; ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE

Synopsis: Request to reassign captioned case.

Details: Request to reassign captioned case to SA [redacted]

b6
b7C

[redacted]

♦♦

SQ 12 ROTOR
REASSIGN TO
[redacted]
SA
3/1/99

58C-PX-41605

i:\sq12 [redacted] WOS 05764.EC

b6
b7C

(X) WOS

(01/26/1998)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE Date: 03/16/1999

To: Phoenix

From: Phoenix
Squad 12
Contact: SA [redacted] b6 b7C

Approved By: [redacted]

Drafted By: [redacted] mjt

Case ID #: 49A-PX-59276 (Pending)
46H-PX-C59270 (Pending)
46H-PX-C55668 (Pending)
46B-PX-C55487 (Pending)
49A-PX-63563 (Pending)
49A-PX-62245 (Pending)
58D-PX-64077 (Pending)
~~58C-PX-41605~~ (Pending)
46H-PX-C55675 (Pending)

Title: CASE REASSIGNMENT

Synopsis: Reassign cases.

Details: Based on the following reasons, it is requested that these above captioned cases be reassigned to a Squad 12 Agent.

Articulate Reasons: SA [redacted] is being reassigned to squad 4 b6 b7C

♦♦

[redacted]

12 Rotor
Reassign to SA
3-29-99

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 05/26/1999

To: Phoenix **Attn:** Evidence Control Room

From: Phoenix
Squad 12
Contact: SA [redacted] X-3310

b6
b7C

Approved By: [redacted]

Drafted By: [redacted] fls

Case ID #: 58C-PX-41605-1B1 (Pending)

Title: ALLEGATIONS CONCERNING U.S. SENATORS
DENNIS DE CONCINI; JOHN GLENN;
JOHN MCCAIN; DONALD RIEGLE;
CHARLES KEATING JR; ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE

Synopsis: Disposal of Evidence per AUSA.

Details: On 5/25/1999, AUSA [redacted] advised that inasmuch as the below listed evidence is copied material and not original in nature, the below listed evidence can be destroyed:

b6
b7C

1B(2)	Senate Ethics Committee documents
1B(3)	Senate Ethics Committee documents
1B(4)	Senate Ethics Committee documents
1B(5)	Senate Ethics Committee documents
1B(6)	C-Span video tape
1B(7)	Transcripts
1B(8)	Transcripts
1B(9)	C-Span video tape
1B(10)	Transcripts
1B(11)	Transcripts
1B(12)	C-Span video tape
1B(13)	C-Span video tape
1B(14)	C-Span video tape
1B(15)	C-Span video tape
1B(16)	C-Span video tape
1B(17)	C-Span video tape
1B(18)	C-Span video tape
1B(19)	C-Span video tape
1B(20)	C-Span video tape
1B(21)	Senate testimony
1B(22)	Special Counsel exhibits
1B(23)	Special Counsel exhibits
1B(24)	Transcripts
1B(25)	Transcripts
1B(26)	Transcripts
1B(27)	Transcripts

I:\SQ12\[redacted]\145FLS01.EC

b6
b7C

1B(28)	Transcripts
1B(29)	Transcripts
1B(30)	Transcripts
1B(31)	Transcripts
1B(32)	Transcripts
1B(33)	Transcripts
1B(34)	Transcripts
1B(35)	Special Counsel exhibits
1B(36)	Special Counsel exhibits
1B(37)	C-Span video tape
1B(38)	C-Span video tape
1B(39)	Transcripts
1B(40)	Transcripts
1B(41)	Transcripts
1B(42)	Transcripts
1B(43)	Transcripts
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1B(47)	Transcripts
1B(48)	Transcripts
1B(49)	Transcripts
1B(50)	Transcripts
1B(51)	Transcripts
1B(52)	C-Span video tape
1B(53)	C-Span video tape
1B(54)	C-Span video tape
1B(55)	C-Span video tape
1B(56)	C-Span video tape
1B(57)	C-Span video tape
1B(58)	C-Span video tape
1B(59)	Senate Ethics Committee exhibits
1B(60)	Senate Ethics Committee exhibits
1B(61)	Senate Ethics/Special Counsel exhibits
1B(62)	Transcripts
1B(63)	C-Span video tape
1B(64)	C-Span video tape
1B(65)	Affidavits
1C(1)	Commission reports
1C(2)	Ethics Committee testimony
1C(3)	[redacted] documents
1C(4)	[redacted] documents

b6
b7C

♦♦

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE **Date:** 05/27/1999

To: Phoenix

From: Phoenix
Squad 12
Contact: SA [redacted] X-3310 b6 b7C

Approved By: [redacted]

Drafted By: [redacted]:fls

Case ID #: 58C-PX-41605-128 (Closed)

Title: ALLEGATIONS CONCERNING U.S. SENATORS
DENNIS DE CONCINI; JOHN GLENN;
JOHN MCCAIN; DONALD RIEGLE;
CHARLES KEATING JR; ET AL;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE

Synopsis: Charles Keating pled guilty. Bulky evidence returned/destroyed. Request case be placed in closed status.

Details: For information, this investigation is a spin-off of the Charles Keating Savings and Loan Investigation, 29D-LA-10029. Allegations were received indicating that the captioned U.S. Senators had used their influence in an effort to stop the Keating investigation.

Investigation conducted into the allegations of corruption failed in developing a prosecutable case and as a result, prosecution of this matter was declined. Prosecutors made the request however, that all evidence collected be retained until the original Keating case was resolved.

On 4/6/1999, Keating entered a guilty plea in U.S. District Court in connection with the LA investigation.

On 5/25/1999, and after a review of the bulky evidence collected in this investigation, AUSA [redacted] made the recommendation that 1B(!) be returned to the contributor and that all other bulky exhibits be destroyed. A letter has been prepared for the return of 1B(1) and an EC prepared requesting destruction of all other remaining exhibits. b6 b7C

In view of the above, it is recommended that this case be placed in a closed status.

12 Rotor
C#6 DM 6/1/99
Okay to Close
Evidence handled 6/3/99 [illegible]

I:\SQ12 [redacted] \147FLS01.EC

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1259813-1

Total Deleted Page(s) = 85
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Page 37 ~ b6; b7C; b7D;
Page 38 ~ b6; b7C; b7D;
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MAY 17 2 17 PM '90

TELETYPE ROOM

PP RUEHFB FBILA

DE FBIPX #0010 1372053

ZNR UUUUU

P 171912Z MAY 90

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

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT; SSA [redacted]

b6
b7C

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

RE TELCALL OF SSA [redacted] TO SA [redacted] PHOENIX DIVISION, MAY 16, 1990, AND PHOENIX TELETYPE TO THE DIRECTOR, APRIL 23, 1990.

58C-PX-41605-18

SCANNED INDEXED
SERIALIZED FILED
MAY 17 1990
FBI — LOS ANGELES

b6
b7C

TELETYPE

SARA

THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED SINCE APRIL 23, 1990:

THE [redacted] HAVE BEEN RECEIVED WHICH WERE OBTAINED PURSUANT TO A SUBPOENA. [redacted] ARE PRESENTLY BEING REVIEWED. [redacted] PROVIDED [redacted] PURSUANT TO A SUBPOENA, AS WELL AS [redacted] ARE PRESENTLY BEING REVIEWED. [redacted] HAVE BEEN REVIEWED IN AN EFFORT TO DETERMINE [redacted] ARE BEING COPIED AND WILL BE FORWARDED TO THE FBI, PHOENIX.

b3
b6
b7C

SENATORS MC CAIN, DE CONCINI AND GLENN HAVE PROVIDED THE FBI WITH COPIES OF ALL THEIR DOCUMENTS PROVIDED TO THE SENATE ETHICS COMMITTEE. THE FBI HAS RECEIVED THESE DOCUMENTS THROUGH THE OFFICE OF [redacted] U.S. DEPARTMENT OF JUSTICE.

b6
b7C

A PORTION OF THESE DOCUMENTS HAVE BEEN REVIEWED AND THEY REFLECT MEETINGS, TELEPHONE CALLS, AND CORRESPONDENCE TO AND FROM CHARLES KEATING. SENATOR GLENN HAS PROVIDED COPIES OF DOCUMENTS HE PROVIDED THE SENATE ETHICS COMMITTEE RELATING TO $200,000

CONTRIBUTIONS FROM KEATING IN AUGUST, 1985, AND FEBRUARY, 1986. THESE RECORDS ARE CURRENTLY BEING REVIEWED. SENATORS REIGLE'S AND CRANSTON'S ATTORNEYS, HAVE INFORMED AUSA [redacted] b6 b7C CENTRAL DISTRICT OF CALIFORNIA, THAT THEY WILL PROVIDE DOCUMENTS GIVEN TO THE SENATE ETHICS COMMITTEE WITHOUT SUBPOENA. HOWEVER, REIGLE'S ATTORNEY HAS STATED HE WILL ONLY PROVIDE DOCUMENTS THAT ARE "RELEVANT". AUSA [redacted] HAS REQUESTED THE FBI REVIEW THESE DOCUMENTS BEFORE ISSUANCE OF A SUBPOENA TO REIGLE.

DURING THE WEEK OF APRIL 30 -- MAY 4, 1990, THE FOLLOWING OTS EMPLOYEES WERE INTERVIEWED REGARDING ALLEGATIONS OF A "WHITEWASH" OF THE JULY, 1988 EXAMINATION OF LSL, [redacted] WAS ALSO INTERVIEWED. [redacted] b3 b6 b7C b7D HAVE BEEN OBTAINED BY SUBPOENA AND LEADS ARE CURRENTLY SET IN ATLANTA, BOSTON, NEW YORK AND OMAHA DIVISIONS FOR INTERVIEWS OF EXAMINERS. THERE DOES APPEAR TO BE A LEGITIMATE CONCERN ON THE PART OF THE EXAMINERS

THAT THE THRIFT EXAMINATION OF LSL IN JULY, 1988 WAS A "WHITEWASH." HOWEVER, FROM INTERVIEW OF THE CHICAGO OTS EMPLOYEES, NO SPECIFIC ACT COULD BE DESCRIBED WHICH CAUSED AN EXAMINER TO NOT BE ABLE TO DO HIS EXAMINATION. ALL OF THE EXAMINERS AGREED THAT UPON THE INITIATION OF THE HOLDING COMPANY EXAMINATION (AMERICAN CONTINENTAL CORPORATION) (ACC) THAT BEGAN IN AUGUST, 1988, PREVENTED THE POSSIBILITY OF A "WHITEWASH." THEIR LOGIC SEEMS TO BE THAT [redacted] b6 b7C b7D [redacted] [redacted] ADDITIONALLY, THE EXAMINERS WERE CONCERNED WITH THE STANCE TAKEN BY [redacted] [redacted] [redacted] APPARENTLY SAID THERE WAS ONLY A $10 TO $20 MILLION LOSS IN THE PORTFOLIO, WHILE EXAMINERS WERE AWARE OF MUCH MORE SIGNIFICANT LOSSES. [redacted] WAS NOT ALLOWING VARIOUS EXAMINERS TO WRITE THEIR FINDINGS AS THEY DESIRED. THE CHICAGO EXAMINERS ALSO STATED THAT [redacted] SEEMED TO BE BIASED AND ACTED AS AN "ACCOUNTANT CLIENT" OF KEATING AND LSL. [redacted] REPORTED DIRECTLY TO [redacted] THE EXAMINERS ALSO STATED THAT THE MAY, 1988, MOU PLACED A TIME

CONSTRAINT ON THE EXAMINERS, WHICH WOULD NOT ALLOW COMPLETE REVIEW OF ALL THE ASSETS OF LSL. THEY SAID ACC/LSL MANAGEMENT WOULD REFER TO THE MOU WHEN CONFRONTED WITH QUESTIONS THEY DID NOT WANT TO ANSWER. [redacted] b6 b7C [redacted] STATED HE REMEMBERS TELEPHONE CALLS FROM SENATORS CRANSTON AND DECONCINI IN MARCH OR APRIL, 1989, TO [redacted] AND HIS [redacted] SAID HE WAS AWARE THE CALLS WERE "UNWISE" AND THAT [redacted] TOLD [redacted] TO HAVE THE CALLS DISCONTINUED. LEAD HAS BEEN SET TO NEW YORK FBI FOR INTERVIEW OF [redacted] WAS PRESENT AT TWO FHLBB BOARD MEETINGS IN MAY OF 1988, PRIOR TO THE VOTE BY THE BOARD THAT RESULTED IN TRANSFER OF SUPERVISION OF LSL FROM SAN FRANCISCO TO WASHINGTON, D.C, AND THE ADOPTION OF THE MAY 20, 1988, MOU. [redacted] STATED THAT [redacted] [redacted] DURING BOTH MEETINGS, SAID, "IF CHARLES KEATING DOES NOT CONTINUE HIS INVOLVEMENT WITH LSL AND ACC, THE ARIZONA REAL ESTATE MARKET WILL FAIL". THIS STATEMENT IS SIMILAR TO CONCERNS VOICED BY SENATORS CRANSTON AND DECONCINI IN TELEPHONE CONVERSATIONS WITH [redacted] IN MARCH OR APRIL, 1989. [redacted] DESCRIBED THESE TWO TELEPHONE CALLS AS IF "THEY WERE READING FROM THE SAME SCRIPT".

ON APRIL 27, 1990, SACRAMENTO DIVISION INTERVIEWED [redacted] b6 b7C

[redacted] STATE OF CALIFORNIA. [redacted] STATED THAT HE HAD HAD NO CONTACTS WHATSOEVER WITH U.S. SENATORS DE CONCINI, GLENN, REIGLE, OR MC CAIN OR THEIR RESPECTIVE STAFFS. [redacted] ADMITTED CONTACT WITH SENATOR ALAN CRANSTON, HOWEVER, INDICATED NONE OF THESE CONTACTS CONCERNED KEATING OR ANY OF HIS BUSINESS ENTITIES. [redacted] ADMITTED, HOWEVER, RECEIVING A TELEPHONE CALL FROM [redacted] WHO ASKED [redacted] TO ACCEPT A TELEPHONE CALL FROM AN ACC OR LSL ATTORNEY. [redacted] COULD NOT RECALL THE NAME OF THE ATTORNEY AND INDICATED HE HAD BEEN CONTACTED BY THE SENATE ETHICS COMMITTEE AND IN AN EFFORT TO IDENTIFY THIS INDIVIDUAL, HE CAUSED A SEARCH OF HIS RECORDS WITH NEGATIVE RESULTS. [redacted] SAID, HOWEVER, THIS ATTORNEY TOLD HIM THAT THE SALE OF LSL WOULD BE APPROVED FEDERALLY AND HE, THE ATTORNEY, REQUESTED THAT EITHER [redacted] TO ENSURE WALL THAT NO ONE FROM THE STATE OF CALIFORNIA,

BT

#0010

NNNN

/READ/REF 13
0075 MRI 01541

MAY 17 2 17 PM '90

TELETYPE ROOM

PP RUEHFB FBILA

DE FBIPX #0011 1372052

ZNR UUUUU

P 171912Z MAY 90

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

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT; SSA [redacted]

b6
b7C

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

TEXT CONTINUES:

IN PARTICULAR [redacted] WOULD SAY ANYTHING CRITICAL ABOUT THE PROPOSED SALE OF LSL. [redacted] SAID THAT NO SUCH CONTACT

FOLLOWED.

ON MAY 4, 1990, [redacted] BUSINESS, TRANSPORTATION AND HOUSING AGENCY, STATE OF CALIFORNIA, ADVISED THAT HE HAD TWO MEETINGS WITH CHARLES KEATING IN 1989 INDICATING THAT IN VIEW OF THE FACT THAT HE OVERSAW THE CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN, THE REQUEST TO MEET WITH KEATING WAS NOT UNUSUAL AND THE MEETINGS DID OCCUR. KEATING COMPLAINED ABOUT REGULATION OF HIS THRIFT.

b6
b7C

[redacted] ADMITTED RECEIVING A TELEPHONE CALL IN APRIL, 1989 FROM SENATOR DENNIS DE CONCINI. DURING THIS TELEPHONE CONVERSATION, SENATOR DE CONCINI TOLD [redacted] THAT IT WAS HIS, DE CONCINI'S BELIEF, THAT THE STATE OF CALIFORNIA WAS IN A POSITION TO STOP THE SALE OF LSL TO THE "SO CALLED ROUSSELOT GROUP." [redacted] RESPONDED TO SENATOR DE CONCINI THAT THE STATE OF CALIFORNIA WAS NOT IN A POSITION TO STAND IN THE WAY OF THIS PROPOSED TRANSACTION SINCE THE TRANSACTION WOULD RESULT IN LSL OPERATING UNDER A FEDERAL CHARTER. [redacted] TOLD SENATOR DE CONCINI THAT THE STATE AND STATE REGULATORS IN CALIFORNIA STILL HAD A PROBLEM WITH LSL, AND THE MOVE TO A FEDERAL CHARTER WILL ESSENTIALLY "TAKES THE STATE OUT OF THE LOOP." SENATOR DE CONCINI THEN DESCRIBED HIS EVALUATION OF THE IMPORTANCE OF ACC TO

THE STATE OF ARIZONA. SENATOR DE CONCINI DESCRIBED THE HARDSHIP TO ARIZONA THAT WOULD RESULT FROM LAYOFFS AT THE CORPORATION (ACC) AND THE COLLAPSE OF REAL ESTATE PROJECTS UNDERWAY IN THE STATE OF ARIZONA THAT WERE SUPPORTED BY ACC. [redacted] COULD NOT RECALL IF SENATOR DE CONCINI MENTIONED ANYTHING ABOUT [redacted] [redacted] ALSO STATED THAT HE [redacted] DID NOT INFER FROM DE CONCINI'S TELEPHONE CONVERSATION THAT HE (DE CONCINI) WISHED [redacted] TO SILENCE ANY CALIFORNIA CRITICS OF THE PROPOSED SALE OF LSL. [redacted] ADMITTED DISCUSSING THIS TELEPHONE CONVERSATION WITH [redacted] HOWEVER, HE STATED HE DID NOT INSTRUCT [redacted] TO "TONE DOWN" HIS CRITICISM OF THE OPERATIONS OF LSL NOR DID HE RECALL TELLING [redacted] THAT SUCH A MOVE HAD BEEN SUGGESTED ON THE PART OF SENATOR DE CONCINI.

b6
b7C

PHOENIX AND LOS ANGELES WILL IMMEDIATELY REPORT TO HEADQUARTERS ANY SIGNIFICANT DETAILS AS THEY DEVELOP IN THIS MATTER.

BT

#0011

NNNN

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 5/3/90

TO : DIRECTOR, FBI
(ATTN: [redacted]
TECHNICAL SERVICES DIVISION,
ROOM 1334, TL#153)

b6
b7C

FROM : SAC, PHOENIX (29D-LA-102009) (P)

SUBJECT: DESERT GEM;
MAJOR CASE 24;
BANK FRAUD & EMBEZZLEMENT;
OO: LA/PX

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: PX

Re Phoenix teletype to the Bureau, dated 5/1/89.

REQUEST OF THE BUREAU

Technical Services Division is requested to authorize and purchase one Kurzweil 5100 optical scanner for use of the Phoenix Division.

29D-LA-102009-79
SEARCHED ____ INDEXED ____
SERIALIZED ✓ FILED ✓
MAY 07 1990
FBI — LOS ANGELES

3 - Bureau
④ - Los Angeles (2 - 58C-PX-41605)
4 - Phoenix (2 - 58C-PX-41605)
RJK/rjk
(11)

5/29/90

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

29D-LA-102009
RJK/rjk

Any additional information necessary for this request may be directed to SAA [redacted] or SA [redacted] Phoenix Division. b6 b7C

BACKGROUND INFORMATION

Captioned Bank Fraud and Embezzlement investigation involves the failure and subsequent takeover of LINCOLN SAVINGS AND LOAN (LINCOLN), Irvine, California. LINCOLN was, at the time of the takeover, the third largest savings and loan association in the State of California with approximately $5.6 billion in assets. LINCOLN was a subsidiary of AMERICAN CONTINENTAL CORPORATION (ACC), Phoenix, Arizona. ACC was a publicly traded corporation with majority shareholder, CHARLES H. KEATING, JR., acting as Chairman of the Board. KEATING's immediate family of five children and their spouses are also ACC shareholders and employees of ACC and LINCOLN at above-market salaries. KEATING himself is from a wealthy, prominent family in Cincinnati, Ohio with ties to national political figures.

Three referrals have been received by the FBI in Los Angeles and Phoenix, alleging various criminal acts perpetrated by a consortium of LINCOLN and ACC employees. 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 LINCOLN failure to be approximately $2.0 billion. The United States House Banking Subcommittee, chaired by U.S. Representative HENRY GONZALES, held hearings from October through January, 1990, into the FEDERAL HOMES LOAN BANK BOARD's (FHLBB) regulation of LINCOLN. This committee has taken under consideration the possibility of resuming those hearings to focus on the relationship between KEATING/LINCOLN and MICHAEL MILKEN of DREXEL BURNHAM LAMBERT. The committee is also considering focusing the hearings and the relationship between KEATING/LINCOLN and the following: MDC/SILVERADO SAVINGS, Denver, Colorado; GENE PHILLIPS, SOUTHMARK CORPORATION, Dallas, Texas/SAN JACINTO SAVINGS AND LOAN ASSOCIATION, Houston, Texas; and GEORGE PAUL, CENTRUST SAVINGS BANK, Tampa, Florida.

The SECURITIES EXCHANGE COMMISSION (SEC) has initiated an investigation regarding the sale of the ACC subordinated 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.

In August, 1989, the FDIC filed a $1.1 billion civil suit against KEATING and numerous officers and directors of ACC and LINCOLN alleging various acts of RICO violations.

On 4/13/89, KEATING placed ACC and 11 subsidiaries of LINCOLN into bankruptcy before U.S. District Judge HENRY BILBEY, Phoenix, Arizona. [redacted] b3

[redacted] subpoenaed by the Federal Grand Jury, Central District of California, pursuant to this matter. [redacted]

ACC and other designated parties have deposited over 11,000 boxes of documents and 665 rolls of microfilm into the depository. This equates to approximately 27.0 million pages of documents. Additionally, each party provided indices to these documents. The indices alone equate to 20,000 pages.

Phoenix Division proposes creating multiple computer files for both the bank fraud and the public corruption investigations on the IWS ITC 386T computer. The files will be accessed through the software program ZyINDEX. A flowchart of the proposed structure is attached to this airtel. The optical scanner will be used to input the following: 20,000 pages of indices to access boxes and documents at the central depository; FD 302's and investigative inserts; 900 pages of KEATING's itinerary; FBI communications; and documentary evidence.

Investigation to date has been delayed in the use of the central depository due to the 20,000 pages of indices which must be reviewed each time in order to identify a particular box of documents. Though the indices are segregated by submitting party, it is not divided by topic or subject matter. Therefore, if an agent needs to review documents relating to transactions with DREXEL BURNHAM LAMBERT, all 20,000 pages must be reviewed in order to determine which boxes cover that topic. Use of the optical scanner, ZyINDEX and the IWS computer would substantially

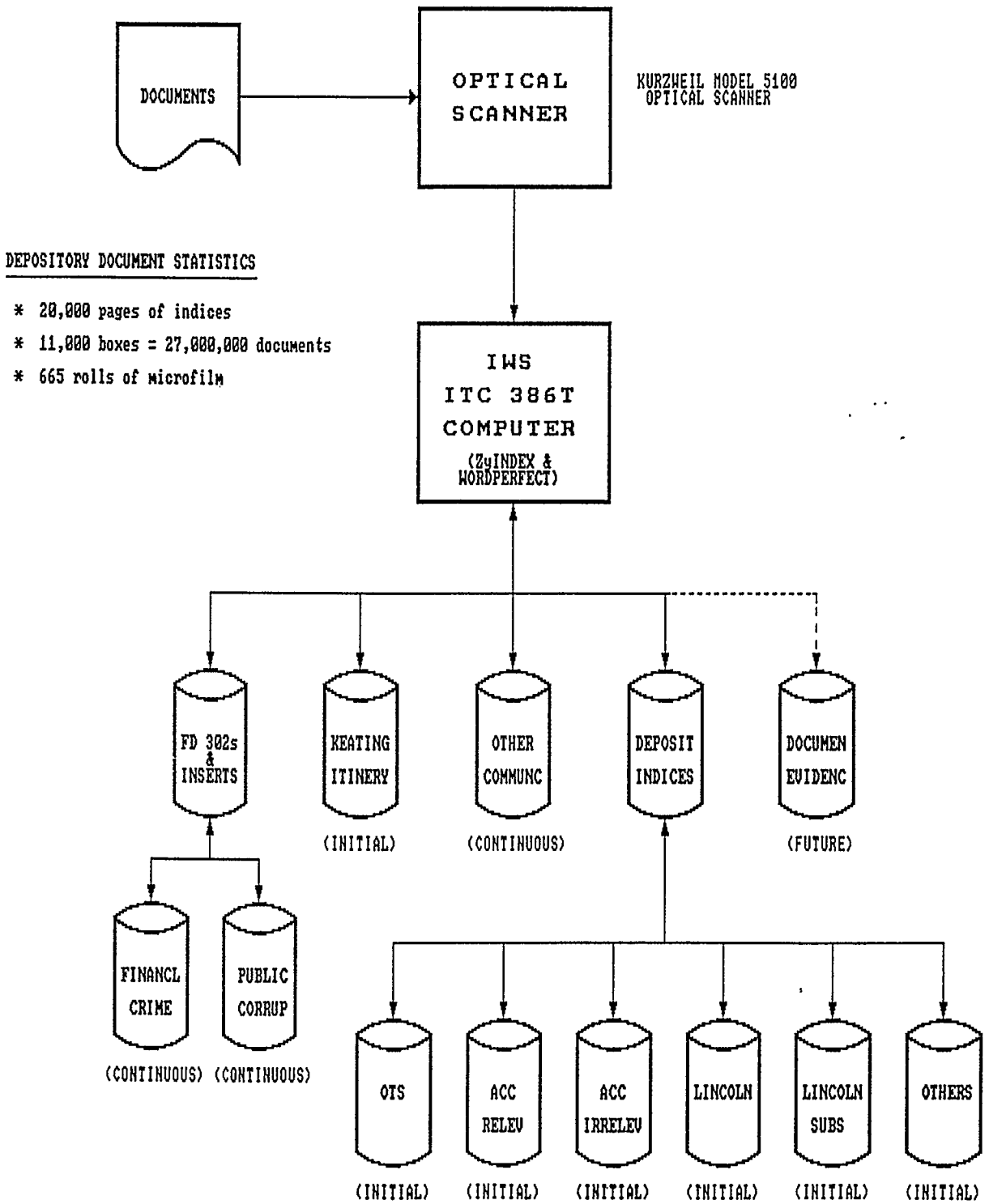
aid the investigative process by identifying those boxes containing the search parameters (e.g. "DREXEL BURNHAM LAMBERT") before going to the central depository.

Another aspect of the investigation involves the corruption of federal public officials, namely U.S. Senators CRANSTON, DECONCINI, GLENN, MC CAIN and RIEGLE. KEATING met with these senators on numerous occasions from 1984 to 1989. KEATING's itinerary from 1983 to 1990 contains approximately 900 pages. Each page identifies where KEATING was located, who he was meeting with and what was the topic of conversation. Again, the investigation would substantially benefit from having the itinerary computerized in order to search individuals or topics through ZyINDEX.

DESERT GEM

MAJOR CASE #24

PROPOSED COMPUTERIZED DOCUMENT STRUCTURE



/READ /REF 2
0043 MRI 00274

MAY 17 10 12 PM '90

TELETYPE ROOM

RR RUEHFB FBIDL FBILA

DE FBIPX #0002 1380506

ZNR UUUUU

R 180329Z MAY 90

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

TO DIRECTOR FBI/ROUTINE/

FBI DALLAS/ROUTINE/

INFO FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: SSA [redacted] PUBLIC CORRUPTION UNIT; SAC, DALLAS.

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

TELETYPE

58C-PX-41605-80

WCC 4 MAY 17 1990

[redacted]

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b7C

SARA Copy

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RE TELEPHONE CALL OF SA [redacted] TO SA [redacted] b6 b7C 5/17/90.

FOR THE INFORMATION OF DALLAS, THIS CASE AROSE FROM A MEETING ATTENDED BY THE FIVE U.S. SENATORS WITH [redacted] [redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB), ON 4/2/87 AND A SUBSEQUENT MEETING WITH REGULATORY OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON 4/9/87. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK [redacted] AND THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO REGULATORS, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LSL. [redacted] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZED THE CONTACTS BY THE U.S. SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI INVESTIGATE THIS MATTER.

THE FEDERAL HOME LOAN BANK BOARD [redacted] IN 5/88 ENTERED INTO A MEMORANDUM OF UNDERSTANDING (MOU) WHICH TRANSFERRED SUPERVISORY AUTHORITY FROM THE SAN FRANCISCO BANK DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD IN WASHINGTON, DC. THE MEMORANDUM FURTHER SET FORTH PARAMETER FOR AN EXAMINATION OF LSL WHICH BEGAN IN 7/88. THE EXAM TEAM WAS MADE UP OF FEDERAL

HOME LOAN BANK EXAMINERS NATIONWIDE AND SOME OF THESE EXAMINERS HAVE BEEN INTERVIEWED. ON INITIATION OF THE EXAMINATION OF LSL, THE EXAMINERS PERCEIVED A "WHITE WASH" OCCURRING. THE MOU ALSO PLACED A TIME CONSTRAINT FOR THE EXAMINATION TO BE COMPLETED OF 11/88.

[redacted] CURRENTLY EMPLOYED BY THE OTS, DALLAS, TEXAS, WAS ASSIGNED TO A "PEER REVIEW COMMITTEE" WHICH NOT ONLY EVALUATED THE EXAMINATION CONDUCTED BY THE SAN FRANCISCO DISTRICT, BUT [redacted] WAS ON A COMMITTEE WHICH ULTIMATELY RECOMMENDED THREE OPTIONS TO THE FHLBB WHICH EVOLVED INTO THE MOU.

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[redacted] FORMERLY OF THE FEDERAL HOME LOAN BANK OF DALLAS CURRENTLY IS SELF-EMPLOYED AND DESCRIBED IN HOUSE BANKING COMMITTEE TESTIMONY OF [redacted] AS HAVING BEEN "FIRED" THROUGH A SMEAR CAMPAIGN AND POLITICAL PRESSURE" BY [redacted] [redacted] FURTHER TESTIFIED THAT [redacted] REFUSED TO FIRE [redacted]

BOTH [redacted] AND [redacted] HAVE BEEN CONTACTED BY TELEPHONE AND HAVE AGREED TO BE INTERVIEWED BY THE FBI ON 5/23-24/90.

IN VIEW OF THE COMPLEXITY OF THIS CASE, SAC'S DALLAS AND

PHOENIX AGREE IN THE TRAVEL OF PHOENIX CASE AGENT TO DALLAS,
5/22-25/90 TO CONDUCT THESE INTERVIEWED. NO ASSISTANCE IS BEING
REQUESTED OF THE DALLAS FBI OFFICE.

BT

#0002

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SPECIAL

/READ /REF 7
0030 MRI 00226

MAY 21 8 02 PM '90

PP FBIAT FBIBS FBICE FBILA FBINK FBINY FBIOM FBISF

TELETYPE ROOM

DE FBIPX #0004 1420240

ZNR UUUUU

P 220232Z MAY 90

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

TO FBI ATLANTA/PRIORITY/

FBI BOSTON/PRIORITY/

FBI CHARLOTTE/PRIORITY/

INFO FBI LOS ANGELES/ROUTINE/

FBI NEWARK/PRIORITY/

FBI NEW YORK/PRIORITY/

FBI OMAHA/PRIORITY/

FBI SAN FRANCISCO/PRIORITY/

FBI SAN FRANCISCO/PRIORITY/

BT

UNCLAS

CITE: //3630//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL; CHARLES H. KEATING, JR., AKA; CORRUPTION OF FEDERAL PUBLIC

81

58C-PX-41605-

TELETYPE

SPECIAL

WCC 4

MAY 1990

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PAGE TWO DE FBIPX 0004 UNCLAS

OFFICIALS-LEGISLATIVE; OO: PX/LA.

RE PHOENIX TEL TO NEWARK, 4/28/90 AND PHOENIX TEL TO ATLANTA 5/8/90.

FOR THE INFORMATION OF RECEIVING OFFICES, DUE TO TIME CONSTRAINTS PLACED UPON THIS CASE BY HEADQUARTERS, IT IS REQUESTED THAT A TELETYPE SUMMARY BE SUPPLIED TO PHOENIX OF ALL INTERVIEWS NO LATER THAN 6/1/90 WITH 302'S FOLLOWING AS SOON AS POSSIBLE.

BT

#0004

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/READ /REF 13
0005 MRT 02480

MAY 23 6 09 PM '90

TELE[illegible] OM

RR RUEHFB FBILA FBIPX FBISE

DE FBINY #0079 1440049

ZNR UUUUU

R 2323527 MAY 90

FM FBI NEW YORK (58C-PX-41605) (P) (C-14)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

FBI SEATTLE/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS: SSA [redacted] PUBLIC CORRUPTION UNIT.

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b7C

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS DECONCINI, 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: PHOENIX/LOS ANGELES.

82

58C-PX-41605-

WCC 4 [illegible] 1990

[redacted]

SARA (COPY)

TELETYPE

SARA

REPXTELETYPE TO NY MAY 10, 1990, NYTELCALL TO SA [redacted] b6 b7C [redacted] PHOENIX DIVISION MAY 18, 1990.

FOR INFORMATION OF SEATTLE, THIS CASE AROSE FROM A MEETING OF THE FIVE US SENATORS WITH [redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB) ON APRIL 2, 1987. THE SENATORS MET WITH OTHER OFFICIALS OF THE FHLBB ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS. DURING THE ABOVE MENTIONED MEETINGS, THE SENATORS QUESTIONED THE FHLBB OFFICIALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) AND THE CONTACTS BY THE SENATORS WERE CHARACTERIZED BY [redacted] AND THE OTHERS AS UNUSUAL AND INAPPROPRIATE.

INVESTIGATION HAS SHOWN THAT THE SENATORS MET FREQUENTLY WITH KEATING PRIOR TO THE APRIL 2, 1987 MEETING. DURING THE APRIL 9, 1987 MEETING, THE SENATORS WERE INFORMED BY THE REGULATORS FROM SAN FRANCISCO THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL. SUBSEQUENT TO THIS, SENATORS DECONCINI AND CRANSTON CONTINUED THEIR CONTACTS WITH REGULATORS IN CALIFORNIA AND WASHINGTON, DC.

INTERVIEWS OF NUMEROUS EXAMINERS OF THE FHLB SYSTEM, NOW OFFICE OF THRIFT SUPERVISION (OTS) REVEALED THAT THERE WERE ALLEGATIONS THAT A "WHITE WASH" OCCURRED DURING THE EXAMINATION

OF LSL WHICH BEGAN IN JULY, 1988.

REFERENCED TELETYPE SET LEADS FOR NEW YORK TO INTERVIEW [redacted] OF THE NEW YORK BANK DISTRICT REGARDING THESE ALLEGATIONS OF A "WHITE WASH". [redacted] STATED THAT HE RECEIVED SUCH AN ALLEGATION FROM [redacted] WHO WAS INVOLVED IN THE EXAM OF LSL AND PASSED THE ALLEGATION ON TO [redacted] THE NEW YORK BANK DISTRICT [redacted] OTS, SEATTLE. b6 b7C

FOR INFORMATION OF THE BUREAU AND PHOENIX, REFERENCED TELETYPE ALSO SET OUT A LEAD FOR NEW YORK TO INTERVIEW [redacted] [redacted] FHLBB. [redacted] MAY HAVE KNOWLEDGE OF A FILE GIVEN GO [redacted] BY KEATING CONTAINING "DAMAGING INFORMATION" ABOUT THE SAN FRANCISCO BANK DISTRICT. [redacted] ALSO ALLEGEDLY RECEIVED "PRESSURE - TYPE" CALLS FROM DECONCINI AND CRANSTON IN MARCH AND APRIL, 1989 REGARDING THE PROPOSED SALE OF LSL. b6 b7C

WHEN [redacted] WAS CONTACTED TELEPHONICALLY TO ARRANGE AN INTERVIEW DATE SHE WAS ADVISED THAT THE INTERVIEW WOULD CONCERN THE ABOVE-MENTIONED FILE AND TELEPHONE CALLS SHE RECEIVED FROM US SENATORS. HEARING THIS, IT WAS [redacted] WISH TO RETAIN COUNSEL

PRIOR TO THE INTERVIEW. [redacted] A NEW YORK RESIDENT, HAS RETAINED [redacted] OF DEBEVOISE AND PLIMPTON, WASHINGTON, DC, AND [redacted] HAS REQUESTED ALL ARRANGEMENTS FOR THE INTERVIEW BE MADE THROUGH HER.

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LEAD

SEATTLE AT SEATTLE, WASHINGTON. INTERVIEW [redacted] OTS REGARDING ANY ALLEGATIONS OF A "WHITE WASH" HE RECEIVED RELATIVE TO THE JULY, 1988 EXAM OF LSL.

SEATTLE REQUESTED TO SUBMIT HIGHLIGHTS OF INTERVIEW TO PHOENIX VIA TELETYPE AND FOLLOW IMMEDIATELY WITH FD-302S.

BT

#0079

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/READ/REF 5
0074 MRI 01933

MAY 30 3 57 PM '90

TELET[illegible]

RR RUEHFB FBILA FBIPX

DE FBISE #0010 1502253

ZNR UUUUU

R 302201Z MAY 90

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3840:SQUAD 4//

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

RE PHOENIX TELETYPE TO NEW YORK DATED MAY 10, 1990, AND NEW YORK TELETYPE TO DIRECTOR DATED MAY 23, 1990.

58C-PX-41605-83

TELETYPE

wcc-4

[redacted]

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ON MAY 29, 1990, [redacted] b6 b7C OFFICE OF THRIFT SUPERVISION, WAS INTERVIEWED IN SEATTLE, AS REQUESTED IN REFERENCED TELETYPES.

[redacted] ADVISED HE HEARD ABOUT THE RUMOR OF A "WHITE WASH" FROM [redacted] WHO HEARD IT FROM [redacted] SUBSEQUENTLY TALKED TO [redacted] WHO CHARACTERIZED THE RUMOR AS HAVING FOUR (4) PARTS.

1. EMPLOYEES WORKING ON THE EXAMINATIONS WERE TOLD NOT TO TALK TO PEOPLE BACK IN THEIR HOME OFFICE ABOUT THE EXAMINATION.

2. [redacted] THE LINCOLN SAVINGS EXAMINATION, TOLD HIS PEOPLE TO ONLY LOOK AT CERTAIN AREAS.

3. EXAMINERS IN CHARGE OF SPECIFIC PARTS OF THE LINCOLN SAVINGS EXAMINATION WERE NOT SUPPOSED TO TALK TO EACH OTHER.

4. THE EXAMINER FROM PITTSBURGH (NAME NOT RECALLED) HANDLING PROBLEM LOANS WAS BEHAVING STRANGELY. HE REVIEWED LOAN FILES AND RETURNED HOME TO CLASSIFY THEM WITHOUT FIRST DISCUSSING THE LOAN WITH THE LOAN OFFICER.

[redacted] DISCUSSED THE RUMORS WITH [redacted] b6 b7C WHO WAS RESPONSIBLE FOR THE OVERALL EXAMINATION. [redacted] HAD HEARD SOME OF THE RUMORS AND HAD ALREADY HAD [redacted] AND [redacted] LOOK INTO THEM. THESE MEN HAD GONE TO LINCOLN

SAVINGS AND TALKED TO THE EXAMINERS ON SITE. ALSO, [redacted] b6 b7C SUBSEQUENTLY TALKED TO THE BOARD OF DIRECTORS OF LINCOLN SAVINGS ABOUT THE RUMORS AND TOLD [redacted] HE HAD IT STRAIGHTENED OUT. [redacted] TOLD [redacted] HE [redacted] HAD TOLD THE EXAMINERS NOT TO TALK TO PEOPLE BACK IN THE HOME OFFICE ABOUT THE JOB, BECAUSE IT WAS HIS DESIRE TO KEEP THE EXAMINATION CONFIDENTIAL. [redacted] DID NOT EXPLAIN WHAT HE HAD SAID TO THE LINCOLN SAVINGS BOARD OF DIRECTORS OR HOW HE HAD STRAIGHTENED THINGS OUT.

[redacted] STATED [redacted] TOLD HIM THAT HE, PERSONALLY, DID NOT THINK THERE WAS A COVER-UP, HE JUST THOUGHT SOME OF THE PEOPLE WERE INCOMPETENT. LATER, [redacted] LEFT [redacted] WITH THE IMPRESSION THAT THE EXAMINATION ULTIMATELY CAME OUT ALL RIGHT.

FD-302 TO FOLLOW.

BT

#0010

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JUN 1 4 45 PM '90

TELETYPE

0082 MR1 02377

RR FBIPX FBILA

DE FBINY #0072 1522336

ZNR UUUUU

R 0123112 JUN 90

FM FBI NEW YORK (58C-PX-41605) (P)

TO FBI PHOENIX/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS: .

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS DECONCINI, 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: PHOENIX/LOS ANGELES.

REPXTELS TO NY, MAY 10, 1990, MAY 22, 1990 AND NYTEL TO PX, MAY 23, 1990.

58C-NY-41605-84

wcc-4

[redacted]

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TELETYPE

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1 - NEW YORK

1 - SUPV. C-14

LCM:THB001

(2)

[redacted] OFFICE OF THRIFT SUPERVISION (OTS), NEW YORK, NY, HAVE BEEN INTERVIEWED AS SET OUT IN RE TELETYPES. [redacted] OTS, SEATTLE, WASHINGTON AND LEAD WAS SENT TO SEATTLE MAY 23, 1990. [redacted] HAS NOT YET BEEN INTERVIEWED AS SHE HAS RETAINED COUNSEL IN WASHINGTON, DC AND ATTEMPTS TO ARRANGE INTERVIEW HAVE NOT BEEN SUCCESSFUL.

[redacted] FOR THE EXAMINATION OF LSL IN JULY, 1988. [redacted] RESPONSIBILITY FOR DIFFERENT MEANS OF CONCERN WERE DIVIDED AMONG THE THREE ASSISTANT EICS. AS A RESULT, SOME OF THE MORE INEXPERIENCED EXAMINERS WORKING UNDER [redacted] VOICED CONCERNS THAT THE SCOPE OF THEIR EXAMS WERE NOT COMPLETE. [redacted] EXPLAINED THAT IN MOST CASES, AN AREA OF CONCERN NOT LOOKED AT BY HIS PEOPLE SHOULD HAVE BEEN EXAMINED BY ONE OF THE OTHER TWO GROUPS AND THE INEXPERIENCED EXAMINERS DID NOT UNDERSTAND THIS. [redacted] RECALLED [redacted] OF BOSTON AND [redacted] OF ATLANTA AS TWO

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EXAMINERS IN HIS GROUP THAT VOICED CONCERN.

[redacted] DOES NOT FEEL THERE WAS, IN ANY WAY, A WHITE WASH OF THIS EXAM. HE DOES FEEL THAT IT WAS MIS-MANAGED TO SOME EXTENT BY [redacted] BECAUSE THE AREAS OF RESPONSIBILITY WERE NOT CLEARLY DEFINED. [redacted] EXPRESSED CONCERN TO [redacted] THAT THE HOLDING COMPANY OF LSL WAS NOT SCHEDULED TO BE EXAMINED. [redacted] FELT THAT THIS WAS ESSENTIAL TO AN ACCURATE EXAMINATION SINCE A LARGE AMOUNT OF LOSSES WERE BEING ATTRIBUTED TO THE HOLDING COMPANY. [redacted] PASSED THE CONCERN RE THE HOLDING COMPANY ON TO [redacted] ALSO SPOKE TO [redacted] REGARDING THIS.

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BECAUSE OF [redacted] CONCERN, THE HOLDING COMPANY WAS EXAMINED AND IT IS [redacted] OPINION THAT THE FINDINGS OF THAT EXAMINATION LEAD DIRECTLY TO THE CLOSING OF LSL.

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NEITHER [redacted] NOR [redacted] WERE INVOLVED IN THE EXAMINATION OF LSL AND [redacted] CONFIRMED THAT [redacted] HAD SPOKEN TO HIM REGARDING THE CONCERNS THAT WERE VOICED. [redacted] CONCURRED IN THE OPINION THAT THERE WAS NO WHITE WASH BUT THAT THE EXAMINATION WAS NOT MANAGED WELL DUE TO THE INEXPERIENCE OF [redacted] IN SUCH A LARGE UNDERTAKING.

LEAD

NEW YORK AT NEW YORK, NEW YORK. WILL FORWARD FD-302S OF [redacted] AND [redacted] TO PHOENIX. WILL CONTINUE EFFORTS TO SECURE INTERVIEW WITH [redacted]

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BT

#0072

NNNN

58C-PX-41605-85

[redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/24/90

[redacted] date of birth [redacted] b6 b7C b7D
Examiner, Office of Thrift Supervision (OTS), [redacted] telephone [redacted]
[redacted] home address [redacted]
telephone [redacted] was interviewed at GERMANIA BANK, 701 Market Street, Gateway One, St. Louis, Missouri. After being advised of the identity of the interviewing Agent and of the purpose for the interview, [redacted] provided the following regarding the 1988 examination of LINCOLN SAVINGS AND LOAN (LSL) and its parent company, AMERICAN CONTINENTAL CORPORATION (ACC):

[redacted] b6 b7C b7D
[redacted] ACC is the holding company for LSL and is located in Phoenix, Arizona.

[redacted]

[redacted]

Investigation on 4/24/90 at St. Louis, Missouri File # SL 58C-PX-41605

by SA [redacted] KAW:lgw Date dictated 4/30/90 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.

SEC PX-41605-86
C/ E/

[redacted]

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

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 5/24/90

[redacted] Examiner, Office of Thrift Supervision (OTS), [redacted] telephone [redacted] contacted Special Agent [redacted] and provided the following additional information regarding the 1988 examination of LINCOLN SAVINGS AND LOAN (LSL): b6 b7C b7D

[redacted]

[redacted]

Investigation on 5/3/90 at St. Louis, Missouri File # SL 58C-PX-41605

by SA [redacted] KAW:lgw Date dictated 5/9/90 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.

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 5/24/90

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

FROM : SAC, ST. LOUIS (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: PHOENIX/LOS ANGELES

Re Springfield airtel to Phoenix, 4/2/90.

Enclosed for Phoenix are the originals and one copy each of two FD-302s regarding initial interview of [redacted] Office of Thrift Supervision (OTS) Examiner, and regarding additional information later provided by [redacted] Also enclosed are original interview notes regarding contacts with [redacted]

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b7D

Enclosed for Los Angeles are copies of FD-302s regarding contacts with [redacted]

This matter is considered RUC at St. Louis.

58C-PX-41605-87

STAMPED INDEXED
SERIALIZED FILED
WCC
4 JUN 0 [illegible]
[redacted]

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2-Phoenix (Encls. 5)
2-Los Angeles (Encls. 2)
1-St. Louis
KAW:lgw
(5)

SARA copy with enclosures

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

SARA

58C-PX-41605 88

SEARCHED ___ INDEXED ___
SERIALIZED ___ FILED ___

JUN 6 1990

FBI LOS ANGELES

[redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/4/90

[redacted] Office of Thrift Supervision, DEPARTMENT OF THE TREASURY, 1501 Fourth Avenue, Seattle, Washington 98101-1693, telephone [redacted] was advised of the identity of the interviewing Agent and the nature of the inquiry; thereafter provided the following information: b6 b7C

[redacted] advised he was born on [redacted] He is familiar with allegations of a "white wash," involving an examination of LINCOLN SAVINGS AND LOAN ASSOCIATION which occurred around August, 1988. At that time, [redacted]

[redacted] advised in August, 1988, [redacted] who was in charge of examinations in New York, was also on a temporary assignment in Dallas. [redacted] told [redacted] of the "white wash" allegations. [redacted] stated he subsequently learned of the allegations from [redacted] and, thereafter, talked to [redacted] by telephone. [redacted] stated he was in Dallas at the time, and believes [redacted] was in New York. [redacted] was assigned to the examination of LINCOLN SAVINGS AND LOAN in either Arizona or California. He was reporting to [redacted] the examiner in charge of the LINCOLN SAVINGS AND LOAN EXAMINATION. Even though [redacted] was in charge of the examination, he had assigned additional people to be in charge of various parts of the examination. [redacted] had been assigned to look at the valuation of earnings of LINCOLN SAVINGS AND LOAN. b6 b7C

[redacted] stated that at the time he talked to [redacted] expressed the opinion that he [redacted] thought the examination was being run poorly and felt he [redacted] had taken a chance talking to [redacted] about the "white wash" allegations. [redacted] pointed out four things he thought were indicative of a cover-up. The first concerned the instruction that people working on the LINCOLN SAVINGS AND LOAN examination were told not to talk to anyone back in their home office about the examination. The second concerned instructions from [redacted] to his people that they were only to look at certain areas. The third involved instructions to the examiners in charge who were told they were not supposed to talk to each other about the examination. The fourth concerned an examiner from Pittsburgh (whose name [redacted] can not recall) and his handling of problem loans. This examiner was apparently behaving

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Investigation on 5/29/90 at Seattle, Washington File # 58C-PX-41605

by SA [redacted] jmb Date dictated 5/30/90 b6 b7C

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strangely. He reviewed the loan files while out in the field, and then returned back to his office in Pittsburgh to classify the loans without talking to the loan officers involved.

[redacted] provided the following opinions in response to the above-noted allegations. Concerning the instruction for employees not to talk to people back in their home office, [redacted] stated there had been possible leaks from within the agency concerning the LINCOLN SAVINGS AND LOAN examination. CHARLES H. KEATING had been complaining about leaks to the press. People had construed this restriction as being indicative of a "white wash." With respect to the second allegation, the previous examination of LINCOLN SAVINGS AND LOAN took over one years. During the examination in question, they were trying to concentrate on specific problems, i.e. big problems, and therefore had limited the scope of the examination. Concerning the third allegation, [redacted] advised he never understood why the examiners in charge were not supposed to talk to each other, since it was impossible to conduct an evaluation in one area, without knowing what was happening in another.

[redacted] stated [redacted] mentioned that with all these things put together, people working on the examination had concluded there was a cover-up and they were getting the message that they were not to find anything wrong. [redacted] expressed his feelings to [redacted] that he, personally, did not think there was a cover-up, but that he thought people were just incompetent. For example, [redacted] did not know how to conduct the examination.

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[redacted] stated that after talking to [redacted] he was concerned because he wanted the examination of LINCOLN SAVINGS AND LOAN to be conducted properly. He, therefore, called his boss, [redacted] who was at that time in Washington, D.C. He told [redacted] there was a rumor going around of a cover-up on the LINCOLN SAVINGS AND LOAN examination and [redacted] thought the problem was attributable to mismanagement. [redacted] advised that [redacted] replied he was aware that there was some type of a problem, but had not heard all of the allegations. [redacted] said he had sent [redacted] who was in charge of problem case resolution in Washington, D.C., and [redacted] an individual who works for [redacted] to LINCOLN SAVINGS AND LOAN to talk to the examiners on site just two days before. [redacted] stated [redacted] told him he [redacted] had personally talked to the examiners or he [redacted] had told [redacted] to tell the examiners not to talk to the people back in their home offices about the job. According to [redacted] these instructions were given as a result of his [redacted] desire to keep the confidentiality of the job intact.

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[redacted] stated he talked to [redacted] again approximately one month later. During that conversation, [redacted] stated he had gone to LINCOLN SAVINGS AND LOAN ASSOCIATION, talked to the Board of Directors and had gotten everything straightened out. [redacted] stated he did not press [redacted] to find out what [redacted] had said to the Board of Directors or to find out how he had straightened everything out, as it was none of his business because [redacted] was the boss.

[redacted] stated that prior to talking to [redacted] he had also talked to [redacted] by telephone. [redacted] had a position similar to [redacted], however, [redacted] at that time, was assigned to Chicago. [redacted] had performed the same job in Dallas before [redacted] and also had been an examiner on the LINCOLN SAVINGS AND LOAN examination. [redacted] stated he wanted to see if [redacted] had been getting the same rumors he had received. [redacted] advised he learned from [redacted] that they had not intended to examine the holding company, however, [redacted] had told his examiners to examine the holding company as it needed to be done. [redacted] stated that, ultimately, the holding company was examined.

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[redacted] stated that after the examination of LINCOLN SAVINGS AND LOAN ASSOCIATION was completed, he spoke again to [redacted] During this conversation, he got the impression from [redacted] that [redacted] felt the examination ultimately came out all right.

[redacted] stated he thinks [redacted] personal demeanor was another reason for the allegations of a cover-up. [redacted] expressed the opinion that [redacted] has his own way of doing things and sometimes his reasons are not completely explained to his subordinates. [redacted] stated he has no additional information relating to the allegations of a "white wash," or pertaining to any cover-up. All he heard were the rumors as set forth above.

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 6/4/90

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

FROM : SAC, SEATTLE (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 of California (LSL), and American Continental Corporation (ACC), Phoenix, Arizona; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE; OO: PHOENIX/LOS ANGELES

Re 5/23/90 teletype from New York to the Director, and Seattle teletype to the Director dated 5/30/90.

Enclosed for Phoenix is the original and one copy of an FD-302, reflecting interview of [redacted] in Seattle, Washington, on 5/29/90. Also enclosed for Phoenix are the original interview notes of [redacted]. Enclosed for Los Angeles are two copies of the noted [redacted] FD-302.

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As all investigation in Seattle is complete, this matter is considered RUC.

2 - Phoenix (Enc. 3)
2 - Los Angeles (Enc. 2)
2 - Seattle (58C-PX-41605)
OEK:jmb
(6)

58C-PX-41605 89
SEARCHED INDEXED
SERIALIZED FILED
JUN 6 1990
[redacted] LOS ANGELES

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

SARA

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TELETYPE ROOM

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DE FBINY #0013 1592031

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R 081944Z JUN 90

FM FBI NEW YORK (58C-PX-41605) (P) (C-14)

TO FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

FBI SEATTLE/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS:

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS DECONCINI, 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: PHOENIX/LOS ANGELES.

RENYTELCALL TO SA [redacted] PHOENIX DIVISION, JUNE 6, b6 b7C

58 C-PX-41605-90

INDEXED FILED

JUN 08 1990

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[redacted] b6 b7C

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1990.

FOR INFORMATION OF PHOENIX, [redacted] INTERVIEWED JUNE 6, 1990. [redacted] CHARLES KEATING AND KEATING'S ATTORNEY, [redacted] TO DISCUSS KEATING'S OBJECTIONS TO THE FINDINGS OF AN EXAMINATION OF LSL. KEATING PRESENTED [redacted] WITH A PACKAGE OF DOCUMENTS OUTLINING HIS COMPLAINTS. THE PACKAGE, OR FILE CONSISTED OF A COVER MEMO DIRECTED TO [redacted] AND COPIES OF NEWSPAPER CLIPPINGS WHICH SHOWED, ACCORDING TO KEATING, THAT THE SAN FRANCISCO BANK DISTRICT HAD LEAKED CONFIDENTIAL INFORMATION TO THE PRESS REGARDING LSL. [redacted] HAS RETAINED A COPY OF THIS FILE AND WILL PROVIDE TO NEW YORK ON JUNE 8, 1990. IT IS [redacted] OPINION THAT THIS FILE IS NOT MEANINGFUL ALTHOUGH IT HAS BEEN THE TOPIC OF MUCH DISCUSSION.

[redacted] ALSO CONFIRMED THAT [redacted] HAD RECEIVED TELEPHONE CALLS FROM SENATORS CRANSTON AND DECONCINI IN APRIL, 1989. CRANSTON'S CALL CAME TO [redacted] AT HIS RESIDENCE IN THE EVENING AND DECONCINI'S CALL FOLLOWED AT APPROXIMATELY 6:00 AM THE FOLLOWING MORNING. BOTH SENATORS URGED [redacted] TO MEET FORMER CONGRESSMAN JOHN ROUSSELOT REGARDING HIS PROPOSAL TO PURCHASE LSL, AND TO GIVE THE PROPOSAL SERIOUS CONSIDERATION.

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[redacted] CHARACTERIZED THE CALLS RECEIVED BY [redacted] AS HIGHLY UNUSUAL IN THAT IT IS GENERALLY VERY DIFFICULT TO GET A SENATOR TO MAKE A PERSONAL TELEPHONE CALL TO ANYONE. SINCE [redacted] HAD PREVIOUSLY MET WITH ROUSSELOT SEVERAL TIMES TO DISCUSS LSL, [redacted] STATED THAT THERE WAS NO NEED FOR ANYONE TO INTERVENE AND ARRANGE ANOTHER MEETING WITH HIM. NEVERTHELESS, [redacted] AGAIN MET WITH ROUSSELOT ON THE DAY AFTER DECONCINI'S CALL TO [redacted]

AFTER RECEIVING THE CALLS MENTIONED ABOVE, [redacted] DIRECTED [redacted] TO CONTACT THE STAFFS OF CRANSTON AND DECONCINI TO REQUEST THEY STOP CONTACTING HIM RE LSL. NO FURTHER CALLS WERE RECEIVED AFTER THIS.

[redacted] WAS PRESENT AT THE APRIL, 1988 MEETING OF THE FHLB BOARD AT WHICH THE ENFORCEMENT REVIEW COMMITTEE (ERC) RECOMMENDED THAT THE BOARD CONDUCT AN INDEPENDENT EXAMINATION OF LSL AND OBTAIN A SUPERVISORY AGREEMENT WITH THEM. [redacted] VOTED IN FAVOR OF THIS RECOMMENDATION AND [redacted] VOTED AGAINST. DURING THIS MEETING, [redacted] A MEMBER OF THE ERC, STATED THAT THE CONTINUED PRESENCE OF CHARLES KEATING AT LSL WAS CRITICAL TO LSL'S SURVIVAL AND TO REMOVE HIM WOULD SURELY BE

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HARMFUL TO THE ARIZONA REAL ESTATE MARKET.

FD-302S TO FOLLOW.

BT

#0013

NNNN

58C-PX-41605-91
EJ EJ



Jay

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/18/90

[redacted] Office of Thrift Supervision (OTS), New York, New York, 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] provided the following information: b6 b7C

[redacted] stated that in approximately July, 1988 he received a telephone call from [redacted] the Lincoln Savings and Loan Association (LSL) of California. [redacted] was working on an unrelated matter in Dallas, Texas at the time of the telephone call. b6 b7C b7D

[redacted] recalled that [redacted] mentioned that [redacted] concerns that the exam was a white wash. After discussing the matter with [redacted] both agreed that the problems concerning the LSL examination were related to the inexperience [redacted] and his inability to effectively manage the exam rather than an attempt to white wash the findings.

[redacted] did, however, pass on the concerns to [redacted] also of the New York FHLB District. [redacted] was in California at this time for a meeting. [redacted] stated that [redacted] relayed the information to [redacted] in Washington. b6 b7C

[redacted] concluded that neither he nor [redacted] were involved in the LSL examination and [redacted] does not believe that any white wash was attempted during the exam. [redacted] is now the District Director of the OTS in Seattle, Washington.

Investigation on 5/16/90 at New York, New York File # 58C-PX-41605 - 91

by SA [redacted] Date dictated 5/18/90 b6 b7C

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58C-PX-41605-92



Jay

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/8/90

[redacted] Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, Jersey City, New Jersey 07302, telephone [redacted] extension [redacted] home address [redacted] New York 11550, telephone [redacted] voluntarily appeared at the New York Office of the Federal Bureau of Investigation. After being advised of the identity of the interviewing Agent and the nature of the interview, [redacted] provided the following information:

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[redacted] the Federal Home Loan Bank (FHLB) New York, New York. At this time, [redacted] was assigned to take part in an independent examination of the LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL). [redacted]

[redacted] stated that although this exam was meant to be conducted by expert examiners from around the country, a few examiners [redacted] had minimal experience. [redacted] stated that [redacted] While conducting certain tests, the examiners were instructed to stop at points where they normally would continue. Because of the unique way the exam was structured, divided into three separate areas of responsibility, a duplication of work would have resulted unless each team remained within the examination areas they were specifically responsible for. [redacted]

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[redacted] admitted that the exam was poorly organized. [redacted] was not advised of the findings in the other areas which may have impacted on his own. [redacted] was concerned that the holding company

Investigation on 5/31/90 at New York, New York File # 58C-PX-41605-92

by SA [redacted] Date dictated 6/4/90

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for LSL was not scheduled to be examined by any of the three teams. Although the holding company represented only five percent of LSL'S Assets, a large amount of losses were being attributed to it.

[redacted] telephonically contacted [redacted] regarding his concern that the holding company was being overlooked. [redacted] never believed that there was any attempt to white wash the findings of this exam but rather , stated that the exam was managed poorly due to the relative inexperience [redacted] a large exam.

Other examiners from the New York District assigned to the exam were [redacted]

At the conclusion of the exam, the examiners concurred with the negative results of a previous exam that was conducted by the San Francisco Bank District and LSL was placed into receivership in 1989.

[redacted] b6 b7C b7D

[redacted] stated that because of his concerns, the holding company of LSL was examined. [redacted] was not involved with the examination of the holding company. b6 b7C

[redacted] does not know if it was a conincidence or by design, but shortly after he contacted [redacted] about his concern about the holding company being overlooked, he received a letter from [redacted] Federal Home Loan Bank, Office of Regulatory Policy. The letter, dated August 17, 1988, requested that [redacted] not discuss matters relating to the LSL exam with anyone except other members of the examination team. [redacted] provided the interviewing Agent with a copy of this letter.

58C-PX-41605-93

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/7/90

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[redacted] FEDERAL HOME LOAN BANK (FHLB) BOARD, [redacted] New York, New York, telephone [redacted] home address [redacted] New York, New York 10024, telephone [redacted] voluntarily appeared at the New York Office of the Federal Bureau of Investigation. [redacted] attorney, [redacted] Washington, D.C., telephone [redacted] had agreed to have [redacted] interviewed without being present. After being advised of the identity of the interviewing Agent and that the interview concerned events that occurred [redacted] provided the following information:

[redacted]

In late 1987, [redacted] that CHARLES KEATING, doing business as LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL) was alleging that he was being harassed by examiners from the San Francisco Bank District. The examiners had been inside his institution for eighteen months and KEATING was not happy with their findings.

In early 1988, KEATING wanted to speak personally with [redacted] about his complaints but [redacted] refused to see him. [redacted] asked [redacted] to see KEATING and [redacted] agreed.

Present at the meeting were Keating, [redacted] KEATING'S attorney, [redacted] did not specifically recall [redacted] being present at this meeting. This was the only meeting with KEATING that [redacted] ever attended.

During the meeting, KEATING presented his case that he was being harassed by the San Francisco District and stated that LSL was solvent. KEATING provided [redacted] with a package of

Investigation on 6/6/90 at New York, New York File # 58C-PX-41605-93

by SA [redacted] Date dictated 6/7/90

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documents, approximately 1/2 inch thick, related to his argument. The package, or "file" as it has been called, consisted of a two or three page cover memo and attachments. The cover memo, which was on AMERICAN CONTINENTAL CORPORATION letterhead and was directed to [redacted] outlined KEATING'S complaints. It detailed certain findings of the examiners and KEATING'S responses to those findings. KEATING also alleged that the San Francisco District had leaked confidential information regarding LSL to the press. The attachments to the memo were copies of press clippings which KEATING thought supported this allegation.

The "file" consisted only of the cover memo and copies of press clippings. It did not contain copies of the examiner's findings or copies of any examination documents.

[redacted] both read the file. [redacted] maintained the file following the meeting and gave it to [redacted], for him to read. [redacted] stated that [redacted] and [redacted] discussed the memo and its possible repercussions. They agreed that if the allegations were true, that this was a fairly serious matter.

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After giving the file to [redacted] of his meeting with KEATING and the file which KEATING had provided. Subsequently, [redacted] both requested copies of the file. [redacted] believes that the file was still in [redacted] custody when these requests were received.

[redacted] stated that [redacted] did not want to be put into the position of brokering copies of this file to others so approximately one week after his meeting with KEATING he instructed [redacted] to retrieve the file from [redacted] and return it to KEATING. [redacted] thought that if KEATING wanted anyone else to see the file he could give it out himself.

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When [redacted] went to see [redacted] she was given the original file and two copies. [redacted] did not copy the file. [redacted] telephonically contacted [redacted] and requested that he come and take back the file and [redacted] did. [redacted] instructed [redacted] to destroy the two copies and it was her intention to do so. However, in May, 1989, [redacted] discovered the two copies and realized that she had forgotten to destroy them. By this time, the "file" had become the topic of much discussion and curiosity. [redacted] decided to destroy one of the copies and she retained the other. This copy is still in her possession and [redacted] agreed to provide a copy of it to the interviewing Agent.

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[redacted] stated that she has not shown this file to anyone because no one has ever asked her to see it. [redacted] did not provide a copy of the file to [redacted] or anyone else. [redacted] has stated that she has seen the file and based on the fact that she described it accurately during her testimony before the Senate Ethics Committee, [redacted] believes that [redacted] did see the file.

[redacted] stated that [redacted] never asked her to check with KEATING before disseminatng copies of the file because disseminating copies was not considered. That is the reason why the file was returned to KEATING.

It is [redacted] opinion that the contents of the file are not meaningful and too much was made of this "secret file".

[redacted] was next asked about any telephone calls received by [redacted] regarding the proposed sale of LSL to an investment group headed by former Congressman JOHN ROUSSELOT. [redacted] recalled being contacted at her home by [redacted] one evening in April, 1989 at approximately 10:30 PM. [redacted] told her that he had just received a telephone call at his Arlington, Virginia apartment from Senator Alan Cranston regarding the proposed ROUSSELOT acquisition of LSL. CRANSTON requested that [redacted] give the proposal every consideration and work with ROUSSELOT. CRANSTON also requested that [redacted] meet with ROUSSELOT to discuss the matter. [redacted] had already met with ROUSSELOT several times in [redacted] presence to discuss the proposal and was willing to meet with him again.

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[redacted] stated that [redacted] was surprised to have received this telephone call from CRANSTON at his residence, particularly since his telephone number was unlisted. CRANSTON had apparently gotten the number from [redacted]

[redacted] requested that [redacted] locate ROUSSELOT and arrange a meeting. [redacted] did so and a breakfast meeting was arranged for the next day at the University Club in Washington, D.C..

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On the following morning at approximately 6:00 AM [redacted] received another telephone call from [redacted] told her that he had just received a telephone call at his apartment from Senator DENNIS DeCONCINI. DeCONCINI also requested [redacted] to give the ROUSSELOT proposal serious consideration. DeCONCINI told [redacted] that this sale would be good for the State of Arizona because of LSL'S large real estate holdings there. [redacted] advised DeCONCINI that a breakfast meeting was already arranged.

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[redacted] stated that the amount of attention the ROUSSELOT issue was receiving from two United States Senators disturbed [redacted] During the time the ROUSSELOT proposal was before the Board, [redacted] had received several other telephone calls from the offices of CRANSTON and DeCONCINI but [redacted] stated that no more than three calls were from the Senators themselves.

After receiving the calls at his residence from CRANSTON and DeCONCINI, and after the breakfast meeting with ROUSSELOT (which was uneventful) [redacted] instructed [redacted] to contact the Senators' offices and tell them that he was aware of their interest in the ROUSSELOT proposal and to request that they stop contacting him regarding that matter. After [redacted] made this request no further calls were received from CRANSTON or DeCONCINI regarding LSL.

[redacted] considered the calls from the Senators to [redacted] to be highly unusual. [redacted] it is very difficult to get a United States Senator to make a telephone call in support of an issue for any reason. In this case, [redacted] had received calls at his residence from two Senators within a 24 hour time period and it was evident that the Senators had to expend some effort to even obtain [redacted] telephone number.

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[redacted] stated that the sale of LSL to ROUSSELOT did not occur. During their meetings with ROUSSELOT, [redacted] found him unable to answer many substantive questions related to the acquisition. It was suspected that ROUSSELOT was perhaps attempting to purchase LSL on behalf of CHARLES KEATING. The attorney who accompanied ROUSSELOT to several of the meetings with [redacted] was better able to answer questions that [redacted] felt a prudent investor would know the answers to.

[redacted] stated that the Enforcement Review Committee (ERC) comprised of [redacted] investigated the conflict between KEATING and the San Francisco District. At the April, 1988 FHLB Board meeting the ERC recommended that a new examination of LSL be conducted by impartial experts from within the FHLB system. If the exam showed that KEATING'S allegations were true and that LSL was solvent, LSL would be permitted to be supervised by a District other than San Francisco. [redacted] under the recommendation, would be the Supervising Agent for LSL during the time of the examination.

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[redacted] recalled that during this meeting, [redacted] stated that the continued presence of KEATING at LSL would be critical to LSL'S survival and to remove him would surely be harmful to the Arizona real estate market.

The Board voted on the ERC's recommendation with [redacted] and [redacted] voting in favor and [redacted] voting against a new examination.

[redacted] provided the interviewing Agent with a copy of an Affidavit which she had provided to the Senate Ethics Committee in April, 1990. [redacted] also agreed to provide a copy of the "file" provided by KEATING to [redacted] at their meeting in early 1988.

At the conclusion of the interview, [redacted] stated that

[redacted]

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

AIRTEL

DATE: 6/8/90

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

FROM: ADIC, NEW YORK (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 OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE Phoenix teletype to New York, 5/10/90.

Enclosed for Phoenix are the original and two copies of FD-302s reflecting interviews of [redacted] the original interview notes for each interview, and a copy of a "file" that was provided by [redacted] This file was given to [redacted] by CHARLES KEATING during a meeting in January, 1988. Enclosed for Los Angeles is one copy of the above mentioned FD-302s. b6 b7C

Referenced Teletype also requested that [redacted] be interviewed by New York. [redacted] is now the District Director of the Office of Thrift Supervision in Seattle, Washington and New York set out the lead to Seattle to interview [redacted] via a teletype dated 5/23/90.

Since no further investigation remains at New York, this matter is being considered RUC.

2 - PHOENIX (ENC. 13)
2 - LOS ANGELES (ENC. 3)
1 - NEW YORK
LCM;lcm
(5)

58C-PX-41605-94

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
JUN 18 1990
FBI — LOS ANGELES
[redacted]

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SARA

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 6/6/90

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

TO FBI WMFO (58C-PX-41605)/ROUTINE/ PST 845A 6/8/90

FBI PHOENIX (58C-PX-41605)/ROUTINE/ PST 847A 6/8/90

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

RE WMFO AIRTEL TO LOS ANGELES DATED 4/17/90.

FOR INFORMATION OF WMFO, INVESTIGATION HAS SHOWN THAT AT LEAST TWO AIDES OF CAPTIONED SENATORS TRAVELED TO PHOENIX, ARIZONA, TO VIEW THE AMERICAN CONTINENTAL CORPORATION (ACC) OPERATIONS, AND THAT AT LEAST ONE OF THE AIDES TRAVELED AT ACC EXPENSE.

ON 6/4/90, [redacted] CONGREGATIONAL AFFAIRS, FBIHQ, (202) 324-4515, ADVISED THAT SENATE PUBLIC FINANCIAL DISCLOSURE REPORTS SHOULD BE OBTAINED FROM THE SECRETARY OF THE SENATE THROUGH WMFO.

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JAJ/cs

58C-PX-41605-95

SEARCHED
INDEXED
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Approved: LLC/JM

Transmitted Fax at SARA Per [signature]
(Number) (Time)

[redacted]

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LEADS WMFO, AT WASHINGTON, D.C.: OBTAIN COPIES OF SENATE PUBLIC FINANCIAL DISCLOSURE REPORTS FOR THE YEARS 1984 THROUGH 1989, FOR THE FOLLOWING INDIVIDUALS:

(1) SENATOR CRANSTON'S AIDES [redacted] b6 b7C

[redacted]

(2) SENATOR DECONCINI'S AIDES [redacted]

[redacted]

(3) SENATOR MCCAIN'S AIDES, [redacted]

[redacted]

(4) SENATOR GLENN'S AIDE, [redacted]

(5) SENATOR RIEGLE'S AIDES, [redacted]

[redacted]

(6) SENATE BANKING COMMITTEE STAFFER [redacted]

[redacted]

OBTAIN COPIES OF FINANCIAL DISCLOSURE REPORTS FROM THE OFFICE OF GOVERNMENT ETHICS FOR THE YEARS 1987 THROUGH 1989, FOR FEDERAL HOME LOAN BANK BOARD (NOW KNOWN AS THE OFFICE OF THRIFT SUPERVISION) [redacted]

[redacted]

BT

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 6/11/90

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)
2 TO DIRECTOR FBI/ROUTINE/ PST 435P 6/11/90
3 FBI WMFO/ROUTINE/ PST 440P 6/11/90
4 INFO FBI PHOENIX/ROUTINE/ PST 445P 6/11/90
5 BT
6 UNCLAS
7 CITE: //3410:0670//
8 PASS: SSA [redacted] PUBLIC CORRUPTION UNIT.
9
10 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
11 DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES
12 H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF
13 CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX,
14 ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
15 OO: PHOENIX/LOS ANGELES (58C-PX-41605).
16 CHARLES KEATING, JR., CHAIRMAN, AMERICAN CONTINENTAL CORPORATION,
17 PHOENIX, ARIZONA; UNSUBS, PRINCIPALS AND OFFICERS OF AMERICAN
18
19 3 - Los Angeles
(1 - 58C-PX-41605)
20 (1 - 56C-LA-101615)
(1 - 58A-LA-111204)
21 JAJ/cpt
(3)

58C-PX-41605-96
SEARCHED ____
INDEXED ____
SERIALIZED ____
FILED ____

Approved: _____ Transmitted fax at SARA Per _____
(Number) (Time)

[redacted] Jaj

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CONTINENTAL CORPORATION; UNSUBS, PRINCIPALS AND OFFICERS OF LINCOLN SAVINGS AND LOAN ASSOCIATION, IRVINE, CALIFORNIA; ELECTION LAW VIOLATIONS; OO: LOS ANGELES (56C-LA-101615). [redacted] THE FEDERAL HOME LOAN BANK BOARD, WASHINGTON, D.C.; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN, IRVINE, CALIFORNIA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - EXECUTIVE BRANCH; OO: LOS ANGELES (58A-LA-111204). b6 b7C

RE SANTA ANA SA [redacted] TELCALL TO PUBLIC CORRUPTION UNIT SSA [redacted] ON 6/8/90, AND SA [redacted] TELCALLS WITH WMFO RELIEF SUPERVISOR [redacted] ON 6/8/90. b6 b7C

AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SA'S [redacted] INTEND TO TRAVEL TO WMFO 6/18/90 THROUGH 6/23/90 FOR THE PURPOSE OF CONDUCTING INTERVIEWS IN CAPTIONED MATTERS. INTERVIEWS ARE PLANNED OF THE FOLLOWING:

1. [redacted] CALIFORNIA TAX-EXEMPT ORGANIZATIONS CENTER FOR PARTICIPATION IN DEMOCRACY AND ORGANIZING INSTITUTE. CPD AND OI RECEIVE DIRECTLY OR INDIRECTLY $725,000 FROM AMERICAN CONTINENTAL CORPORATION IN 1987 AND 1988. [redacted]

2. [redacted] WILL BE ASKED ABOUT CRANSTON'S OFFICE'S CONTACTS WITH THE FEDERAL HOME LOAN BANK BOARD ON BEHALF OF CHARLES KEATING.

3. [redacted] b6 b7C WILL BE INTERVIEWED REGARDING HER TELEPHONE CALLS TO FHLBB [redacted] ON BEHALF OF KEATING, AND HER TRAVEL TO PHOENIX, ARIZONA, IN APRIL 1987 AT AMERICAN CONTINENTAL'S EXPENSE.

4. [redacted] WILL BE INTERVIEWED REGARDING SERVICES RIEGLE'S STAFF PERFORMED ON BEHALF OF KEATING AND REGARDING [redacted] TRAVEL WITH RIEGLE TO VISIT KEATING IN PHOENIX IN MARCH 1987.

5. [redacted] LOBBIED SENATOR CRANSTON AND PERHAPS OTHERS IN EARLY 1989 REGARDING KEATING'S DESIRE THAT THE FHLBB APPROVE THE SALE OF LINCOLN SAVINGS. b6 b7C

6. [redacted] FHLBB. [redacted] REPORTEDLY LOBBIED THE FHLBB ON BEHALF OF KEATING REGARDING KEATING'S PROPOSED SALE OF LINCOLN SAVINGS IN 1989. [redacted] IS ALSO REPORTEDLY KNOWLEDGEABLE ABOUT THE CIRCUMSTANCES OF [redacted]

7. [redacted]

8. [redacted] IS REPORTEDLY KNOWLEDGEABLE ABOUT KEATING'S SUCCESSFUL ATTEMPT TO HAVE [redacted]

NO ASSISTANCE OF WMFO IS REQUIRED. SAC, WMFO, AND SAC, LOS ANGELES CONCUR WITH PROPOSED TRAVEL.

BT

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/1/90

[redacted] 300 Capitol Mall, Suite 350, Sacramento, California, [redacted] was contacted by telephone. After being advised of the interviewing agent's identity, [redacted] provided the following information: b6 b7C

[redacted] advised that [redacted] CALIFORNIA DEMOCRATIC PARTY, and that in 1986 [redacted] CALIFORNIA DEMOCRATIC PARTY. [redacted] added that [redacted]

[redacted] was asked whether he knew where the CALIFORNIA DEMOCRATIC PARTY records relating to a contribution made by AMERICAN CONTINENTAL CORPORATION (ACC) in October 1986 were located, so that a subpoena could be obtained for the purpose of obtaining the documentation. [redacted] responded that no subpoena would be necessary and that he would provide a photocopy of the check in question. [redacted] stated that party maintained no record of who solicitated the contribution.

[redacted] explained that all contributions to the CALIFORNIA DEMOCRATIC PARTY went to one bank account, and then were disbursed to various projects, such as "Get Out the Vote" projects. b6 b7C

[redacted] stated that he believed that the most knowledgeable persons about the 1986 "Get Out the Vote" drive was [redacted] stated he would attempt to locate telephone numbers for [redacted]

[redacted] advised that he would also look for any documentation relating to the October 1988 lease of computer equipment to the CALIFORNIA DEMOCRATIC PARTY from the Center for Participation in Democracy, and would provide such documentation to the Federal Bureau of Investigation.

Investigation on 5/24/90 at Santa Ana, California (Telephonic) File # 58C-PX-41605 -97

by SA [redacted] kbg Date dictated 5/24/90 b6 b7C

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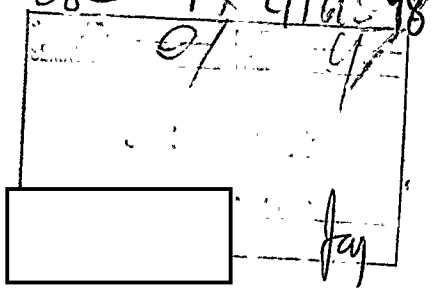
58C-PX 41665 98



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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/13/90

[redacted] also known as [redacted] date of birth [redacted] was interviewed [redacted] The interview was conducted under the terms of an agreement [redacted] the original of which is attached hereto. [redacted] provided the following information:

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[redacted]

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b7C
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[redacted]

[redacted]

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Investigation on 6/12/90 at [redacted] File # 56C-LA-101615
~~58C-PX-41605~~ ✓

by SA [redacted] /lkh Date dictated 6/13/90

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/27/90

JOHN ROUSSELOT, date of birth November 1, 1927, was interviewed at his place of business, ALCADE AND ROUSSELOT, 1901 Fort Myer Drive, 12th Floor, Rosyln, Virginia, (703) 841-0626. After having been advised of the identities of the interviewing agents and the nature of the interview, ROUSSELOT provided the following information:

ROUSSELOT advised that he was elected to the United States Congress in 1970, representing the 26th District in California, and served in Congress through January, 1983. In 1983, ROUSSELOT was the Special Assistant for Business Liaison to President RONALD REAGAN. For the period 1985 through 1988, ROUSSELOT was the President of the NATIONAL COUNCIL OF SAVINGS INSTITUTIONS (NCSI), a trade association of savings banks and savings and loan associations. ROUSSELOT said he has been employed at ALCADE AND ROUSSELOT (on and off) since 1983.

ROUSSELOT stated that he knew BILL KEATING when they were together in Congress, and BILL KEATING first introduced him to CHARLES KEATING in approximately 1974. ROUSSELOT stated that he has been familiar with LINCOLN SAVINGS AND LOAN (LSL) for a long time, because former LSL owners ROY CROCKER and DON CROCKER were constituents of ROUSSELOT when he was in Congress. ROUSSELOT added that ROY CROCKER was active in ROUSSELOT's 1970 campaign for Congress.

ROUSSELOT advised that within a couple of months after CHARLES KEATING purchased LSL in 1984, KEATING and other AMERICAN CONTINENTAL CORPORATION (ACC) executives hired ROUSSELOT's firm to monitor legislation. ROUSSELOT added that in 1984, ROUSSELOT was also doing consulting work for the RONALD REAGAN presidential campaign. ROUSSELOT said he or his firm worked for KEATING and ACC through April of 1989, from time to time.

On behalf of ACC, ROUSSELOT consulted with FEDERAL HOME LOAN BANK BOARD (FHLBB) members regarding their positions on rules and regulations. ROUSSELOT explained that he knew FHLBB [redacted] previously, and he would contact [redacted] on behalf of ACC to get [redacted] opinion on what would happen regarding certain rules and regulations. ROUSSELOT said that the issues ACC was concerned

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Investigation on 6/19/90 at Rosyln, Virginia File # LA 58C-PX-41605-99

by SA [redacted] SA [redacted] JAJ/lkh Date dictated 6/25/90

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with were primarily related to direct investments. ROUSSELOT said that most of his effort during the last year he worked for ACC was to find a buyer for LSL. ROUSSELOT said this effort began in approximately January, 1988. ROUSSELOT stated that he had no involvement in selections made to the FHLBB. ROUSSELOT added he was invited by the White House to attend the [redacted] b6
and [redacted] swearing in ceremonies. ROUSSELOT explained b7C
that he was not aware of any lobbying by KEATING regarding the [redacted] nominations to the FHLBB; although, KEATING, [redacted] and possibly others, probably mentioned ACC's interest in these nominations to ROUSSELOT. ROUSSELOT said he believed ACC executives had talked to White House Chief of Staff DON REGAN about [redacted] ROUSSELOT added that sometime after REGAN had left the White House, ROUSSELOT had a discussion with REGAN about his efforts to get [redacted] to become more reasonable. ROUSSELOT emphasized that he did no lobbying regarding FHLBB nominations or regarding ACC's dissatisfaction with [redacted]

ROUSSELOT said that in late 1985, there was talk that [redacted] would leave his position in approximately December, 1986. b6
In late 1985, the FHLBB's [redacted] met with KEATING. The b7C
night before this KEATING [redacted] meeting, ROUSSELOT met with KEATING at the Four Seasons Hotel in Washington, D.C. ROUSSELOT said KEATING mentioned to him at this meeting that he would be meeting the next day with [redacted] to discuss [redacted] future. ROUSSELOT explained that [redacted] had discussed with KEATING in a "nebulous way" about [redacted] leaving the FHLBB and that [redacted] might be interested in a job. ROUSSELOT said [redacted] and KEATING met and discussed [redacted] coming to work for LSL or ACC. Both KEATING and [redacted] told ROUSSELOT about this meeting with [redacted] ROUSSELOT said KEATING and [redacted] told him that [redacted] said she would discuss the matter with [redacted] and [redacted] would get back to KEATING regarding the job possibilities.

ROUSSELOT stated he met KEATING quite a few times as president of the NCSI and then later as a lobbyist.

ROUSSELOT stated he could not recall any meetings in July, 1986, with KEATING; although, KEATING may have asked ROUSSELOT for advice. ROUSSELOT said he had discussed many things with KEATING, probably including the [redacted] nominations to the FHLBB. ROUSSELOT said KEATING "might" have mentioned that KEATING was in contact with DON REGAN regarding the 1986 FHLBB nominations. ROUSSELOT said KEATING supported [redacted] ROUSSELOT stated that NORMAN D'AMOUR might be more knowledgeable about this, because D'AMOUR handled the LSL account when ROUSSELOT was president of the NCSI. D'AMOUR is a former Congressman from New Hampshire, and is an attorney practicing out of his home in McLain, Virginia. ROUSSELOT stated that KEATING supported both [redacted] but that ROUSSELOT did not hear of any aggressive effort by KEATING regarding [redacted] ROUSSELOT added that the UNITED STATES LEAGUE OF SAVINGS INSTITUTIONS actively supported [redacted]

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ROUSSELOT stated that KEATING and ACC had an interest in several bills in Congress in the 1987-1988 period.

ROUSSELOT advised that the NCSI had a political action committee, and it contributed to Senator ALAN CRANSTON. ROUSSELOT stated he knew KEATING was contributing to CRANSTON and other senators on the SENATE BANKING COMMITTEE, but until he read it in the news, ROUSSELOT was not aware of the magnitude of KEATING's contributions to CRANSTON. ROUSSELOT explained that CRANSTON had many big contributors from California savings and loan associations, because CRANSTON's position had always been favorable to the savings and loan industry. ROUSSELOT said CRANSTON has support from Republican businessmen in California, because CRANSTON keeps in contact with them. By way of example, ROUSSELOT mentioned California Republicans JUSTIN DART, First Name Unknown (FNU) PACKARD, and DON CROCKER as CRANSTON supporters.

ROUSSELOT advised that in 1988, he located four different buyers, or groups of buyers, for LSL. In October, 1988, he became very active in obtaining a buyer for LSL, because

several prospective buyers made inquiries. ROUSSELOT explained that in January or February of 1988, KEATING told ROUSSELOT he wanted to get out of the savings business, because he had too many problems with the regulators and they wanted him out of business. ROUSSELOT said KEATING's asking price for LSL was $250 million.

ROUSSELOT stated that during 1988, KEATING would send him copies of memoranda exchanged between the FHLBB and ACC. ROUSSELOT said he was kept informed of the negotiations between ACC and FHLBB in 1988, but that he was not involved with them. Within a week after the examination of LSL was transferred out of San Francisco in May, 1988, ROUSSELOT was informed of the transfer. ROUSSELOT stated he still may have his files containing these memoranda. ROUSSELOT advised that several weeks after several United States Senators met with [redacted] and then a week later with the San Francisco regulators, ROUSSELOT was informed of the meetings by [redacted] ROUSSELOT recalled that [redacted] stated that these meetings would help LSL get a better sense of fairness from [redacted] b6 b7C

ROUSSELOT stated he is unaware of any lobbying done on behalf of ACC/LSL relating to the memorandum of understanding signed in May, 1988.

ROUSSELOT explained that [redacted] was a supporter of [redacted] and when [redacted] went to the San Francisco FEDERAL HOME LOAN BANK, KEATING felt that he could not get a fair hearing in San Francisco. ROUSSELOT stated that KEATING was happy with the memorandum of understanding signed in May, 1988. b6 b7C

ROUSSELOT advised that in September or October of 1988, his effort to sell LSL began to pick up. ROUSSELOT said KEATING wanted to keep the two hotels but was anxious to sell LSL.

ROUSSELOT advised that in approximately February, 1989, he was promoting [redacted] as a buyer of LSL. ROUSSELOT said he took [redacted] to see Congressmen WYLIE and GONZALES, and introduced [redacted] as representing a group that would

return LSL to a traditional style savings and loan association. ROUSSELOT said he asked WYLIE and GONZALES to write WALL a letter saying that they were glad to see a buyer for LSL who would return LSL to a traditional style institution. ROUSSELOT said he supplied WYLIE and GONZALES a draft of the proposed letter, but both WYLIE and GONZALES wanted to think about his proposal before sending the letter. ROUSSELOT stated he later telephoned WYLIE and GONZALES and told them to forget about sending the letter. ROUSSELOT identified [redacted] Glendale, California. b6 b7C

ROUSSELOT stated he learned from FHLBB member [redacted] that [redacted] the proposed sale of LSL to [redacted] ROUSSELOT stated he also took [redacted] to meet the staff of the SENATE BANKING COMMITTEE, in particular [redacted] ROUSSELOT said he asked the SENATE BANKING COMMITTEE staff that if the FHLBB telephones them, to say that they met with [redacted] ROUSSELOT stated he also "kept informed" committee members [redacted] ROUSSELOT said he also kept informed SENATE BANKING COMMITTEE staff member [redacted] and some of the staff of the HOUSE BANKING COMMITTEE.

ROUSSELOT said that FHLBB staff member [redacted] told him that [redacted] group could not raise the necessary capital to purchase LSL. ROUSSELOT stated that then the [redacted] Dallas, Texas, became interested, and ROUSSELOT attempted to negotiate a sale of LSL to [redacted] ROUSSELOT explained that [redacted] was in the business of private clubs, and their main interest was in the PHOENICIAN HOTEL, but that they also wanted the savings and loan association. ROUSSELOT stated he observed some of these negotiations, which went on for approximately three weeks, but that no agreement was reached with [redacted] b6 b7C

ROUSSELOT said KEATING then suggested that ROUSSELOT raise the money and find the management necessary to purchase LSL. ROUSSELOT then organized a group of six individuals, two of whom had been involved in the sale of AMERICAN SAVINGS to [redacted]

[redacted] Another of the buyers was [redacted] who was previously an executive at SEARS SAVINGS BANK. ROUSSELOT said this group reached an agreement with ACC to purchase LSL and began negotiating with the FHLBB for approval of the sale. ROUSSELOT stated that [redacted] would not approve this sale, because this group raised only $200 million, not the $250 million [redacted] wanted. ROUSSELOT added that [redacted] also did not like the financing arrangement for the ROUSSELOT purchase. ROUSSELOT stated that CRANSTON did not tell him who CRANSTON was telephoning regarding the LSL proposed sale. ROUSSELOT stated that although he did not specifically recall it, he probably asked Congressman CARROLL HUBBARD to telephone [redacted] regarding the proposed LSL sale. ROUSSELOT stated his thinking was that most Congressmen preferred a sale of LSL over a takeover of LSL. b6 b7C

ROUSSELOT stated he did not recall talking to Senator DECONCINI, but that he may have. ROUSSELOT stated that KEATING had kept in contact with DECONCINI to encourage the sale of LSL.

ROUSSELOT stated he had no conversations with KEATING or [redacted] regarding KEATING's campaign contributions, but that he was aware of some of KEATING's contributions, for example the contributions made to CRANSTON's 1986 campaign. ROUSSELOT stated that the dollar amounts of these contributions had never been discussed.

ROUSSELOT advised that the NCSI political action committee contributed to CRANSTON in 1986, at ROUSSELOT's recommendation, and that he had so recommended because CRANSTON had always been a supporter of the savings and loan point of view.

Regarding the 1989 proposed sale of LSL, ROUSSELOT stated he met with FHLBB member [redacted] FHLBB member [redacted] and [redacted] ROUSSELOT stated that whenever he spoke with [redacted] regarding the sale, [redacted] would briefly discuss it and then refer his matter to his assistant [redacted] who was somewhat handling the sale. b6 b7C

ROUSSELOT stated that he had met with FHLBB members on behalf of the NCSI from time to time, but he never met with FHLBB members on behalf of LSL until sometime after May of 1988.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/3/90

[redacted] date of birth [redacted] residing at [redacted] was interviewed [redacted] The interview was conducted according to an agreement [redacted] the original of which is attached hereto. Present during the entire interview were [redacted] United States Attorney [redacted] provided the following information:

[redacted] advised that [redacted] said she has never worked in any political campaigns.

[redacted]

[redacted]

Investigation on 6/21/90 at [redacted] File # 58C-PX-41605-100

by SA [redacted] /JAJ/cpt Date dictated 6/28/90

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

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

FBI WMFO/PRIORITY/

BT

UNCLAS

CITE: //3630//

PASS: SSA [redacted] PUBLIC CORRUPTION UNIT; WMFO SA [redacted] b6 b7C

[redacted]

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CPO-LEGISLATIVE; OO: PX/LA.

THE BUREAU IS REQUESTED TO AUTHORIZE THE INTERVIEW OF BELOW

58C-PX-41605-101

FILED 9

wcc-4 JUL 09 1990

[redacted] ELES

SARA Copy

TELETYPE

b6 b7C

INDIVIDUALS DURING THE WEEK OF 7/16/90 IN WASHINGTON, DC:

1) [redacted] FEDERAL HOME LOAN BANK BOARD, [redacted] OFFICE OF THRIFT SUPERVISION EMPLOYEE WHO RECEIVED TELEPHONE CALLS FROM SUBJECTS. [redacted] b6 b7C

2) [redacted] NOW EMPLOYED [redacted]

3) [redacted] ENFORCEMENT REVIEW COMMITTEE (ERC) WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. [redacted] b6 b7C

4) [redacted] ERC WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. [redacted]

11/17/88 AND 9/24/87.

5) [redacted] ERC WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW RESIDING IN [redacted]

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6) [redacted] ERC WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW EMPLOYED BY THE [redacted]

7) [redacted] OTS EMPLOYEE WHO ATTENDED THE ERC MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

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b7C

8) [redacted] OTS EMPLOYEE WHO ATTENDED THE ERC MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

9) [redacted] OTS EMPLOYEE WHO ATTENDED THE ERC MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

10) [redacted] OTS EMPLOYEE WHO ATTENDED THE ERC MEETINGS

AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

11) [redacted] TO SENATOR DENNIS DE CONCINI. b6 b7C

12) [redacted] OF SENATOR DENNIS DE CONCINI.

13) [redacted] OF SENATOR JOHN MC CAIN.

14) [redacted] TO SENATOR JOHN MC CAIN.

15) [redacted] TO SENATOR JOHN MC CAIN.

16) [redacted] TO SENATOR JOHN MC CAIN. b6 b7C

17) [redacted] TO SENATOR DONALD W. RIEGLE.

18) [redacted] OF SENATOR ALAN CRANSTON, (INITIAL INTERVIEW OF [redacted] WAS DONE PRIOR TO REVIEW OF THE DOCUMENTS SUBMITTED TO THE SENATE ETHICS COMMITTEE. IT IS BELIEVED DOCUMENTS NOW WILL REFRESH [redacted] MEMORY).

19) [redacted] TO SENATOR JOHN GLENN.

20) [redacted] TO SENATOR JOHN GLENN.

21) [redacted]

WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY KEATING.

22) [redacted] b6 b7C

WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY KEATING.

BT

#0001

NNNN

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/11/90

[redacted] b6 b7C

Washington, D.C., telephone [redacted] Attorney for [redacted] was contacted for a clarification of [redacted] contacts with Senator ALAN CRANSTON. After consulting with [redacted] relayed the following information:

[redacted] said [redacted] recalled having two telephone conversations with CRANSTON, the first of which occurred on January 20, 1988. [redacted] believes CRANSTON called him at his home. CRANSTON asked [redacted] about the supposed statement made by an examiner to [redacted] in San Francisco, California, regarding the examination of LINCOLN SAVINGS AND LOAN (LSL). [redacted] told CRANSTON about this, as [redacted] explained in his FEDERAL BUREAU OF INVESTIGATION (FBI) interview on June 19, 1990.

According to [redacted] then said to CRANSTON that if CRANSTON was a friend of CHARLES KEATING, CRANSTON should tell KEATING to get out of the savings and loan business, because there was so much contentiousness between the regulators and KEATING. [redacted] suggested that KEATING could set up a trustee to serve in his place, a trustee who would be respected by the regulators, with the idea to sell LSL. By way of example, [redacted] mentioned that the [redacted] WESTERN FEDERAL SAVINGS AND LOAN in Phoenix, Arizona, were having the same problems with the regulators, and [redacted] brought in an outside person to act as manager. [redacted] recalled the manager's name as First Name Unknown (FNU) [redacted] who was an individual acceptable to the regulators. [redacted] said that this trustee arrangement would give AMERICAN CONTINENTAL CORPORATION (ACC) time to dispose of LSL. [redacted] suggested to CRANSTON that [redacted] would be available to act as this trustee. b6 b7C

According to [redacted] also pointed out to CRANSTON that one of LSL's problems was that it had too many direct investments. [redacted] also told CRANSTON that it was obvious that KEATING had been overly confrontational with the regulators, and that that was "pretty dumb."

Investigation on 7/10/90 at Santa Ana, California (Telephonically) File # 58C-PX-41605-102

by SA [redacted] lkh Date dictated 7/10/90 b6 b7C

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b6
b7C

[redacted] said [redacted] was very strong in telling CRANSTON that KEATING had to get out of the savings and loan business. [redacted] said that although [redacted] suggested he could act as trustee, [redacted] did not discuss specifics, such as what his fee would be, with CRANSTON.

[redacted] said [redacted] related that CRANSTON telephoned [redacted] a second time approximately one week or sooner after the first telephone conversation. In this second conversation, [redacted] reiterated some of the opinions he expressed in the first conversation. [redacted] said CRANSTON told him that KEATING was not interested in the trustee idea.

b6
b7C

[redacted] identified DAVID KARNES as a United States Senator who had previously worked for [redacted] at the DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). [redacted] said [redacted] mentioned KARNES' name to CRANSTON strictly as a reference if CRANSTON wanted to learn of [redacted] background. [redacted] said [redacted] did not discuss this matter with KARNES.

[redacted] advised that [redacted] had no notes of these two conversations with CRANSTON, and that [redacted] account of the conversations were based on [redacted] memory.

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/27/90

[redacted] McClean, Virginia [redacted] telephone [redacted] was interviewed at his attorney's office in the presence of his attorney, [redacted] located at [redacted] Washington, D. C. 20007, telephone [redacted] was advised as to the identities of the interviewing agents and the purpose of the interview, at which time he advised as follows:

[redacted] advised he is currently [redacted] Washington, D.C., telephone [redacted] date of birth is [redacted] and he was born [redacted] confirmed the fact he is a former member of the FEDERAL HOME LOAN BANK BOARD (FHLBB). [redacted]

Prior to becoming a member of the FHLBB, [redacted]

[redacted] advised his term with the FHLBB [redacted] he was a member of the FHLBB, [redacted] and the [redacted]

[redacted] confirmed the fact he is familiar with subsequent board members [redacted] He recalls in early [redacted]

Investigation on 6/19/90 at Washington, D.C. File # 58C-PX-41605-103

by SA [redacted] and SA [redacted] GKM/lkh Date dictated 6/20/90

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[redacted]

[redacted]

[redacted]

b6
b7C

[redacted]

[redacted] confirmed the fact he was aware of a 1986 examination of LINCOLN SAVINGS AND LOAN (LSL). [redacted] made it a matter of policy not to get personally involved with exams or case issues.

b6
b7C

[redacted]

[redacted]

[redacted] confirmed the fact he is very familiar with CHARLES KEATING, JR. [redacted] believes he had met CHARLES KEATING at various functions, however, never sat down and visited with KEATING [redacted]

b6
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[redacted]

[redacted]

b6
b7C

[redacted]

[redacted] added that at this time, he was well aware of a conflict or perceived "feud" between CHARLES KEATING, JR. [redacted] This conflict had been reported in the press, plus from working around [redacted] it was obvious he was not happy with the way CHARLES KEATING, JR. was running LSL. [redacted] had even made the statement to [redacted] that he believed CHARLES KEATING was having [redacted] followed. In addition, KEATING had initiated an investigation of expenses which had been incurred by [redacted] For this reason and the fact that it was a policy not to intervene in case issues, [redacted] did not want to get involved in a discussion or express opinions or judgement about the exam. [redacted] also felt he was in a very delicate position as a board member and did not want to jeopardize that position or his relationship with [redacted]

[redacted] further advised the subject of [redacted] leaving his position as a board member was discussed. [redacted] was well aware

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b7C

[redacted]

[redacted] emphasized the fact KEATING [redacted]

[redacted]

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/30/90

[redacted] Association of Thrift Holding Companies (ATHC), 900 17th Street, N.W., Suite 500, Washington, D.C., telephone [redacted], was interviewed in the presence of [redacted] Attorney, at [redacted] office, Loomis, Owen, Fellman and Howe, 2020 K Street, N.W., Suite 800, Washington, D.C., telephone [redacted] was advised of the interviewing agents' official identities, and that the interview concerned the investigation of problems in the savings and loan industry, after which he furnished the following information: b6 b7C

ATHC opened on January 1, 1986, representing entities such as Citicorp, Ford and Sears, which are the "parents" or owners of thrifts. The holding company American Continental Corporation was a member, and paid dues for three years. Lincoln Savings and Loan Association of California (LSL) was not a separate member.

[redacted] b6 b7C

[redacted]

[redacted]

Investigation on 5/7/90 at Washington, D.C. File # WMFO 58C-PX-41605-104

by SA [redacted] Date dictated 5/21/90 b6 b7C

SA

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/29/90

[redacted] Office of Thrift Supervision (OTS), Department of the Treasury, 1700 G Street, N.W., Washington D.C., telephone [redacted] was contacted at her place of employment and advised of the interviewing Special Agent's official identity and the nature of the interview, after which she furnished the following information: b6 b7C

[redacted] stated that [redacted]

[redacted] b6 b7C

[redacted] made available the Financial Disclosure Reports filed during 1984-1989 by the personnel below, for OTS and the former Federal Home Loan Bank Board (FHLBB). Each report begins with spaces to mark "Incumbent," "New Entrant, Nominee or Candidate " (abbreviated below as "New"), or "Termination Filer" (abbreviated "Termination"). The interviewing Special Agent made photocopies of these Financial Disclosure Reports, as follows:

Investigation on 6/14/90 at Washington, D.C. File # WMFO 58C-PX-41605-105

by SA [redacted] Date dictated 6/29/90 b6 b7C

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FD-302a (Rev. 11-15-83)

WMFO 58C-PX-41605

Continuation of FD-302 of [redacted], On 6//90, Page 2

b6
b7C

Reporting Individual | Date of certification signature (as on form), type filing, and number of pages

[redacted]

Also contained in the folder regarding [redacted] were FHLBB memorandums dated February 15, 1989 and May 21, 1989, and a FHLBB letter to the Director, Office of Government Ethics, dated June 27, 1989, regarding no finding of conflicts or apparent conflicts of interest.

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 6/29/90

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

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

SUBJECT: 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 Phoenix airtel to the Bureau, dated 3/21/90, and Los Angeles teletype to WMFO, dated 6/6/90.

Enclosed for Los Angeles are the following:

(1) the original and two copies of the FD-302 of [redacted]

(2) one envelope containing photocopies of Financial Disclosure Reports regarding [redacted];

(3) one copy of "Instructions for Completing SF 278";

(4) two copies of the FD-302 OF [redacted]

b6
b7C

58C-PX-41605-106

3-Los Angeles (SARA)(encls. 7)
2-Phoenix (encls. 7)
2-WMFO
REA:rea
(7)

1A25
1A26
1A27
1A28

SEARCHED ___ INDEXED ___
SERIALIZED ___ FILED ___
WCC-4 ... 1990
FBI — LOS ANGELES

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

58C-PX-41605
REA:ra

Enclosed for Phoenix are the following:

(1) two copies of the FD-302 of [redacted] b6 b7C

(2) one envelope containing photocopies of Financial Disclosure Reports regarding [redacted]

(3) the original and two copies of the FD-302 of [redacted]

(4) a 1A envelope containing interview notes re [redacted]

For the information of receiving offices, [redacted] stated that she happened to include the memorandums and letter regarding review of [redacted] Financial Disclosure Reports for any conflicts or apparent conflicts of interest [redacted]

Investigation by WMFO continuing.

Memorandum

To : SAC, LOS ANGELES (58C-LA-101615) (P) (SARA) Date 7/17/90

From : SA [redacted] b6 b7C

Subject: 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
(56C-LA-101615)

ALLEGATIONS CONCERNING US SENATORS
ALAN CRANSTON, DENNIS D. DECONCINI,
JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., dba
AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA,
AND LINCOLN SAVINGS AND LOAN ASSOCIATION,
IRVINE, CALIFORNIA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-
LEGISLATIVE;
OO: PHOENIX/LOS ANGELES
(58C-PX-41605)

(Continued on Page 2)

6 - Los Angeles
(1 - 56C-LA-101615)
(1 - 58C-PX-41605)
(1 - 194A-LA-108012)
(1 - 58A-LA-111204)
(2 - Imprest)

JAJ:lkh
(6)

58C-PX-41605-107

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
JUL 31 1990
FBI - LOS ANGELES
[redacted]

b6 b7C

(Subject Continued From Page 1)

[redacted]

b6
b7C

CHARLES H. KEATING, JR., dba
LINCOLN SAVINGS AND LOAN,
IRVINE, CALIFORNIA;
CORRUPTION OF STATE AND LOCAL POLITICIANS-
STATE LEVEL;
OO: LOS ANGELES
(194A-LA-108012)

[redacted]

WASHINGTON, D.C.;
CHARLES H. KEATING, JR., dba
LINCOLN SAVINGS AND LOAN,
IRVINE, CALIFORNIA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-
REGULATORY;
OO: LOS ANGELES
(58A-LA-111204)

Attached is an invoice reflecting cost associated with duplicating evidence.

For information of SAC, Los Angeles, attached receipt reflects cost associated with duplicating possible evidence in captioned matters. The duplication expense was incurred at the "document depository," which is a warehouse of documents associated with the bankruptcy of AMERICAN CONTINENTAL CORPORATION (ACC). The warehouse is under control of US Bankruptcy Judge RICHARD BILBEY, Phoenix, Arizona. The warehouse contains the corporated documents of ACC, LINCOLN SAVINGS AND LOAN ASSOCIATION, and 15 litigants in connection with the bankruptcy. The depository also contains documents belonging to the FEDERAL HOME LOAN BANK BOARD (now known as the OFFICE OF THRIFT SUPERVISION).

Los Angeles agents investigating captioned matters utilized the copying service during May 7-10, 1990, at a total cost of $215.83. The copying service was used in order to minimize travel time and per diem expense and efficiently use the Bureau's finances.

By way of explanation, the entire bill of $1,949.52 includes cost of $1,733.69 allocable to copies obtained by Los Angeles agents working on the related DESERT GEM investigation.

For Imprest accounting purposes, the $215.83 should be charged to captioned matters as follows:

56C-LA-101615 - 5%
58C-PX-41605 - 60%
194A-LA-108012 - 5%
58A-LA-111204 - 30%

INVOICE

CHAS. P. YOUNG MANAGEMENT SERVICES
P.O. Box 63058
Baltimore, Maryland 21263

INVOICE NO.
DD-10115

BILL TO

FEDERAL BUREAU OF INVESTIGATION
C/O [redacted]
1200 U.S. COURT HOUSE
312 N. SPRING ST.
LOS ANGELES, CA. 90012

ATTENTION: ALICE HILL

PAYMENT TERMS
TERMS: PAYMENT DUE UPON RECEIPT
2% SERVICE CHARGE FOR ALL INVOICES
DELINQUENT FOR OVER 30 DAYS

b6
b7C

FOR SERVICES RENDERED AT U.S. DISTRICT COURT (PHOENIX) DOCUMENT DEPOSITORY

INVOICE DATE	CUSTOMER NO.	PURCHASE ORDER NO.	ORDER DATE	JOB NAME	PAGE
06/04/90	FBI		05/01/90	MAY USAGE	1

CODE	QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
1002	12765	B&W COPIES - SEC	0.14	1787.10
8001	8	TRANSACTION FEE	5.00	40.00

CUSTOMER COPY

COMMENTS

Arizona Sales Tax @ 6.70%
Invoice detail is attached.

SUBTOTAL	1,827.10
TAXABLE	1,827.10
SALES TAX	122.42
SHIPPING	
Total	$1,949.52

Please address any inquiries regarding this invoice to:
Chas. P. Young Management Services
505 North 2nd Street, Suite 125
Phoenix, Arizona 85004 (602) 252-7991

DUE UPON RECEIPT

FEDERAL BUREAU OF INVESTIGATION FBI
1200 U.S. COURT HOUSE
312 N. SPRING ST.
LOS ANGELES, CA. 90012

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Date	Code	Description	Unit Price	Orig	Copy	Qty	Ext Price
	User:	5555 [redacted] ASST. U.S. ATTORNEY					
05/07/90	1002	B&W COPIES - SEC	0.14	18	1	18	2.52
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/08/90	1002	B&W COPIES - SEC	0.14	56	1	56	7.84
	1002	B&W COPIES - SEC	0.14	76	1	76	10.64
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/09/90	1002	B&W COPIES - SEC	0.14	69	1	69	9.66
	1002	B&W COPIES - SEC	0.14	200	1	200	28.00
	1002	B&W COPIES - SEC	0.14	190	1	190	26.60
	1002	B&W COPIES - SEC	0.14	21	1	21	2.94
	1002	B&W COPIES - SEC	0.14	54	1	54	7.56
	1002	B&W COPIES - SEC	0.14	158	1	158	22.12
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/10/90	1002	B&W COPIES - SEC	0.14	25	1	25	3.50
	1002	B&W COPIES - SEC	0.14	263	1	263	36.82
	1002	B&W COPIES - SEC	0.14	64	1	64	8.96
	1002	B&W COPIES - SEC	0.14	108	1	108	15.12
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/15/90	1002	B&W COPIES - SEC	0.14	285	1	285	39.90
	1002	B&W COPIES - SEC	0.14	472	1	472	66.08
	1002	B&W COPIES - SEC	0.14	1870	1	1870	261.80
	1002	B&W COPIES - SEC	0.14	1609	1	1609	225.26
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/16/90	1002	B&W COPIES - SEC	0.14	135	1	135	18.90
	1002	B&W COPIES - SEC	0.14	160	1	160	22.40
	1002	B&W COPIES - SEC	0.14	124	1	124	17.36
	1002	B&W COPIES - SEC	0.14	33	1	33	4.62
	1002	B&W COPIES - SEC	0.14	1355	1	1355	189.70
	1002	B&W COPIES - SEC	0.14	209	1	209	29.26
	1002	B&W COPIES - SEC	0.14	1122	1	1122	157.08
	1002	B&W COPIES - SEC	0.14	79	1	79	11.06
	1002	B&W COPIES - SEC	0.14	51	1	51	7.14
	1002	B&W COPIES - SEC	0.14	616	1	616	86.24
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/17/90	1002	B&W COPIES - SEC	0.14	727	1	727	101.78
	1002	B&W COPIES - SEC	0.14	25	1	25	3.50
	1002	B&W COPIES - SEC	0.14	107	1	107	14.98
	1002	B&W COPIES - SEC	0.14	85	1	85	11.90
	1002	B&W COPIES - SEC	0.14	49	1	49	6.86
	1002	B&W COPIES - SEC	0.14	426	1	426	59.64
	1002	B&W COPIES - SEC	0.14	17	1	17	2.38
	1002	B&W COPIES - SEC	0.14	16	1	16	2.24
	1002	B&W COPIES - SEC	0.14	5	1	5	0.70
	1002	B&W COPIES - SEC	0.14	168	1	168	23.52
	1002	B&W COPIES - SEC	0.14	4	1	4	0.56
	1002	B&W COPIES - SEC	0.14	48	1	48	6.72
	1002	B&W COPIES - SEC	0.14	26	1	26	3.64
	1002	B&W COPIES - SEC	0.14	92	1	92	12.88
	1002	B&W COPIES - SEC	0.14	7	1	7	0.98
	1002	B&W COPIES - SEC	0.14	29	1	29	4.06
	1002	B&W COPIES - SEC	0.14	130	1	130	18.20
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/18/90	1002	B&W COPIES - SEC	0.14	1382	1	1382	193.48
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
	Subtotal for User 5555 ALICE HILL						1,827.10
Total for Invoice # 10115 FEDERAL BUREAU OF INVESTIGATION							1,827.10

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/9/90

[redacted] Rockville, Maryland, 20853, telephone [redacted] was interviewed this date in the presence of his attorney [redacted] The interview took place at the law offices of [redacted] located at [redacted] Washington, D.C., 20036, telephone [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

[redacted] stated his date of birth is [redacted] His Social Security Account Number is [redacted] He is currently [redacted]

[redacted] confirmed the fact that [redacted] Senator ALAN CRANSTON. [redacted] he was Senator RIEGLE from Michigan. In addition to [redacted]

[redacted]

[redacted]

Investigation on 6/20/90 at Washington, D.C. File # 58C-PX-41605 - 108

by SA [redacted] SA [redacted] GKM/cpt Date dictated 6/25/90

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[redacted]

[redacted]

[redacted]

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[redacted] further emphasized that he had very limited contact with CHARLES KEATING, JR., and/or any of his associates. He specifically does not recall KEATING or any of his associates requesting any special favors from [redacted] or Senator RIEGLE.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/10/90

[redacted] was interviewed this day [redacted] in Washington, D.C. [redacted] was interviewed pursuant to an agreement [redacted] Said agreement is attached to this FD-302. [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 current home address is [redacted] telephone [redacted] His date of birth is [redacted] and he was born in [redacted] His Social Security Account Number is [redacted]

[redacted] advised his current position is the [redacted]

[redacted]

[redacted]

[redacted]

Investigation on 6/22/90 at Washington, D.C. File # 58C-PX-41605-109

by SA [redacted] SA [redacted] GKM/cpt Date dictated 6/25/90

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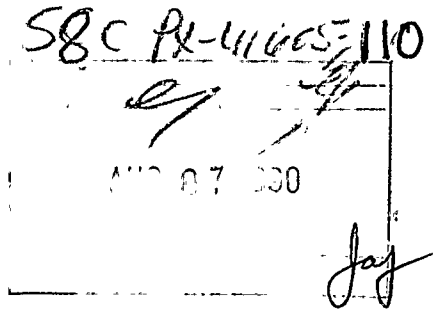

58C PX-41665-110

AUG 07 2000

Jay

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/6/90

[redacted] b6 b7C b7D was interviewed [redacted] Washington, D.C., [redacted] The interview was conducted according to an agreement [redacted] the original of which is attached hereto. Present during the entire interview were [redacted] provided the following information:

[redacted] was born on [redacted] at [redacted] His Social Security Account Number is [redacted]

[redacted] b6 b7C b7D

[redacted]

[redacted]

Investigation on 6/22/90 at Washington, D.C. File # 58C-PX-41605 ✓ 56C-LA-101615

by SA [redacted] b6 b7C SA [redacted] JAJ/cpt Date dictated 6/29/90

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

[redacted] date of birth [redacted] Alexandria, Virginia, telephone [redacted] was interviewed at her place of employment, OFFICE OF THRIFT SUPERVISION (OTS), 1700 G Street, Northwest, Washington, D.C. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information: b6 b7C

[redacted] advised she was graduated [redacted] for the OTS predecessor, the FEDERAL HOME LOAN BANK BOARD (FHLBB). [redacted] the FHLBB. [redacted]

[redacted] advised that she has had no contact whatsoever with United States Senators or Congressmen or their staff members regarding LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) or AMERICAN CONTINENTAL CORPORATION (ACC), with one exception. [redacted] said that approximately [redacted] b6 b7C

[redacted]

Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605 - 111

by SA [redacted] and SA [redacted] JAJ/lkh Date dictated 7/24/90 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.

 b6 b7C

[redacted] stated that her first involvement with LSL was in the summer of 1986, when LSL refused to provide information in connection with an examination. [redacted] this investigation of LSL and focused on allegations of backdating documents and stuffing underwriting files. [redacted] The investigation resulted in criminal referrals to the JUSTICE DEPARTMENT. With respect to the file stuffing charges, an early prosecutive declination was made. [redacted] said she thought the backdating and file stuffing charges were "somewhat insignificant," because there was no conclusive evidence of backdating, and because LSL immediately admitted that the underwriting documents were created after the investments were made, but that they were created to reflect what had actually occurred.

[redacted] said that [redacted] b6 b7C

[redacted] said she attended a meeting in Washington, D.C., in approximately May, 1987, of approximately 15 individuals to discuss what should be done with LSL. This meeting occurred immediately after the FHLB-SF circulated its draft report of the LSL examination. In attendance were FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC) lawyers, attorneys from FHLBB's litigation group and enforcement group, and three individuals from FHLB-SF. [redacted] mentioned that at the time, the FHLBB had lost its ability to close state-chartered associations such as LSL. [redacted] said that it was the consensus of those at this meeting, with no

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objection from those representing the FHLB-SF, that there were no grounds for a conservatorship of LSL. It was agreed that FHLB-SF would finish the LSL examination process, that is, obtain comments from LSL and resolve any factual disagreements. [redacted] office would prepare the paperwork for a Notice of Charges for a cease and desist order. After this meeting, [redacted] the LSL examination was completed.

[redacted] b6 b7C

[redacted] said she was unaware of the April, 1987, meetings of the United States Senators and [redacted] and the FHLB-SF regulators until June of 1987, when FHLBB [redacted] showed [redacted] a "transcript" prepared by [redacted] of the meeting of the FHLB-SF regulators and the Senators. [redacted] said she read the "transcript" and then destroyed the copy, at [redacted] instruction. [redacted] said she concluded that this meeting was insignificant, and she was surprised that anyone found the content of the meeting to be sensitive. [redacted] stated that knowledge of these meetings did not affect her in any way. Her impression at the time was that the inquiries of the Senators at the [redacted] meeting were ordinary. [redacted] said she never

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discussed the April, 1987 meetings with anyone until the "transcript" was leaked to the press.

[redacted] advised that over the summer of 1987, [redacted] new administration arrived at the FHLBB one by one. [redacted] LSL had been complaining to [redacted] that LSL was not being treated fairly by the FHLBB. [redacted] said the LSL examination process still had not been completed. [redacted] representatives from LSL had complained [redacted] about news leaks and unfair treatment from the FHLB-SF. [redacted] then met with the LSL representatives, and a law suit LSL had filed against the FHLBB regarding the news leaks was withdrawn.

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[redacted] everyone else working on the LSL matter agreed to attempt to reach a consent cease and desist order with LSL. [redacted] the FHLBB personnel had assumed that LSL would not consent to any enforcement action. [redacted] said that it was the consensus, including of those from FHLB-SF, that if LSL would agree to the enforcement controls, then the FHLBB would use the form of a supervisory agreement instead of a cease and desist order. [redacted] explained that a cease and desist order was an administrative injunction and could be enforced in court if the thrift violated the terms. A supervisory agreement could be enforced only by obtaining a cease and desist order, which involves certain time delays.

[redacted] then approached LSL, probably through its attorney [redacted] with a proposed consent cease and

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desist order, and LSL rejected the proposal. [redacted] said LSL countered with a proposal that [redacted] run LSL, and to return LSL to a traditional thrift so that a cease and desist order would not be needed.

[redacted] advised that in January, 1988, [redacted] FHLBB's Enforcement Review Committee (ERC) should consider the LSL situation, and the ERC did so from February through April, 1988. [redacted] advised that during this time period (February through April, 1988), the FHLB-SF became adamant for the first time that a conservatorship be established for LSL, and the FHLB-SF advocated the conservatorship before the ERC. [redacted] LSL had proposed a Memorandum of Understanding (MOU). [redacted] explained that a MOU was not a legally enforceable document, and that it merely stated the respective understandings of the parties.

[redacted] said that in January, 1988, [redacted] asked LSL to present its best offer for a resolution of the 1986 examination. In late January or early February, 1988, LSL proposed an agreement that was presented to the ERC. LSL's proposal was not a negotiated agreement with the FHLBB. [redacted] said the FHLBB staff did not recommend to the ERC that LSL's proposal be accepted. Towards the end of April, 1988, the ERC concluded that the information on LSL was stale, that a new examination was needed, and based on the deteriorated relationship between FHLB-SF and LSL, that a new examination team was needed. [redacted] did not want to get involved in the LSL matter until ERC made its recommendations.

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[redacted] advised that on April 30, 1988, the ERC unanimously decided that a new examination of LSL was needed, and that the examination should be done by someone other than the FHLB-SF. [redacted] said it was unprecedented to exclude a district

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bank completely from an examination, although it had been common to bring examiners from other districts to help work on a particular examination. [redacted] said the ERC also decided that an interim supervisory agreement should be reached with LSL, although this decision was not made unanimously, because [redacted] wanted a cease and desist order. [redacted] said the contents of the supervisory agreement was left to be negotiated by the staff, although the terms were set out generally by the ERC.

[redacted]

[redacted]

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[redacted] stated that the negotiations with LSL began with LSL's "best offer" that was previously submitted by LSL. [redacted] added other operating restrictions to the LSL "best offer." [redacted] said that all decisions of substance in the negotiating process were made by [redacted]

[redacted]

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[redacted]

[redacted] said she was not involved in the 1988 examination of LSL. [redacted] said it was decided in early 1989 to proceed with a conservatorship of LSL. [redacted] added that she was aware that ACC wanted to sell LSL since December, 1988.

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[redacted]

[redacted] stated that in retrospect, the process resulting in the LSL conservatorship took too long, but there was a legitimate bureaucratic reason for all the delays. [redacted] said she was convinced that no outside influence affected the process with LSL, and she said she was not aware of any attempts to influence the process.

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[redacted] stated that the "most hotly contested paragraph" of the agreement reached with LSL was the paragraph relating to a monitor to be placed on the premises of LSL.

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[redacted] said the FHLBB wanted LSL to submit all proposals for prior approval from the monitor, but that LSL was agreeable only to informing the monitor after the transaction had occurred. [redacted] said that LSL representatives met with them and explained that some deals were made in 24 hours, and that the prior approval requirement would seriously hamper LSL. [redacted] said [redacted] conceded on this issue, and she does not know why he did, but she added that LSL had conceded on other issues.

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[redacted]

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Jay

[redacted] Home address:

[redacted]

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

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/14/90

[redacted] Federal Deposit Insurance Corporation, San Francisco, California, voluntarily appeared at the offices of the Federal Bureau of Investigation (FBI), 450 Golden Gate Avenue, San Francisco, California. He was aware as to the identity of the interviewing agent and the purpose of the inquiry. [redacted] provided the following information:

[redacted] California Department of Savings and Loans (CDSL). The CDSL would periodically examine institutions. Depending on the condition of the institution, these exams would take place at 6-month to 18-month intervals. Most exams conducted by the CDSL are done concurrently with federal examiners. The objective between the state level and federal examinations are guided by different regulations, but have similar objectives, i.e., the safety and soundness of the financial institution. [redacted] stated a large portion of the exam is asset evaluation which would consist of investments in real estate, junk bonds, and the institution's loans. [redacted] considered junk bonds to be those bonds with below investment-grade ratings. While evaluating these items, the examiners are looking for losses and high-risk assets. This would also include the over valuation of various assets and the collectability on their loans. The output from an examination is a report which addresses the institution's capital, assets, management, earnings, and liquidity or risk management. This report would also address violations of law, overall condition, and report and findings which may result in some type of enforcement action. The examiner in charge would have primary responsibility for the preparation of this report.

In May, 1988, [redacted] was knowledgeable about Lincoln and had experience from a previous examination with them. The examination of Lincoln was to be an asset quality intensive exam which would address the collectability of loans and the realizable value of many of their (Lincoln) investments. [redacted]

Investigation on 6/10/90 at San Francisco, California File # 58C-PX-41605 - 112

by SA [redacted] SBF/mll Date dictated 6/12/90

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[redacted]

Lincoln examination. The Federal Home Loan Bank Board (FHLBB) was also conducting an examination of Lincoln and ACC during the approximate time period of the CDSL exam. [redacted]

[redacted] believed the federal examination of Lincoln was "programmed to fail." This was primarily due to a Memorandum Of Understanding (MOU) executed by the FHLBB and Lincoln concerning the examination. [redacted] said the MOU was a "unbelievable concession" to Lincoln. [redacted] recalled several items which were either a part of the MOU, or a by-product of it. These items were as follows.

The federal examiners were prohibited from utilizing previous examination findings and/or work papers of the examiners from the 11th District, FHLBB (San Francisco). This previous exam was completed during late 1986 or early 1987 and was critical of the Lincoln institution. The MOU required a short period of time for the exam to be conducted, and for reporting the results. However, ACC was not mentioned. The MOU prevented the federal examiners from contacting other federal examiners in the 11th District which had done the previous exam. [redacted] b6 b7C recalled being told by [redacted]

As part of the MOU, or a by-product, the federal examiners were not allowed to utilize appraisers. [redacted] considered this to be very unusual and unprecedented. [redacted] advised that the federal examiners typically had the ability to hire appraisers to evaluate properties but not on this occasion. When the CDSL was performing their examination of Lincoln and ACC, appraisals were being forwarded to [redacted] with no apparent concern or appropriate reaction on his [redacted] part. [redacted] recalled that [redacted]

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The last area related to the MOU was known as [redacted] This pertained to [redacted] FHLBB Office of Regional Affairs, Washington, D.C. [redacted] said [redacted] was an agreement [redacted] In summary, [redacted] believed the MOU was a deliberate attempt to create an obstacle in preventing effective examination of the institution (Lincoln), and to ensure bias in favor of the institution (Lincoln).

[redacted]

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Concerning the Hotel Pontchartrain, [redacted] provided [redacted] This individual was also a [redacted] said this partnership was sustaining loses between $700K and $1 million per month in negative cash flow. The $20 million loan was an unsecured debt as opposed to a subordinated debt. A first lien on the hotel property for $35 million was held by San Jacinto Savings, a subsidiary of Southmark Corporation. Southmark Corporation was believed by [redacted] and other regulatory officials, to have links to organized crime. The hotel was eventually foreclosed upon and sold for substantially less than $35 million. [redacted] believes the final sales price was less than $30 million. At the time of [redacted] review, he believed 30 percent of the Pontchartrain Limited Partnership were either members of ACC and/or Lincoln. [redacted] later learned from

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[redacted] that approximately two-thirds of the partnership were either family members of KEATING'S or insiders at ACC and Lincoln. [redacted] believed the Pontchartrain transaction had numerous violations concerning conflict of interest. A letter from Lincoln's counsel, Kaye, Scholer, Et Al, to Lincoln described the terms of the loan as being so liberal it might be considered a "gift of assets." [redacted] provided this letter to the state senate as part of his testimony.

A second area with major loan losses was to R. A. HOMES, a land developer in Phoenix, Tucson, and Las Vegas, Nevada. This operation had approximately $100 million in loans, $30 million was in unsecured and subordinated debt. [redacted] recalled that R. A. HOMES had a $1.5 million net worth, with $200 million in liabilities. He considered the operation to be involved in highly leveraged properties. [redacted] provided that as of October 31, 1989, the OTS had already considered at least $40 million dollars to be losses.

A third area with major losses were those loans to Southmark Corporation, the parent of San Jacinto Savings. [redacted] recalled approximately $130 million being extended to this other institution. Approximately $20 million of this figure was in bonds from ACC. [redacted] considered all loans to Southmark Corporation to be uncollectable. Fifty million dollars ($50 million dollars) of the losses involved Pacific Standard Life Insurance Company, a Davis, California, insolvent insurance company. [redacted] understands that Pacific Standard Life Insurance Company may have been considered for investigation by the State of California Attorney General's Office, Major Fraud Unit. [redacted] advised the Southmark Corporation loans were not critized in the final report in spite of written urging by [redacted] and Southmark's obvious financial weakness and widely publicized links to organized crime figures. Southmark Corporation went bankrupt three months after the exmanination of Lincoln.

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On November 7, 1988, [redacted] conducted the exit meeting for the federal side of the Lincoln examination. There were several examiners from both federal and state agencies, and was also attended by KEATING, JR., [redacted] During this meeting, [redacted] detailed the total loss identified by the federal examiners as being approximately $30 million. This figure was comprised of the $10 million figure previously mentioned by [redacted] to [redacted] as well as $20 million related to the Pontchartrain Hotel. [redacted] believes [redacted] was embarrassed into classifying the Pontchartrain loan after his discussions with [redacted] During

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this meeting, CHARLES KEATING, JR., complained about the examination of the parent holding company, ACC. KEATING said that [redacted] and his assistants were being [redacted] antagonistic and over aggressive, as opposed to [redacted] who were professional. KEATING added that he would prefer for [redacted] to report to [redacted] in the future. KEATING was being belligerent to the examiners and said if they (the examiners) wanted it (Lincoln Savings) he would give them the keys, but it would be a $2 billion loss to the Federal Savings and Loan Insurance Corporation (FSLIC). After this remark, no one said anything and several individuals looked around the room at each other. No one expected KEATING to make a remark like this in front of the regulators. [redacted] provided that KEATING had made a similar comment to [redacted] FHLBB, Chicago, on a previous occasion, but he did not believe KEATING would make the remark again in front of other people.

Within the next six weeks, the final examination report from the FHLBB was prepared. This report had losses for Lincoln Savings totaling approximately $120 million, which was substantially more than mentioned during the exit meeting. [redacted] also provided that during the next examination of Lincoln, in January, 1990, [redacted] may have reported to [redacted] b6 b7C

In late 1989, to early 1990, there were allegedly two groups who potentially were interested in purchasing Lincoln. One of these entities was [redacted] group. [redacted] believed [redacted] On one occasion, [redacted] CDSL, Los Angeles, was telephonically contacted by [redacted] Attorney, Los Angeles, regarding this particular group. [redacted] allegedly told [redacted] there were, or were going to be property management agreements with CHARLES KEATING, JR., on the major Lincoln assets. KEATING would continue to get money in the form of fees, and would be allowed to exert control over these properties. [redacted] was interested to see if this was disclosed on any application for sale which was presented to federal and state regulators.

[redacted]

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[redacted] said he did not believe these purchase groups to be genuine in nature. However, these potential sales allowed Lincoln to operate for an additional length of time. During that time they continued to sell subordinated debt (Junk Bonds) of ACC to the public.

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 7-16-90

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

FROM : SAC, SAN FRANCISCO (58C-PX-41605)(RUC)(CRA)

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS
ALLAN CRANSTON, DENNIS DE CONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR.,
DBA LINCOLN SAVINGS AND LOAN OF
CALIFORNIA (LSL),
AMERICAN CONTINENTAL CORPORATION (ACC);
CPO - LEGISLATIVE BRANCH
OO: PHOENIX/LOS ANGELES

Re Phoenix routine teletype to Atlanta, dated 5-10-90, numerous telcalls between SA [redacted] and SA [redacted] Phoenix Division, and telcall between SA [redacted] and SA [redacted] Los Angeles Division, dated 7-20-90.

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Enclosed for Phoenix Division is an original FD-302 with copy, concerning the interview of [redacted] a 1A envelope containing the notes from that interview, and one box of xeroxed documentation provided by [redacted]

Enclosed for Los Angeles Division are two photocopied FD-302s concerning the interview of [redacted] and one box of photocopied documentation provided by [redacted]

The documentation provided by [redacted] in part, contains the following types of material:

1. Documents previously afforded to the Federal Bureau of Investigation, Santa Ana Resident Agency.

2. Records concerning a cease and desist order to LSL and ACC, from the California Department of Savings and Loan.

2 - Phoenix (Encs. 4)
2 - Los Angeles (Encs. 3)
1 - San Francisco
SBF/bfo
(5)

58C-PX 41605 113

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INDEXED
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Approved: RRD/BBF Transmitted (Number) (Time) Per

[redacted] Jaf

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3. Documentation pertaining to the Hotel Pontchartrain and [redacted] both of which were loans at LSL. b6 b7C

4. Various newspaper articles regarding LSL, ACC, and subject KEATING, JR.

5. Correspondence from [redacted] to ACC and LSL officials regarding the examination of LSL, and responses from the law firm of KAYE, SCHOLER, ET AL, who were representing ACC and LSL.

6. Portions of testimony afforded by [redacted] to the California Assembly Committee on Finance and Insurance matters.

This matter is considered RUC by the San Francisco Division.

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

[redacted] was interviewed [redacted] b6 b7C b7D
[redacted] Washington, D.C.,
[redacted] By agreement between [redacted]
[redacted] the interview was conducted under the same terms as an agreement [redacted] the original of which is attached to the FD-302 reflecting interview of [redacted]

[redacted] b6 b7C b7D

Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605 - 114

by SA [redacted] and SA [redacted] JAJ/lkh Date dictated 7/25/90 b6 b7C

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58C-PX-41605-114X1

SEARCHED ____ INDEXED ____
SERIALIZED 07 FILED 07

JAN 08 1991

FBI — LOS ANGELES

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/15/90

[redacted] b6 b7C
Office of Thrift Supervision (OTS), 1700 G Street N.W., Washington, D.C. 20552, telephone number [redacted] residence [redacted] Reston, Virginia 22091, telephone number [redacted] provided the following information:

[redacted] said he has been employed by the OTS and the Federal Home Loan Bank Board [redacted] Prior to that [redacted]

[redacted] said that LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) came to his attention July or August of 1986, when he was informed by [redacted] that San Francisco Bank District was examining LSL. [redacted] said at the time [redacted] said that in July or August of 1986, during general discussions concerning LSL, the findings of the exam team were discussed. The findings revealed that a high concentration of land and land loans were being invested in by LSL. [redacted] said he recalled that there were also high-risk transactions and some transactions had no documentation or proper underwriting. [redacted] also said that he recalls that accounting procedures were an issue, as well as concerns that the land appraisals were too high. [redacted] said as a result, new appraisals had to be obtained, and additionally, San Francisco Bank District retained junk bond experts to assist in the examination. [redacted] also stated that a market value study of the Phoenix real estate market was also obtained.

[redacted] said that between July and August of 1986, the San Francisco Bank District circulated a draft copy of a Recommendation for Receivership or a Cease and Desist Order. [redacted] said in his mind he just assumed that LSL would be shown to be insolvent, and as a result a Receivership would be the appropriate enforcement tool. [redacted] said he also remembered that the examiners were complaining because they could not get documents from LSL management. [redacted] said this is abnormal because usually the thrifts under examination were

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Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605

by SAs [redacted] REB:cat Date dictated 7/18/90

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cooperative in the provision of documents for examination. [redacted] said that [redacted] for the San Francisco Bank District had sent a letter to LSL regarding the lack of cooperation. [redacted] said that by this time he was in the "loop" because of the fact he was an enforcement attorney and as a result was receiving information relative to LSL. [redacted] said, in fact, San Francisco Bank District and the Washington supervision were frustrated that everything regarding the examination was taking so long because of LSL's lack of cooperation.

[redacted] said that it was during this time that [redacted] an attorney with KAYE SHOLER, a New York law firm, started complaining about leaks from the agency regarding LSL.

[redacted] said he was not present in the September 1986 meeting between [redacted] and attorneys for LSL [redacted] when the discussion occurred concerning the availability of documents for the examination. [redacted] said that he believes that the meeting was in Washington, D.C. [redacted] said that he knew of [redacted] because he had met him while he [redacted] was employed at the SEC. [redacted] said [redacted] during this time, represented [redacted]

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In November 1986, [redacted] told [redacted] that the San Francisco regulators would not meet with CHARLES KEATING. [redacted]

[redacted] said that on November 5, 1986, there was a meeting in San Francisco attended by KEATING, [redacted] and one other individual from LSL. [redacted] and another member of [redacted] staff also attended. During this meeting, KEATING stated that he had taken a failed thrift and made it profitable, and during this time the Government had changed the rules on him. KEATING said he could not make money by making single-family home loans. KEATING said they could not make money doing this because it was due to the overhead and borrowing costs for short-term loans. KEATING said that he had purchased LSL to take advantage of the real estate development earnings potential. KEATING said everybody agreed that he could borrow money to develop land. [redacted] said

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there was a general agreement at this meeting that LSL was, in fact, not a traditional thrift, and that LSL would be required to provide more capital reserve. The only issue was how much capital, and the concept was offered by KEATING that LSL had "unrecognized value," and this value had not been established or recognized by the Federal Home Loan Bank Agency. There was agreement that at some future date there would be a system set up by LSL and San Francisco regulators where, together, they could determine the real value of LSL. After this reevaluation was established, [redacted] could then recommend the capital requirement for LSL.

[redacted] b6 b7C

[redacted] said there had been an agreement in the September meeting between [redacted] that an attorney on site would review documents requested by the exam team prior to examiner review. [redacted] said that during this time, [redacted] also continued to complain about leaks from the agency. [redacted] said the Office of Enforcement was also told by [redacted] to initiate a "407" investigation of the back-dating and file-stuffing that occurred at LSL. [redacted] said San Francisco had also submitted rough drafts of a supervisory concern to Washington supervision. [redacted] said that Washington supervision, in particular [redacted] kept asking San Francisco what was the delay with receipt of the reappraisals. [redacted] said there appeared to be a disagreement how to proceed, in that [redacted] wanted to spend more time on the file-stuffing and back-dating, and [redacted] wanted to spend more time on the exam to prove LSL was insolvent. [redacted] resolved this issue by directing both areas to be reviewed. [redacted] said that [redacted] did the file-stuffing investigation and [redacted] continued in the "407" investigation.

[redacted] said when the appraisals had been completed and were being forwarded to Washington, D.C., some of the properties were big losers and some of the appraisals came in higher than those that had been submitted by LSL. b6 b7C

[redacted]

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[redacted]

[redacted] said after it became known that the examination was almost completed, there was a series of discussions between [redacted] and [redacted] where they discussed the recommendation that would be made to the LSL Board. [redacted] said they allowed one week for the LSL Board to review the examination, and they anticipated that the LSL Board would refuse to sign a Cease and Desist Order. [redacted] and [redacted] then agreed that a Notice of Charges would then be sent to LSL. [redacted] said he still believed that LSL was "creating a record of agency abuse" for any court hearing that would follow enforcement action taken by the agency. [redacted] in fact, had instructed the law firm of [redacted] to prepare a Notice of Charges and to anticipate litigation in May or June of 1986. [redacted] said they left one issue open to the discretion of [redacted] and that was whether to delay the Notice of Charges one week to allow the taking of depositions of KEATING and high management. [redacted] said the schedule was "thrown out of the window" when LSL asked for time to respond to the examination. The extension allowing LSL to rebut the examination was granted by San Francisco.

[redacted] said by this time the exam had been reviewed by Washington supervision, specifically by [redacted] and [redacted] and they both agreed that LSL was "a disaster waiting to happen."

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[redacted] said that he could only fix the date as the middle of 1987, as to his involvement in the MOU negotiations. [redacted] said that he was aware that KEATING and [redacted] met as a result of the MOU, and shortly thereafter, an MOU was sent to Washington Supervision by [redacted] The letter that conveyed the MOU said that it "memorialized" what [redacted] and KEATING had agreed upon. [redacted] said that [redacted] then came to Washington for a meeting to discuss the MOU with [redacted] and [redacted] [redacted] said that the meeting with [redacted]

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[redacted] and [redacted] basically was to determine what LSL wanted, and what it wanted was to "basically be left alone." The MOU which was forwarded to [redacted] and [redacted] by [redacted] was "never considered as accepted at the Federal Home Loan Bank Board." The LSL draft MOU was, in fact, the opening position for LSL. The document provided by [redacted] was the "first utterance of MOU language," and the MOU signed between the Bank Board and LSL had evolved from this initial document. [redacted] said, in fact, that the initial MOU, as supplied by [redacted] was never used by the Federal Home Loan Bank Board.

[redacted] said that prior to the submission of the LSL draft memorandum, there was a review by [redacted] of the San Francisco findings. After this review, there was a meeting with [redacted] an attorney for LSL. [redacted] told [redacted] that LSL would have to establish loan loss reserves, and during this discussion [redacted] told [redacted] that LSL would not accept or sign a Cease and Desist Order.

[redacted] said that [redacted] recommended the Enforcement Review Committee (ERC) to review the LSL problem and advise the Bank Board. [redacted] recalls that it was during this time that [redacted] and [redacted] then started having meetings with KEATING regarding the MOU.

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[redacted] said that prior to this, in the fall of 1987, prior to the MOU negotiations and the ERC review of LSL, he traveled to San Francisco to work on the Cease and Desist Order with the San Francisco Regulators.

[redacted] said that he attended the majority of the ERC meetings. [redacted] KEATING refused to attend an ERC meeting if representatives from the San Francisco Bank District would be present. As a result, the meeting was rescheduled for March 25, 1988, for KEATING to present his case to the ERC. [redacted] said that KEATING was present, as was [redacted] said they recalled KEATING responding to a question concerning political influence; however, the question was directed toward influence on the local level to obtain zoning and water rights, etc., which would ensure his land development being successful. [redacted] said that he was talking on behalf of ARTHUR YOUNG ACCOUNTING FIRM and not just his personal review of LSL. [redacted]

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[redacted] said that the ERC meetings were tumultuous and ill will was created between San Francisco and the Committee. San Francisco felt they were excluded, and did not believe that the ERC should be considering the transfer of supervision from San Francisco. [redacted] said that LSL had imposed the transfer as a condition to the settlement.

[redacted] said that on May 5, 1988, the ERC made its recommendation to the Bank Board. The ERC recommended three options and the Bank Board accepted option number one, which included a supervisory agreement which set operating limitations and conditions on LSL. The MOU was also used as the enforcement tool. [redacted] said that in relation to the MOU, he recalled that there was an issue over the "monitor," which was to be on site at LSL. KEATING objected to this monitor because KEATING said he could not negotiate deals if he could not conclude the deal until review by the Federal Home Loan Bank Board. [redacted] said there was a negotiated settlement, and ultimately the monitor [redacted] said the Bank Board got what it wanted because LSL had to disclose significant transactions to the Bank Board within a three- to five-day period of time.

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[redacted] said that after the May 5, 1988 recommendation made to the Board by the ERC, [redacted] took over the negotiations and worked with [redacted] said that he came back into the "loop" with the commencement of the July 1988 examination, as an enforcement attorney. [redacted] said he had no input into the selection of examiners for the July 1988 exam; however, he understood that the Bank Board wanted a "blue ribbon" examination team. [redacted] said he saw no evidence of any attempt to control the direction of the July 1988 examination or any evidence that [redacted] was not given full latitude by [redacted] said that the July 1988 examination was conducted without any control emanating from Washington.

[redacted] said that he was not aware of the April 2 or April 9, 1987 meetings between [redacted] and the U.S. Senators with the San Francisco regulators. [redacted] said when he found out, he was, in fact, upset [redacted] and was not informed as to the meetings. [redacted] said that in his opinion, [redacted] was more available to politicians than was [redacted] cited the [redacted] matter, which involved the AMERICAN SAVINGS in California, as an example of [redacted] accessibility by politicians.

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[redacted] said the only political contacts he personally had were from [redacted] who was an employee of the House Banking Committee staff. [redacted] underlined the fact the fact that [redacted] was not an employee of a Congressional member, but only a member of the House Banking Committee staff. [redacted] said that a House Banking Committee staff member had received a report that the examination of LSL was taking too long. [redacted] also alluded to the fact that LSL was not producing documents. [redacted] said that he recalled that [redacted] also attended this meeting, as well a member from the Federal Home Loan Bank Board Office of Congressional Relations. [redacted] said that he and [redacted] only told [redacted] that the examination was ongoing.

[redacted] said he does not know who arranged for this meeting, only that the Federal Home Loan Bank Board's Office of Congressional Relations received the telephone call. [redacted] could not identify the names of the individuals who told him to attend this meeting. [redacted] said he believes [redacted] got the call from the Office of Congressional Relations and then she invited [redacted] to attend because he was the most knowledgeable enforcement attorney regarding LSL. [redacted] said he kept no records concerning this meeting, primarily because no individual Congressman had requested this information only a staffer. [redacted] did not characterize this meeting with [redacted] as unusual, because banking committee staff members often request status checks on various thrifts from the Federal Home Loan Bank Board.

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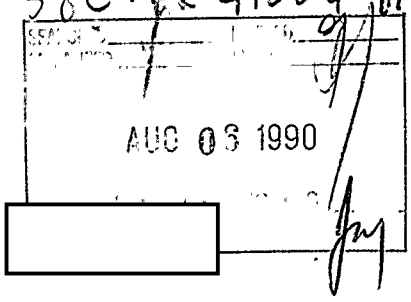
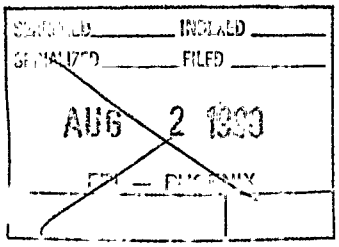
[redacted] said that he received no telephone calls from Senators CRANSTON, DE CONCINI, GLENN, MC CAIN, or RIEGLE, or their staffs concerning LSL. [redacted] said he did not detect any pressure coming from Capitol Hill regarding LSL. [redacted] said the only pressure he detected was the pressure to get the job done. [redacted] said the only outside pressure was from LSL, and he specifically alluded to the recusal motion filed by LSL, attempting to remove [redacted] and to get the direct investment regulation changed. [redacted] said he was not aware of any Congressional pressure on anyone regarding LSL. [redacted] reiterated the fact that he was not aware of the April 2 and April 9, 1987 meetings between the U.S. Senators, [redacted] and the San Francisco regulators until after the meetings occurred. [redacted] believes that as much as a month had passed prior to his knowing these meetings occurred. [redacted] recalls that [redacted] mentioned these

meetings had occurred. [redacted] said he was upset because there appeared to be an effort on the part of the individuals attending the meetings to purposely not inform him. [redacted] said generally, [redacted]

[redacted] said he does not believe there was any political influence because there were only two periods of inactivity regarding LSL. [redacted] said that the first period of inactivity was on April 20, 1986, after the report had been issued. At this time everyone, including San Francisco, agreed and they were gearing up to litigate. The delay was approved by San Francisco to allow LSL time to rebut. [redacted] said he believed that LSL was a "rogue shop," and no examination or enforcement was going on after April 20, 1986. [redacted] said the second period of inactivity was in August 1987. The analysis of LSL rebuttal had been made and there was a need for fresh information. When San Francisco attempted to go back in for limited examination, LSL refused to allow examiners on the property without a court order.

58C-PX-41604-115





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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/25/90

[redacted] Office of Thrift Supervision (OTS), Department of the Treasury, 1700 G Street, N.W., Washington, D.C. 20006, telephone [redacted] was contacted at his place of employment and advised of the interviewing Special Agent's official identity. After being advised that the interview related to activities involving Lincoln Savings and Loan Association, [redacted] furnished the following information:

[redacted] was shown an undated Office of Regulatory Activities (ORA) memorandum from [redacted], with the subject "Information on Lincoln" and a memorandum headed "INTEROFFICE MEMORANDUM," from [redacted] with the subject "Lincoln deposit flows." (copies attached) [redacted] stated that he heard about this matter during Congressional hearings, after which, "We all scratched our heads." [redacted] said in testimony to the House Banking Committee that, with the misspellings in the undated memo, he would have noticed it.

(1/3)

[redacted] stated that his recollection of this request for information was "fuzzy," and he believed he got the request for this kind of information by a phone call from [redacted] who worked for [redacted] of the Federal Home Loan Bank Board (FHLBB). [redacted] remembers a general reference to (Senator ALLEN) CRANSTON, and it seems that the request had come from a staffer. [redacted] does not think that a staff member's name was mentioned in the call to him. This occurred shortly before the Lincoln Savings conservatorship, probably within a week or two before. The conservatorship was announced on April 14, 1989.

[redacted] stated that he believed he talked about this request with an ORA attorney, [redacted] asking about what kind of cover should go on the release and what could be released.

Investigation on 7/19/90 at WASHINGTON, D.C. File # WMFO 58C-PX-41605

by SA [redacted] Date dictated 7/20/90

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] believes that the information he gave to [redacted] had a cover on it saying that it was sensitive and could be damaging to the association (Lincoln Savings) if released to the public.

[redacted] accumulated the information and gave it to [redacted], making a brief presentation. [redacted] called in [redacted] repeated the presentation about the liquidity of Lincoln, with information like when deposits were maturing, whether people were renewing CD's (certificates of deposit) and if they were taking penalties, and what assets Lincoln had that could be easily liquidated. The general conclusion was that Lincoln was "suffering some liquidity difficulty."

[redacted] left the information with [redacted] and he does not recall whether he subsequently asked if the information got to the requester or if it was what they were looking for.

[redacted] stated that, in the usual process for handling such requests, [redacted] would have gotten the request from [redacted] would possibly discuss it with [redacted]

[redacted] stated that the April 10 date on the interoffice memorandum is probably right. [redacted] had previously looked through the memory of his "E mail" (electronic mail) and word processor, and was unable to locate either of these items.

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When asked whether the subject matter of this inquiry was unusual, [redacted] stated, "I can't think of another request I've had regarding an open institution for information that specific." Nobody told him why the information was wanted. He did have a discussion, possibly with [redacted] about what would be done with the information.

When asked whether he would have retained copies of the information related to this request, [redacted] stated that he would have retained copies of what he used to prepare it, but he could not with certainty determine exactly what documents were used in responding or included with the response. His boxes of documents were forwarded to the document depository in the Lincoln matter, but he has not been through those documents that have been returned to him.

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When asked about what attachments were included with the reply to this inquiry, [redacted] stated that he recalled a schedule showing all CD's by maturity date. He stated that they were tracking them, especially when brokers' CD's were maturing, because they were not renewing them. Also, there was a memo regarding Lincoln's deposit outflows, commitments and remaining cash.

[redacted] provided the following descriptive information regarding himself:

Date of birth: [redacted]

Residence: [redacted] Bowie, Maryland 20716

Residence phone: [redacted]

Office of
Regulatory Activities

Federal Home Loan Bank System
801 Seventeenth Street, N.W.
Washington, D.C. 20006
(202) 785-5400

MEMORANDUM FOR: [redacted]

FROM: [redacted]

SUBJECT: Information on Lincoln

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Pursuant to your request, I am enclosing information regarding deposit balances and liquid assets of Lincoln Savings and Loan of Irvine, California. It is my understanding that Senator Cranstin has requested this information for use in the Senate Banking Committee. Due to the sensitive nature of the Lincoln situation, Senator Cranstin should be reminded that this is sensitive regulatory information and is not for public dissemination. As you know, Lincoln is a high-visibility institute and we do not want any information to emanate from the Bank system that would potentially create a decline in depositor or customer confidence. It is recommended that you transmit this information to Senator Cranstin with a cover letter that requests both him and the Committee not use or discuss this sensitive information in a public setting.

Attachments

I N T E R O F F I C E M E M O R A N D U M

Date: 10-Apr-1989 09:39am EDT
From: [redacted] b6 b7C
Dept: ORA
Tel No: [redacted]

TO: [redacted]

CC: [redacted]

Subject: Lincoln deposit flows

[redacted] has asked for any deposit flow information that we have on Lincoln, over the last two months. Please send that to him by e-mail ASAP. I told him that outflows were not a serious problem yet, and they were in compliance with liquidity.

You may need to get info from our people, or the state examiners. [redacted] may also have.

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FBI — LOS ANGELES

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FBI — PHOENIX

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/25/90

On July 20, 1990, [redacted] Paralegal, Cacheris and Towey, 1914 Sunderland place, N.W., Washington, D.C., accompanied Attorney [redacted] during an interview of [redacted] by Federal Bureau of Investigation (FBI) Special Agents (SAs) [redacted] and [redacted] During that interview, the interviewing Special Agents requested a copy of an April 2, 1987 memorandum from [redacted] to Senator JOHN MC CAIN. b6 b7C

Later on July 20, 1990, [redacted] telephonically informed SA ALEXANDER that he would mail to SA [redacted] a copy of the above memorandum. On July 24, 1990, SA [redacted] received the memorandum (copy attached), which was received via U.S. Mail at the FBI Northern Virginia Metropolitan Resident Agency on July 23, 1990.

(X)

Investigation on 7/20,24/90 at Washington, D.C. File # WMFO 58C-PX-41605

by SA [redacted] Date dictated 7/25/90 b6 b7C

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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 7/25/90

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

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

SUBJECT: 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 7/18-20/90 meetings among LA, PX and WMFO Case Agents at Washington, D.C.

Enclosed for Phoenix are the following:

(1) the original and two copies of the FD-302 of [redacted]

(2) a 1A envelope containing interview notes re [redacted]

(3) the original and two copies of the FD-302 of [redacted]

(4) a 1A envelope containing an envelope and enclosed 2 April 1987 memo, received from [redacted]

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3-Los Angeles (SARA)(encls. 4)
2-Phoenix (encls. 4)
2-WMFO
REA:rea
(7)

58C-PX-41605-117

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AUG [illegible] 1990

FBI - LOS ANGELES

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

58C-PX-41605
REA:ra

Enclosed for Los Angeles are the following:

(1) two copies of the FD-302 [redacted] b6 b7C

(2) two copies of the FD-302 of [redacted]

It is noted that [redacted] stated that he has not reviewed records which he has received back from the records depository in Arizona, and that he could not with certainty determine exactly what documents were used in responding to the request described in the enclosed FD-302. Phoenix and Los Angeles are requested to advise WMFO if further inquiry by WMFO is desired regarding the initiation or disposition of this request for information about LSL.

Investigation by WMFO continuing.

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

TO DIRECTOR FBI/ROUTINE/

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

[redacted] (58C-PX-41605)/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FBIHQ, PUBLIC CORRUPTION UNIT, SSA [redacted]

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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: PHOENIX.

RE PHOENIX TELCALL OF SA [redacted] TO SA [redacted] 7/31/90.

TELETYPE

118

58C-PX-41605-

WCC

[redacted]

SARA

FOR INFORMATION OF BUREAU, CONTACT HAS BEEN MADE WITH [redacted] b6 b7C [redacted] OFFICE OF REGULATORY ACTIVITIES, FEDERAL HOME LOAN BANK BOARD, [redacted] [redacted] AGREED TO SUBMIT TO AN INTERVIEW ON 8/3/90 AT 9:00 A.M. AT HIS EMPLOYMENT ADDRESS [redacted] [redacted] CHARLES H. KEATING, JR., [redacted] THE FEDERAL HOME LOAN BANK BOARD, [redacted] [redacted] AND PHOENIX CONCUR IN THE TRAVEL OF PHOENIX AND LOS ANGELES AGENTS TO CONDUCT THIS INTERVIEW. NO REQUEST IS BEING MADE OF [redacted] TO SUPPORT THIS INTERVIEW.

BT

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SSC-PX-41605-118X1
SEARCHED INDEXED
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FBI — LOS ANGELES

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/26/90

[redacted] Office of Thrift Supervision, [redacted] telephone number [redacted] residence [redacted] telephone number [redacted] provided the following information: b6 b7C

[redacted]

[redacted] said that when he was hired by the FHLBB in Washington, D.C., [redacted] b6 b7C

[redacted]

[redacted] said he first met CHARLES KEATING, JR., on [redacted] the meeting, which was held in the office of [redacted] the FHLBB. [redacted] said that the following individuals were present, [redacted] said that the following individuals were present, and represented LINCOLN SAVINGS AND LOANS ASSOCIATION (LSL): CHARLES H. KEATING, JR., [redacted]

Investigation on 8/3/90 at [redacted] File # 58C-PX-41605

by SAs [redacted] (Los Angeles Division) and [redacted] /REB:sm Date dictated 8/3/90 b6 b7C

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[redacted] said that the dialogue by KEATING essentially was the need for a "fresh look" by the FHLBB, and no need to go through with the law suits that he (KEATING) had initiated. [redacted] said he has no idea how this meeting was arranged, but stated that the initiating phone call would have had to go through either [redacted] said he was unaware of the topic of conversation prior to his attendance, but was aware that there had been a prior meeting between [redacted] said that he is only aware of two meetings in which KEATING [redacted] met. the meeting just described a meeting in January of 1989. [redacted] said he did not attend this meeting and only "heard" that the meeting pertained to the sell of LSL. [redacted] said no one, including [redacted] briefed him concerning the meeting between KEATING [redacted]

[redacted] KEATING would never sign a cease and desist order. [redacted] said that [redacted] essentially agreed with 95 percent of the San Francisco March, 1986, exam of LSL. [redacted] says now he regrets having used the term 95 percent agreement, because there were significant disagreements between the review and the March, 1986, exam. [redacted] said that [redacted] informed him [redacted] of his conversation with [redacted] in regards to KEATINGS refusal to sign a cease and desist order. [redacted] said at this time, San Francisco supervision and Washington supervision agreed on the action that should be taken regarding LSL, and that was to pursue a cease and desist order.

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[redacted] said that CHARLES KEATING hired [redacted] to operate the LSL association. [redacted] apparently had a good reputation within the San Francisco bank district, and as a result, the initiation of the cease and desist order with LSL and its board was delayed in time to allow [redacted] the opportunity to operate LSL. [redacted] said in time San Francisco determined that [redacted] was not truly operating LSL, and in February of 1988, a meeting was scheduled in Washington, D.C., between Washington supervision and San Francisco supervision to determine their present position on LSL.

[redacted] said that the meeting was held in the office of board member [redacted] recalled that there was no cease and desist to be presented to KEATING; however, the discussion pertained to the attainment of a cease and desist order or some other type of enforcement tool to be presented to KEATING. [redacted] recollection is that the cease and desist order was not prepared at this time, and that he had in his hand a draft cease and desist order; however, other

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enforcement tools were being discussed such as a supervisory agreement. [redacted] does not believe that KEATING at this time, knew what type of enforcement tool was to be issued; however, he had to have been aware that something was being considered, just not the specific document. [redacted] said that the meeting with KEATING [redacted] was not initiated [redacted] However, [redacted] said it is his opinion that all the board members, including [redacted] agreed to have the meeting with the staff and KEATING. [redacted] said that while the meeting was being held in [redacted] office, [redacted] became embroiled in an argument as to whether [redacted] should attend the meeting with KEATING. As a result, there was never an agreement on the enforcement document to be utilized.

[redacted] only wanted the LSL problem resolved. [redacted] recalls that [redacted] had been given a file, which was later termed the "secret file" by KEATING, and this file allegedly contained damaging information on the San Francisco bank district. [redacted] said he recalls if this information had been true that was contained in this "secret file" that the information would, in fact, be damaging to San Francisco.

[redacted] said that [redacted] would often ask about the progress regarding LSL; however, [redacted] rarely asked about LSL. [redacted] opinion is that the San Francisco bank people, specifically [redacted] were "feeding" information to [redacted]

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[redacted] said that on February 4, 1988, he did, in fact, meet privately with CHARLES KEATING, and they "had a heart to heart discussion." This discussion primarily was a soliloguy by KEATING, describing how he had taken over a failed LSL association and turned it around. He further discussed his ability to run the thrift in a manner in which "everyone would be proud of LSL." KEATING said he had seen the seriousness of his past, and he recognized the seriousness of the problem, and he wanted [redacted] to know that he could run the thrift properly. [redacted] said that he was "snookered in" by KEATING. [redacted] said that after the meeting with KEATING ended, they called in their staffs, and the meeting continued. The meeting with respective staffs would, in fact, have been on February 4 and 5, 1988. [redacted] further recalls that KEATING assured him that no dividends

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were going to be paid to him or his family. [redacted] said he further recalls that KEATING said that he would infuse a substantial amount of capital into LSL, but [redacted] does not recall the amount discussed. [redacted] believes that through the series of meetings that he [redacted] eventually "threw out" a ten million dollar figure and KEATING responded, yes. [redacted] also stated that during these meetings, the best effort to raise additional capital in the amount of $50,000,000 was also discussed. [redacted] believes that the final figures of infusion of capital, and amount of best effort were finalized because on March 25, 1988, when KEATING and his associates made their presentation to the ENFORCEMENT REVIEW COMMITTEE (ERC), these figures were documented in written form. The amounts had been documented so that the ERC members could ask KEATING and his associates questions.

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[redacted] the ERC received its presentation from KEATING and [redacted] does not recall if [redacted] were present. [redacted] report, in which, he discussed the last two years of audits he had conducted had been reviewed by the local (Phoenix) and the New York office of ARTHUR YOUNG ACCOUNTING FIRM. [redacted] said that LSL was a very profitable institution and had adequate capital and reserves. [redacted] said that [redacted] presentation was very influential, in view of the fact, the only audit that the FHLBB system had up until this time was the March, 1986, examination of LSL, which was by now dated. [redacted] said and the ERC members were aware of this fact, and [redacted] represented a big eight accounting firm, and their audit was fresh. During the ERC presentation of March 25, 1988, KEATING denied having offered [redacted] a job, and further explained that he had not actually offered [redacted] an employment position. KEATING, although not saying he did not make the offer, only said he was not at a stage where he could make an offer to [redacted] KEATING further agreed that he and his family would not receive any dividends or salaries from LSL. KEATING further stated that he would infuse $10,000,000 immediately into LSL, and would make a best effort to raise fifty to one hundred and fifty million dollars more capital for LSL.

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[redacted] said of the two presentations (KEATING and [redacted] presentation was the most significant in causing the ERC to certain recommendations to the bank board. [redacted] was introduced as an independent and outside auditor, and he had a fresh examination of LSL, where in comparison the FHLBB system, had a dated examination. [redacted] said that without [redacted] presentation, the ERC would not have recommended transfer of supervisory authority from San Francisco, would not have recommended a new examination of LSL, and the ERC most likely would have voted for the issuance of a cease and desist

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order, which would have been supervised by the San Francisco bank district. [redacted] however, stated that the ERC may have decided to go to a different district for negotiations regarding the cease and desist order; however, he was certain that [redacted] was extremely persuasive in his presentation, and had direct affect on the ERCs recommendation to the FHLBB.

[redacted] said that during the ERC meetings, the bank board received presentation from various agency employees, such as Seattle and San Francisco, and still there was no strong evidence that LSL was insolvent. The presentation on the part of KEATING and his associates, although providing a feeling of comfort, left some doubt as to the amount of risk and exposure to the insurance fund, and as a result, it was decided that an "on site monitor" should be at LSL. There were a series of negotiations between LSL and the FHLBB, and ultimately [redacted] of the July, 1988, examination, would be the on site monitor, although not actually being physically on site.

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[redacted] believes that the ERC made its final recommendation to the bank board during late April, 1988, (possibly April 25 to April 30, 1988). [redacted] although not recalling the exact date, does remember being in the office of [redacted] called KEATING to inform him of the monitor issue and discuss this issue with KEATING. [redacted] believes this is the first time that KEATING was made aware of the fact that the agency wanted a monitor on site at LSL. KEATING during this discussion flatly told [redacted] that the monitor could not be on site at LSL. During this telephone conversation, [redacted] finally agreed to use different language in the Memorandum of Understanding (MOU) as it related to the "monitor." The end result, was that [redacted] would have to be told of all significant transactions within a short period of time. KEATING, in affect, took the position that there should be no "prior approval" of any transactions of LSL. [redacted] stated that the conversation with [redacted] and KEATING ultimately became what was reflected in the actual language of the MOU signed on May 20, 1988, between LSL and the FHLBB.

[redacted] said that [redacted] and he, with input from [redacted] negotiated the MOU. [redacted] said there was absolutely no input from the board or any other source during these negotiations. The only involvement WALL had concerning the negotiation of the MOU was when he (WALL) called KEATING on May 5, 1988. [redacted] said that the telephone call from [redacted] to KEATING was the Friday of the week of the bank board meeting when they accepted the ERC options and voted on them. [redacted] said there has been some "to do" about what the enforcement document was called, and when the ERC completed its

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review, there was no label attached to this document. The document ultimately became the MOU. [redacted] recalls that KEATING wanted the document to be labeled as "soft" as possible; however, there was no conversation with LSL regarding the MOU after the May 5, 1988, telephone call of WALL. [redacted] further stated there was no input from any board member as well, or any other outside source after this date.

[redacted] said he is unaware of any conversations between KEATING and [redacted] or discussion on the "prior approval." [redacted] said, in fact, that if these discussions did occur, [redacted] was never informed by [redacted] or anyone else. [redacted] says that he does not recall any contact by [redacted] or anyone associated with [redacted] during this period of time. [redacted] further said that he does not recall any contact from any senator or congressman or their staff regarding the "on site monitor" or the "prior approval" issue. [redacted] further stated he is unaware of any pressure from Capital Hill regarding LSL. [redacted] further stated that he equates pressure from Capital Hill as any call that would suggest a solution or an answer to any question that had been proposed by anyone associated with LSL. [redacted] further stated he received absolutely no pressure from [redacted] and is unaware of any other pressure from the board members or any other source concerning LSL.

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[redacted] said that in early 1989, he received a telephone call from [redacted] and the substance of this phone call related to the proposed sale of LSL. [redacted] recalls [redacted] saying "Don't worry about the hill, we have it taken care of." [redacted] said that [redacted] made this statement in the context of a declaratory statement when [redacted] was attempting to determine if there was any opposition to the proposed sale in [redacted] mind. [redacted] said he made no statement, whatsoever, which should have elicited this statement by [redacted] believes that [redacted] was merely trying to see what problems were facing [redacted] and if Capital Hill was a problem, the matter had been "taken care of." [redacted] further stated at this time, the FHLBB had "been beaten up" by the GONZALES HOUSE BANKING COMMITTEE. [redacted] believes that [redacted] believed that the bank board had the perception that the sale of LSL would not be approved, because the bank board was "afraid" of the GONZALES HOUSE BANKING COMMITTEE. [redacted] added that he never received one comment from any member of the SENATE BANKING COMMITTEE regarding LSL.

[redacted] stated that, in fact, had he detected any such effort on the part of any member of Capital Hill, he would have "immediately blown the whistle." If he had perceived these contacts or any contacts as pressure or believed that others were being pressured on behalf of LSL, [redacted] said he would have taken appropriate action. [redacted] stated that [redacted] did not even see his testimony prior to it being presented to the GONZALES HOUSE

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BANKING COMMITTEE.

[redacted] believes that [redacted] was being pressured from Congress in a general sense, because he was in his office on occassion when [redacted] secretary would notify him that a member of Congress was waiting on the telephone. [redacted] said; however, [redacted] further said that he is unaware of any pressure ever exerted on [redacted] by members of Congress or their staff. [redacted] said that one board member, [redacted] and a former board member in May of 1988, told [redacted] that pressure regarding LSL was coming from Washington, D.C. in the form of [redacted] said that, as a result of [redacted] pressure, he was staying away from any information regarding LSL. [redacted] said the implication of this statement meant that [redacted] "would grab hold of a shoe and not let go." Other than this, [redacted] said he was not certain what [redacted] meant. [redacted] further informed him that an examiner had approached [redacted] and said that he was told to "find more stuff" on LSL, and this pressure to "find more stuff" was coming from Washington. [redacted] said that [redacted] never identified this examiner to him.

[redacted] was displayed a memo, dated February 8, 1988, from [redacted] In this memo the following line was underscored. "The meeting was held at [redacted] request, and he recommended that a "peaceful resolution" be agreed upon." [redacted] commented that there was absolutely no pressure from any board member to resolve the LSL situation. The only pressure ever exerted on the agency to resolve the LSL problem was simply that they wanted a solution to the LSL situation; however, the means to obtain this was left solely to the discretion of [redacted] met with KEATING or his associates to resolve this problem. [redacted] said he had routine briefings with [redacted] and there was never any indication that there was pressure from any source to obtain a "peaceful resolution" to LSL.

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[redacted] said that [redacted] was never "political" in his discussions with his staff. [redacted] stated that he [redacted] knew that [redacted] would immediately quit if they construed or detected something that was considered inappropriate. [redacted] as stated previously, was aware that [redacted] received a lot of general political pressure, but never relayed this pressure to his staff. [redacted] said he was present when [redacted] would receive telephone calls, and apparently receive "an earful" from the caller. However, [redacted] could not recall the identity of the callers. [redacted] however, reiterated the fact that they were not waare of any pressure passed from [redacted] to his staff.

[redacted] said that he was never aware of any meeting between [redacted] and KEATING when they were alone. [redacted] said that

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[redacted] would have had knowledge of any political contacts made on behalf of KEATING or his companies. [redacted] characterized [redacted] stated he is unaware of any contact from Capital Hill with [redacted] that specifically concerned LSL, CHARLES KEATING or his associates and subsidiaries.

[redacted] said that he recalled [redacted] "hinting" about the political contacts on other issues, but [redacted] never said these contacts related to a specific thrift. [redacted] said that an employee of the GONZALES HOUSE BANKING COMMITTEE, [redacted] attempted to obtain employment with the bank board. This attempt, however, was unsuccessful, and afterwards [redacted] seemed to go out of his way to give the bank board a "hard time." [redacted] identified [redacted] also a member of the GONZALES HOUSE BANKING COMMITTEE, who also sought employment with the bank board. [redacted] said to his knowledge, [redacted] generally would say it's "no wonder [redacted] goes out of his way to give us a hard time." [redacted] related the difficulty in the timing of notification of testimony on the part of agency employees when the GONZALES HOUSE BANKING COMMITTEE held a field hearing in San Francisco. [redacted] stated that the letter requesting the employees to testify was late, and did not give full details about the hearing agenda. [redacted] said that he believes that the San Francisco bank district employees were telling the GONZALES HOUSE BANKING COMMITTEE to be critical of the agency for not being tougher on LSL.

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[redacted] stated he never received any communication in any form from Senators CRANSTON, DE CONCINI, GLENN, MCCAIN, or RIEGLE. [redacted] said the same statement would apply to any member of their staff. [redacted] said he never received any form of contact or communication with the Senators and their staffers, specifically about CHARLES KEATING, LSL, or his other business entities.

[redacted] said the only contact he had with a staffer was in early 1989, when [redacted] made a brief contact with [redacted] after he [redacted] was leaving the GONZALES HOUSE BANKING COMMITTEE meeting. [redacted] said that CRANSTON's aid, [redacted] had an office near the GONZALES HOUSE BANKING COMMITTEE meeting room. [redacted] said that LSL had become such an issue that he was reluctant to meet with [redacted] without a witness, and asked [redacted] to accompany him to [redacted] office. [redacted] said although he wasn't certain, he thought that LSL could be a topic of discussion with [redacted] asked [redacted] for a "status" report on LSL. [redacted] said that the questions were related to a proposed sale of LSL. [redacted] said that the gist of the questions were, why hasn't the bank board done something with the sale. The questions were generally informational, and [redacted] did not consider the contact or the questions by [redacted] as improper.

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[redacted] said that this meeting with [redacted] lasted no longer then three minutes. [redacted] did not ask [redacted] to do anything on behalf of KEATING or LSL.

[redacted] was displayed a memo that he prepared, dated February 24, 1988, which referred to a telephone call to [redacted] on February 8, 1989. This memo related to the application for sale of LSL. [redacted] stated he recalled the memo and believed that the meeting with [redacted] (meeting after GONZALEZ HOUSE BANKING COMMITTEE with [redacted] occurred before the date of this memo.

[redacted] said he does not recall any other contact with [redacted] by telephone; however, he would have to review his telephone logs to be certain.

[redacted] said that he is unaware of any contact of Senator CRANSTON's office with [redacted] with exception of a call concerning the proposed sale of LSL. [redacted] said he has no first hand knowledge of this call. He was informed of the call to [redacted] by [redacted] is unaware if the call was made by Senator CRANSTON or a staff member.

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[redacted] said that he had numerous telephone contacts with KEATING until the receivership of LSL; however, [redacted] can only state the predominate theme of these telephone calls. [redacted] said KEATINGs main theme was that he was being treated unfairly by the agency. The accounting firm, ARTHUR YOUNG, was saying that LSL was solvent, and WALL STREET was even saying the AMERICAN CONTINENTIAL CORPORATION (ACC) was a strong firm. KEATING was ready to infuse $10,000,000 into LSL, and he or his family were not receiving dividends. [redacted] said that this theme was woven from July, 1987, until July of 1988. [redacted] said from July of 1988, until the end of the examination, KEATING would always say "lets resolve" the issues on a conversational basis. [redacted] said that after the July of 1988, exam, the theme of "Lets work together and get LSL sold", [redacted] offerred "We can get this done" as an example of KEATINGS statements during this time (after July, 1988). [redacted] said these were the three distinct themes that KEATING would always discuss with [redacted]

[redacted] was displayed handwritten notations, which appeared to describe a conversation between himself and KEATING. [redacted] identified the conversation; however, he said the notations were not in his handwriting. [redacted] further stated that when he spoke with KEATING, he would always have someone monitor the telephone call, and the person monitoring this call was the individual making notes. [redacted] however, could not identify the author of these handwritten notes.

[redacted] identified this telephone conversation as having

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occurred February 27, 1989, in which KEATING said, "I guess I have to either go broke or to jail, prefer to go broke." Later in this conversation KEATING again stated, "I will quit so that I don't go to jail." [redacted] said he recalls KEATING making these statements to him and the statements were made in the context that the regulators would find all kinds of problems at LSL, and KEATING then would be accused of causing these problems. [redacted] said that the first "jail comment" was when he was having a conversation with KEATING in an effort to get him to sign a consent cease and desist order. The second comment about "jail" was made when KEATING said he would not be at LSL when it was taken over. [redacted] said that this conversation occurred on February 27, 1989.

[redacted] said that the national exam began in July of 1988, of LSL. [redacted] said that he was aware that after the exam started there were rumors of a "white wash." [redacted] said that he sent [redacted] to Phoenix because of the rumors. [redacted] met with the examiners in charge, and also he had conversations with various district directors concerning these rumors. [redacted] said that the apparent cause resulted from the fact that the LSL exam in July of 1988, was the first time that out of district examiners were mixed into one exam team. [redacted] said there were even different ways of the examiners submitting vouchers for reimbursement of expenses, and different districts even had different travel days charged, which created problems. [redacted] also stated that there were four different examiners in charge, plus the supervisory examiner in charge, which was STEVE [redacted] and this apparently cause problems. [redacted] stated that at no time did he witness any outside pressure from any political figure or any member of the bank board regarding this examination.

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[redacted] said that he was never offered any employment, and is not aware of [redacted] being offered employment by KEATING. [redacted] said that this had been a concern of his with the formation of the national exam team, and had given instructions that any offer of employment was to be reported.

[redacted] stated that [redacted] caused problems with his method of asset classification, and this apparently aroused the suspicion of the examiners working under him. [redacted] apparently took the "line slips" from the examiners back to Pittsburgh and wrote the exam at Pittsburgh. [redacted] said this also created problems with the examiners. [redacted] also said that [redacted] judgment was inadequate with the asset classifications.

[redacted] said that on June 20, 1988, he traveled to Phoenix, prior to the exam starting, and met with all the exam

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participants including the California examiners as well as the Federal examiners. [redacted] also stated that he met at this time with LSL management in an effort to facilitate the examination.

[redacted] said that in September of 1988, the examination team learned that LSL and ACC was involved in a tax sharing program, in which, ACC was receiving substantial amounts of money from LSL. [redacted] said that he recalls that at least $47,000,000 was received from LSL, and later it was determined that at least $90,000,000 was "up streamed" to ACC. [redacted] said that he was not aware that the $10,000,000 infusion came from tax sharing funds. [redacted] further stated that he is not aware of the total amount of money that KEATING and his family received from the tax sharing program.

[redacted]

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[redacted]

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[redacted]

[redacted] said that on one occassion [redacted] told him that [redacted] had told KEATING that [redacted] was "off the case."

[redacted] was displayed a memo, dated January 3, 1989, [redacted] identified this memo as the [redacted]

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[redacted] stated that the November, 1988, restrictions placed upon KEATING and LSL, which he highlighted in his GONZALES HOUSE BANKING COMMITTEE testimony, where violated in [redacted] opinion; however, he could not recall the specific violations and the date of occurrence. [redacted] stated that after they transmitted the notification of the restrictions place upon LSL, there were certain "problems" with LSL; however, [redacted] recollection failed to reveal what these problems were. [redacted] stated that [redacted] would have more information in this area.

[redacted] recollection of [redacted] was that he was always very "impassioned" during his discussions with [redacted] about LSL. [redacted] stated that he could not recall talking with [redacted] was displayed a machine copy of a telephone message, no date (identified as baits number OTS-ORA-008188) that stated [redacted] of LSL called and the message left was "real important, personal." [redacted] still was unable to recall what this phone call was about, and again stated he does not recall ever speaking with [redacted] by telephone.

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[redacted] said that the FHLBB was far to sensitive to LSLs threat of litigation. [redacted] said he does not believe that KEATING and his principal management team believed they were doing anything wrong. [redacted] said, "This was their value system to push everything to the extreme." [redacted] said that LSL was, in fact, doing everything everyone else in the industry was doing on a nationwide basis. [redacted] said that there were just too many people "sucked in." [redacted] said in hindsight, he believes that only KEATING and a few others top management people knew the full picture, and knew where the money was really coming from. [redacted]

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said he believes that they knew what actions were stalking tactics, and they believed until the very end that they could "pull the rabbit out of the hat." [redacted] said that the Memorandum of Understanding (MOU) contained more then the bank board could get with a cease and desist order. [redacted] said, in fact, the MOU got every issue that the Office of Enforcement thought they could get without litigation.

[redacted] said that while he was involved with the LSL supervision, he never received any telephone call from any political figure including any of the FHLBB member requesting that he [redacted] have a meeting with KEATING or any of his associates. [redacted] believes that he was given the full range of operation, and all the resources available to the FHLBB was given to him in an effort to adequately and fairly resolve the LSL problem.

[redacted] was asked if he could recall meeting with KEATING on September 17, 1987. In an effort to refresh his memory, he was displayed a document entitled "KNOWN CALLS AND MEETINGS BETWEEN BANK BOARD OFFICIALS AND KEATING AND ASSOCIATES, and [redacted] stated that he could not recall meeting with KEATING on this date.

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[redacted] stated that in regards to KEATINGS influence on the ERC, he does recall a prevailing theme that all the members apparently believed, and this was the fact that KEATING had the ability to obtain local zoning in an effort to make his real estate projects successful. [redacted] sited the lake at Estrella, and the highway to Estrella as an example of this ability to obtain zoning that was required. However, [redacted] said that this ability was never equated with political influence; however, [redacted] stated in hindsight perhaps it should have been.

[redacted] stated that he believes that the [redacted] letter that states that, "the board is where KEATING wants it", could be a forgery. [redacted] said that he has observed valid letterhead from [redacted] law firm, and there is a line between all the names of the partners. On the [redacted] letter, which has been in the newspaper, these lines do not appear between each partners name. [redacted] further stated that the letter he suspects to be a forgery is only signed [redacted] and in other instances where he has seen [redacted] signature on valid instruments (such as documents he knows that [redacted] signed), her name is signed [redacted]

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

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United States Senate, Washington, D.C., 20510, telephone was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

stated his date of birth is and he was born in New York City, New York. His Social Security Account Number is

advised

advised he is familiar with CHARLES KEATING and

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Investigation on 7/16/90 at Washington, D.C. File # 58C-PX-41605 - 119

by SA SA /GKM/cpt Date dictated 7/23/90

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[redacted]

[redacted] RIEGLE in connection with CHARLES KEATING it was his understanding KEATING was a peripheral constituent with a business in Detroit, Michigan. [redacted] further does not recall RIEGLE discussing KEATING matters [redacted] RIEGLE [redacted] CHARLES KEATING.

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[redacted]

[redacted] further stated he does not recall [redacted] RIEGLE discussing CHARLES KEATING. [redacted] RIEGLE [redacted]

[redacted]

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/2/90

[redacted] telephone [redacted] was contacted this date in the presence of his attorney [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 b7D

[redacted] advised his date of birth is [redacted] and he was born [redacted] He further stated he is currently a practicing attorney [redacted] Washington, D.C., 2006, telephone [redacted] has been practicing law with this firm [redacted]

[redacted] b6 b7C b7D

[redacted] confirmed he is familiar with LINCOLN SAVINGS AND LOAN (LSL) and CHARLES KEATING, JR. He believes he first met KEATING [redacted] KEATING. At that time, [redacted] was the [redacted] He recalls the [redacted] KEATING was simply educating them as to the status of LSL. He does not recall the exam being discussed, however does believe KEATING vented some frustrations regarding the bank board [redacted] specifically recalls that no discussion took place about [redacted] FHLBB.

[redacted] is also familiar with [redacted] and is aware he represented AMERICAN CONTINENTAL CORPORATION (ACC). He does not specifically recall formally meeting [redacted] or attending

Investigation on 7/19/90 at Washington, D.C. File # 58C-PX-41605 - 120

by SA [redacted] /GKM/cpt Date dictated 7/23/90 b6 b7C

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/3/90

[redacted] 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 b7D

[redacted] advised his date of birth is [redacted] and he was born in [redacted] His Social Security Account Number is [redacted]

[redacted]

[redacted] b6 b7C b7D

[redacted]

[redacted]

[redacted]

Investigation on 7/20/90 at Washington, D.C. File # 58C-PX-41605-121

by SA [redacted] SA [redacted] GKM/cpt Date dictated 7/23/90 b6 b7C

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SSC-A-41605-122

FILE REVIEWED
DATE 4-19-95
INITIALS

06 1990

[redacted]

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

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/28/90

W/F

[redacted] was interviewed at [redacted] b6 b7C b7D

[redacted] telephone [redacted]

Before beginning the interview, [redacted] stated that [redacted]

provided the following information:

[redacted] was born on [redacted] She resides at [redacted] Her office address is [redacted] telephone [redacted]

[redacted] b6 b7C b7D

[redacted]

[redacted]

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

by SA [redacted] SA [redacted] /JAJ/lkh Date dictated 7/23/90 b6 b7C

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FEDERAL BUREAU OF INVESTIGATION
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FOI/PA# 1259813-1

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MAR 21 '89 14 FBI

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

FBI

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

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

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

Date 3/15/89

FM LOS ANGELES (56-NEW) 11:45 (PST) 3/20/89 MFP

TO DIRECTOR, FBI IMMEDIATE

ATTN: SSA [redacted] 11:50 (PST) 3/21/89 TMH

PHOENIX 1:05 (PST) 3/21/89

BT

UNCLAS 77-5534-10

CHARLES KEATING; CHAIRMAN; AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; UNSUB; PRINCIPALS AND OFFICERS OF AMERICAN CONTINENTAL CORPORATION; UNSUB; PRINCIPALS AND OFFICERS OF LINCOLN SAVINGS AND LOAN, IRVINE, CALIFORNIA; ELECTION LAW VIOLATION; OO: LOS ANGELES

RETELCALL OF SSRA [redacted] TO SSA [redacted] FBIHQ, 3/15/89.

REQUEST OF THE BUREAU: IT IS REQUESTED THAT THE FOLLOWING INFORMATION BE ANALYZED AND PRESENTED TO THE DEPARTMENT OF JUSTICE TO DETERMINE IF AN INVESTIGATION SHOULD BE CONDUCTED.

INFORMATION HAS BEEN RECEIVED FROM AUSA [redacted] UNITED STATES ATTORNEY'S OFFICE, LOS ANGELES, CALIFORNIA, INDICATING DURING A CURRENT INVESTIGATION OF LINCOLN SAVINGS AND LOAN FOR BANK FRAUD AND EMBEZZLEMENT, IT HAS BEEN DETERMINED

GKM/kah
(1)

56C-181-1

O+A-56C-new/TD

SEARCHED ..... INDEXED .....
SERIALIZED ..... FILED .....
MAR 21 1989

Approved: [signature] Transmitted Fax at SARA Per [signature]
(Number) (Tim [redacted]

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LARGE CAMPAIGN CONTRIBUTIONS WERE PAID TO VARIOUS U.S. SENATORS THROUGHOUT THE COUNTRY. ADDITIONAL INVESTIGATION HAS DETERMINED THE FOLLOWING:

THE FUNDS WERE RAISED FROM VARIOUS FUND RAISERS SPONSORED BY LINCOLN SAVINGS AND LOAN AND AMERICAN CONTINENTAL CORPORATION. IN ADDITION, MONEY WAS PAID TO THE SENATORS FROM POLITICAL ACTION COMMITTEES, PRIMARILY FINANCED BY THE ABOVE INSTITUTIONS AND ITS OFFICERS AND EMPLOYEES.

THE U.S. SENATORS KNOWN TO HAVE RECEIVED AN EXCESS OF $295,000 FROM THE ABOVE INSTITUTIONS IN 1986 ARE AS FOLLOWS: ALLAN CRANSTON (D)CALIFORNIA; JOHN GLENN (D)OHIO; THOMAS MCCAIN (D)ARIZONA; DENNIS DECONCINI (D)ARIZONA; AND DONALD RIEGLE (D)MICHIGAN.

ALLEGEDLY, IN 1987 THE ABOVE SENATORS LOBBIED ON BEHALF OF LINCOLN SAVINGS AND LOAN, AND MET WITH OFFICIALS OF THE FEDERAL HOME LOAN BANK BOARD IN SAN FRANCISCO, CALIFORNIA. THIS OFFICE HAD BEGAN REGULATORY ACTION AGAINST LINCOLN SAVINGS AND LOAN AND BEGAN ATTEMPTS TO RE-ORGANIZE AND CHANGE THE SAVINGS AND LOAN PROCEDURES. THE SENATORS ALLEGEDLY ALSO MET WITH FEDERAL HOME LOAN BANK BOARD MEMBERS LOCATED IN WASHINGTON, D.C. JURISDICTION OF LINCOLN SAVINGS AND LOAN WAS TRANSFERRED TO THE JURISDICTION OF THE WASHINGTON, D.C., BOARD OFFICE. THIS ACTION WAS HIGHLY IRREGULAR AND UNPRECEDENTED IN THE SAVINGS AND LOAN INDUSTRY. LINCOLN SAVINGS AND LOAN IS NOW THE ONLY FINANCIAL INSTITUTION

BEING OVERSEEN BY THE WASHINGTON, D.C. OFFICE OF THE FEDERAL HOME LOAN BANK BOARD.

LINCOLN SAVINGS AND LOAN AND OFFICERS FROM AMERICAN CONTINENTAL CORPORATION HAD PREVIOUSLY MADE COMPLAINTS TO THE WASHINGTON D.C. BASED BANK BOARD, STATING THE SAN FRANCISCO OFFICE OF THE BANK BOARD WAS TOO HARD ON THE POLICIES OF LINCOLN SAVINGS AND LOAN. IN ADDITION, A FORMER CERTIFIED PUBLIC ACCOUNTANT (CPA) [redacted] WHO AT ONE TIME [redacted] LINCOLN SAVINGS AND LOAN, TESTIFIED BEFORE THE THREE MEMBER WASHINGTON, D.C. BANK BOARD. IN HIS TESTIMONY, HE STATED THE SAN FRANCISCO BRANCH WAS REGULATING LINCOLN SAVINGS AND LOAN TOO HARSHLY. THIS TESTIMONY AND THE ALLEGED CONGRESSIONAL INFLUENCE WERE INSTRUMENTAL IN THE DECISION OF THE BANK BOARD TO SWITCH JURISDICTION FROM SAN FRANCISCO TO WASHINGTON, D.C. THE FACT THAT THE ABOVE U.S. SENATORS ALLEGEDLY TOOK IT UPON THEMSELVES TO LOBBY ON BEHALF OF LINCOLN SAVINGS AND LOAN APPEARS TO INDICATE THE POSSIBILITY OF AN IMPROPER RELATIONSHIP BETWEEN LINCOLN SAVINGS AND LOAN, AMERICAN CONTINENTAL CORPORATION, AND THE ABOVE CONGRESSMEN. THE ONLY CONGRESSMAN MENTIONED ABOVE WHO WOULD HAVE DIRECT INTEREST IN THE SAVINGS AND LOAN ISSUE WOULD BE DONALD RIEGLE FROM MICHIGAN WHO WAS RECENTLY APPOINTED AS THE HEAD OF THE SENATE BANKING COMMITTEE. THE OTHER FOUR SENATORS DO NOT APPEAR TO HAVE ANY DIRECT CONTACT WITH BANKING OR SAVINGS AND LOAN COMMITTEES OF CONGRESS.

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IN ADDITION TO THE ABOVE, ON 3/9/89, CONTACT WAS MADE WITH [redacted], [redacted] THE CALIFORNIA SAVINGS AND LOAN INDUSTRY, AT WHICH TIME HE ADVISED HE AND OTHERS HAVE DONE EXTENSIVE RESEARCH INTO THE ACTIVITIES OF LINCOLN SAVINGS AND LOAN AND THEIR RELATIONSHIP WITH LEGISLATORS. THEY ALSO HAVE DONE RESEARCH INTO THE REASONS BEHIND SWITCHING OF JURISDICTION FROM SAN FRANCISCO TO WASHINGTON, D.C. INFORMATION THEY HAVE RECEIVED INDICATES A STRONG POSSIBILITY THAT VARIOUS OFFICERS AND EMPLOYEES OF AMERICAN CONTINENTAL CORPORATION AND/OR LINCOLN SAVINGS AND LOAN MAY HAVE CONTRIBUTED DIRECTLY TO THE POLITICAL ACTION COMMITTEES AND FUND RAISERS RESULTING IN MONEY GOING TO THE LEGISLATORS. IN ADDITION, DUE TO UNUSUALLY HIGH SALARIES PAID TO EMPLOYEES AND OFFICERS OF AMERICAN CONTINENTAL CORPORATION AND LINCOLN SAVINGS AND LOAN, THEY BELIEVE THE REASON WAS TO GIVE THEIR CHAIRMAN, CHARLES KEATING, ULTIMATE POWER TO REQUEST AND DIRECT ANY POLITICAL CONTRIBUTIONS TO BE MADE BY THE OFFICERS. SOME SALARIES ARE IN THE AREA OF $700,000 TO $800,000 PER YEAR.

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IN ADDITION, [redacted] ADVISED ONE EXAMPLE OF WHAT APPEARS TO BE IMPROPRIETY, WAS [redacted] [redacted] AT THE TIME THEY WERE AUDITING LINCOLN SAVINGS AND LOAN TESTIFIED BEFORE THE THREE MEMBER WASHINGTON, D.C. BANK BOARD AS MENTIONED ABOVE. AFTER THE BANK BOARD DECIDED TO SWITCH JURISDICTION TO WASHINGTON, D.C., [redacted] [redacted] WENT TO WORK FOR AMERICAN CONTINENTAL

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CORPORATION AT A SALARY IN EXCESS OF $700,000 PER YEAR. THIS INDIVIDUAL WAS HIRED [redacted] FOR AMERICAN CONTINENTAL CORPORATION. IN ADDITION, [redacted] ALSO CONTACTED THE FAIR POLITICAL PRACTICES COMMISSION IN SACRAMENTO AND OBTAINED INFORMATION THAT KEATING AND HIS OFFICERS HAVE MADE SUBSTANTIAL CONTRIBUTIONS TO CALIFORNIA STATE LEGISLATORS. [redacted] ADVISED A PATTERN EXISTS WHEREBY KEATING WILL MAKE A CONTRIBUTION WHICH WILL THEN BE FOLLOWED BY CONTRIBUTIONS FROM HIS OFFICERS AND EMPLOYEES.

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ADMINISTRATIVE: AS THE BUREAU IS AWARE, IN GENERAL, THE PRESS THROUGHOUT THE COUNTRY, IS BEGINNING TO MAKE A MAJOR ISSUE OF THE SAVINGS AND LOAN CRISIS AND THEIR CONTRIBUTIONS AND LOBBYING OF VARIOUS U.S. CONGRESSMEN. AS AN EXAMPLE, THE HOUSE ETHICS COMMITTEE HAS BEGUN HEARINGS REGARDING THE ACTIVITIES OF SPEAKER OF THE HOUSE JIM WRIGHT. INCLUDED IN THOSE HEARINGS ARE ALLEGATIONS HE LOBBIED FOR AND RECEIVED LARGE SUMS OF MONEY FROM THE SAVINGS AND LOAN INDUSTRY. AS AN EXAMPLE, AS DOCUMENTED IN NEWS BRIEFINGS THE CONGRESS OF THE U.S., ACCORDING TO THE RECORDS OF THE FEDERAL ELECTION COMMISSION, RECEIVED IN EXCESS OF $883,000 FROM THREE POLITICAL ACTION COMMITTEES OF THE SAVINGS AND LOAN INDUSTRY IN 1987 AND 1988. IN ADDITION, EMPLOYEES AND FAMILY MEMBERS OF SAVINGS AND LOANS THROUGHOUT THE COUNTRY AND REAL ESTATE DEVELOPERS THROUGHOUT THE COUNTRY COLLECTIVELY GAVE IN EXCESS OF $930,000 TO VARIOUS TO FINANCIAL COMMITTEES RAISING

FUNDS FOR DEMOCRATIC CANDIDATES THROUGHOUT THE COUNTRY.

IN ADDITION, ACCORDING TO VARIOUS NEWS REPORTS, IT APPEARS MONEY CONTRIBUTED FROM THE SAVINGS AND LOAN INDUSTRY IN GENERAL TO THE CONGRESS OF THE UNITED STATES HAS A MAJOR INFLUENCE ON DECISIONS MADE BY THE CONGRESS AS THEY RELATE TO THE SAVINGS AND LOAN INDUSTRY. IT IS WELL KNOWN THE SAVINGS AND LOAN INDUSTRY IS IN A MAJOR CRISIS DUE TO THE FACT SO MANY THROUGHOUT THE COUNTRY, ESPECIALLY IN CALIFORNIA AND THE SOUTHWEST EITHER HAVE FAILED OR ARE IN THE PROCESS OF FAILING. THE CONGRESS OF THE UNITED STATES HAS NOT ACTED ON NEW LEGISLATION OR CORRECTING OLD LEGISLATION IN ATTEMPTS TO CORRECT THE SITUATION. IT IS TO THE BEST INTEREST TO THE OWNERS OF THE SAVINGS AND LOANS THAT THE LEGISLATION GOVERNING THOSE INSTITUTIONS REMAIN THE SAME, THUS NOT INCREASING IN REGULATORY ACTION. SINCE 1982 THE SAVINGS AND LOAN INDUSTRY HAS BASICALLY BEEN DEREGULATED. IN ADDITION, REGARDING THE SITUATION WITH LINCOLN SAVINGS AND LOAN AND AMERICAN CONTINENTAL CORPORATION, NEWS ARTICLES, SPECIFICALLY IN THE "ORANGE COUNTY REGISTER", DATED JANUARY 14, 1989, INDICATE THE OFFICERS OF THE SAN FRANCISCO OFFICE OF THE BANK BOARD WERE EXTREMELY UPSET AND STATED THE REMOVAL OF THE SAN FRANCISCO JURISDICTION WAS UNPRECEDENTED IN THE HISTORY OF THE BANK BOARD.

DUE TO THE ABOVE, AUSA [redacted] REQUESTS THE FBI TO CONDUCT A PRELIMINARY INQUIRY INTO POSSIBLE VIOLATIONS OF THE FEDERAL ELECTION LAWS AS IT RELATES TO MONEY RECEIVED BY THE

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b7C

ABOVE LEGISLATORS FROM AMERICAN CONTINENTAL CORPORATION AND LINCOLN SAVINGS AND LOAN. IF IN FACT, SCHEMES WERE DEVISED OR EMPLOYEES AND OFFICERS WERE DIRECTLY REIMBURSED BY THE SAVINGS AND LOAN, IT IS A VIOLATION OF THE FEDERAL ELECTION LAW.

BT

PX 194C-236
DTB:hs

The following investigation was conducted at Phoenix, Arizona, by Special Agent (SA) [redacted] b3 b6

On March 2, 1989, SA [redacted] Santa Ana Resident Agency, advised that he was the case agent on a matter pertaining to [redacted] of LINCOLN SAVINGS. [redacted] stated his file number was 29A-16309 and he was in the process of obtaining Federal Grand Jury subpoenas for [redacted] believed once the documents were obtained and reviewed that additional subjects would be added to his case title, including CHARLES KEATING [redacted] b7C

As a side note, [redacted] stated that a political corruption spin-off case may be opened as a result of pressure put on by U. S. senators to the FHLB to rescind their plans to take over management of LINCOLN SAVINGS. When FHLB - San Francisco, refused to bend, the senators successfully got FHLB - Washington, DC, to override the San Francisco region and removed LINCOLN SAVINGS from their jurisdiction. A subsequent newspaper article reflected that AMERICAN CONTINENTAL (prior parent company of LINCOLN) had made substantial contributions to the re-election campaigns of two of the five senators that approached the FHLB. The senators receiving contributions were Senator ALLAN CRANSTON and DONALD RIEGLE - Michigan and Chairman on the Banking Subcommittee. The other senators that approached FHLB were DENNIS DECONCINI, JOHN MCCAIN and JOHN GLENN. b6 b7C

SA [redacted] provided copies of newspaper articles pertaining to LINCOLN SAVINGS and the FHLB; and an article that addressed political contributions made by AMERICAN CONTINENTAL. b6 b7C

56D-181-2

SEARCHED [redacted] INDEXED [redacted]
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(Mount Clipping in Space Below)

Lincoln S&L bidder alters proposal

(Indicate page, name of newspaper, city and state.)

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By Leslie Irwin
The Phoenix Gazette

The latest bidder for American Continental Corp.'s savings and loan has dramatically altered the terms of its proposed sale, trying to make it more palatable to regulators.

The revised offer follows published reports that the government might seize Lincoln Savings and Loan Association and a subsequent outflow of at least $20 million in deposits.

John Rousselot, a former Republican congressman from California who heads the buyer group, said Tuesday that he met with five staff members of the Federal Home Loan Bank Board in Washington, D.C., to draft changes in his application to purchase the California-based thrift.



Rousselot

Meanwhile, the 61-year old Rousselot was appointed chairman and chief executive officer of Lincoln Savings Tuesday. He said that appointment also would facilitate the sale.

Rousselot replaced 33-year-old Ray Fidel, who resigned. American Continental officials declined to comment on reasons for the resignation.

Rousselot said he hopes regulators will make a decision this week on the revised offer.

"I think it's moving along as rapidly as possible," he said. "We are working in great detail and are in touch with them (federal regulators) twice a day."

The changes represent concessions on the part of American Continental, which has been trying to sell the thrift for the past year.

Under the proposed changes outlined in a letter sent today from Rousselot to the three-member FHLBB:

- American Continental would infuse $50 million into the thrift. It would no longer receive preferred stock for this contribution.
- The buyer group would raise an additional $150 million in capital over the next three years.
- American Continental would receive $200 million

See ■ Lincoln, F-5

56C-181-3

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FBI/DOJ

■ Lincoln

From F-1

worth of non-voting preferred stock in Lincoln, instead of the $288 million outlined in the original proposal. The preferred would pay dividends only if the thrift succeeds.

■ The buyer also would appoint only directors and officers approved by the Bank Board.

■ American Continental would buy back certain assets, including Lincoln's 20 percent interest in General Oriental Investments Ltd. and its majority state in the Phoenician Resort and the Crescent Hotel. Under the original deal, Lincoln would finance the buyback through a 10-year note, with annual interest payments deferred for two years.

The revised plan calls for all notes to be guaranteed by personal assets of American Continental chairman Charles H Keating Jr. and members of his family. No payments would be deferred, and American Continental would have three years to pay off the loan for the 20 percent interest in General Oriental.

■ Supervisory authority for Lincoln Savings would be transferred out of Washington and back to the 11th District in San Francisco.

The revised bid comes amid rumors that Lincoln must be sold or face regulatory seizure.

Rousselot cited those rumors as the reason for deposit outflows of at least $20 million.

Paula Bloch, financial representative for Lincoln Savings, said a story published by *The Orange County Register* on March 31 caused withdrawals for the first two days after it ran.

Bloch said the withdrawals have not been significant but have continued since the article was published.

"I don't know if I can exactly quote you a dollar figure, but it's no been something that has damaged beyond repair right now. I mean it's obviously a loss that we've suffered. But we do have the assets. It's not something that's damaged us as far as putting us below the net worth requirements at all."

Bloch emphasized that deposits are insured by the Federal Savings and Loan Insurance Corp. for up to $100,000 per account, and that Lincoln Savings more than meets minimum capital requirements.

But a former bidder for Lincoln Savings, Spencer Scott, has said a second of two lengthy examinations into the thrift by federal regulators stated that the thrift had overstated its net worth by $100 million and that it did not meet minimum capital requirements.

Documents filed at the Securities and Exchange Commission on the company's third-quarter financial results show that Lincoln Savings had regulatory capital of 4.65 percent. Federal regulators require S&L's to maintain a capital-to-assets ratio of 3 percent.

American Continental has not filed its fourth-quarter and year-end 1988 financial results.

An accountant for American Continental said the company planned to file fourth-quarter results Friday but did not know if that would happen.

Asked if American Continental and the Keatings were preparing to file corporate and personal bankruptcy should regulators reject the Rousselot offer, company spokesman Mark Connally said, "The company has not as of this time filed for protection."

Connally added that American Continental is encouraged that the sale would be approved.

"The company is actively pursuing the sale and still looking forward to a favorable approval by the bank board of the application," he said.

Fate of Phoenician hangs in balance

Company says luxury hotel unaffected

What will happen to the posh $300 million Phoenician Resort in light of American Continental Corp.'s bankruptcy filing?

That question arises amid the threat of a foreclosure on the property and the government seizure of the thrift that funded over half its construction costs.

Late Thursday, American Continental Corp. filed for court protection from creditors.

While the company has assured that the resort is not part of the Chapter 11 bankruptcy proceedings, the issue remains unclear to some closely involved with the property.

Gerald W. Murphy, president of McCarthy, general contractor on the resort construction, said he was puzzled by the absence of the Phoenician Resort in the bankruptcy filing while the Crescent Hotel Group was included.

"We don't really understand that," Murphy said.

The hotel group, he said, is believed to be the general partner in ownership of the Phoenician.

Muddying the waters further is an $18.4 million lien filed on the resort by McCarthy for its work on the Phoenician.

American Continental has filed a counterclaim, accusing the contractor of such things as shoddy workmanship, double billing and breach of contract.

Murphy said he is not sure how the bankruptcy filing will affect his company's efforts to recover the money it claims it is still owed.

In a separate court action designed to help isolate the money Murphy says he is owed, McCarthy on Thursday won a temporary restraining order freezing money in an escrow account held by Manufacturers Hanover Trust Co. of New York City.

Maricopa County Superior Court Judge Cecil Patterson will hold hearings Tuesday and Wednesday on McCarthy's application for a permanent restraining order.

See ■ Resort, D-3

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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FBI/DOJ

■Resort

Patterson granted the order orally on Thursday and will consider signing a written version of the order today, according to documents provided by McCarthy's lawyers at O'Connor Cavanagh.

The order prevents the Phoenix Resort Corp. and Crescent Hotel Group Inc. from taking any money or controlling the principal amount in the account.

"Our lawyers were telling them we wanted the fund tied up because we were concerned about the solvency of the whole operation ... including Lincoln," Murphy said.

Topping off the confusion is the possibility that federal and state regulators will take over the troubled California thrift, which is the main subsidiary of American Continental.

Total construction cost on the resort was $152.8 million.

McCarthy's complaint names Phoenix Resort Corp. and Crescent Hotel Group as defendants.

As of March 1, the hotel's owners claim Phoenix Resort had paid McCarthy $133.9 million of which $2.9 million is being retained in an escrow account.

Washington-based thrift analyst Bert Ely predicted the Phoenician will be sold at a severely marked down price.

"I have a feeling the Phoenician will ultimately sell for a lot less than the money that's been invested in it. I mean, that's been the suggestion right from the beginning that the thing was a white elephant."

One analyst has estimated the Phoenician will lose $18 million to $30 million in its first year.

But Jeff Johnson, marketing director for the Phoenician, insists the hotel is making money.

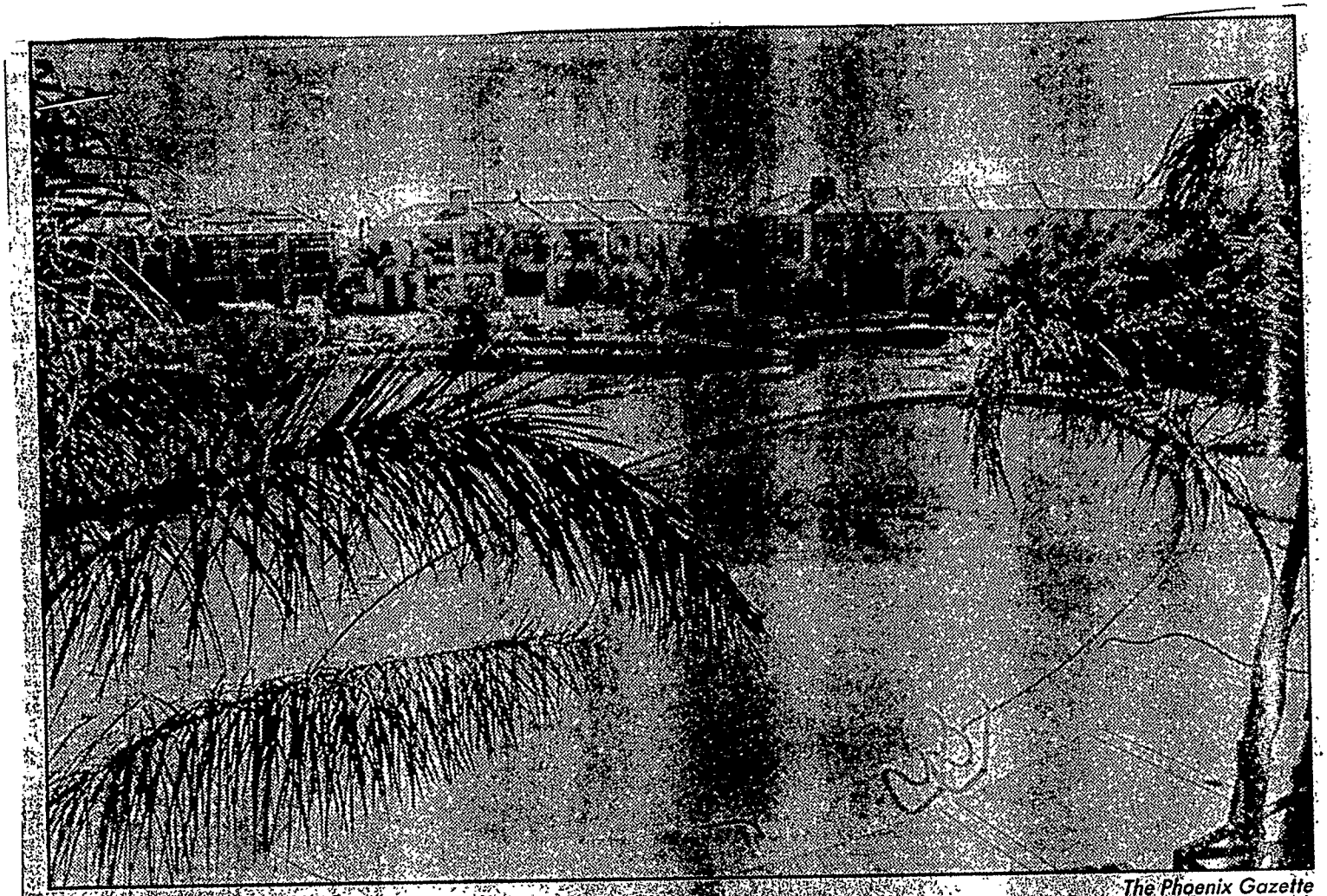
Since the hotel opened, its average occupancy rate has been 80 percent, Johnson said.

The average individual room rate has been $250, with an average rate of $190 for group travel, he said.

Johnson said rates will drop to $90 and $75 during the summer.

The resort, which opened Oct. 1, employs more than 1,000 people.

—Leslie Irwin



The Phoenix Gazette

The Phoenician Resort at 6900 E. Camelback Road opened Oct. 1. Majority ownership is held by Lincoln Savings and Loan, the main subsidiary of American Continental Corp.

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

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Keating fends off creditors

By Russ Hemphill
The Phoenix Gazette

Like a lot of what Charles Keating does, Thursday's bankruptcy filing was Big.

Twelve companies, $3.85 billion in assets and $2.97 billion in liabilities.

"No question it's the largest bankruptcy case filed in the state of Arizona," bankruptcy clerk Kevin O'Brien said.

The filing is so big that four — and perhaps six — of the entities eclipsed the previous high-water mark of about $300 million in assets of a company filing for Chapter 11 in Arizona.

The filing also is in the top 10 of the largest companies to file for Chapter 11 nationally, ranking behind only Texaco, Baldwin-United Corp., Penn Central Corp., LTV Corp., Public Service Co. of New Hampshire and perhaps Eastern Airlines.

Keating, like officers at Texaco and other huge companies, sought the protection of bankruptcy court to fend off creditors while he tries to reorganize under the direction of a judge.

Unlike Chapter 7, which calls for the liquidation of a company to pay its creditors, Chapter 11 is intended to ultimately let a company exit bankruptcy court and resume its normal business operations.

The bare-bone filings, which reveal little more than total assets and lists of creditors, apparently were ready to be filed as early as April 8.

An April 8 date is scratched out on all the court filings and replaced with Thursday's date.

Details of the financial health of the companies will be divulged in future court documents as Keating tries to win approval of a plan of reorganization.

Some details may come out at a first meeting of creditors where company officials can be grilled by an estimated 25,000 people and companies owed money by the companies.

In the court documents, American Continental Corp. claimed assets of $454,712,642 and liabilities of

See ■ Creditors, D-6

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Creditors

$358,887,870.

That company has 21,900 unsecured creditors holding debt securities for $283,275,332.

As late as Jan. 30, American Continental was offering subordinated debentures paying interest rates of 12.5 percent. Investors could buy in for just $1,000.

The 11 subsidiaries filing for bankruptcy include Amcor Funding Corp., with assets of $935.6 million and debts of $820.8 million. Amcor controls the Phoenician Funding Corp., Continental Fidelity Life Insurance Co., American Founders Life Insurance Co. and Amcor Insurance Group.

Other subsidiaries filing for bankruptcy are: SSFLC, which controls the Phoenix investment firm of Young, Smith & Peacock Inc.; Phoenician Financial Corp.; Phoenician Commercial Properties Inc.; Provident Mortgage Corp.; Amcor Investments Corp., which controls the Estrella development in Goodyear; Crescent Lending Corp.; Linfin Corp.; Castle Meadows Inc. the Crescent Hotel Group; and Cresfin Corp.

The filing does not include The Phoenician Resort or the Crescent Hotel, which together employ more than 1,000 people.

The 11 subsidiaries comprise all but one of the first tier of companies directly under Lincoln Savings and Loan.

The 12th, Insurance West Inc., did not file for bankruptcy.

About 125 employees at American Continental's headquarters on East Camelback Road were told of the bankruptcy filing Thursday evening by president Judy Wischer. Some were told that they would have jobs for up to 90 days.

The company issued only a brief statement of explanation and said additional details would come at a press conference Monday morning.

But it is clear that chairman Charles H Keating Jr. blames his company's troubles on his long struggle with federal regulators of the savings and loan industry.

He contends that their failure to approve a sale of the thrift has forced him into insolvency.

In Thursday's statement, Keating said he could not comply with a demand from the bank board to execute a consent agreement that would allow a takeover of the thrift at any time.

"With this demand before us, and having received confirmation of the Bank Board's unwillingness to respond positively to the application for sale, we believe that we have taken the only course of action that will maximize the value of American Continental for the benefit of our bondholders and shareholders," the statement said.

Economic impact

The collapse of American Continental Corp. could be the knockout punch to Maricopa County's reeling economy.

Keating's bankruptcy filing threatens to plunge into disarray the development and financial industries of the Southwest.

At the end of 1987, American Continental's Lincoln thrift owned $827 million in real estate, including $487 million in Arizona, more than $100 million each in Colorado and Texas and $63 million in Georgia.

R.L. Brown, a Valley housing analyst, said the bankruptcy filing has "an incredible disintegrating effect on the real estate market. It has the kind of repercussions that will be felt until the whole economy mends."

He pinpointed three areas where American Continental's demise would hurt the Valley's real estate market: lenders already suffering from losses in their land portfolios, psychological damage to the real estate market in general, and further reductions in the price of land.

From D-

Subsidiary filings

	Assets*	Liabilities*
Phoenician Commercial	$283.6	$278.5
SSFLC	24.8	27.4
Castle Meadows Inc.	136.1	10.0
Provident Mortgage Corp.	36.2	32.6
AMCOR Investments	626.6	532.1
Cresfin Corp.	63.2	1.5
Linfin Corp.	724.4	605.1
Phoenician Financial	287.1	219.4
AMCOR Funding Corp.	935.6	820.8
Crescent Lending Corp.	155.2	78.1
Crescent Hotel Group	120.6	3.8
American Continental	454.7	358.9

*in millions

Robert Kammrath, a leading real estate analyst, said the atmosphere within the lending community is "the worst I've ever seen."

Lincoln Savings was among the most "winging-it lenders" for developers, "helping speculative real estate, which in turn has caused the economic booms around here," Kammrath said.

While the Arizona Banking Department does not regulate American Continental or Lincoln Savings (it is in California's jurisdiction), the bankruptcy filing could dramatically affect the financial industry.

"Everyone has been concerned that there may come a day when a large landholder will be forced into bankruptcy and, as a consequence, may attempt to hold a fire sale of assets," said Hank Rivoir, superintendent of the state agency that regulates banks and thrifts.

He said regulators who have seized control of three state-chartered savings and loans have not dumped real estate on the market.

The bankruptcy of an important player [illegible] American Continental is of great concern to everyone who is watching real estate values," Rivoir said, adding that he was worried about the psychological reaction the Chapter 11 filing would have on real estate values.

Estrella future clouded

The latest project of American Continental, which is known as the creator of master-planned communities, is Estrella in Goodyear. Many analysts view the development as too distant to be profitable and doubt whether in today's market the 21,000-acre project can be sold.

Keating is credited with buying the property in the far West Valley at a good price, but he was criticized for spending three times the cost of the land to build roads within the community.

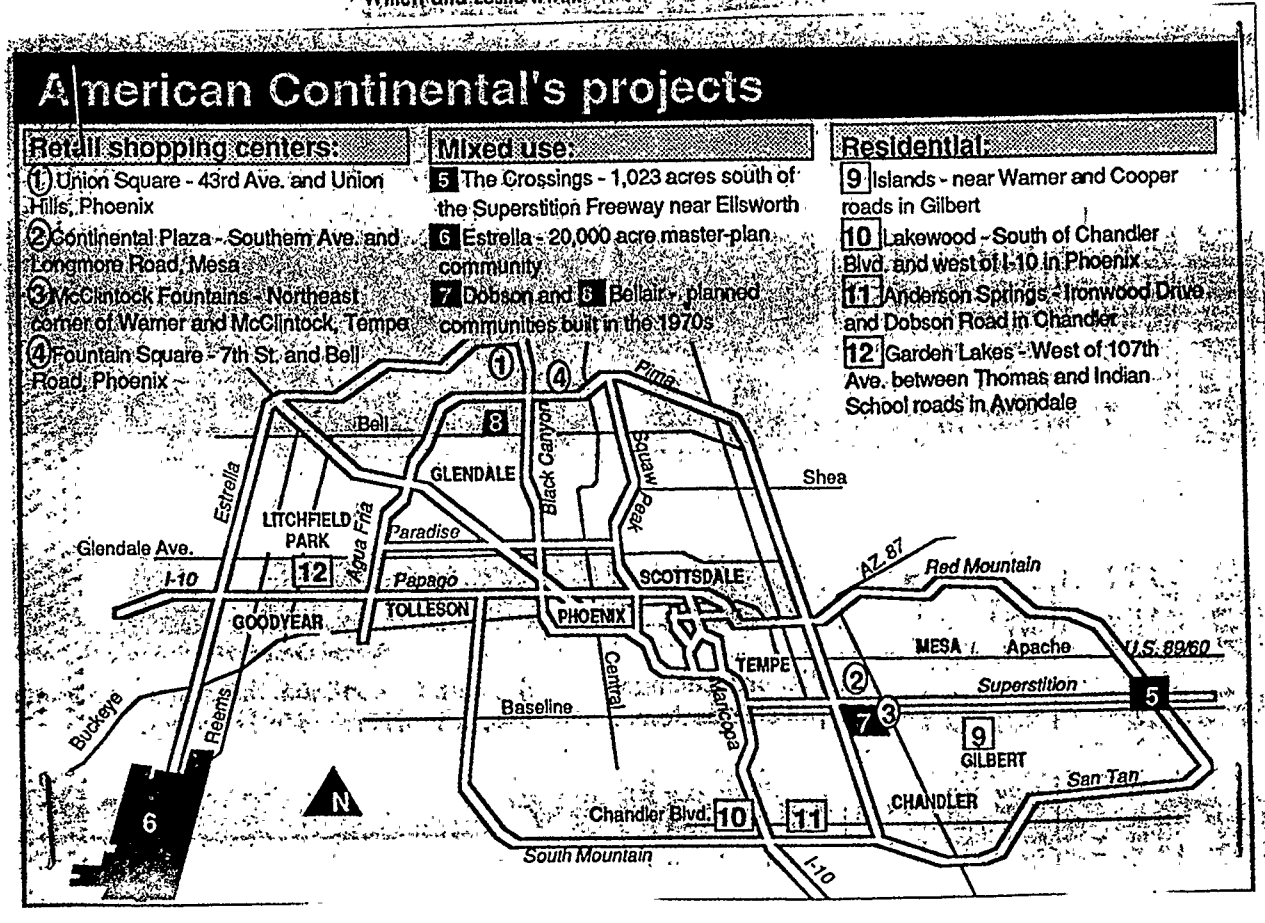
By November, the company had built and landscaped more than 10 miles of arterial roads with water and sewer improvements, created two lakes totaling 72 acres and planted 10,000 trees.

Goodyear Mayor Carl Gow said he couldn't determine what effect the reorganization petition would have on Estrella or Goodyear, which at the developer's urging incorporated what is one of the largest land developments in the United States.

"It's not going to throw the city into a financial bind," he said. "The worst thing may be that we're stuck with a big place out there, but we aren't going to be obligated."

The Estrella project was expected to bring more than 70,000 residential units, high-rise office buildings, extensive industrial sites, research and development parks, a destination resort hotel, a shopping center, a 99-acre hospital complex, schools and community facilities to the West Valley in 20 years.

Additional information by reporters Jodie Snyder, Dawn Willett and Leslie Irwin.



(Mount Clipping in Space Below)

Home builder not affected by Chapter 11

By Jodie Snyder
The Phoenix Gazette

"There is no relationship between Continental Homes and American Continental," Tom Hickcox, director of sales and marketing for the home building company, said.

Reacting to the bankruptcy filing of American Continental Corp. late Thursday, Hickcox said it would have no direct impact on Continental Homes or its home buyers.

Hickcox said several people called Continental Homes to see if their home purchases would be affected when they heard that American Continental and 11 of its subsidiaries have sought protection from creditors in federal bankruptcy court.

"We used to be part of Continental. We went out on our own three years ago. We became a publicly traded over-the-counter company two years ago," he said.

But the shadow of financial giant Charles H. Keating Jr. falls long across the name and reputation of Continental Homes.

Keating took over the struggling home building company when it was spun off from Cincinnati-based American Financial Corp. in 1976, parlaying it into the most prolific home builder in the state.

By 1985, Continental Homes was destined for another spin-off. In June of that year, Keating decided to move out of the home building business.

In a leveraged buyout, three longtime managers of American Continental acquired nearly all the assets of the home building division's Phoenix operations for $55 million.

Today, Continental Homes Inc. is held by Continental Homes Holding Corp., a public company. Many assume it still is owned by or somehow tied to Keating and American Continental. Stock trading today was unchanged from Thursday.

The "new" Continental Homes has yet to establish its own identity. For example, the company retains the "Welcome Home" slogan, hires former American Continental employees and leases space in a Scottsdale office plaza formerly owned by American Continental and named after the company.

Hickcox said the home builder has bought property from American Continental and does have loans from Lincoln Savings and Loan.

Continental Homes will continue its operations in American Continental's Estrella development in Goodyear. The company started building there a month ago and has three models open but no sales.

(Indicate page, name of newspaper, city and state.)

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Lincoln S&L seized by federal regulators

By Leslie Irwin and Marian Lucas
The Phoenix Gazette

American Continental Corp.'s largest subsidiary, the ailing Lincoln Savings and Loan Association of Irvine, Calif., was seized today by regulators from the Federal Deposit Insurance Corp.

Danny Wall, chairman of the Bank Board, said regulators moved in before Lincoln became insolvent and that branches of the thrift will remain open.

The action follows Thursday's bankruptcy filing by Phoenix-based American Continental and 11 of its subsidiaries. The companies sought protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

By taking control, regulators ended their bitter, two-year struggle with American Continental chairman Charles H Keating Jr.

"I would say the filing of bankruptcy yesterday played a major part in the Federal Home Loan Bank Board making that decision," Shirley Thayer, senior counsel for the California Department of Savings and Loan, said.

In the past few weeks, customers had withdrawn at least $20 million on rumors that the thrift would be seized. More withdrawals were anticipated, although deposits are insured by the Federal Savings and Loan Insurance Corp. for up to $100,000 per account.

Federal and state S&L examiners

See Lincoln, A-4

Lincoln

remained at the S&L today to inventory assets and determine the value of the thrift.

Regulators say Lincoln has regulatory capital of $20 million on total assets of $5.4 billion.

The thrift was placed into conservatorship because Lincoln's assets had been substantially dissipated and was being operated in an unsafe and unsound condition, according to the Federal Home Loan Bank Board.

Wall said regulators had considered four purchase deals presented by Lincoln's parent company. "There has not been the indication of any real capital or money being proposed to be interjected" into the thrift, he said.

He said American Continental filed for bankruptcy protection with the knowledge that regulatory action was forthcoming.

The Chapter 11 proceedings complicate the matter, Wall said, since "it is not clear whether the Bankruptcy Court or whether our authority prevails."

Bill Fulwider, a spokesman for the Bank Board in Washington, D.C., said Lincoln management repeatedly has violated regulations relating to transactions with affiliates, used poor underwriting and has refused to follow supervisory directives.

As managing agent for the Bank Board, the FDIC installed a management team. F. Roger Clark was appointed chief executive officer of Lincoln. He recently was CEO of Mortgage Savings in Dallas when it was placed in the Bank Board's management contingency program.

John Rousselot, who had been named Lincoln's chairman and chief executive officer Tuesday, resigned those positions today. He had led a group that was trying to buy the thrift. That proposal was turned down by regulators because it did not include enough cash, according to the Bank Board.

California regulators viewed the action as necessary and long overdue, Thayer said.

"It was very necessary," Thayer said.

(Indicate page, name of newspaper, city and state.)

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"This department concurred with the San Francisco Federal Home Loan Bank Board as long as eight months ago."

The delay will end up costing the FSLIC and ultimately the taxpayer more money to get the thrift back on its feet, she said.

In addition, prompt, decisive regulatory action concerning Lincoln is especially critical since the thrift is such a large institution, she said. Lincoln Savings has $5.4 billion in deposits.

Separate from its regulatory dilemma, Lincoln thrift is under investigation by the U.S. Attorney's Office in Los Angeles for criminal fraud.

The Securities and Exchange Commission also has multiple investigations into American Continental, with the oldest probe digging into the accuracy of its financial statements.

Lincoln Savings, which wasn't part of the bankruptcy filings, represents about 93 percent of American Continental's approximately $7 billion in assets.

The story of American Continental and its chairman goes back 13 year to when Keating moved to Phoenix to take over a troubled home building company owned by corporate raider Carl Lindner, head of American Financial Corp. of Cincinnati. Keating had been a vice president of American Financial.

He later bought the home-building company — Continental Homes — and took it public in 1978 as American Continental Corp.

After years of success at selling the most homes of any builder in the state, Keating became attracted to the idea of owning an S&L. In February 1984, he purchased Lincoln S&L for $51 million. The next year, he sold Continental Homes to a group of insiders for $55 million and became heavily involved in real estate development, bringing cash into Arizona from his California S&L.

After acquiring the thrift, Keating used liberal California banking laws to engage the S&L in a variety of non-traditional business activities, real estate development, speculation in junk bonds, stocks and leveraged buyout financing and the construction of the Phoenician and Crescent hotels.

When Keating bought Lincoln Savings, the thrift industry recently had been deregulated. The government allowed S&Ls to move away from traditional home mortgage loans into riskier but potentially more profitable investments with federally insured deposits.

But by 1985, federal regulators became alarmed at what thrifts were doing with their new-found freedoms. The government tightened restrictions, allowing only 10 percent of an S&L's assets to be placed in direct investments in real estate projects and stocks.

In a rare meeting with reporters Feb. 2, Keating admitted he probably wasn't cut out to operate in a regulated environment.

The relationship between Keating and regulators has been marked by a series of unusual events.

For example, San Francisco regulators conducted the longest examination into Lincoln in the history of the thrift industry.

Keating fought back savagely. He rounded up five senators to meet with bank board officials on April 9, 1987.

The group met in the office of Sen. Dennis DeConcini, D-Ariz., and included Senators John McCain, R-Ariz., John Glenn, D-Ohio, Don Riegle, D-Mich., head of the Senate Banking Committee, and Alan Cranston, D-Calif.

The handful of politicians had received about $300,000 in campaign contributions from Keating and his affiliates.

The senators told regulators to either charge Lincoln with something or get off its back.

At this meeting, regulators warned that they intended to make a criminal referral to the Justice Department on Lincoln's behavior. The U.S. Attorney's Office in San Francisco confirmed last month that an investigation was under way.

At a congressional hearing in California Jan. 12, San Francisco bank examiners said they found "serious deficiencies" at Lincoln during a 1986 exam, including appraisals that substantially understated losses.

By May 1987, the San Francisco regulators recommended that the government take over the operation of Lincoln because the S&L represented a "serious risk to the FSLIC."

Lincoln disputed the findings in the examination and questioned motives and qualifications of those making the appraisals.

Despite San Francisco regulators' findings, the Bank Board signed an agreement not to begin enforcement actions against Lincoln concerning issues that came up during the examination.

In an unprecedented move, the Bank Board, under chairman Wall, transferred supervision and examination authority for Lincoln from San Francisco to the Federal Home Loan Bank of Washington.

Back in Phoenix, Keating and his employees celebrated that day by throwing a computer out of a second-story window and cracking open bottles of champagne.

And then the tables started to turn.

Rumors began circulating that the second examination undertaken in Washington also was negative and vindicated San Francisco regulators' tough stance on the thrift.

The bankruptcy situation should embarrass the bank board and the five senators who used their influence on Keating's behalf, said Bert Ely, a financial institution consultant based in Virginia who is frequently quoted in *The Wall Street Journal, American Banker* and the *Los Angeles Times*.

"What's interesting about the Lincoln situation is ... (that) it's going to be a very serious political embarrassment inside the Washington beltway — for those senators who went to bat for Lincoln and very much of an embarrassment for Danny Wall," Ely said.

He added, "I'm sure there also will be a lot of quiet glee at the San Francisco bank about this, and in Washington also."

Questions and answers

What is Chapter 11? Chapter 11 provides shelter from creditors while a business reorganizes. Unless the bankruptcy court rules otherwise, the debtor remains in possession of the business and in control of its operation. Debtor and creditors are allowed considerable flexibility in working together.

Who filed? American Continental Corp. of Phoenix and 11 of its subsidiaries.

What are its total assets? $3.9 billion

What are its debts? $2.8 billion

Who is the judge? It was assigned to Sarah Sharer Curley, newest of three Phoenix bankruptcy judges.

How many creditors? About 25,000.

What happens to The Phoenician Resort and the Crescent Hotel? American Continental said the hotels would not be affected by the bankruptcy filing.

What about Continental Homes? It no longer is owned by American Continental. It became a separate company in 1985, when company insiders took it over in a leveraged buyout.

What's next? Regulators took control of American Continental's main subsidiary, Lincoln Savings and Loan Association of Irvine, Calif., today and will name new management.



Nancy Engebretson, *The Phoenix Gazette*

An American Continental Corp. employee helps remove boxes of items from the corporate headquarters at 2735 E. Camelback Road early Thursday evening after the bankruptcy was announced.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Developer known for his generosity

By Laura McBride
The Phoenix Gazette

Who is Charles H Keating Jr.?

Developer? Banker? Political contributor? Philanthropist? Father? Devout Catholic?

Keating, chairman of American Continental Corp., is one of the most influential men in Arizona and all of the above.

Born in Cincinnati in 1923, Keating was educated at private schools and attended the University of Cincinnati, where he flunked out.

He did a stint in the Navy, flying Hellcat fighter planes. He then went to Ohio State University on an athletic scholarship but quit and made an agreement with the University of Cincinnati to complete his degree and enter law school.

Keating became a lawyer and by the late 1950s headed his own firm.

While in practice, he met Carl Lindner, head of American Financial Co., eventually, home builder Continental Homes of Phoenix became one of the company's holdings, and Keating became the company's vice president.

The Keating family — his wife, Mary Elaine, and them six children — moved to the Valley in the mid-70s as the home building industry and Continental were struggling.

The company was spun off the American Financial books, and in 1978 Keating took it public as a separate company, American Continental Corp.

See ■ Keating, A-7

(Indicate page, name of newspaper, city and state.)

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Keating

From A-1

In 1979, Keating had a brush with the Securities and Exchange Commission, which charged him and Lindner with fraud in connection with $14 million in questionable bank loans.

Keating signed an SEC consent decree, agreeing not to violate federal fraud statutes, while not admitting or denying any wrongdoing.

His key business move was the acquisition of Lincoln Savings and Loan in 1984. The focus of American Continental quickly changed to land development and financial services. In 1985, the housing division was sold off.

With a steady flow of cash from Lincoln, American Continental has been able to amass real estate and other ventures throughout the country.

In addition to his business profile, Keating also is known in the Valley for his generousity to political and charitable causes.

Keating, a devout Catholic, in 1983 pledged that American Continental would contribute $25,000 quarterly to the St. Vincent de Paul Society for 10 years.

The company also donated $500,000 to Mother Teresa, the Roman Catholic nun who won the Nobel Peace Prize for her work among the poor in Calcutta, India.

Keating also has been unparalleled in his generosity to city, state and national political candidates, including former County Attorney Tom Collins, U.S. Sen. John McCain and mayoral candidate Pete Dunn. His generosity has been cited as the impetus for a 1986 municipal law restricting individual donations.

Keating also has become widely known in the Valley for his strong stand against pornography. While in Ohio, Keating founded Citizens for Decent Literature. He brought the organization, which became Citizens for Decency Through Law, to Phoenix in 1981, where he continues to pour his time and money into the cause.

The generosity continues in the day-to-day management of American Continental. The staff is a group of clean-cut, mostly young people who work long hours in exchange for large paychecks.

In fact, Keating's only son, Charles H. Keating III, is an executive vice president who earned $863,494 in 1987, a year in which his father earned a base salary of $1.9 million.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

News disappoints state's senators

By *The Phoenix Gazette*

Arizona's two senators, who both went to bat for Charles H. Keating Jr. during his nearly two-year struggle with thrift regulators, predicted the seizure of Lincoln Savings and Loan will deeply hurt Phoenix's economy.

Sen. Dennis DeConcini, a Democrat, said American Continental "is a big, important company that hires more than 1,000 people and has a payroll of over $250 million and has several billion in loans in Arizona. That's unfortunate for us."

Lincoln is the main subsidiary of American Continental.

Republican John McCain also expressed concerned about the thrift seizure's negative effect on the economy. "I'm no expert, but I don't think it can be any good for the economy," he said.

On a personal level, the senator said he feels sorry for the Keatings, as they are friends of his family. He added, though, "You can't question the judgment of the Federal Home Loan Bank Board."

Both Arizona senators were known benefactors of generous campaign contributions from Keating and his associates.

When officials with the San Francisco region of the Federal Home Loan Bank Board probed Lincoln in 1987 for risky ventures into real estate, McCain, DeConcini and three other senators met with

See ■ React, A-4

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React

From A-1

regulators and asked for an end to the examination.

McCain said today that he has always been concerned about the appearance of the meeting. "When you have a group of senators meeting with regulators, it has the potential of creating a bad impression," he said. "I still remain concerned."

The senator added that regulators assured him on two accounts that the meeting was not improper.

But what resulted was unprecedented in the industry. In May 1988, the regulation of Lincoln was shifted to Washington, D.C. Officials in the capitol offices conducted their own examination and last fall found problems similar to those cited by the San Francisco regulators.

By the end of 1988, Keating was seeking a buyer for his thrift, saying that he was fed up with unfair treatment from regulators and that if he did not get rid of the S&L, his company could not survive.

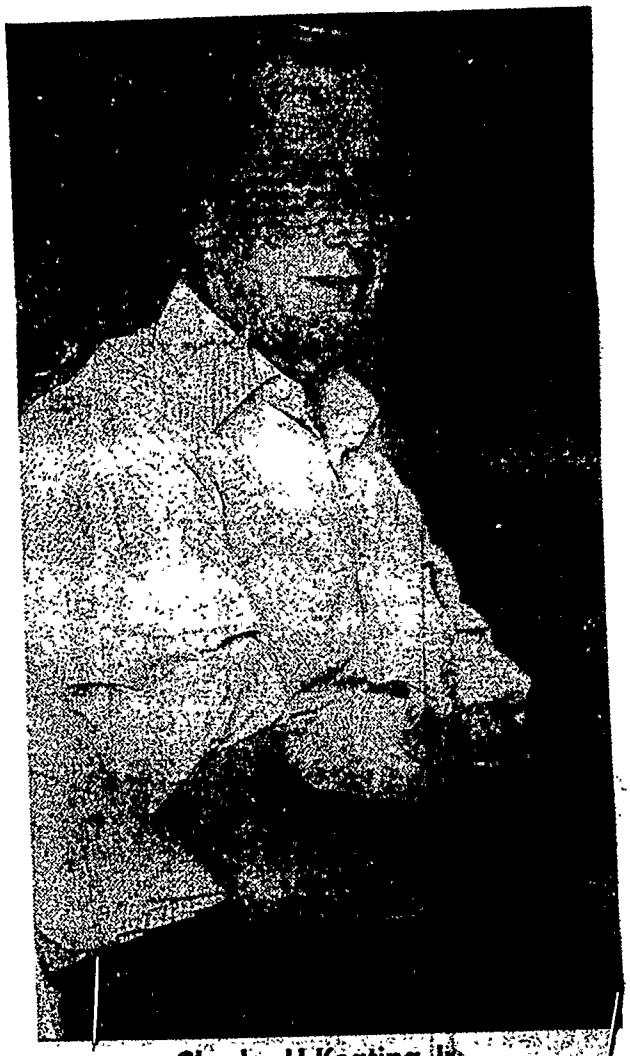
> "This is a tragedy that didn't have to happen."
>
> — Edwin Gray

Edwin Gray, former chairman of the [illegible] offered [illegible] HLBB, who took a strong stand against liberalizing thrift regulations, said late Thursday:

"This (bankruptcy) is a tragedy that didn't have to happen. In retrospect, thrift regulators in San Francisco were aware of the prospects for the tragedy and sought to take action to prevent it long ago, but were unfortunately overruled. The fallout for the thrift system and its future goes far beyond the immediate case at hand."

He said when San Francisco was overruled by Washington, "seeds were planted which have now sprung up, placing the future of the thrift regulatory system in the kind of jeopardy which otherwise would not have occurred."

Written by reporters Dawn Willett, Marian Lucas and Leslie Irwin.



Charles H Keating Jr.

Keating lists contributions to state economy

On Jan. 3, American Continental Corp. chairman Charles H. Keating Jr. outlined the following contributions that he says his company has made to the Arizona economy since 1985:

■Met Arizona's most pressing need for capital by importing approximately $3.5 billion from sources outside Arizona directly into the Arizona economy. "If you multiply the effect of that much money by the additional indirect funding it stimulates, the gross dollars are truly a phenomenal contribution," Keating said.

■Paid or caused to be paid $100 million or more in various taxes to Arizona.

■Paid more than $250 million in wages to Arizonans. "Actually, our contributions to wages if you consider direct and indirect (e.g., subcontractors, suppliers, etc.) are substantially more significant," he said.

■Paid the state of Arizona more than $18 million in property taxes alone.

■Never sought nor received a "favor" in business from any politician or political body. "Nor have we broken any laws."

■Quality projects of significant magnitude and duration to benefit Arizona for many years, in some cases for decades. "We have made loans to citizens and businesses in Arizona of approximately $1.5 billion, while ourselves investing $1 billion in Arizona real estate. We brought many businesses from out of state into our Arizona projects," Keating said. For example, Rubbermaid, Taiyo, McKesson Robbins, Miller's Outpost, SupeRx, Bruno Magli and American Founders Life Insurance Co.

■Brought foreign capital in huge amounts to Arizona.

■Built and operates two hotels, the Crescent and the Phoenician, which cost more than $300 million, employ 2,000 people and in 1989 will pay approximately $6 million in hotel taxes alone. Additionally, there's well, the support of contractors and suppliers and the influx of hotel guests from all over the world are enormously beneficial economic events.

In connection with the hotels or other projects, "we have neither asked for nor received any grants, abatements or other aids," Keating said.

■Put together an extraordinarily talented group of 3,500 people at American Continental Corp. who live and work in Arizona.

■Contributed many millions of dollars to a wide variety of charities.

Since the corporation arrived in Arizona in 1978, Keating said it has brought or created the following businesses in the state:

■A $1 billion land development company: AMCOR.

■One of the top 10 home builders in the United States: American Continental Homes, which produced about 40,000 quality homes for Arizona families.

■One of the largest mortgage companies in the United States: American Continental Mortgage Co.

■American Founders Life Insurance from Texas with insurance in force of about $3 billion and more than $300 million in assets, a significant portion of the assets invested in Arizona.

■Insurance West, a large casualty insurance company, and Continental Fidelity Life Insurance Co.

■Lincoln Savings and Loan Association from California, a $6 billion financial institution.

■A major trading operation, which trades around the world about $10 billion annually.

■A $1 billion corporate bond operation.

■Major data processing operations.

■Shopping centers, industrial buildings, offices and mixed-use development.

■An unparalleled Olympic training center for swimming. It will be the best of its kind in the world, giving great sports and educational opportunities to thousands of youngsters, according to Keating.

Key players at American Continental Corp.

According to company records and public filings, Charles H Keating Jr. and his top 11 executives owned 49 percent of the common stock in American Continental Corp. as of Dec. 1, 1988. At year-end 1987, insiders controlled 74 percent and an employee stock ownership plan and trust owned another 24 percent.

The following data represents the titles and most recently available stock holdings and salaries of Keating's executive staff.



Charles H Keating Jr., 65
chairman of the board
2,644,105 common shares
Cash salary: $1,954,914



Judy Wischer, 40
president, CEO
732,802 common shares
Salary: $839,693



Charles H. Keating III, 33
son of Charles Keating Jr.
executive vice president
1,326,444 common shares
Salary: $863,494



Robert Kielty, 43
senior vice president,
secretary, general counsel
405,874 common shares
Salary: $873,952



Robert Wurzelbacher, 34
son-in-law
senior vice president
706,458 common shares
Salary: $647,129



Robert Hubbard Jr., 36
son-in-law
vice president
768,255 common shares
Salary unavailable



Sheldon Weiner, 35
senior vice president
47,938 common shares
Salary unavailable



Bruce Dickson, 35
vice president in charge
of lending, corporate debt
14,866 common shares
Salary unavailable



Mark Voigt, 37
president of AMCOR
15,701 common shares
Salary unavailable



[illegible] Hall, 37
[illegible] law
[illegible]ector
[illegible]2,141 common shares
Salary unavailable



Andrew Ligget, 31
chief financial officer
100 common shares
Salary unavailable



George [illegible]
heads Insurance West
702,795 common shares
Salary unavailable

Compiled by Dennis Wagner, *The Phoenix Gazett*

Insiders selling off some interest in company, report show

An April 1988 financial report includes salaries for "the five most highly compensated executive officers" of American Continental.

Those figures do not include $539,459 in personal benefits from the use of company aircraft, facilities and perks. Nor do the salaries include income from stock options they exercised.

The common-share totals for these executives do not include thousands of shares held by other members of their families.

A financial filing on Nov. 9, 1988, listed 15.9 million shares outstanding; the most recent proxy showed that 13.9 million common shares were held by American Continental's top 15 executives. Since the last half of 1988, however, insiders have been selling off some of their interest in the company. Between year-end 1987 and December 1988, principals sold 20 percent of the corporation's common stock.

According to insider trading reports, Charles H. Keating Jr. reduced his holdings to 16.6 percent by the end of last year's third quarter from 22.2 percent at the end of 1987.

His son's share dropped to 8.3 percent from 13.1 percent.

Senior vice president Robert Wurzel-Bacher sold 1 million shares to bring his common stock holdings to 4.4 percent from 9.5 percent of the total common shares.

President Judy Wischer, who had 8 percent of the shares in April 1988, reduced her holdings to 4.6 percent by November 1988.

The average age of American Continental's top 10 executives, excluding Keating, is 36. The oldest, Kielty, is 43. Three of the top 10 are Keating sons-in-law. A fourth is Keating's son.

The company's annual report listed 12,000 shareholders and 1,790 employees.

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(Mount Clipping in Space Below)

American Continental chronology

Here's a look at the history of American Continental Corp. since its founding.

1976 — American Financial Corp. of Cincinnati sells its Continental Homes division to Charles H Keating Jr.

1978 — Keating moves to Phoenix and takes American Continental public.

1984 — American Continental acquires Lincoln Savings and Loan, a California thrift, for $51 million. Keating moves Lincoln into high-risk investments in junk bonds, real estate and low-grade securities.

1985 — Continental Homes is sold. Keating gives up home building because it involves "too much risk for too few dollars." American Continental investments include $369 million in low-grade securities.

1986 — Examiners for the Federal Home Loan Bank Board in San Francisco investigate Lincoln Savings and find "serious deficiencies," including false profits and an understatement of losses by $135 million. American Continental reports more than $700 million in speculative properties and $370 million in junk bonds. Keating earns $2.1 million to become the highest-paid officer of a Valley-based company.

January 1987 — *Forbes* magazine ranks American Continental Corp. among the best in the nation for growth and value, showing a 900 percent increase in stock value. During the same week, Moody's downgrades American Continental's debt rating because of high-risk investments. The Crescent Hotel celebrates its grand opening.

March 1987 — American Continental extends a $30 million line of credit to Gerald Wolken to enable him to buy 48 stores from Kroger Co. to form SupeRx of Arizona. As part of the deal, the company also acquires a 20 percent interest in SupeRx.

April 1987 — Officials from the Federal Home Loan Bank Board meet with five U.S. senators — including John McCain and Dennis DeConcini of Arizona — at Keating's request. The lawmakers — who received an estimated $150,000 in campaign contributions from Keating — allegedly lobby on behalf of Lincoln Savings.

May 1987 — San Francisco regulators recommend that the government take over Lincoln.

July 1987 — Keating says the purchase of Lincoln was "the dumbest move" ever by American Continental. He blames bank examiners for his troubles, declaring, "There's no regulator alive who knows what he's doing."

October 1987 — American Continental touts the 20,000-acre Estrella development 25 miles southwest of Phoenix, predicting that it eventually will be the home for 78,500 people.

December 1987 — Lincoln announces a restructuring to conform with traditional thrift investment plans.

May 1988 — Regulation of Lincoln Savings is transferred from the San Francisco office of the Federal Home Loan Bank to the Washington, D.C., office. Lincoln is ordered to add $10 million in capital through a stock sale and to release more than $50 million in debt.

July 1988 — American Continental purchases all the stock of the Phoenix-based brokerage firm of Young, Smith and Peacock from Ernest C. Garcia II.

September 1988 — American Continental reports losses of $36 million during the first nine months.

Oct. 1, 1988 — The $300 million Phoenician Resort opens.

November 1988 — Construction is completed at the Phoenician Resort. McCarthy Western Constructors Inc., the general contractor, files a lien because of unpaid bills.

December 1988 — Lincoln is under investigation by the state Banking Department in Arizona for alleged illegal deposit activity. Contractors who worked on the Phoenician Resort complain that payments are months overdue. Keating agrees to sell Lincoln S&L to a California investment group headed by Spencer Scott. A Federal Home Loan Bank Board examination finds that Lincoln overstated its worth by $100 million and failed to meet minimum capital requirements.

March 1989 — The sale of Lincoln to Scott falls through. Federal prosecutors disclose that Lincoln is under investigation for fraud. Judy Wischer, president of American Continental Corp., is identified as a subject of investigation.

April 1989 — Lincoln Savings seeks to change from a state charter to a federal charter. John Rousselot, a former Republican congressman from California, replaces Ray Fidel as Lincoln president and tries to form an investment group to buy Lincoln Savings. American Continental stock dives amid speculation of bankruptcy or a federal takeover of Lincoln. The Rousselot purchase attempt falls through. American Continental files Chapter 11 bankruptcy papers.

(Indicate page, name of newspaper, city and state.)

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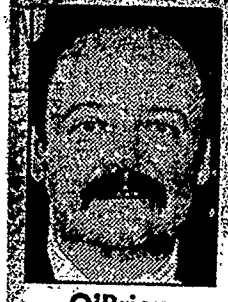
American Continental's case threatens to overwhelm court

By Russ Hemphill
The Phoenix Gazette

American Continental Corp.'s bankruptcy petition hit the U.S. Bankruptcy Court in Phoenix at 4:34 p.m. Thursday, more than a half hour after closing time.

Clerks took about 2½ hours to stamp in all the paper work associated with the filing and expect more paper work today.



O'Brien

The filings for reorganization under Chapter 11 of the U.S. Bankruptcy Code, which bankruptcy clerk Kevin O'Brien described as "pretty bare-bones," freeze all actions by creditors against American Continental and 11 of its subsidiaries now in bankruptcy court.

The petition lists total assets of $3.9 billion and liabilities of $2.8 billion.

Chapter 11 gives Keating's companies breathing room from their creditors — including from the Federal Savings and Loan Insurance Corp. if it takes over Lincoln Savings and then presses the company to pay any loan payments due — while it tries to reorganize under the direction of a judge.

The filings had been expected for the past week, and lawyers at the Phoenix law firm of Lewis and Roca made arrangements for the late filing, telling court officials that they probably would file a large case Thursday or today.

The lawyers, however, did not identify American Continental before the actual filing, O'Brien said.

The case was assigned by random draw to Judge Sarah Sharer Curley, the newest of the three Phoenix bankruptcy judges.

Curley is the judge overseeing what before the Continental filing had been the largest bankruptcy case in Arizona, Residential Resources Mortgage Co. "That's like peanuts compared to this," O'Brien said.

And the recorded value of the assets and liabilities might grow.

"They are evaluating their assets. There is no telling how much they are really worth," O'Brien said.

The sheer size of the case threatens to overwhelm the Phoenix court, which is having trouble coping with record increases in the number of filings.

Court officials are planning to establish a telephone line that would provide daily updated information on the American Continental case.

Bankruptcy courts in other jurisdictions have rented convention meeting halls to accommodate creditors in other very large first meetings of creditors, and the Phoenix court could be forced to do the same.

Major U.S. bankruptcies

Largest companies to file for Chapter 11 protection from creditors in Bankruptcy Court, the year they filed and their assets in billions.

Company	Filed	Assets
Texaco Inc.	1987	$35
Baldwin-United Corp.	1983	9.4
Penn Central Corp.	1970	7
LTV Corp.	1986	6.0
AMERICAN CONTINENTAL	1989	3.9
Pub. Serv./New Hampshire	1988	3
Manville Corp.	1982	2
Wickes Cos. Inc.	1982	2
Eastern Airlines	1989	1.4
Wheeling-Pittsburgh Steel	1985	1.1
Storage Technology Corp.	1984	1

Source: The Associated Press

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(Mount Clipping in Space Below)

Bankruptcy hit charity 'like a ton of bricks'

By Clay Thompson
The Phoenix Gazette

Aftershocks from the American Continental Corp. bankruptcy were being felt today on some mean streets far removed from the company's posh offices and luxury hotels.

Chairman Charles H Keating Jr. is well known for his generosity to charitable causes, and American Continental's Chapter 11 filing Thursday left some recipients of that generosity, especially the St. Vincent de Paul Society, wondering if the well is dry.

One St. Vincent staffer said word of the bankruptcy hit the charity "like a ton of bricks," but director Gary Brown said, "We really don't know what the impact will be."

In 1989, Keating pledged that American Continental would contribute $25,000 quarterly to St. Vincent de Paul for 10 years. Keating's giving often exceeded the pledge, Brown said.

"They have been very supportive of us over the years," he said. "He (Keating) is very committed to us and to the homeless and the poor.

"I don't know what else I can say until I've had a chance to talk to him about it. Our prayers go out to him."

A loss or interruption of the Keating pledge would come at an especially bad time for the St. Vincent de Paul Society, which operates a charity dining room and provides many other services for the homeless and needy. The charity, Brown said, is running about $56,000 behind in it's $1.7 million fund-raising needs.

Mark Connally, an American Continental spokesman, said the charity might have to wait in line at bankruptcy court like other creditors. However, Connally said he did not know if the $25,000 quarterly gifts were a pledge by the corporation or by Keating personally.

(Indicate page, name of newspaper, city and state.)

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Keating's firm files Chapter 11

Debts of $3 billion listed

By Lisa Morrell and Jean Novotny
The Arizona Republic

American Continental Corp. of Phoenix filed a petition for reorganization under federal bankruptcy law Thursday, saying it had debts totaling almost $3 billion and more than 25,000 creditors.

The filing could well be one of the largest Chapter 11 cases in 1989 history, and it clearly is the largest case in the history of the Arizona district of the federal Bankruptcy Court, according to Kevin O'Brien, clerk of the court in Phoenix.

American Continental Chairman Charles H. Keating Jr. said the company took the drastic action to protect the interests of its stockholders and the people who had lent the company money.

He blamed the firm's financial turmoil on federal savings and loan regulators, and said the Federal Home Loan Bank Board was trying to seize the California S&L that American Continental owns.

One of the Valley's leading financial executives speculated that Keating filed for court protection to prevent creditors from going after the assets of American Continental.

American Continental is one of the Valley's best-known business enterprises because of its highly visible role in area development and because of Keating's personal involvement in community events and activities.

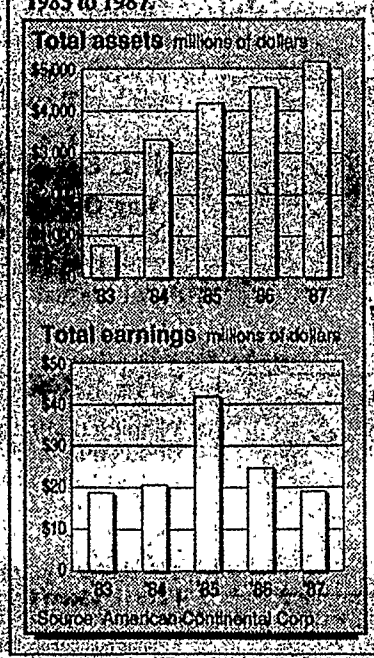
The company's business is financial services and real estate. It is the majority owner of The Phoenician, a megaresort at the base of Camelback Mountain in Scottsdale, and The Crescent Hotel in Phoenix, and the developer of Estrella in west Maricopa County, and other commercial developments in the Valley.

It took 12 11- by 24-inch boxes to hold all of the documents filed in connection with the massive Chapter 11 case. Two large carts were used to haul the boxes into the court. The case has been assigned to Judge Sarah Curley.

The filing seeks court protection for American Continental and 11 of its subsidiaries under Chapter 11 of the U.S. Bankruptcy Code. Under Chapter 11, the most frequently used form

— See KEATING'S, page A 9

AMERICAN CONTINENTAL CORP.
Total assets and net earnings from 1983 to 1987.



Don Foley/The Arizona Republic

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CHAPTER 11

The most frequently used chapter of the Federal Bankruptcy Act, Chapter 11 allows a company to obtain a federal court order that frees it from the threat of creditors' lawsuits while it develops a plan of reorganization.

While the reorganization is taking place, the court must approve all management activities.

The reorganization plan must be accepted by a majority of the firm's creditors.

Source: The Associated Press

Keating's firm files Chapter 11

— KEATING'S, *from page A1*

of Bankruptcy Court filing, a company seeks authority from the court to reorganize its businesses, free from threats of lawsuits by creditors.

The petition filed for American Continental Corp. lists assets of $454.7 million and liabilities of $358.9 million and controlling interest in 55 companies.

The largest of the filings was for an American Continental subsidiary called Amcor Funding Corp., which has assets of $935.6 million and liabilities of $820.8 million. Amcor controls the Phoenician Funding Corp., Continental Fidelity Life Insurance Co., American Founders Life Insurance Co. and Amcor Insurance Group.

Besides American Continental and Amcor Funding, the subsidiaries that have filed Chapter 11 petitions are SSFLC, a shell corporation, which controls the Phoenix investment banking firm of Young, Smith & Peacock Inc.; Phoenician Financial Corp.; Phoenician Commercial Properties Inc.; Provident Mortgage Corp.; Amcor Investments Corp., which controls the Estrella development in Goodyear; Crescent Lending Corp.; Linfin Corp.; Castle Meadows Inc.; the Crescent Hotel Group; and Cresfin Corp.

The filings do not involve The Phoenician and The Crescent Hotel.

A statement from American Continental said that those properties' operations would not be affected or impaired by the filing. American Continental owns 55 percent of those properties.

Company spokesman Mark Connally said American Continental had no comment other than a one-page press release. He said the company plans to hold a press conference Monday.

In his statement, Keating tied the filing to a decision by the Federal Home Loan Bank Board in Washington, D.C., to take over Lincoln Savings and Loan Association of Irvine, Calif.

Lincoln, which has $5.4 billion in assets, is American Continental's largest subsidiary. American Continental has been trying to sell Lincoln for more than a year, but three attempts have failed. The bank board had been considering the latest offer from a group led by John Rousselot, a former congressman from California.

A spokesman for the bank board declined to comment Thursday.

Despite a drastic revision of the Rousselot group's offer and concessions by American Continental in the past few weeks, the bank board apparently rejected the Rousselot bid.

Because of that, "we believe that we have taken the only course of action that will maximize the value of American Continental for the benefit of our bondholders and shareholders," Keating said in the statement.

Lincoln Savings' deposits are insured by the Federal Savings and Loan Insurance Corp. If American Continental continues to refuse regulators' demands to turn over Lincoln, regulators' next step may be to consider withdrawing the thrift's insurance, said Michael Conover, president of Ryan, Beck & Co./Pacific, a Los Angeles based firm that specializes in banks and thrifts.

He added that filing Chapter 11 "has been the status quo when they take away your largest asset, to protect the corporation's other assets."

The news of the filings came as no surprise to the investment community, said Bert Ely, whose Alexandria, Va.-based consulting firm specializes in the thrift industry.

Ely predicted that federal regulators would seize the troubled Lincoln Savings today as a result of the filing.

"I don't see how they can avoid it," Ely said.

He questioned what would happen to the investments in American Continental by the holders of more than $215 million of the company's subordinated debentures.

About 23,000 of the company's creditors are bondholders. Those debts are backed only by American Continental's earnings.

"You're going to be seeing a lot of tears over that," Ely said.

He predicted that some of the company's top executives may file personal bankruptcy petitions as well.

American Continental is laboring under a severe cash-flow crunch. Talk of the filing had been rampant during the past week.

American Continental was scheduled to file its year-end results for 1988 by April 15 with the Securities and Exchange Commission. The company had used a 15-day extension that the SEC allows.

American Continental lost $36 million in the first nine months of last year.

The company bought Lincoln Savings for $51 million in February 1984. Since then, Keating has fought with regulatory officials over Lincoln Savings' use of depositors' money for risk-oriented investments, such as raw land and junk bonds.

One American Continental manager said that meetings were held Thursday in the company's different divisions to announce the situation.

"A lot of employees expressed relief that a direction has been taken," the manager said. "But of course a lot of people are wondering, 'What next?' "

At the meetings, employees were reassured that they would receive paychecks as scheduled.

AMERICAN CONTINENTAL

1976: American Financial Corp. spins off its Continental Homes division. Charles H. Keating Jr. takes command.

1978: American Continental goes public.

1984: American Continental buys Lincoln Savings and Loan Association of Irvine, Calif., for $51 million.

1985: American Continental sells its Continental Homes division so it can focus on land development and financial services.

1986: The Federal Home Loan Bank Board of San Francisco begins an examination of Lincoln Savings.

The board's examiners say they have found $135 million in losses. Lincoln contests the findings.

1987: The Crescent Hotel opens in northwest Phoenix.

William Hinz becomes chairman of Lincoln Savings.

The Securities and Exchange Commission begins an investigation of American Continental's transactions and investments.

1988: The bank board recommends Lincoln be put into conservatorship.

Hinz resigns, ostensibly to lead an investment group interested in buying Lincoln. The deal later collapses.

The bank board assumes supervision of Lincoln and begins its own review.

American Continental reports a loss of $36 million in the first nine months of the year. Lincoln now accounts for $6 billion of American Continental's assets of $6.9 billion.

A bank-board report concludes that Lincoln does not meet minimum capital requirements.

American Continental announces an agreement to sell Lincoln to a group headed by Spencer Scott of Glendale, Calif.

1989: Keating says the Lincoln sale is crucial to the company's future. The U.S. attorney's office in Los Angeles reveals an ongoing criminal-fraud investigation of Lincoln.

Another investment group, headed by former U.S. Rep. John Rousselot, discloses its offer for Lincoln. The Scott group's bid is rejected by the California Department of Savings and Loan.

Ray Fidel resigns as president and chief executive of Lincoln. He is replaced by Rousselot.

The bank board demands that Federal Saving and Loan Insurance Corp. take control of Lincoln. American Continental files for protection under Chapter 11.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Fate of lavish Phoenician uncertain

By Jean Novotny
The Arizona Republic

The monumental Phoenician Resort, b... Charles H Keating Jr., is about to becom... centerpiece in a monumental fight ov... ownership.

Keating spent tens of millions of dolla... build the lavish resort, and now he's going to have to spend tens of thousands of dollars more to hang on to it.

His fight in U.S. Bankruptcy Court will be with an agency of the federal government. The Federal Home Loan Bank Board says there's a possibility the majority ownership of The Phoenician rests with Lincoln Savings & Loan Association. The bank board threw Lincoln into conservatorship Friday, just a day after American Continental Corp. and 11 of its subsidiaries, including several controlled by Lincoln and that have interests in the resort, reorganization under Chapter 11 of the Federal Bankruptcy Act.

Lincoln is a subsidiary of American Continental Corp., the financial-services and real-estate company headed by Keating.

On the sidelines with its fists bared is McCarthy Western Constructors Inc., the Phoenix construction company that built The Phoenician. McCarthy is owed about $19 million on its contract for the resort and has filed a lien on the property.

The Phoenician clearly contributed mightily to the ... of American Continental Corp. It was ... sinkhole.

The company bared no expense to build the resort ... straddles the line between Phoenix and Scottsdale and has been widely praised and criticized ... no-holds-barred extravagance.

Yet ... company spent millions to serve ... of the market may be the key to ... survival even as American Continental and some of its subsidiaries face reorganization under Chapter 11 of the U.S. Bankruptcy Code.

The ... and its sister property, the Crescent ... in Phoenix, were not included in the Chapter 11 filings but likely will figure in the proceedings because of their connection to American Continental.

It's seemingly contradictory, but American Continental executives do consider the lavishness of The Phoenician to be the very reason for what they consider the resort's success during its first six months of operation.

It found its niche, and the niche was catering to people, including many celebrities, who like opulent surroundings and are willing to pay $5.95 for a malt, $19.50 for a shrimp cocktail and $235 to $3,500 a night for a room.

"The hotel business is very difficult," Keating

See FUTURE, page E6

COMPANY PROFILE

Nine-month results as of Sept. 30 for American Continental Corp. Year-end results not yet available.

Assets ..... $6.9 billion
Revenues ..... $128.8 million
Net loss ..... $35.6 million
Loss per share $2.26
Employees 3,000
Principal subsidiaries: American Continental Properties Inc., Lincoln Savings and Loan Association, AMCOR Funding Corp., AMCOR Investments Corp., American Founders Life Insurance Co., Continental Fidelity Life Insurance Co., Insurance West Inc., LINFIN Corp., Phoenician Commercial Properties Inc., Phoenician Financial Corp., Crescent Hotel Group.

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Future of lavish Phoenician is uncertain

FUTURE, from page B-1

the controversial chairman of American Continental said in an interview in January.

"And deciding to go after 1 percent of the market was very difficult, it's where you can bend your lance.

"But it has worked so far."

As evidence, he cited:

- A projected occupancy at The Phoenician of 85 percent for this year. That's considered quite high in this overbuilt market; 60 percent is the break-even point.
- About $7 million in sales in the first three months of operation, or about twice what the resort had expected to do in October, November and December.
- Sales of $5.5 million, including $1.5 million in banquet revenues, in January alone and projected sales of $60 million for the year.
- As many as 700 phone inquiries a day, resulting in bookings for about 200 rooms. That is considered significant because The Phoenician is not part of a chain or connected with a reservations network.

Risky business

Still, Keating is well aware the hotel business is fraught with financial problems.

In recent years, several Valley properties, including the Wyndham Paradise Valley and Paradise Valley, the Sheraton San Marcos in Chandler, and the Hilton Pavilion and the Ramada Renaissance, both in Mesa, have had almost-fatal financial problems.

If problems arise, it is usually early in the history of a hotel or resort, and first owners typically lose out to mortgage holders.

However, there is no mortgage on The Phoenician.

McCarthy would have first claim on the property by virtue of its lien on the resort. It claims in papers filed with Maricopa County Superior Court that it is owed at least $18.5 million for its work on the property.

But Gerald Murphy, president for McCarthy, said the company is just interested in getting its money and not in taking over the resort. Besides, he suspects that if the resort were put up for sale, the other investors would step forward, buy it and pay off the lien.

American Continental owns 55 percent of the hotel. The other portion is owned by investors from Kuwait.

The resort is likely to prove salable if it is ordered sold to satisfy creditors. Industry insiders say plenty of people would be interested in buying the property.

Cost called too high

None, however, would want to pay what American Continental put into the property. Even wealthy foreign investors would balk at the cost, those in the know say.

The last word from Keating was that the resort cost somewhere between $260 million and $265 million to build, but he has said that cost could be reduced by $30 million to $40 million if the company decided to [illegible] 80 hours [illegible] on the property [illegible] constructing about 200 more casitas — the resort has 131 [illegible] condo-style units — and selling only home lots.

The resort would be sold only at a great emotional cost to Keating. He is not likely to give it up without a big fight.

The 65-year-old Keating, who spent his career in finance and real-estate development, got into the hotel business purely for financial reasons and really by accident. But he literally has fallen in love with the business.

He said he enjoys it more than anything he has ever done and calls it "a 24-hour party."

Keating, who drives himself as hard as he does his employees, has spent night and day at The Phoenician for more than a year, first to see that it was completed on schedule and now to make sure everything runs perfectly. No one can accuse him of not minding the store.

It is his baby, and some say he has doted on it at the expense of his other interests.

Keating touts the 605-room resort as the world's finest. He brags that the service level is unmatched.

A check with Nutri-Systems Inc., a company that held its world convention at The Phoenician in February, backs that assertion.

"The service was phenomenal — they just couldn't do enough for us," said Elaine Schleigh of Nutri-Systems. "They went above and beyond the call of duty. They handled us well considering our problems, and we did indeed have problems. None because of the hotel but because of the nature of the convention."

Room rates among highest

Jeff Johnson, the resort's director of marketing, said the resort's rates are at the top end of those charged in the Valley.

But he added, "We feel we're in the top 1 percent of the market, and we feel we deliver service comparable with the price we're asking. It's always been easy for me to ask the prices we do, knowing what we have to offer."

The prices the resort charges for rooms are staggering to people of ordinary means.

Yet, Jerry Landis, a longtime observer of Valley resorts and a fan of The Phoenician, said the rates at the facility are not out of line when compared with those in other major cities of the world.

"I very definitely think the international clientele are used to paying in the $300 range and not getting the facilities The Phoenician has," said Landis, owner of Landis Aerial Surveys.

Landis said The Phoenician is an exciting place to visit and provides a "huge window" through which visitors can view the Southwest.

"This hotel, at some point, is going to be a great hotel," Landis said.

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(Mount Clipping in Space Below)

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KEATING'S COLLAPSE

Mystical land 'too good to be true'

'Invincible' empire shaken by Chapter 11

By Lee Morrell
[redacted]

It's a world of relatively high pay and long hours and carefully maintained appearances. Some liken it to a court whose millionaire leaders — the Keatings family — are fanatical about keeping order and loyalty.

In the workplace, that means periodic purges of clutter. Employees are under rules to completely clean off their desks every night — no plants, please, and few, if any, personal items. The stark environment is one of the first things that visitors notice.

For employees, it means being meticulously well-groomed, well-dressed — and well-behaved — even when things aren't going well.

For years, it seemed to workers that the foundation of this world was unshakable. The money flowed. It supported high-class parties, a minifleet of jets and a lavish lifestyle for many.

The world of American Continental has revolved around the commandeering persona of its leader, Chairman Charles H Keating Jr.

But the land of plenty was built on a California thrift called Lincoln Savings and Loan Association. And last year, employees began to notice that the foundation was cracking.

An American Continental manager, who requested anonymity, said that as recently as a year ago, he never would have thought any serious financial trouble could shake the company's "invincible" empire.

But since January, at least 350 to 400 workers have left the $6.9 billion company, according to a former American Continental executive. That's more than 10 percent of the company's total employment at the start of the year. American Continental is caught in a severe cash-flow crunch. It filed for protection from creditors under Chapter 11 of the U.S. [redacted] American Continental employees.



Charles H. Keating Jr.

"We just used to have this Continental Corp. feeling, and the management used to convey it to us that ACC had an unlimited amount of capital and we were just going to grow and grow, and grow, and that the money would just keep coming, and now, of course, that isn't true," the manager said.

The Chapter 11 filing came after the federal government said it intended to seize American Continental's largest subsidiary, Lincoln Savings and Loan of Irvine, Calif. The government put Lincoln into conservatorship Friday. American Continental's use of money deposited in Lincoln for risk-oriented investments has been the focus of bitter and long-running battles with regulators.

Tired of the fight, American Continental last year began trying to sell its $5.4 billion thrift.

And soon reality began to ground a situation that the manager calls "too good to be true."

Some employees now realize that American Continental's seemingly endless supply of money was not based on some magical financial wizardry, he said.

"What we actually had was depositors' money to spend. That's kind of a sobering reality, especially when you think about what may happen because of it," he said.

A year ago, Keating claimed victory in a more-than-2-year-long battle with federal regulatory officials. There seemed nothing that could topple the wealth and power of American Continental and Keating, the manager said.

Now, the company is in Bankruptcy Court.

— See 'INVINCIBLE,' page E6

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'Invincible' empire was 'too good to be true'

INVINCIBLE, from page E1

proceedings. It is trying to reorganize its finances and its businesses. Employees worry whether the company will survive and crawl back to financial health.

Morale at the company hit bottom about a month ago, when a deal to sell Lincoln Savings fell through.

"It looked like doom might be pretty imminent," the manager said.

Some employees left, some not by choice. Most employees who stayed are optimistic that the company will survive, even now that it has filed for protection from creditors, he said. Employees were relieved it chose reorganization rather than liquidation.

'Situation to be easier'

"The situation is going to be a lot easier for (American Continental) to deal with because they've got some protection now," the manager said.

The company has moved some of its workers — many support staffers, such as messengers and secretaries — from company headquarters to its Phoenician Resort in Scottsdale or its Crescent Hotel in Phoenix.

"They're trying to get as many people out of jobs they know they're not going to have for very long and move them into positions where they [illegible] going to have some longevity," the [illegible]ager said.

O[illegible] American Continental executive [illegible]ought he had longevity and secu[illegible]. Then he got the ax this mon[illegible]

"[illegible] angry, I'm hurt, I'm mad, but they [illegible] done," he said.

All he wants from the firm now is the money he has coming, he said. But the financial problems worry him.

"The thing is getting to a point now where people are panicking. It all boils down to money. Everybody wants to know if they're going to get their money and nobody can get an answer," the executive said, speaking on condition of anonymity.

Keating apparently has been as silent to his employees as he has been to the media.

"I just think that he should come forward and tell the people that are working for him now where are we at, where we're going and what's going to happen," said the executive, who speaks as if he still works for the company.

Workers told last week

In brief meetings Thursday, employees were informed of the Bankruptcy Court filing, but not much else.

"The situation at American Continental is, it's not a sinking ship," the former executive said. "The ship has *sunk*. It's just that all the survivors haven't jumped overboard yet."

One American Continental employee, who worked in a technical department, didn't think she'd [illegible] asked to abandon ship quite [illegible] abruptly.

Near the beginning of the year, the head of her department held a meeting with his workers.

"We were basically told we really didn't need to worry about being laid off," she said.

A month later, the department head called other meetings. This time, he spoke one-on-one with the five or six employees.

He said he hadn't expected to have to cut back, "'but it has to be done, [illegible] had nothing to do with your performance or anything like that, and thank you very much, bye!'" she recalled.

Before she left, however, she had to [illegible] a confidentiality agreement. She received a few weeks' severance pay, but that was substantially less than employees got in more prosperous [illegible]

She said she does not carry hard feelings toward her former employer, who demanded at least 10-hour workdays but paid well in return. But she questions the ethics of letting people go without any warning.

She wonders where other former American Continental workers who used to bring home hefty salaries will find comparable jobs in the Valley. Especially those who bought a home, for example, based on their pay at the company.

Woes noticed at holidays

Some employees first noticed a [illegible] of trouble at Christmas, she [illegible] American Continental workers [illegible] slim Christmas [illegible] week or more of [illegible] to, they each [illegible] a gift certificate for $100 to [illegible] at Keating's Phoenician Resort.

The end of catered breakfasts and [illegible] for the executive floor told the former American Continental staffer that all was not well as early as last fall, she said, speaking anonymously. American Continental executives [illegible] had worried about costs. Then little things came under scrutiny, from the supply of Pepsi for employees to the use of Federal Express.

That was shortly before she was fired without warning last fall. She had been part of the "in crowd" at the company, frequently selected from the many attractive young women employed by American Continental to act as a hostess at company and Keating family social events.

In her subsequent job search, she said, she was willing to take a pay cut of several thousand dollars. But one potential employer wouldn't even consider her because of the level of her former salary, she said. Still, her experience at American Continental helped her land a management position at the same salary within a month.

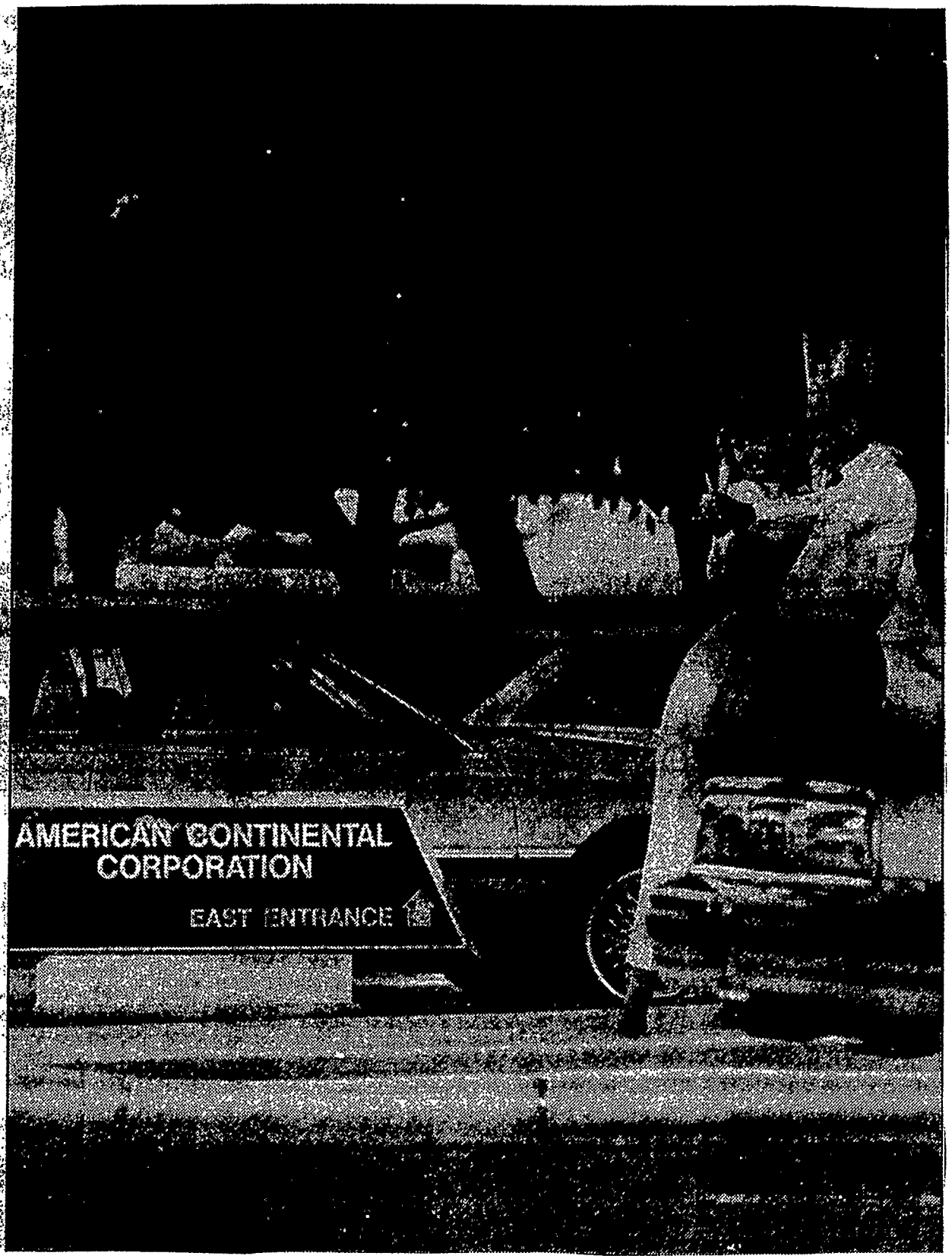
American Continental is a name that employment agencies in the Phoenix area said they have dealt with more and more in the past several months. A number of agency managers said American Continental workers have top-notch qualifications.

"Most people that are leaving American Continental do recognize they have had a higher salary than market and are willing to accept less," said Vikki West, vice president of Accountemps, a division of Robert Half Inc. of Arizona.

The company has had a reputation of paying "high" salaries.

Since January, about a half-dozen currently employed American Continental managers have contacted Roberson and Co. of Phoenix to look into their job options, said Steve Silvas, president of the agency. He tagged them "middle-management people who are concerned that they are in shaky city."

Or, at least compared with last year, in a different world.



Was it the last tango on Camelback Road these two employees of American Continental Corp. were dancing after work Friday or a waltz into the future?

FD-350 (Rev. 5-7-81)

(Mount Clipping in Space Below)

Catholic charities in Valley lament Keating plight

Gifts may ebb; sisters praying hard for Charlie'

By Art Thomason
The Arizona Republic

The plunge of the American Continental Corp. into financial problems has left leaders of the Valley's Catholic charities praying for Charles H. Keating Jr., the corporation's chairman and one of their leading contributors.

The St. Vincent de Paul Society and the Little Sisters of the Poor mission work of Mother Teresa have been two of the largest beneficiaries of Keating's generosity.

"The sisters here in Phoenix have been praying very hard for Charlie, and I know Mother Teresa will, too," said the Rev. Dale Fushek, vicar of the Phoenix diocesan Office for Worship and pastor of St. Timothy Catholic Church in Mesa.

"Prayers have a power, and I know Charlie will land on his feet."

DREAM IN DANGER: Questions loom over Estrella, **C1**

Since 1976, when Keating purchased the company, American Continental has given millions to various charities, including $1 million to Mother Teresa, who won the Nobel Peace Prize in 1979 for her work with the poor in Calcutta, India. From 1984 to 1986, the company gave more than $6 million to the world's charities, company officials said.

Officials of some of those charities in Arizona said Sunday that American Continental's filing Thursday for protection from creditors under Chapter 11 of the Federal Bankruptcy Code would be devastating.

"Although the contribution was less than 3 percent of our annual budget, it's going to have a significant impact because it was a contribution to our general fund. A lot of our donations come in the form of food and clothing."

Brown said St. Vincent de Paul workers have observed an increase in the number of people seeking help and a decline in contributions this year. The charity has an annual general fund budget of about $1.5 million.

"It's not good for the atmosphere," he said. "This community is having a very tough time, and we're noticing it.

"We're down from our (donations) goal by $50,000 already this year. And we're helping more people who are in their homes with food to keep them from ending up in the street.

"As a community leader, I'm very concerned about the economy and the direction we're going."

Brown said he has not spoken to Keating about whether he will continue to contribute to the charity personally.

Keating could not be reached for comment.

Bishop Thomas J. O'Brien said he expected Keating to continue giving despite his company's problems.

"He's been extremely generous to us and in his own way and his own time, he will continue to give to us. He has a great love for the church," O'Brien said.

"This is a major blow," said Gary L. Brown, executive director of the St. Vincent de Paul Society.

Brown said that in 1983, American Continental made a 10-year pledge to contribute $100,000 annually to the society's general fund.

"A lot of times they went way beyond that," Brown said. "We really haven't had a chance to assess the impact (of the Chapter 11 filing) yet.

"We'll be praying for him and the community as well," Brown said. "He (Keating) has always been very fair and gone out of his way for us.

"I'm sure if it's in his possibility, he'll help us. The man has done a lot for the poor in this community and around the world."

Fushek said American Continental's troubles would have a "tremendous impact" on Mother Teresa's work internationally. However, the priest said a foundation house started last year by Mother Teresa to help the poor in Phoenix probably would not be affected.

"That's a grass-roots thing, and the money has been contributed locally," Fushek said.

Keating's generosity has been credited with influencing Mother Teresa's decision to come to Phoenix. She has a waiting list of at least 100 bishops

— *See* **VALLEY'S**, *page B2*

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Valley's Catholic charities lament Keating firm's plight

VALLEY'S, *from page B1*

who want the "living saint" to help them.

"People are genuinely aware of how generous he has been," Fusek said. "It took me by surprise. People are taking this very personally."

Other Arizona groups said that American Continental's Chapter 11 filing might have an indirect affect on their work.

Betsy Bolding, acting manager of the Phoenix office of the Arizona Theatre Company, said that the organization never has received a cent from Keating. However, it has received contributions from subsidiaries of American Continental.

Bolding said that although the American Continental difficulties in themselves wouldn't cause the theater company major problems, it is a reflection of the economy in general.

Glynn Ross, general director of the Arizona Opera, said that for his production of *Lakme* in January, Keating underwrote the appearance of the two stars, soprano Beverly Hoch and tenor Carroll Freeman. Glynn estimated the dollar amount to be approximately $15,000.

Ross said that he does not think that the absence of future contributions from Keating will affect his organization but that he is unhappy because any such problem creates "a negative climate."

Officials for the Phoenix Symphony and the Arizona Ballet said Keating never made financial contributions to their organizations.

In addition to Mother Teresa and the St. Vincent de Paul Society, other beneficiaries of Keating's generosity include:

- A fund drive to build the Arizona Peace Officers' Memorial. Keating gave $25,000. The project honors the state's law-enforcement officers who have died in the line of duty.
- The Encanto Carousel Fund and the drive to restore the carousel at Encanto Park. Keating gave $20,000.
- The Sacred Heart Home for the Aged. A Keating firm, AMCOR Investments, gave land valued at $1.3 million in Chandler. The home, operated by the Little Sisters of the Poor, had to leave its Phoenix building to make way for the Papago Freeway.
- The east Valley homeless. Keating gave $25,000 in 1987.
- The Sisters of Charity of Cincinnati, Keating's hometown. Keating gave $444,000.
- Groups advocating public decency and a ban on pornography. Keating gave thousands of dollars through a group he founded, Citizens for Decency Through Law.

Contributing were Cathryn Retzloff Creno, Kim Sue Lia Perkes and Hal Mattern *The Arizona Republic.*

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Project's shaky prospects rattle Goodyear, too

By Joyce Valdez
The Arizona Republic

Civic and business leaders of Goodyear, who had linked their big-city dreams to the now-crippled American Continental Corp., remain hopeful the community will thrive on its own.

The city's close relationship with American Continental dates back to August 1986, when the City Council approved an agreement governing construction of Estrella, a 20,000-acre mixed-use development, with the American Continental subsidiary that controls the project.

At the time, Goodyear officials were confident the city would quadruple in just a decade to a population of 40,000.

Their hopes have been deflated by American Continental's filing for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

"It will definitely be a setback, not just for Goodyear but for the whole Valley," City Manager Ernie Kleinschmidt said. "How it will hurt the city, we're not quite sure, but it will definitely have an impact. . . . It will hurt us pretty well."

American Continental executives have played a key role in the west Valley's economic-development efforts, Kleinschmidt said.

"They've been very, very active in getting industry to come in and take a look at us," he said. "Everyone looked toward them to get things on the move for us."

Goodyear Mayor Carl Gow said, "We will have to find some way we can go ahead and get that development (Estrella) going again."

Gow said the city does not regret its relationship with American Continental, adding, "They put $70 million worth of infrastructure out there. Everything they've done here has been first-class."

Ilo Gregory, a city councilman when the master plan was approved, views the Chapter 11 filing as "a dark cloud, but, hopefully, it will roll away."

So much money has been invested in Estrella that some real-estate experts think its momentum will carry it forward.

Gregory said he hopes American Continental can reorganize; otherwise, "it will be a terrible blow to the Valley."

Gregory is confident that American Continental Chairman Charles H. Keating Jr. will guide the company through its crisis.

"He's much too sharp to get himself (financially) wound up like that," he said.

John Mistler, chairman of the Western Gateway Team, the west Valley's economic-development group, said the corporation's problems would not detract from the region's assets.

The west Valley's access to Interstate 10, casual lifestyle and

— See GOODYEAR, page C4

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Goodyear hopes to thrive by itself

GOODYEAR, *from page C1*

land that is inexpensive by east Valley standards are still strong selling points, he said.

"It's got to be 'business as usual' for us," he said.

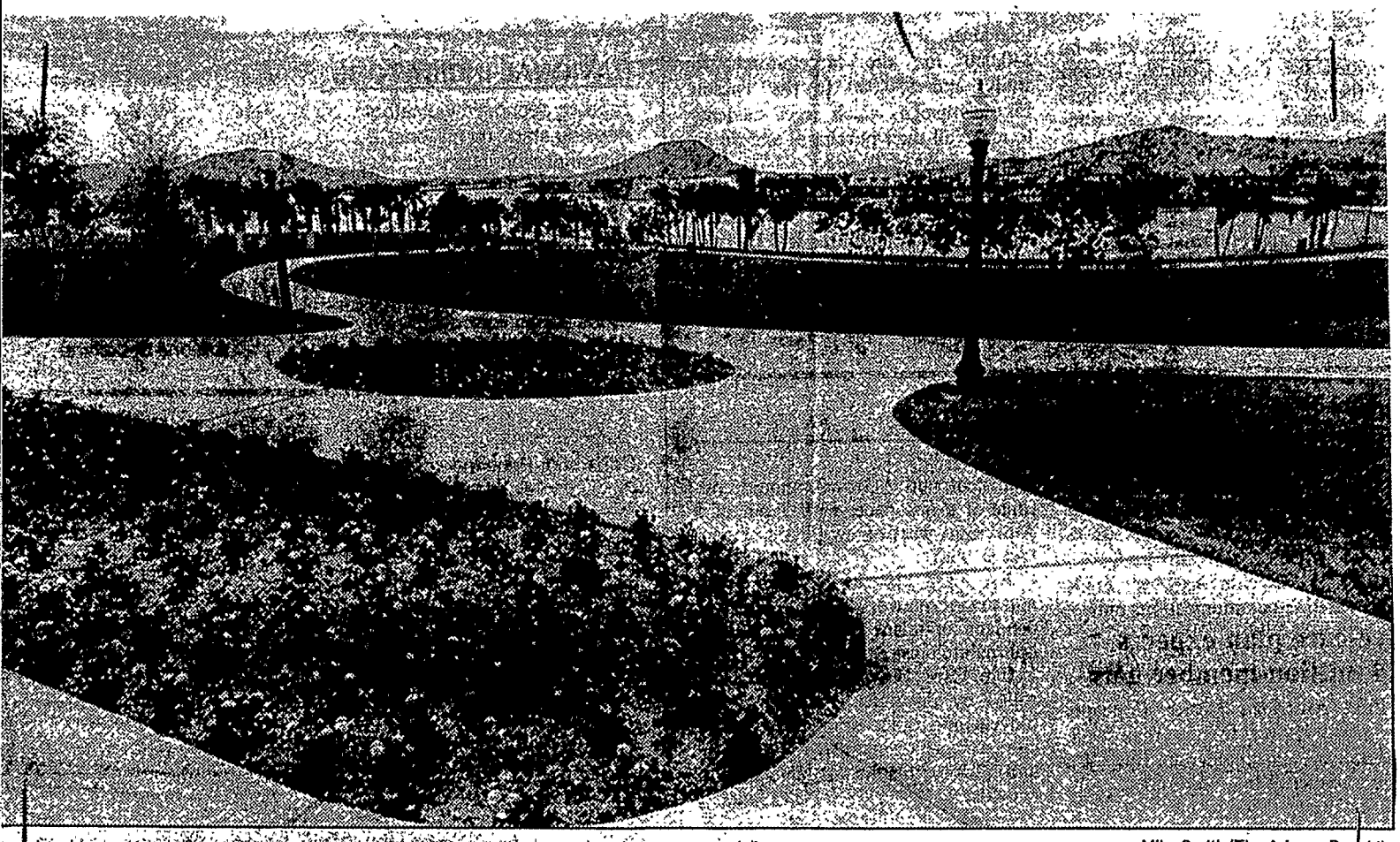
"Western Gateway will just have to work harder to implement the things we've outlined in our marketing plan, which is recruitment of business and industry."

He added, "I don't think American Continental is done yet."

Michael Harbushka, co-owner of ERA Tres Realty, based in Goodyear, said he hopes American Continental's action reflects a "bump" in the road toward greater prosperity for the area.

"The very ingredients that attracted American Continental to the west Valley are still here," he said.

"Once things settle down, I also think it will be business as usual."



Mike Smith/The Arizona Republic

The principal recreation area at the sprawling Estrella development near Goodyear features two large lakes and extensive landscaping.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Questions loom over Estrella

Keating project huge, threatened

By Ken Western
The Arizona Republic

Aaron and Rose Curtin leaned forward and studied the scale model of the massive Estrella development taking shape in the desert southwest of Phoenix.

Displayed before the couple were miniature artificial lakes, home sites, parks, an 18-hole golf course, retail centers and other amenities envisioned for the first phase of the master-planned community.

"Wow," Rose Curtin said as the couple took in the breadth of the development at Estrella's Information Center a few weeks ago.

"Amazing," Aaron added.

Curtin is not the couple's real name, but just outside the adobe information center is the real Estrella. It too is impressive.

The project sprawls across about 20,000 acres at the base of the Sierra Estrella Mountains, south of Goodyear.

But hanging over the entire development are big questions about its future. That's because the company that is developing Estrella, American Continental Corp. of Phoenix, filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code late last week.

The big question is whether Estrella will wind up as the most expensive community never built in the West, a region whose history is filled with real-estate booms and busts.

But several developers and economists say so much money, upwards of $100 million, has been invested in Estrella's infrastructure that it will move forward on sheer momentum.

Charles H Keating Jr., chairman of American Continental, envisioned Estrella as "a new modern city" that would become home for 200,000 people over the next 20 to 30 years.

That could still happen, but it may not happen with Keating at the helm as he attempts to reorganize his company and figure out how to begin

—See **ESTRELLA**, *page C4*.

(Indicate page, name of newspaper, city and state.)

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Estrella development suddenly has uncertain future

—ESTRELLA, *from page C1*

paying off $3 billion in debts.

At this point, Estrella resembles an elaborate stage readied for a play yet to unfold.

Parkway beckons visitors

A landscaped parkway with flowering plants beckons visitors to the development, which also has about 10 miles of arterial roads and two lakes covering 72 acres.

Surrounding the lakes are well-appointed ramadas, a pavilion, a yacht club, tennis courts, basketball courts and a jogging and bike path.

Signs around the first phase of the development stake out the sites for churches, retail centers, a resort hotel, hospital, office buildings and a police station.

The magnitude of the development is staggering to many observers.

"It's a gargantuan task," said Charles Hickcox, president of the Feldman Hickcox Co., a Scottsdale development company.

"The task of doing a project like that is monumental. It's not for the fainthearted," he said.

"It's hard even to put it into perspective how big that thing is, how much money has been spent to just put those big lakes in."

Only a few custom houses have been built in the development, which is getting off the ground after years of preparation.

The reorganization filing by American Continental probably could not have come at a worse time for the two major companies that just began selling still unbuilt homes at Estrella.

But both companies express optimism about the development's long-term future.

"Nothing compares to it. You have to see it to appreciate it," said Mike Pernas, a sales representative for UDC Homes.

UDC Homes just began construction of three of its six planned model houses at Estrella. The company plans to build 171 houses in the first phase of Estrella, and 275 in the second phase.

Continental Homes, which at one time was part of American Continental, began selling houses for its 165 lots in the development just three weeks ago.

The company has several buyers lined up, but it won't sell any houses until it receives assurances that an American Continental subsidiary will oversee the area's fledgling homeowners association, said Tom Hickcox, vice president of sales and marketing for Continental.

The association takes care of the lakes, grass and other public areas that are an essential part of Estrella's appeal.

In anticipation of families moving into the community, an elementary school is under construction. It is to open in the fall.

Lincoln has been the engine

Lincoln Savings and Loan Association of Irvine, Calif., which was acquired by American Continental in 1984, is the engine that has driven the project.

Federal banking regulators seized Lincoln on Friday. Among other things, they had expressed deep concern Lincoln's indirectly investing about a billion dollars in raw land, some of it in Estrella.

A pair of knowledgeable observers think that, despite the filing for protection under Chapter 11 and seizure of Lincoln, Estrella will move forward because so much has already been spent on the project.

"My sense is that the template pretty much exists at this point," said Jim Chalmers, president of Mountain West Research in Phoenix.

"There's still a lot of execution that will be necessary on later phases, but as a practical matter someone's going to have to follow through. The outline is right there. I wouldn't see it changing that much."

Neil Irwin, president of Territorial Development Co. of Phoenix, shares that view.

"I don't see how you can change your approach much in midstream because they're as far along as they are," Irwin said.

"I'm not sure there's a lot of choice but to go ahead with a very aggressive marketing of that."

The alternatives would include cutting it into parcels for sale to smaller buyers, which American Continental was doing anyway, he said.

Irwin also said it is not unusual for a big development, particularly one of the scope of Estrella, to go through several owners.

But the specter of so much land being dumped on the market has some Valley developers and lenders shaking.

"This could hasten the bursting of the speculative bubble that has existed here," said Terry Gilbert, a certified public accountant with Kenneth Leventhal and Co., which specializes in real estate.

"Anytime you have a 30 to 40 percent decline in the value (of land), you have a problem."

Gilbert suggested, however, that the Valley economy "is going to perk along at some rate. The number of jobs that come to Arizona shouldn't necessarily be adversely affected by this."

A bankruptcy expert said any liquidation of Estrella land would be handled in an orderly fashion and over a lengthy period of time.

"You just can't go out and fire sale everything," said Dawn Stoll Zeitlin, head of the bankruptcy department at Gust, Rosenfeld & Henderson in Phoenix.

"I don't think the Bankruptcy Court would permit it."

But any sale of that much land, particularly in a depressed market, will have an effect," she said. "It's got to."

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Keating lawsuit hits regulators

By Russ Hemphill and Leslie Irwin
The Phoenix Gazette

American Continental Corp., wasting no time to launch a promised legal counterattack, filed a $150 million lawsuit today charging federal regulators with trying to wreck its main subsidiary, Lincoln Savings and Loan.

The lawsuit was filed at 11:25 this morning, just after American Continental chairman Charles H. Keating Jr. addressed a press conference at which he blamed federal regulators for his company filing for protection under Chapter 11 of the U.S. Bankruptcy Code. The company filed Chapter 11 Thursday.

The lawsuit comes three days after Lincoln Savings and Loan Association of Irvine, Calif., was seized by federal regulators. The thrift's 29 branches remain open under management of the Federal Deposit Insurance Corp.

The lawsuit asks U.S. District Judge Charles Hardy to award American Continental $50 million in damages and $100 million in punitive damages.

It charges federal regulators with breach of contract, illegal disclosure of confidential information, interference with business relationships, negligence and violation of regulations intended to assure fairness.

See ■ Lawsuit, A-4

■ Lawsuit

The lawsuit claimed the thrift's financial woes grew out of a rift between Keating and federal bank board officials who were on opposite sides of a debate over the regulation of the savings and loan industry.

Because of the clashes, the lawsuit alleged, bank board official in Washington D.C. and San Francisco have an "enmity and bias against Lincoln."

Reacting to the suit, Bank Board member Lawrence White said he expects regulators will speedily win any court action concerning American Continental.

"We will defend ourselves in court, and I'm quite sure we will be victorious," White said. "I find this lawsuit totally without basis.

"American Continental has a history of disagreeing with its regulators, and this indicates the problems lie with the company and not those charged with overseeing its behavior," White said.

American Continental, "has a problem with San Francisco, has a problem with the state of California, then they have problems with Washington. Everybody is out of step with ACC and you begin to think, maybe the problem is in the other direction."

The lawsuit says regulators "have embarked on a course of wrongful conduct designed to punish Lincoln, FLFC and ACC by destroying the business and property interests of plaintiffs."

The suit cites "repeated disclosures of highly confidential information concerning Lincoln by the bank (board) and bank (board) personnel constitute illegal retaliatory action against plaintiffs legitimate exercise of free speech — their lobbying, public statements and litigation."

The lawsuit said published reports based on "internal documents" and interviews with regulators resulted in "substantial deposit withdrawals and concomitant liquidity concerns," resignations of key officers and employees of Lincoln.

The suit also accuses regulators of intending "to destroy Lincoln's business in retaliation for Lincoln's opposition to limitations on the types of investments in which savings and loan associations may engage."

Named in the lawsuit were the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corp., the Home Loan

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From A-1

Bank Board of San Francisco and Lincoln Savings and Loan Association.

The lawsuit was filed by American Continental Corp. and First Lincoln Financial Corp. on behalf of Lincoln Savings and Loan Association.

The lawsuit said senior bank board officials violated a written contract with Lincoln that resulted in Lincoln not refiling a lawsuit against the bank board and not suing the San Francisco-based bank board.

Lincoln sued the bank board in 1987 to stop leaks it claimed were hurting its business.

Board officials in Washington, D.C., and San Francisco "repeatedly and deliberately disclosed to the press highly confidential information about Lincoln obtained pursuant to the Bank's examinations of Lincoln. These leaks were part of the pattern of bad-faith misconduct by the FHLBB and FHLB-SF directed at Lincoln," the lawsuit said.

The lawsuit resulted in meetings between the two sides, the lawsuit said, and federal officials agreed to stop the leaks.

After more negotiations, a memorandum of understanding was reached between American Continental officials and federal regulators where regulators again promised to stop the leaks, not to "rehash" findings of a 1986 examination of Lincoln and quickly conduct another examination of Lincoln.

Today's lawsuit charges that federal regulators broke all three legs of the agreement, jeopardizing $10 million invested in Lincoln by American Continental.

The bank board's violations of the memorandum of understanding "and its failure to deal honestly and in good faith culminated in the institution of the conservatorship on April 14, 1989," the lawsuit said.

Keating's clash with regulators over Lincoln has been widely reported. The FHLBB has spent more than two years examining the thrift, with regulators in May deciding to shift jurisdiction of the thrift to Washington, D.C. from San Francisco.

A subsequent examination in Washington turned up some of the same questions California regulators had raised about the thrifts operations.

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(Mount Clipping in Space Below)

Government blamed for troubles

By Leslie Irwin
The Phoenix Gazette

Charles H. Keating Jr. stood this morning before a room packed with loyal employees of American Continental Corp. and members of the press, and laid the blame for his company's troubles squarely at the feet of the federal government.

Soon after he spoke, a lawsuit was filed by his company against the federal government.

"I am outraged at the treatment by regulators" of Lincoln Savings and Loan Association, Keating said.

He had called a press conference at 10 a.m. at the Arizona Biltmore to explain the decisions that led to American Continental's filing Thursday for protection under Chapter 11 of the U.S. Bankruptcy Code.

"Let me assure you that I do not stand here as chairman of the board of a company that is, as

See ■ Keating, A-4

■ Keating

From A-1

some have implied, on the brink of collapse. This is not a company gone begging or asking for a government bailout. This is not an Eastern Airlines or Chrysler," Keating said.

Flanked by his wife, Mary Elaine, and other family members and employees, an angry Keating said he would take "all action open to him" in fighting the government for control of his S&L.

He said he would "challenge in court those who would destroy us, and call for a full federal investigation of the abuse of power by one or more regulatory offices."

He said he might be the first to mount such a challenge, noting that others have felt it was futile to oppose the government. "Instead, they virtually acquiesced in their own elimination."

Keating said he would fight to protect the trust his investors have placed in his company.

Those investors, many of them bondholders, are now unsecured creditors who will not receive bond payments and might not get any of their money back now that the company has filed for reorganization.

Commenting on whether campaign contributions he has made to various politicians influenced their decision to go to bat for his thrift, Keating said, "I want to say in the most forceful way I can: I certainly hope so."

He said he did not take the company into bankruptcy lightly, "nor in the deepest sense voluntarily. . . We were driven into the bankruptcy court by a massive and politically timed interference by federal regulators."

He said if regulators would reconsider and allow a sale of the thrift, "American Continental can and will weather any temporary difficulties and continue to play a major role in our nation's economy. I shudder to think of the alternatives."

When Keating took the podium this morning, employees of his company who flanked the back wall, applauded for more than a minute.

Meanwhile, more than $60 million was withdrawn from Lincoln branches on Friday and Saturday, prompting Federal Home Loan Bank Board chairman M. Danny Wall to issue a statement Sunday reminding depositors that their funds are insured.

He also encouraged those who had made withdrawals to return the funds and have any penalties erased.

Wall said some depositors had closed their certificate accounts before maturity and paid the early withdrawal penalty because of confusion about the status of the savings and loan.

"Now that depositors can see Lincoln is continuing to operate as usual under strong new management, we are extending the opportunity for them to reinstate their accounts and have the early withdrawal penalty reversed," he said.

The policy will remain in effect until further notice, Wall added.

Wall said the withdrawals since Friday have not endangered the institution, which has assets of about $5 billion.

The withdrawals are linked to the bankruptcy because many S&L customers also invested in bonds issued by American Continental, Wall said.

Some bonds were sold at Lincoln Savings branches, but the bonds were not insured because they weren't deposits.

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American Continental employees and others pack a press conference this morning where they gave Charles Keating a lengthy ovation.

Tom Tingle, *The Phoenix*



Tom Tingle, *The Phoenix Gazette*

Charles Keating appears at press conference flanked by his wife, Mary Elaine (right), and an unidentified woman.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Regulators confident of court victory in battle against Keating

By Leslie Irwin
The Phoenix Gazette

A California savings and loan regulator said a lawsuit filed by American Continental Corp. against federal agents is another intimidation effort by the company and predicted it is "the beginning of a battle."

On Monday, the Phoenix-based holding company filed a $150 million lawsuit in U.S. District Court in Phoenix charging federal regulators with breach of contract, illegal disclosure of confidential information, interference with business relationships, negligence and violation of regulations intended to assure fairness.

The suit was filed shortly after American Continental chairman Charles H. Keating Jr. addressed a press conference and promised to use all legal means to defend his company and its main subsidiary, Lincoln Savings and Loan of Irvine, Calif.

American Continental sought protection from creditors Thursday, filing a Chapter 11 (reorganization) bankruptcy petition in federal court in Phoenix. On Friday, its thrift was seized by federal regulators and remains open under management of the Federal Deposit Insurance Corp.

Estrella: What next? D-1

Monday's lawsuit asks U.S. District Judge Charles Hardy to award American Continental $50 million in damages and $100 million in punitive damages.

Bill Davis, chief deputy commissioner for the California Department of Savings and Loan, said the blame for Lincoln Savings' problems should lie at the feet of American Continental, not federal regulators.

"Regulators did not put any of those high-risk assets on Lincoln's books, so how can they be blamed for the ultimate position that Lincoln is in?" Davis said. "I would say those decisions were probably

See ■ Keating, A-4

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Keating

From A-1

made at the American Continental level."

One member of the three-person Federal Home Loan Bank Board, Lawrence White, said he expects regulators will speedily win any court action concerning American Continental.

"We will defend ourselves in court, and I'm quite sure we will be victorious," White said. "I find this lawsuit totally without basis.

"American Continental has a history of disagreeing with its regulators, and this indicates the problems lie with the company and not those charged with overseeing its behavior," White said.

American Continental "has a problem with San Francisco, has a problem with the state of California, then they have problems with Washington. Everybody is out of step with ACC, and you begin to think maybe the problem is in the other direction."

White added that the decision to seize Lincoln Savings was absolutely necessary.

"Lincoln is deeply insolvent. It has been run in an unsafe and unsound manner. They have dissipated its assets," White said.

David Barr, a spokesman for the Federal Home Loan Bank Board who has been sent to Lincoln headquarters in Phoenix from his Washington, D.C., office, explained that there are three instances in which federal regulators will take a thrift into conservatorship.

Regulators seize a thrift if it is insolvent, has a substantial dissipation of assets or is operating in an unsafe and unsound manner, Barr said.

Lincoln Savings is not insolvent but meets the other two criteria, he said.

At the end of 1988, the S&L had a net worth of $100 million, he said. Its net worth this week is $20 million, regulators said.

"The FHLBB has an obligation to protect deposits as well as the insurance fund," Barr said. "We don't take on personal vendettas against individuals."

The only other savings and loan to be seized by federal regulators for reasons other than insolvency were Gibraltar Savings Beverly Hills, Calif., with assets $13.4 billion and Gibraltar Savings F.A. in Bellevue, Wash., with assets of $1.4 billion.

Both are owned by Gibraltar Financial Corp. and suffered dissipation of assets and were operating in an unsafe and unsound manner, Barr said.

James Thayer, chairman, president, chairman and chief executive officer of Gibraltar Financial gave a statement through his secretary.

Asked if he was considering legal action like that taken by American Continental, Thayer said: "We are developing a response which we will make public when completed. At the moment we simply do not have a comment to make."

Bert Ely, a thrift analyst based in Alexandria, Va., said Keating's speech at Monday's press conference showed he had a lot of chutzpah.

"This is part of an effort at blustering, putting people off and holding them at bay," Ely said.

"But the physics of finances clearly indicate the whole situation is bankrupt and ultimately will mean major, major losses to shareholders, subordinated debenture holders and FSLIC."

Ely predicts it will take years to sort out exactly who will shoulder the losses.

Named in the lawsuit were the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corp., the Home Loan Bank Board of San Francisco and Lincoln Savings and Loan Association.

The lawsuit was filed by American Continental Corp. and First Lincoln Financial Corp. on behalf of Lincoln Savings and Loan Association.

It claims that senior bank board officials violated a written contract with Lincoln that resulted in Lincoln not refiling a lawsuit against the bank board and not suing the San Francisco-based bank board.

Lincoln sued the bank board in 1987 to stop leaks it claimed were hurting its business.

Board officials in Washington, D.C., and San Francisco "repeatedly and deliberately disclosed to the press highly confidential information about Lincoln obtained pursuant to the Bank's examinations of Lincoln. These leaks were part of the pattern of bad-faith misconduct by the FHLBB and FHLB-SF directed at Lincoln," the lawsuit states.

The 1987 suit resulted in meetings between the two sides, and federal officials agreed to stop the leaks.

After more negotiations, a memorandum of understanding was reached between American Continental officials and federal regulators where regulators again promised to stop the leaks, not to "rehash" findings of a 1986 examination of Lincoln and quickly conduct another examination of Lincoln.

Monday's lawsuit charges that federal regulators broke all three legs of the agreement, jeopardizing $10 million invested in Lincoln by American Continental.

The bank board's violations of the memorandum of understanding, "and its failure to deal honestly and in good faith culminated in the institution of the conservatorship on April 14, 1989," the lawsuit said.

Before the lawsuit was filed, Keating delivered a 10-page speech at a press conference that had been billed as "further explanation" of the decision leading to the company's bankruptcy filing.

In his speech, Keating blamed his company's woes on the actions of federal regulators. "I am particularly anguished about the fact that a few nameless bureaucrats, who ostensibly are charged with enforcing our laws and regulations, have misused their position of authority and have attacked my leadership of American Continental Corp. and Lincoln Savings and Loan.

"As chairman of this company, I hold very dear the trust that our investors have placed in me ... and I have taken every appropriate action to rectify the unwarranted bureaucratic assault that some malicious bureaucrats in Washington, D.C., have waged against me and my company," Keating said.

Those who purchased bonds in American Continental have become unsecured creditors in the bankruptcy proceedings. No bond payments will be made while the company is reorganizing, and indeed, the bonds could end up being worthless.

Unsecured creditors hold more than $200 million worth of the bonds.

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(Mount Clipping in Space Below)

Keating firm sues over seizure of S&L

Claims 'pattern of harassment' led to takeover

By Ken Western and Lisa Morrell
The Arizona Republic

American Continental Corp. of Phoenix filed a $150 million suit Monday against the federal agencies that seized its savings and loan subsidiary last week.

The suit was filed less than two hours after American Continental's chairman, Charles H Keating Jr., vowed to fight vigorously "those who would destroy us."

Keating made his pledge during a speech to employees, family members and representatives of news organizations at the Arizona Biltmore resort.

The suit, filed in U.S. District Court in Phoenix, accuses federal regulators of acting in a "pattern of harassment and misrepresentation which culminated" in the seizure of Lincoln Savings and Loan Association, based in Irvine, Calif.

Lincoln, with more than $1 billion of its $5.4 billion assets in Arizona, was the principal subsidiary of American Continental before it was put into conservatorship Friday.

RELATED STORIES
MONTINI: Press conference was a setup, **B1**
INSURER PROBED: State looking into Continental Fidelity Life Insurance Co., **C7**

Time and time again, Keating has blamed federal regulators for his problems trying to run Lincoln and then for foiling his attempts to sell the troubled thrift.

Lawrence J. White, a member of the Federal Home Loan Bank Board, reacted sharply to Keating's comments and suit.

"Lincoln Savings and Loan is a deeply insolvent savings and loan on a market-value basis," he said.

In taking control of Lincoln and its 29 branches in southern California, White said, the government acted because the institution was grossly mismanaged, was being operated in an "unsafe and unsound" manner, and its assets were being "dissipated."

"It is the dissipation of assets and mismanagement of the kind that Mr. Keating engaged in that is causing the losses" in the huge savings and loan industry, White said.

—See KEATING, page A2



Michael Meister/The Arizona Republic

Charles H Keating Jr., at a press conference at the Arizona Biltmore, accuses federal regulators of waging a vendetta against him.

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Keating firm sues over seizure of S&L

—KEATING, *from page A1*

The government seized Lincoln one day after American Continental and 11 subsidiaries filed for protection under Chapter 11 of the Federal Bankruptcy Act, setting the stage for a legal battle over the company's assets.

Total debts of American Continental have been listed at $3 billion.

The suit seeks damages totaling $150 million from the Federal Home Loan Bank of San Francisco for the "wrongful impairment and potential destruction of Lincoln's business" and its value to American Continental.

The bank in San Francisco oversaw Lincoln before its jurisdiction was transferred last May to the Federal Home Loan Bank Board in Washington, D.C., at Keating's insistence.

The suit also asks that the Federal Home Loan Bank Board and its deposit-insurance agency, the Federal Savings and Loan Insurance Corp., be barred from enforcing supervisory directives enacted last December that affect Lincoln.

It also asks that the bank board and the FSLIC stop leaking confidential information about Lincoln to the media in violation of an earlier agreement.

The suit says such leaks are "designed to destroy Lincoln's business, in retaliation for Lincoln's opposition to limitations on the types of investments in which savings and loan associations may engage."

Keating acquired Lincoln in 1984 and rapidly built its assets to $5.4 billion from $2.3 billion. For three years he has battled federal regulators over some of the thrift's unorthodox and speculative investments.

Those battles reached a new level Monday with the filing of the suit and with Keating's attacks on regulators contained in a 10-page statement that he read to about 100 people.

About 75 of those attending were American Continental employees and friends. They vigorously applauded the first public comments by the 65-year-old Keating since the seizure of Lincoln.

Keating left immediately after reading his statement, even though the gathering had been billed as a press conference. Press conferences typically are question-and-answer forums. Some newsmen said they had been duped by the company.

A two-page handout of 10 questions and answers prepared by the company was distributed along with copies of Keating's statement.

In his statement, Keating accused federal regulators of waging a vendetta against him and of mounting an "unwarranted bureaucratic assault" against American Continental.

"I am particularly anguished," he said, "about the fact that a few nameless bureaucrats, who are ostensibly charged with enforcing our laws and regulations, have misused their position of authority and have attacked my leadership of American Continental Corp. and Lincoln Savings and Loan."

Keating didn't mention the suit during his speech. However, he hinted that it was coming. He said that Lincoln might "become the first thrift to defend itself to the full extent of our rights . . . if need be to challenge in court those who would destroy us, and call for a full federal investigation of the abuse of power by one or more regulatory offices."

Keating defended the financial support he has given several politicians in an effort to gain their support for his fight with federal regulators.

"In the contract between the voter and the politician, we have the right to seek their help when needed, and demand it when justified. This I have done," he said, apparently referring to efforts by Sen. Dennis DeConcini, D-Ariz., and Sen. John McCain, R-Ariz., among others, to lobby the bank board to halt an audit of Lincoln in 1987.

White said the FSLIC and the Federal Deposit Insurance Corp. are doing "what is necessary to conserve" the assets of Lincoln.

"But that won't be easy," he said. "Even the manner in which they (American Continental Corp.) declared bankruptcy was calculated so as to make it more difficult for the receipt of conservatorship to effectively manage the assets because the subsidiaries were put into bankruptcy as well."

White cast the dissenting vote a year ago when the bank board voted 2-1 to move supervision of Lincoln from federal regulators in San Francisco to Washington, D.C.

Meanwhile, the bank board estimated Monday that depositors withdrew $60 million to $70 million from Lincoln's branches in southern California on Friday and Saturday.

In Phoenix, regulatory officials at Lincoln's offices on Camelback Road have started an examination of records that usually takes two to three weeks, a spokesman for the bank board said. They are working under tight security in the sparse offices, where rows of desks sit empty.

A criminal investigation of Lincoln is being conducted by the U.S. Attorney's Office in Los Angeles.

(Mount Clipping in Space Below)

Regulators confident of court victory in battle against Keating

By Leslie Irwin
The Phoenix Gazette

A California savings and loan regulator said a lawsuit filed by American Continental Corp. against federal agents is another intimidation effort by the company and predicted it is "the beginning of a battle."

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Estrella: What next? D-1

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Keating

From A-1

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Both are owned by Gibraltar Financial Corp. and suffered dissipation of assets and were operating in an unsafe and unsound manner, Barr said.

James Thayer, chairman, president, chairman and chief executive officer of Gibraltar Financial gave a statement through his secretary.

Asked if he was considering legal action like that taken by American Continental, Thayer said: "We are developing a response which we will make public when completed. At the moment we simply do not have a comment to make."

Bert Ely, a thrift analyst based in Alexandria, Va., said Keating's speech at Monday's press conference showed he had a lot of chutzpah.

"This is part of an effort at blustering, putting people off and holding them at bay," Ely said.

"But the physics of finances clearly indicate the whole situation is bankrupt and ultimately will mean major, major losses to shareholders, subordinated debenture holders and FSLIC."

Ely predicts it will take years to sort out exactly who will shoulder the losses.

Named in the lawsuit were the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corp., the Home Loan Bank Board of San Francisco and Lincoln Savings and Loan Association.

The lawsuit was filed by American Continental Corp. and First Lincoln Financial Corp. on behalf of Lincoln Savings and Loan Association.

It claims that senior bank board officials violated a written contract with Lincoln that resulted in Lincoln not refiling a lawsuit against the bank board and not suing the San Francisco-based bank board.

Lincoln sued the bank board in 1987 to stop leaks it claimed were hurting its business.

Board officials in Washington, D.C., and San Francisco "repeatedly and deliberately disclosed to the press highly confidential information about Lincoln obtained pursuant to the Bank's examinations of Lincoln. These leaks were part of the pattern of bad-faith misconduct by the FHLBB and FHLB-SF directed at Lincoln," the lawsuit states.

The 1987 suit resulted in meetings between the two sides, and federal officials agreed to stop the leaks.

After more negotiations, a memorandum of understanding was reached between American Continental officials and federal regulators where regulators again promised to stop the leaks, not to "rehash" findings of a 1986 examination of Lincoln and quickly conduct another examination of Lincoln.

Monday's lawsuit charges that federal regulators broke all three legs of the agreement, jeopardizing $10 million invested in Lincoln by American Continental.

The bank board's violations of the memorandum of understanding "and its failure to deal honestly and in good faith culminated in the institution of the conservatorship on April 14, 1989," the lawsuit said.

Before the lawsuit was filed, Keating delivered a 10-page speech at a press conference that had been billed as "further explanation" of the decision leading to the company's bankruptcy filing.

In his speech, Keating blamed his company's woes on the actions of federal regulators. "I am particularly anguished about the fact that a few nameless bureaucrats, who ostensibly are charged with enforcing our laws and regulations, have misused their position of authority and have attacked my leadership of American Continental Corp. and Lincoln Savings and Loan.

"As chairman of this company, I hold very dear the trust that our investors have placed in me . . . and I have taken every appropriate action to rectify the unwarranted bureaucratic assault that some malicious bureaucrats in Washington, D.C., have waged against me and my company," Keating said.

Those who purchased bonds in American Continental have become unsecured creditors in the bankruptcy proceedings.

No bond payments will be made while the company is reorganizing, and indeed, the bonds could end up being worthless.

Unsecured creditors hold more than $200 million worth of the bonds.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

For Keating, business is just shrewd politics

All they that take the sword shall perish with the sword.

— Matthew 26: 52

The "press conference" (no questions, thank you) looked for all the world like a political campaign, with the candidate flanked by his very proper wife, fresh-scrubbed grandchildren and adoring friends looking on and cheering sycophantically his triumphant appearance, reporters fidgeting uncomfortably in their supporting roles.

Except that Charlie Keating wasn't a candidate, and he wasn't running for anything.

Not even for cover.

He was fighting back, punching, kicking, scratching, clawing and, of course, suing, in a desperate bid to salvage what's left of his once-dazzling business empire.

American Continental Corp. had just filed for bankruptcy, and here was its chief executive acting every bit like a conquering hero. Albeit an angry hero.

That's the way it is with gamblers. They never admit they're out of the game. Buoyant confidence, born of voracious ego rather than statistical reality, incessantly whispers that just one more deal of the cards will bring the big score and set them free.

Misfortune, you see, is nothing but a run of bad cards.

One character trait that all gamblers seem to share is this inability to accept responsibility for their plight. They never lose because they take a foolish risk, like asking for a hit with 18 showing or going for an inside straight. They just get bad cards.

Keating is a gambler, a swashbuckling entrepreneur who plays not with cards, but with money. Other people's money.

John Kolbe
Gazette columnist



And he also has his own version of bad cards, "those who would destroy us." They're the regulators, the people at the Federal Home Loan Bank Board and its deposit insurance arm who seized Keating's cash cow, Lincoln Savings, last week.

Federal regulators are Charlie Keating's Willard Mecham, the ever-handy scapegoat.

"A few nameless bureaucrats who ostensibly are charged with enforcing our laws and regulations have misused their position of authority and have attacked my leadership," he said. "I have taken every action appropriate to rectify the unwarranted bureaucratic assault that some malicious bureaucrats ... have waged against me and my company."

He was "driven" into bankruptcy court, he charged, by a "massive and politically timed interference" by the regulators.

It wasn't clear why federal officials, already facing losses of about $150 billion, were so eager to add to their woes. Keating, Arizona's highest paid corporate executive, didn't explain.

Conspiracy, it seems, especially one of the sinister federal species, is its own explanation.

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But, in a moment of unusually blunt candor tucked into the 10-page diatribe against his tormentors, Keating may have come much closer to a meaningful explanation of American Continental's dilemma, and put the press conference's richly political atmosphere in sharp perspective.

One question that had been raised, he said, was "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.*"

There it is, a succinct summary of Keating's philosophy: business is an exercise in shrewd politics.

All through the 1980s, Keating (and his extended family, both filial and corporate) have bankrolled local candidates, including John McCain, Dennis DeConcini, Bob Corbin, Tom Collins and Pete Dunn, at a prodigious rate.

Lest there be any confusion, however, he made it clear this was not charity, nor did it have anything to do with political beliefs (Republicans, Democrats, conservatives and liberals got his largesse). It was a pure business investment, with the dividend to come later, on demand.

He said this "contract between voter and politician," which would seem to be limited to voters with large bankrolls, entitled him to "seek their help when needed, and *demand* it when justified." (Guess who decides justification.)

And he did. Over a year ago, he "demanded" action from McCain, DeConcini and other lawmakers when San Francisco auditors got too persnickety about Lincoln's finances, and in a virtually unprecedented move, got the case switched to Washington. (Unfortunately, auditors there found the same problems.)

It was vintage Keating. With the subtlety of a runaway freight train, he plied and twisted and bullied the political system to suit his economic ends.

But when he had used up his chits, and the years of high-rolling became too transparent in a sinking real estate market for prudent politicians to risk their necks saving him any longer, the system finally turned on him. And now he's bewildered, hurt and angry.

Perhaps he has a right to be. After all, he had paid dearly for the right to receive delicate political treatment.

But there's a basic law of physics, which seems to apply to most human endeavors as well, that for every action there's a reaction. Something about living and dying by swords.

Interestingly, Keating's new public relations spokesman is the son of former Texas Gov. John Connally, another high-roller who went belly-up last year, a victim of plummeting oil prices.

But there is one big difference between the two men. Big John Connally gambled with his own money, not that of depositors or taxpayers, and when the bills came due, he took his lumps like a man, and auctioned off his personal possessions to make good on his debts. There were no recriminations, no heartless banks, no malicious bureaucrats. He won wide respect in the process.

One suspects there'll be no bankruptcy auction at Charlie Keating's house anytime soon.

■ John Kolbe comments on politics for *The Phoenix Gazette*. His column appears Monday, Wednesday and Friday.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Phoenician builder seeks pay

By Anthony Sommer
The Phoenix Gazette

Charles H Keating Jr.'s troubled financial empire is being threatened again, this time in Maricopa County Superior Court.

McCarthy Western Constructors Inc., general contractor of the Phoenician Golf and Tennis Resort, has asked Superior Court Judge Cecil Patterson to issue an injunction that would freeze an escrow account held by Phoenix Resort Corp., owner of the Phoenician, to pay construction costs.

McCarthy instead received a temporary restraining order freezing the account until the hearing on an injunction could take place.

McCarthy has filed a lawsuit against the company seeking $18.5 million it says it is owed for its work at the resort.

A two-day hearing on the case — scheduled to end late today — has been cloaked in mystery. Patterson agreed to keep secret the name of a Kuwaiti investor in the resort.

The request for the injunction is the opening round in the lawsuit filed by McCarthy in February. The resort opened Oct. 1.

Phoenix Resort responded with a counterclaim charging McCarthy with shoddy workmanship, double-billing and additional work that was not approved on the huge resort at 6900 E. Camelback Road.

Phoenix Resort is a subsidiary of Keating's American Continental Corp., but it is not among the American Continental companies that filed for bankruptcy on Thursday.

Nor is it directly involved in the action by federal regulatory agencies last week placing Keating's southern California-based Lincoln Savings and Loan Association in conservatorship.

Keating on Monday filed a lawsuit in U.S. District Court against federal regulators seeking $150 million in damages.

When McCarthy filed its lawsuit Feb. 16, it asked the court for an order barring Phoenix Resort from allowing the escrow account at Manufacturers Hanover Trust Bank in New York to sink below $18.5 million, the amount McCarthy claims it is owed.

However, the account holds only $9 million to $10 million, according to at-

See ■ Builder, F-7

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Builder

From F-1

neys for both sides.

McCarthy President Gerald W. Murphy, the leadoff witness, testified his company contracted to build the resort in 1986 and received regular payments until October, when the hotel opened for business.

Murphy said the company has not received any payments.

Phoenix Resort attorney Joseph McGarry told Patterson in his opening remarks that he would present witnesses who would testify that it will cost $11 million to correct the deficiencies in McCarthy's work on the hotel.

He also said he would provide evidence of almost $6 million worth of unauthorized changes, duplicated billings and rental overcharges by McCarthy.

McGarry said McCarthy is claiming it is owed $152 million, while Phoenix Resort puts the bottom line at $141 million. He said McCarthy has been paid $131 million of the amount due to date.

He also argued there is no need to tie up the escrow account because McCarthy still has the right to exercise a lien against the hotel, which he said is valued at a minimum of $250 million, if it should win the lawsuit.

McGarry said the resort's first season far exceeded projections and there is no reason to believe debts will not be paid.

"It is solvent, solvent, solvent with a capital S," McGarry told the judge.



The Phoenix Gazette

McCarthy Western was general contractor of the Phoenician while construction was under way last year. It is seeking payment for the project in court.

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(Mount Clipping in Space Below)

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Payback time

Charles H. Keating is in trouble. His giant American Continental Corp. has filed for Chapter 11 bankruptcy. One subsidiary of American Continental, Lincoln Savings and Loan of Irvine, Calif., has been seized by federal banking regulators. A criminal investigation of Lincoln Savings is being conducted by the U.S. attorney's office in Los Angeles.

Keating announced Monday that he was going to fight to keep his financial empire, fight against "a few nameless bureaucrats, who are ostensibly charged with enforcing our laws and regulations, (who) have misused their position of authority."

Later the same day, Keating's American Continental Corp. filed a $150 million lawsuit against federal banking regulators.

Charles Keating needs a little help from his friends. In his description of just whom he believes some of his friends to be and how he expects their help, the embattled developer has given us unique insight into the notion of democracy according to Keating.

Keating is looking for help from friends who have used his financial help over the years to stay in political office. Among those Keating has financially befriended through campaign contributions by himself, his family, his companies and his employees include U.S. Sens. Dennis DeConcini and John McCain and U.S. Reps. Jon Kyl and Jim Kolbe.

"One question, among the many raised in recent weeks," Keating said Monday, "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 . . . This is how that system we call democracy works. We support and campaign for the political leaders we believe will represent the best of American virtues."

And it's implicit that Keating and American Continental Corp. and Lincoln Savings and Loan are among the best of American virtues.

It would not be the first time that McCain and DeConcini took up the Keating cause. In December 1986, at Keating's behest, the two Arizona senators took part in a meeting with other senators and officials of the Federal Home Loan Bank Board. Though the senators say they didn't ask regulators to call off a San Francisco-based investigation into Lincoln Savings, they did say they demanded of banking officials why the investigation was taking so long.

Regardless of the intent, the effect of that meeting was immediate and clear-cut. In an unprecedented move, the investigation was shifted from San Francisco to Washington, D.C.

Now it's time for Keating-style democracy to go into action again. It's again time for Keating to get his money's worth from the state's elected representatives. It's time once again for DeConcini and McCain to step between Keating and the regulators.

It's time for DeConcini and McCain — and maybe Kyl and Kolbe — to buffer Keating against accusations by federal regulators that "Lincoln Savings had substantially dissipated its assets through violations of regulations and laws, and was operating in an unsafe and unsound condition" when the S&L was seized and that "Lincoln Savings and Loan is a deeply insolvent savings and loan on a market-value basis."

McCain and DeConcini say their previous "help" to Keating was no more than they'd offer to any other constituent and that it did not indicate that they were bought and paid for.

With the financial fortunes of thousands of investors, many of them also constituents, at stake, Arizonans should closely watch their two senators as the Keating debacle develops. We need to see if they are devotees of the Keating democratic philosophy: that we have the best politicians money can buy.

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FBI/DOJ

(Mount Clipping in Space Below)

Insider purchases Lincoln subsidiary

By Dawn Willeit
The Phoenix Gazette

A vice president of Insurance West Inc. of Phoenix has purchased the agency, apparently shielding it from the troubles of its parent company, Lincoln Savings and Loan Association.

Ken Kirk, 28, said he bought the independent insurance agency from Irvine, Calif.-based Lincoln on April 10, four days before the thrift was seized by federal regulators.

Lincoln is the main subsidiary of American Continental Corp. of Phoenix, which filed for bankruptcy together with 11 of Lincoln's subsidiaries last Thursday. Lincoln and Insurance West, among other companies, were not included in the Chapter 11 filing.

On Monday, regulators sent a memo to employees of Insurance West and Lincoln's 34 other subsidiaries telling them new management was in place and that "any authority to transact business from prior management of all subsidiaries is hereby revoked."

Kirk said he was not aware of the letter, but added "None of it specifically affects us, and it can't because we're not owned by them."

Since taking over, Kirk said he has assembled his own board of directors, made up of five officers of the company. They include: George "Chip" Wischer, former chairman of the agency and now executive vice president; Jeffrey Murray, former president and now vice president; and Terry Boyd, Ted Guy and Robin Couture, all in sales or service management. Kirk holds the title of chairman and president.

See ■ Subsidiary, E-4

■ Subsidiary

From E-1

"The board of directors is in place as adopted by me, basically," he said.

Kirk, who joined Insurance West three years ago, did not disclose a purchase price for the agency. He denied published reports of a $2 million price tag and said he was the sole purchaser. American Continental spokesman Mark Connally was unavailable for comment.

A management buyout of Insurance West was proposed more than a year ago, led by Wischer. But that proposal fell through. Wischer is the husband of Judy J. Wischer, who is president of American Continental. George Wischer has resigned his position as a vice president of American Continental.

American Continental formed Insurance West in 1980 and transferred ownership to Lincoln in 1984.

The agency, which has offices in Phoenix and Scottsdale, provides property, casualty and life insurance and financial services for individual and commercial accounts. Annual premium volume is $30 million, Kirk said.

The sale did not require approval of the Arizona Department of Insurance because Insurance West is an insurance agency, not an insurance company.

"An insurance company actually is the insurer. They're the ones who maintain the risk and pay the claims," said Gay Ann Williams, executive assistant to the director of the department. "An insurance agency is just an office that has licensed agents on staff who place the business with an insurance company."

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(Mount Clipping in Space Below)

Judge freezes resort account

By Anthony Sommer
The Phoenix Gazette

After hearing testimony that money earmarked for construction of the Phoenician Resort was used to buy $2 million worth of NFL [illegible] to pay $1.4 million worth of lawyers' fees and to buy a $73,000 Porsche sports car, a judge has ordered the remaining funds frozen.

In an order issued after a two-day hearing that ended late Wednesday, Maricopa County Superior Court Judge Cecil Patterson banned Phoenix Resort Corp. from spending any of the $10 million remaining in the construction fund.

The ban will remain in effect until an $18.5 million lawsuit filed by McCarthy Western Constructors against Phoenix Resort is resolved, a process that might take two years or more.

Phoenix Resort is a subsidiary of American Continental Corp., although it is not among the companies headed by Charles H Keating Jr., that filed for bankruptcy last Thursday.

McCarthy, the prime contractor for the resort, filed suit Feb. 16 claiming that American Continental owed $18.5 million in construction costs and had stopped making payments when the resort opened Oct. 1.

Phoenix Resort, the operator of the hotel, filed a counterclaim charging that defects in McCarthy's workmanship would cost $11 million to repair, and another $7 million in bills from McCarthy are being disputed.

But at Wednesday's hearings, Phoenix Resort also admitted to breaching a portion of the contract.

That provision states that if McCarthy filed a claim for unpaid bills, Phoenix Resort was obliged to maintain the balance in the construction fund at at least the level McCarthy was claiming.

McCarthy filed a lien against the hotel in October for $19.4 million — which later was reduced to $18.5 million in the February lawsuit. At the same time, Phoenix Resort allowed the balance in the fund to drop to between $9 million and $10 million.

"It's very clear that when Mc-

See ■ Resort, E-6

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Resort

From E-1

Carthy raised a claim, that it (the construction fund, which is on deposit with Manufacturers Hanover Trust) should have been frozen at the level of the claim," Patterson said after rereading the contract. "The amount should not be lowered until the dispute is resolved."

During testimony Wednesday, [illegible] controller for Phoenix Resort, admitted that more than $1 million was taken from the construction fund to pay former US Football League Outlaws owner Bill Tatham Jr. for tickets to Phoenix Cardinals' games.

Tatham won the tickets in a court fight over priorities to Cardinals tickets. Littleton said the tickets were used to promote the hotel.

Littleton also testified that $1.4 million was disbursed from the construction fund to pay legal fees involving the hotel, all under the heading of "consultant" fees.

And she admitted another $1.1 million had been budgeted from the fund to pay lawyers who were negotiating with a Kuwaiti businesssman who has made an offer to buy 45 percent of the resort.

The money was not spent because McCarthy obtained a temporary restraining order when it filed its lawsuit in February.

Another $73,000 was paid out of the construction fund to Camelback Porsche for "transportation equipment." Littleton admitted the money was used to buy a sports car for an individual identified as John Lee who did "zoning work" for Keating.

And Littleton testified that her salary and those of other Keating employees was reimbursed from the construction fund to Lincoln Savings and Loan Association, the California financial institution owned by American Continental that was placed in conservatorship by federal authorities Friday.

Littleton said that although she served as controller for the construction portion of Phoenix Resort, she is an employee of Crescent Hotel Group Inc., another Keating company that is in bankruptcy, has her offices at American Continental headquarters, and is paid directly by Lincoln Savings.

Also during Wednesday's hearings, McCarthy president Gerald Murphy announced his company had terminated its contract with Phoenix Resort and will not do any more warranty work on the hotel.

Murphy also testified many of the cost overruns on the $148 million project were caused by Keating who fired numerous architects and landscapers and designers (finally hiring his wife to complete the design work) and made 3,000 changes during construction.

A tape recording of a speech Keating made to construction workers last summer admitting he was on the verge of financial trouble was played to the judge. "This is the kind of mausoleum idiots build," Keating said in the speech.

"He ended up building something he couldn't affird and now he wants everyone else to share the cost," said Murphy, who noted $13 million of the $18.5 million he is seeking in his lawsuit actually is owed to subcontractors.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Executives told they're out of work

Directors and officers of 35 subsidiaries of Lincoln Savings & Loan Association received a letter from the federal government this week.

It begins: "In accordance with Section 406(c)(1)(B) of the National Housing Act, as amended, and pursuant to Federal Home Loan Bank Board Resolution No. 89-1328 . . ."

It goes on to say that, subject to a ruling today in U.S. District Court in Phoenix, the directors and officers of the 35 subsidiaries have been replaced by agents of the federal government.

The Irvine, Calif.-based Lincoln Savings, principal subsidiary of Ame-

— See EXECUTIVES, page F8

Executives told they've lost jobs

— EXECUTIVES, from page F1

ican Continental Corp. of Phoenix, was placed in conservatorship last Friday by the Federal Home Loan Bank Board.

"Pursuant to its powers," the letter says, "the conservator has caused the association or one of its subsidiaries, as stockholder of the corporations listed . . . to take action to remove and replace the incumbent members of each corporation's board of directors as well as the incumbent president or chief executive officer, chief financial officer and secretary of each corporation.

"As a result of such action, you no longer hold any of those positions with any of the corporations."

The letter, delivered to the homes of the officials, gives them 48 hours to return to the conservator any "cars, keys, credit cards, books, records, checks, drafts, documents or other papers in your possession, custody or control."

Officers and directors were also told they can no longer act on behalf of the corporations.

On Thursday, however, federal regulators reappointed some of the executives to their positions.

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Ruling due on Keating firms

Court asked to bar U.S. seizure; future of empire at stake

By Lisa Morrell
The Arizona Republic

The fate of Charles H Keating Jr.'s financial empire may be decided today when a U.S. District Court judge determines who has control of 11 key subsidiaries of Lincoln Savings and Loan.

American Continental Corp. of Phoenix has asked District Judge Paul Rosenblatt to rule that the federal government "illegally" attempted to take control of the subsidiaries this week.

Keating is chairman of American Continental. Lincoln is American Continental's biggest subsidiary.

American Continental and 11 of its subsidiaries filed Chapter 11 petitions for reorganization in U.S. Bankruptcy Court on April 13. The next day, federal regulatory officials put Lincoln into conservatorship, or under government management. The Federal Deposit Insurance Corp. was appointed to manage Lincoln.

American Continental charges in a suit filed in U.S. District Court on Wednesday that "self-dealing" government officials violated bankruptcy laws when they seized the subsidiaries and began a housecleaning of the companies' top management and directors Monday.

The government's actions to gain control were intended to damage the creditors of the subsidiaries and American Continental, the suit charges.

In a response filed late Thursday evening, the Federal Savings and Loan Insurance Corp. charges that American Continental's request to block government control of the subsidiaries "borders on the frivolous." The response also says American Continental is plotting to prevent the government from taking over Lincoln's assets, which were acquired through money deposited at Lincoln.

The FSLIC insures thrift deposits.

FSLIC attorneys also say that federal law permits them to take over the assets of a thrift and "take any action necessary" to safeguard those assets.

After a hearing this morning, Patterson will determine who has control of the subsidiaries.

His decision could influence the fate of 22,500 American Continental debenture holders owed more than $200 million, and $1 billion in Arizona real estate.

RELATED STORIES

LAWSUIT: Keating accused c' hiding firm's financial troubles, F6
ACQUIRE: Buying a securities firr presents a problem, F6

If control of the 11 entities goe federal regulatory officials, the fin cial-services and real-estate conglom that Keating has built over the pas years will be severely crippled.

Together, the 11 subsidiaries co $3.4 billion in assets. American Cont tal, the holding company, claims $454,000 in assets.

American Continental says in lawsuit filed late Wednesday that re ing its interest in the subsidiarie necessary for the company to reorgar It also says it had been forced Chapter 11 by regulators' "sens bureaucratic decisions" not to appro sale of its troubled thrift.

FSLIC attorneys contend that tak the subsidiaries out of conservators' control would leave the FSLIC "hold the bag" for the same depositors' m that was used to build Lincoln's as That would, the filing says, "auth

— See FUTURE, page

APRIL EVENTS

- **APRIL 4:** Class-action suit filed in Los Angeles County Superior Court on behalf of shareholders, debenture holders and other investors in American Continental Corp.
- **APRIL 13:** American Continental Corp. and 11 subsidiaries file in Phoenix for reorganization under Chapter 11 of the U.S. Bankruptcy Code.
- **APRIL 14:** Federal regulators seize control of Lincoln Savings and Loan.
- **MONDAY:** Charles H Keating Jr. lambastes federal regulators in a public speech and files a $150 million lawsuit against them. Federal officials take over 35 subsidiaries of Lincoln and get rid of top management and board members.
- **WEDNESDAY:** Keating files a lawsuit in Phoenix that says federal regulators had no right to take control of 11 subsidiaries. Maricopa County Superior Court judge freezes a $10 million account for work on the Phoenician Resort until American Continental settles a dispute with contractor McCarthy-Western Constructors Inc.

(Mount Clipping in Space Below)

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Future of Keating empire hinges on asset ruling today

[illegible]

unscrupulous owners of regulated financial institutions to gain unfettered use of depositors' money."

Federal officials on Monday ousted the presidents or chief executives, chief financial officers, corporate secretaries and directors of 35 Lincoln subsidiaries, including the 11 that are operating under Bankruptcy Court protection. New directors were appointed.

Mark Randall, FDIC managing agent, said that some of the subsidiary managers had been reappointed.

The government's response cites case law that says a court should not interfere with shareholders' rights to elect directors. The government contends it has control of the subsidiaries because they are wholly owned by Lincoln.

"We did what's permissible," said Ira Parker, an FDIC attorney. "We're the white hats. We don't have any animosity toward anybody."

The legal community is fascinated by what attorneys describe as a unique tug-of-war between the [illegible] private sector.

neys puzzled over probable outcomes of today's hearing.

"If an entity is controlled by the FDIC, then the FDIC can tell it what to do and the legal question will be whether the Bankruptcy Court provides any insulation in that situation," said Joseph McDaniel, chairman of the Arizona Bar's bankruptcy section. He speculated that the government would prevail.

But another attorney who specializes in thrift law said he believes that the government-controlled ownership of the subsidiaries does not supersede Bankruptcy Court jurisdiction.

The FDIC has clear-cut control of the subsidiaries not under Bankruptcy Court protection, but not the others, the attorney said.

The decision lies with Judge Rosenblatt, a Prescott native who was nominated to the federal bench in 1984 by then-President Reagan. He served as presiding judge for the Yavapai County Superior Court for 12 years.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Lawsuit claims Keating hid company's troubles

By Ken Western
The Arizona Republic

Charles H Keating Jr. and other key executives at American Continental Corp. illegally sought to hide the company's financial problems and artificially inflated the value of their [illegible] a suit filed in Los [illegible] accuses American Continental of conspiring to commit securities fraud by issuing false and misleading information.

American Continental filed for Bankruptcy Court protection April 13 in Phoenix, one day before federal regulators seized its principal subsidiary, Lincoln Savings and Loan Association in Irvine, Calif.

The investors' suit was filed nine days earlier in Los Angeles County Superior Court by Greenfield and Chimicles, a Philadelphia law firm with offices in Los Angeles.

The class-action suit was filed on behalf of Sarah B. Shields and seeks to represent all others who acquired the securities of American Continental, including shareholders and debenture-holders, said attorney Kevin Roddy of Greenfield and Chimicles.

About 23,000 investors who bought unsecured debentures of American Continental through Lincoln branch offices have been left wondering whether they are holding $200 million of worthless paper.

Mark Connally, a spokesman for American Continental, said the "company would absolutely disagree with those allegations" made in the suit.

"I'm not aware of any large group (of plaintiffs) other than the individual at this time," he said. "I think he (Roddy) is looking to represent others, but I don't know how successful he has been in that regard."

The suit alleges that Keating, chairman of American Continental, and other top officers illegally inflated their shares and sold some of them back to the company for a profit before disclosure of adverse facts about the company.

Keating, for example, received [illegible] for [illegible] the past two years, the suit says. The sale represented 2.86 percent of his total shares.

It also claims that Charles Keating III, executive vice president of American Continental, received $600,000 for selling 100,000 shares, or 4.23 percent of his total shares.

Robert M. Wurzelbacher Jr., senior vice president, received $625,000 for selling 100,000 shares, the suit says. That represents 5.86 percent of the total shares he held.

The suit accuses American Continental of "phony accounting practices" by overstating income, assets and net worth.

It portrays Lincoln Savings as a company that engaged in an "increasing number of highly speculative and very risky transactions and practices" as a result of a worsening cash-flow problem and losses from operations.

Lincoln was forced "to borrow large and increasing sums from government agencies and the public and to pay premium interest rates to attract private depositors," the suit says.

It further contends that Lincoln failed to properly classify loans as problem loans in order to conceal its financial condition.

It charges that American Continental purchased "large amounts of its own common stock from corporate insiders for no legitimate business purpose."

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FBI/DOJ

Charles H Keating Jr. / Has challenged a federal takeover of his company's savings and loan and its 35 subsidiaries.

Epic Chapter 11 filing a bonanza for lawyers

By Jerry Kammer
The Arizona Republic

With the Phoenix area desperately seeking new industry, along comes *Charles H Keating Jr. and his American Continental Corp. to help.*

Keating and the Phoenix company he heads have taken the first steps toward forming a multimillion-dollar cottage industry in the Valley.

This emerging white-collar industry will be composed of dozens of lawyers and law firms, accountants and accounting firms, consultants and consulting firms, plus assorted printing, secretarial and data-processing services.

All these folks will work long hours [illegible] hundreds of thousands of [illegible] ization of American Continental Bankruptcy Court.

[illegible] Continental founded the [illegible] it retained its bankruptcy [illegible] and agreed to pay them [illegible] in effect setting the standard for [illegible] industry.

Houston law firm hired by Keating [illegible] has received a $1.2 million re- [illegible] from American Continental. Be- [illegible] the law firm estimates its total [illegible] representing the company in [illegible] Court will exceed $4 million [illegible] Maley & Kay, which [illegible]

— See BONANZA, page F6

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FBI DO[illegible]

Bonanza looms for law firms
[illegible] filing for Chapter 11

[illegible]ally known for its work in [illegible], will be assisted by the Phoenix firm of Lewis and Roca, which has received an $800,000 retainer.

Sheinfeld, Maley & Kay is to present its fee structure and anticipated billings at a hearing next Friday before Bankruptcy Judge Sarah Sharer Curley.

"All professional fees in a bankruptcy case are subject to court approval," said Kevin O'Brien, clerk of the court.

In documents filed with the court, Sheinfeld, Maley & Kay says it received a $100,000 retainer last month to consult with financially troubled American Continental.

The firm says that on April 6, when a review of the corporation's financial affairs made it "apparent that a Chapter 11 filing by ACC and certain of its indirect subsidiaries was likely," the law firm received a second retainer payment, of $1.1 million.

It adds that immediately before [illegible] Continental's filing for [illegible] 13, attorney fees of about [illegible] and expenses of $50,000 were charged against the retainers, leaving about $900,000 in the firm's account for American Continental.

In its documents filed with the court, the firm estimates it would charge $3.25 million to represent the 11 subsidiary companies included in the Chapter 11 proceeding.

Susan Freeman, a partner with Lewis and Roca, said her firm's retainer would cover paralegal and secretarial assistance provided to the Houston firm, as. well attorneys' advice on local legal procedures.

Meanwhile, bankruptcy documents also say that Federal Home Life Insurance Co. has asked the court to establish a special account for the unpaid balance on a $9.6 million promissory note owed to American Continental.

The company asks that the court lift a stay on the note that was imposed when American Continental sought reorganization.

Contributing to this article was David Schwartz of *The Arizona Re[illegible]*

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American Continental's ills stall team's purchase plans

By Alan Thurber
The Arizona Republic

"One way or another, we're going to acquire this company," Edward Vallone, vice chairman of Young, Smith & Peacock, said Thursday.

Vallone, chief executive Jed Brunst and other members of Young, Smith & Peacock's management team announced Monday they had reached an agreement to buy Arizona's largest securities firm from its parent firm, American Continental Corp.

The problem facing them is that it they don't know who owns Young, Smith & Peacock. It could be American Continental. It could be one of its subsidiaries.

Or it could be the federal government.

Federal regulators last Friday took over Lincoln Savings and Loan Association of Irvine, Calif., the major subsidiary of American Continental.

The previous day, American Continental filed for bankruptcy protection for itself and 11 subsidiaries. Young, Smith & Peacock was not among those subsidiaries, but a company above it, in a complex series of subsidiaries, was included.

In any event, federal regulators this week assumed control of 35 subsidiaries of Lincoln Savings, including Young, Smith & Peacock. American Continental is challenging that in court.

Brunst said he received a letter from the Federal Deposit Insurance Corporation, conservator of Lincoln Savings, telling him he was no longer chief executive.

But on Thursday, he was reappointed to his post. Mark Randall, managing agent at Lincoln for the FDIC, said Brunst and Colleen Edward, chief financial officer at Young, Smith & Peacock, had been reappointed.

"We have yet to finalize the purchase agreement," Brunst said. "Today's hearing will determine whether American Continental or the FDIC has authority over the subsidiaries.

"If it is American Continental, the purchasing agreement would become effective immediately. If it is not, the process would become more complicated."

Judge Paul Rosenblatt of U.S. District Court in Phoenix is expected to rule on the matter today.

The letters to Brunst, directors and certain other officers of Young, Smith & Peacock appeared to have been the immediate extent of the government's "takeover."

"There are no feds here," Vallone said. "No one walked in. No one has taken over."

Brunst said he had offered to buy the firm from the FDIC, should that agency be the owner.

Randall said the issue had been discussed and said the FDIC would certainly evaluate an offer to buy once the legal issue of ownership had been resolved.

Brunst acknowledged that Young, Smith & Peacock has lost business and brokers since the American Continental and Lincoln problems came to light.

"Initially some clients withdrew their money because they were afraid," he said. "Since the bankruptcy was announced, three brokers have left, really forced to by their clients.

"The loss of business to us is not crippling, but it is significant, in the order of $10 million out of $750 million. And we lost three brokers out of 17 or 18 on the retail side."

Company officers said earlier that accounts at the brokerage are fully insured and that the firm has considerably more capital than the New York Stock Exchange required.

Required capital, they said, could not be withdrawn without approval of the exchange.

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(Mount Clipping in Space Below)

Moral poseur Keating caught gambling with others' money

I've met Charlie Keating, face-to-face, just once. That was more than enough, thank you, to discover that he is a blowhard. Now, come to find out, he may be a crook to boot.

I was the *Republic*'s religion editor in 1981 when, for some reason, Charlie Keating's anti-pornography crusade was assigned to my beat. Dutifully, I hauled myself out to Camelback Inn for the opening of a three-day smut conference sponsored by the Keating-created Citizens for Decency Through Law.

At the poolside cocktail party before the main soiree, I spotted Charlie Keating across the patio where he was holding court before his unctuous minions, declaiming on the evils of full frontal nudity.

I introduced myself and, being a polite chap, inquired whether I could ask him a few questions about CDL and his anti-smut activities for the story I was working on. Whereupon, Sir Charlie, knight-errant nemesis of naughtiness, exploded into a thermonuclear attack on "the media" for their utter failure to report the insidious evil of pornography.

At some point in this diatribe I managed, with considerable difficulty, to insert the observation that I worked for the hated "media" and was there precisely to report on whatever point he, Charlie Keating, wanted to get across to the public about smut, smut-peddlers and whatever other assortment of miscreants he might care to assail.

Undaunted, Charlie Keating, flags flying, plunged onward in his hiding of the stupid press, much to the delight of the sniggering sycophants hovering around him like pilot fish snapping up juicy scraps from the shark's jaws. Charlie Keating had a high old time — at my expense, a person he had never met and about whom he knew nothing whatever — and never did answer my questions.

"Sheesh," I thought, as Charlie Keating scolded me for my abysmal ignorance, "what a jerk this guy is." Nevertheless, I wrote a straight story on CDL and tried, successfully I believe, not to let Mr. Keating's boorishness affect the piece.

Charlie Keating is a moral poseur. He rants against pornography and lavishes his [illegible] on [illegible] charities, but is seemingly oblivious to his own moral vacuity.

Gambling is a vice, but gambling with other people's money is a sin and, quite possibly, a crime.

But that is exactly what Charlie Keating, pillar of morality, did. He played fast and loose with money that belonged, not to him, but to the depositors of Lincoln Savings and Loan.

As Lionel Van Deerlin of the *San Diego Union* found while investigating the Keating S&L operation, when Charlie Keating bought Lincoln in 1984, he assured federal regulators — who had previously suspended him from practicing law before the Securities and Exchange Commission for misuse of bank funds — that the S&L would continue making traditional home mortgages as its primary business and that there would be no change in top management.

Charlie Keating misspoke.

No sooner had he acquired Lincoln than he installed his son as the S&L's chairman — who, incidentally, never graduated from college — at a salary of $800,000 a year. Then Lincoln went out of the home loan business. In 1985, the S&L sold exactly 11 mortgages, four of those to Keating employees.

The company was, in Mr. Van Deerlin's words "given over to high-roller speculation that didn't bother offering competitive rates to prospective home buyers."

Instead, Charlie Keating violated his fiduciary responsibility to Lincoln's investors and shareholders, using the S&L as his private cash cow to buy junk bonds, finance corporate takeovers, play the stock market and to make himself loans on blatantly uneconomical investments.

Consider, for example, the crassly lavish Phoenician resort, a Xanadu-like project that no responsible lending institution would have gone near. Charlie Keating wrote himself a blank check for the hotel using Lincoln's — other people's — money.

The Phoenician has hundreds of mechanic's liens against it, the general contractor, owed millions, has not been paid and, it turns out, Charlie Keating has been tapping an escrow account dedicated to paying off contractors to buy, among other things, blocs of Phoenix Cardinals football tickets and a Porsche for an employee.

As for Charlie Keating himself, while leading American Continental and Lincoln into financial ruin, he has done all right. He paid himself $1.7 million a year, owns palatial estates in Paradise Valley and the Bahamas, and has three private jets at his disposal.

Though why anyone needs more than two private jets is beyond me.

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(Mount Clipping in Space Below)

Homeowners feel financial impact of developer's crisis

Maintenance fund down to reserve; fees may double

By EDYTHE JENSEN
News Day staff

Residents of The Islands in Gilbert may be marooned on a mound of unpaid landscaping bills left for them by American Continental Corp.

Their homeowners association has run out of money to pay for landscape maintenance, and residents' annual fees for upkeep of common areas are likely to more than double.

The grim news was delivered to community residents Wednesday night by Phoenix attorney Francis Slavin, who was hired by association directors hours before the meeting to represent the organization in federal Bankruptcy Court proceedings involving American Continental.

With less than $50,000 in a reserve account and $600,000 in annual landscape-maintenance expenses, the association is likely to need an extra $250 to $300 assessment from every resident this year, Slavin said. Current annual association fees are less than $200 per residence, he said. An asessment is an additional fee that sometimes can be collected in a lump payment or divided and added onto regular monthly maintenance fees.

The gathering was the second annual meeting of the association.

American Continental filed for reorganization under Chapter 11 of federal bankruptcy law April 13, and the association meeting changed from a formality to one that attracted a crowd and probing questions from residents.

American Continental developed the 800-acre Islands in 1984, is the lender to some of the project's developers and still controls the association. But it may not be able to continue to pay its share of maintenance costs unless a federal judge orders payment, Slavin told the group of more than 100 gathered in Gilbert High School auditorium.

The homeowners, some irate and calling for the ouster of American Continental officials from their association, were told by Slavin their dues [illegible] of their community until it is 75 percent built out or until 1991, whichever comes first.

Slavin said 1991 is likely to come first because only 830 homes out of a the 4,371 planned are built.

"With this housing market, it may be awhile," Slavin told the group.

East Valley News Day reported last week that property values had plummeted in The Islands, many builders had gone bankrupt and large numbers of bank-owned properties were on the market in the development, which is bounded by Elliot, Warner, McQueen and Cooper roads.

Billed as an upscale planned community built around artificial lakes and bicycle paths, The Islands was the site of a 1986 Street of Dreams display of luxury homes.

One homeowner in the audience mentioned problems with the artificial lakes' water-filtration system. Association manager Randy Ecklund said that American Continental was in the process of replacing those mechanisms but that costs were not calculated in the estimated assessment increase and could mean

— See DEVELOPER'S, *page B*



Francis Slavin / Represents The Islands homeowners for $175 an hour.

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Developer's crisis affects residents

— DEVELOPER'S, *from page 1*

higher bills for residents.

Ecklund manages the association through the American Continental-owned Desert Garden Management Corp., but Slavin said Ecklund also is an employee of Lincoln Savings and Loan Association, a subsidiary of American Continental that was seized by federal regulators last Friday.

Ecklund assured homeowners that their money was held in a separate account and was not in danger of being commingled with other American Continental funds.

Members of the audience demanded a detailed accounting of expenditures and criticized Ecklund for not giving financial reports to residents during the meeting.

When Slavin told them such an accounting would take time and cost them money, one homeowner said from his seat in the auditorium, "You had to give it to the IRS anyway."

Slavin, who said his fees for representing the Islands Homeowners Association is $175 an hour, told the audience he will ask the Bankruptcy Court to order American Continental to continue paying its part for common-area maintenance.

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U.S. keeps units' reins at Lincoln

Keating denied emergency stay

By Lisa Morrell
The Arizona Republic

The fate of American Continental Corp. remained in limbo Friday as a federal judge awarded federal thrift officials temporary control of 11 subsidiaries of the company's savings and loan association.

In a hearing in U.S. District Court in Phoenix, Judge Paul Rosenblatt ruled that federal officials who seized Lincoln Savings and Loan Association of Irvine, Calif., on April 14 will remain in control of the subsidiaries until he makes a final decision.

The judge's decision prompted both sides to claim success in the struggle for custody of the subsidiaries.

"What a victory for us," said Lenard Parkins, a Houston attorney who represented American Continental.

American Continental Chairman Charles H Keating Jr. sat surrounded by his family in the courtroom throughout the four-hour hearing.

He left the building quickly after the hearing.

Attorneys and officials for the federal government burst out laughing when told that American Continental claimed victory.

"We're in control, which is exactly where we need to be," said Richard Aboussie, an attorney for the Federal Deposit Insurance Corp., Lincoln's managing agent.

Aboussie said he has no doubt that the court will uphold the government's rights as conservator.

— *See* **U.S. REGULATORS,** *page A17*



Gary Ulik/The Arizona Republic

Charles H Keating Jr. and his wife, Mary Elaine, leave the hearing, which an American Continental attorney called "a victory for us."

PROBE: Criminal acts by thrift managers alleged, **F1**

56C-181-34

APR 28 1989

FBI/DOJ

U.S. regulators retain control of Lincoln Savings subsidiaries

U.S. REGULATORS, *from page A1*

or manager, of Lincoln Savings at a May hearing.

At the May 16 hearing, Rosenblatt is expected to determine whether District Court or Bankruptcy Court should decide who will control the subsidiaries and their $3.4 billion in key assets.

Rosenblatt said that if he rules the [illegible] will limit presentation on the issue to two or three days.

American Continental and the 11 subsidiaries filed a Chapter 11 petition for reorganization under the U.S. Bankruptcy Code the day before regulators seized the thrift.

Phoenix-based American Continental claims that the assets of the 11 subsidiaries are vital for the firm to reorganize for the benefit of its shareholders, creditors and the communities in which it has large assets, including Arizona. American Continental, a holding company, has $455 million in assets.

In a suit filed Wednesday in U.S. District Court, American Continental claims that the change this week of top management and directors at the subsidiaries by federal officials violated bankruptcy laws. Government officials say their control of Lincoln and its stock in those subsidiaries gave them the right to make the changes.

"It is apparent that we are in a labyrinth of procedural problems as well as substantive issues," Rosenblatt said Friday.

He denied American Continental an emergency stay against the federal control of the subsidiaries, saying that would have amounted to a preliminary injunction.

A "broad disregard of procedural rules" brought the case to this point, he said.

Until the judge's decision in May, American Continental attorney Barbara Houser said, management of the 11 Lincoln subsdiaries will be "in sort of a limbo state." She said American Continental will work with the government to run the operations.

LINCOLN SAVINGS DEVELOPMENTS

- The federal government temporarily remains in control of Lincoln's 11 subsidiaries in Chapter 11.
- Both attorneys for the federal government and American Continental claimed victory.
- Ultimate control of the subsidiaries may be decided at a May 16 hearing in U.S. District Court.
- American Continental indicates it needs the subsidiaries' assets to reorganize successfully.
- The federal government bases its control of the subsidiaries on Lincoln's ownership of the subsidiaries.

But federal officials asserted that they aren't sharing their court-awarded control of the thrift and its subsidiaries.

A letter this week from Mark Randall, FDIC managing agent, deposed most chief executives, chief financial officers and corporate secretaries of 32 subsidiaries of the thrift. Insurance West Inc. of Phoenix was not included in the list, because it was sold to one of its managers just before the bankruptcy filing.

Randall said new executives and directors have been appointed.

While under government control, Lincoln will make changes in the way it handles loans and deposits, Randall said. He would not be specific.

Some changes at the 11 subsidiaries in Chapter 11 would require U.S. Bankruptcy Court approval, he said. That wouldn't be necessary at the remaining 21 subsidiaries.

Employees will continue to receive paychecks, Randall said.

Lincoln's operations are being funded through deposits and borrowed funds.

Rosenblatt ordered the two sides to cooperate over the weekend in drawing up a plan for what is called "discovery," or the finding and swapping of information necessary in preparation for the May hearing.

But cooperation seems a long way off in the face of the animosity between the two sides during the hearing.

The American Continental attorneys argued that the government would liquidate the subsidiaries' holdings. One sign, they said, was that the federal government had stated intentions to ask a Bankruptcy Court judge to dismiss the reorganization of the Lincoln subsidiaries.

Parkins asserted that American Continental is a more fit manager for Lincoln during bankruptcy proceedings. The government, he said, has a record of "failure," "liquidation" and "destruction" in its management of seized assets.

He contrasted the track record of company executives with government officials' history of managing seized assets.

"Theirs is extremely poor, and the track record of creating and building is extremely good on this side of the courtroom," Parkins said.

Federal officials blamed American Continental's management for the financial problems that led to the takeover of Lincoln.

Ira Parker, another FDIC attorney, called American Continental's suit "smoke and mirrors" and asked Rosenblatt during the hearing to "tell them they don't have any rights."

Federal regulatory officials are examining how Lincoln's regulatory capital fell to $20 million at the time it was seized from $112 million in December.

Robert Palmer, a federal attorney, told the court of a $5 million capital contribution that Lincoln made to a subsidiary, Crescent Holdings Inc., one week before the subsidiary filed for Chapter 11 protection on April 13. The money was put up as a retainer for attorneys, Palmer said.

Such transactions "are reflective of the choice you're being asked to make here today," he said.

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American Continental investors left on limb

By Jean Novotny and Lisa Morrell
The Arizona Republic

Dr. Robert Wynsen feels pretty stupid about the investment he made in American Continental Corp. of Phoenix. He wonders if he'll ever see his $200,000 again.

Norman Janas doesn't feel the least bit foolish about having bought $300,000 in American Continental debentures. He has faith in the "character" of American Continental and is fairly confident he'll get his money.

Richard Thomas is used to flying high with his investments. But he hadn't counted on a crash landing for the $350,000 in American Continental debentures he bought.

The hardware business that Travis and Lynn Williams built over the course of 35 years provided the $50,000 they put into American Continental debentures. Now, "somebody owes us some money."

The Sisters of Charity of Cincinnati may be "sitting tight" on a pile of American Continental debentures — $444,000 worth. The sisters didn't buy the debentures; they apparently were a gift from Charles H Keating Jr., the chairman of American Continental. However, the sisters may miss the income from the bonds.

Unsecured creditors of American Continental are caught in a legal maze that has completely tied up their investments in the company. The proceedings could drag on for years.

The chances of their recouping their investments probably are diminishing with each passing day.

Earlier this month, American Continental filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. A day later, the federal government seized American Continental's principal subsidiary, Lincoln Savings and Loan Association of Irvine, Calif. Lincoln has 29 branches in southern California; at one time, the branches were the principal sales offices for the debentures.

American Continental sold more than $200 million of the debentures, which are bonds backed only by the earning power of the company. When a company stops making money, it cannot pay the interest or principal on the debentures.

The assets that American Continental had used to earn money are the center of a major battle between the company and officials who regulate the savings and loan industry. Both claim their control would benefit creditors, including the debenture holders.

The debentures were attractive investments to many of the 22,500 people who bought them, because of their relatively high interest rates. They were offered at interest rates ranging from 9.75 percent on one-year bonds to 12.50 percent on five-year debentures.

But some unsophisticated investors apparently

— See UNWARY, page C3

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Unwary investors in American Continental bonds out on limb

— UNWARY, *from page C1*

did not understand the risk involved.

Robert Wynsen, an ophthalmologist, and his wife, Ann, could possibly lose a good share of the money they had been saving for retirement as a result of the American Continental Chapter 11 filing.

In May, the Wynsens, who live in Ville Park, Calif., took $200,000, part of their proceeds from the sale of some real estate, and bought American Continental debentures paying 10.5 percent interest. They bought them at Lincoln Savings.

'It was a canned speech'

The Wynsens received monthly payments of interest until this month. Under Chapter 11 rules, bondholders cannot receive any payments of principal or interest until a plan of reorganization is worked out.

"They told us it was a great investment, that it was a secure thing," Robert Wynsen said. "They said that American Continental was a great company and really growing and that Lincoln was sound.

"Looking back now, I realize it was a canned speech. But we went home, read the literature and said, 'What the heck?' "

Now Wynsen said he feels very stupid.

"What can I say?" he said. "We did this dumb thing. We didn't investigate it enough. But how does a man know? I didn't want to do anything daring. I wanted to do something conservative, and here I am."

Wynsen said the possible loss of the money is going to hurt, although it won't be devastating to the couple's security.

However, he said he is not going to tell his elderly mother-in-law about the $20,000 he invested for her in American Continental bonds. He said he will reimburse her from his own funds if need be.

He is worried about the legal maze ahead. Years ago, he was involved in a similar matter, and it was seven years before it was resolved.

Hard-luck hardware story

It took Travis and Lynn Williams more than 20 years before their hardware store yielded enough profit to enable them to invest $50,000. They had nurtured their store since it opened in Palmdale, Calif., in 1954.

More than a year ago, the 70-year-old couple invested $60,000 into American Continental debentures.

"We're very careful about the business, and we lose the profits," Lynn Williams lamented last week from her home in Carlsbad, Calif.

In February, $10,000 of the debentures came due. The couple received their money back on that portion of their investment, which was "excellent" because of the relatively high return. But they wonder if they'll ever see the rest of the money.

"We're pretty broken up about the situation, and we're not very knowledgeable about what happens now," Lynn Williams said. "If we get 50 cents on the dollar back, I'd be happy."

Her brother-in-law, who recommended the debentures, stands to lose even more. He sank $240,000 into them. Williams said she and her husband won't have to cut their style of living if they lose their money, but her brother-in-law will.

They figured the American Continental instruments were sound investments because they bought the debentures at a Lincoln Savings branch in Escondido, Calif. The interest rate caught their eye as well.

"We were retired, and we had some money that needed to be working, and we really didn't understand the risk," she said.

'Hindsight is wonderful'

State thrift regulators last year stopped American Continental from renting space for its financial representatives in Lincoln offices. The

representatives had been selling the debentures. Regulators worried that unsophisticated investors would mistake the debentures for federally insured instruments.

But Lynn Williams said the representative told the couple that the debentures were not backed by the federal government. She and her husband blame only themselves — and their lack of financial savvy — for their potential loss.

"Looking back on it, we should have realized the higher the interest rate, the higher the risk. Of course, hindsight is wonderful," she said.

Still, she added, "I certainly feel like somebody owes us some money."

The salespeople at the Lincoln Savings and Loan Association branch where Norman W. Janas bought his $300,000 in debentures told him that under no condition would the company default on the bonds.

"Debenture means that it is secured by the character of the organization," said Janas, 65, a retired machinist from Burbank, Calif.

"They should be OK because of the power of the organization.

"Mr. Keating is supposed to be a fine person — the best — and a very good businessman."

Investor is confident

Janas said he has every confidence it will work out and the company can be restructured. Yet, he realizes there is a possibility that it won't work out.

"But I have faith," he said. "It's a powerful company — a Fortune 500 company — so I couldn't picture something like that happening."

American Continental was named in the Fortune 500 list of service companies in June.

Janas, a World War II veteran, receives Social Security benefits, but he said his investments are fairly substantial for "a working person." And Janas said it isn't because he led a frugal life.

"The secret is very simple," he said. "I was single most of my life. It's expensive to be married and have a relationship with someone."

Yet he said a nearly 10-year relationship he had with a Spanish noblewoman was so emotionally satisfying that he was inspired to accumulate the money he did.

"Behind every successful man, there's a woman," he said, "And that had a lot to do with accumulating money for me. It was so satisfactory that I wanted to plunge on and work every day. She was so lovely."

Investment-banker trouble

The money he invested in American Continental came from an annuity he said he was having trouble getting his investment banker to monitor. So he withdrew part of the money from it and invested in bonds last spring.

The bonds, due to mature in 1993, have a 12 percent interest rate, and the monthly interest payments on it were $3,000 a month. Janas said he put the interest payments he received in an account he had in Lincoln Savings. Last week, Janas closed his account at Lincoln Savings and moved his money to another financial institution.

Janas said he has enough money to get along if he loses his investment in American Continental.

"It's bad, but I'll do OK," he said. "I have confidence that everything will be all right."

Some people may think he made a foolish investment, he said, but "whenever you make an investment, there is a risk. If you don't take a risk, there is no gain."

One of the very largest unsecured claims among creditors of American Continental is one for $444,000 by the Sisters of Charity of Cincinnati.

But Jon Valmassoi, the nuns' business manager, said he could not comment on the nature of the claim.

However, it is for the same amount of money that Keating says he donated to the group of Catholic nuns, and it is possible that the gift was in the form of American Continental debentures.

Catholic nuns 'sitting tight'

"Mr. Keating has given a lot to charity," Valmassoi said. "If he has given anything, when, where and how much, I can't say.

"We haven't hired an attorney or anything. Right now, we're just sitting tight."

The Sisters of Charity have 900 members, and they are involved in nursing, teaching and social work.

'Living high on the hog'

Richard Thomas of Arcadia, Calif., describes himself as a bit of a financial daredevil.

"I've lost more money than something new than most people have made in their lives," the 69-year old retiree said.

Even so, he never suspected he might lose his entire $350,000 investment in American Continental debentures.

Thomas doesn't consider himself a sophisticated investor. And he didn't realize he was flying so high with American Continental, despite an initial warning from a stockbroker. The broker recommended he buy bonds with a higher rating but a bit lower interest rate. Thomas ignored the advice.

Instead, he went to an American Continental representative at a Lincoln Savings branch. He read the prospectus describing the company and its offering, but didn't understand the risk. He bought the debentures anyway. The monthly interest began.

"I've been living high on the hog while it's been coming in," he said.

His friends warned him that American Continental was cruising toward danger, imperiling his investment. Then he heard of the Chapter 11 filing.

The money in the bonds represents about a third of his wealth, he said. The possible loss of his investment might cramp his spending, but he's not crying over it.

"Hell, maybe somebody's going to take over that thing, and my money will be worth twice as much," he said.

Meanwhile, he added, "I'd sure like to find out what caused them to go downhill."

FD-350 (Rev. 5-[illegible]81)

(Mount Clipping in Space Below)

Keating pays attorneys $4.3 million

By Ross Hemphill
The Phoenix Gazette

American Continental Corp. and 11 subsidiaries paid $4.35 million to retain lawyers who will represent the companies in bankruptcy court.

The pricey ante, which foreshadows big legal bills on all sides in the $3 billion Chapter 11 case, was revealed this week in court documents.

U.S. Bankruptcy Judge Sarah Sharer Curley temporarily has appointed the Houston law firm of Sheinfeld, Maley and Kay as lawyers for Charles H Keating Jr.'s companies.

She set an April 28 hearing to decide whether the law firm will be hired permanently.

Keating hired the law firm on March 1, court documents indicated, paying it $100,000 for consulting work on

American Continental bankruptcy: The fallout

financial affairs for American Continental Corp.

On April 6, a week before the companies entered bankruptcy court, American Continental paid the lawyers $1.1 million and its 11 subsidiaries paid a total of $3,250,000, all as retainers.

Documents said that, of the fees paid for American Continental, about $300,000 already has been spent on lawyers' fees and expenses, and another $900,000 remains unspent in a trust account.

The Houston lawyers will be paid up to $310 an hour.

Court documents also revealed some more financial information about the 12 companies, indicating that on Feb. 28 they owed each other about $400 million in unsecured accounts payable.

The single largest unsecured debt owed one Keating company to another is about $99.9 million loaned to Amcor Investments Corp. from Phoenician Financial Corp. There are 20 such loans listed.

Meanwhile, creditors of the Keating empire have begun filing claims in court, trying to protect their interests.

Southmark Corp. of Dallas has asked Sharer Curley for a temporary restraining order to stop Crescent Lending Corp. from foreclosing on stock used as collateral in a 1985

See ■ Attorneys, E-4

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From E-1

loan agreement.

Southmark, which according to court documents borrowed about $28 million from Crescent, claimed a foreclosure sale of the stock of Servico is set for 2 p.m today.

Southmark claimed the value of the stock now exceeds $31 million and that a foreclosure sale would hurt a planned acquisition and merger with FCD Hospitality Inc.

There is an unpaid balance of about $12.48 million on the loan, the application for the restraining order said.

Crescent claimed the loan is in default, but Southmark in court documents said a $6.3 million payment was made Feb. 6 as part of an agreement where Crescent allegedly agreed not to pursue the foreclosure sale.

Also, Federal Home Life Insurance Co., has asked for relief from the automatic stay imposed when the bankruptcy cases were filed to protect the balance owed on a $9.6 million 1988 promissory note secured by rents on McClintock Fountains Shopping Center.

The insurance company asked Curley to order American Continental to keep the rents and income from the center separate from other monies in the bankruptcy case so that it could later collect its money.

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(Mount Clipping in Space Below)

'Sorry, Charlie,' not even 'Angels' can get you off the hook

In the lobby outside the Grand Canyon Room at the Arizona Biltmore, a collection of young, attractive women was gathering.

It was shortly before 10 a.m., when Charles H Keating Jr. was scheduled to hold a "press conference" regarding the Bankruptcy Court reorganization of his American Continental Corp. and the federal seizure of its subsidiary, Lincoln Savings and Loan.

The women chatted among themselves, giggling at reporters who asked, "Why are you here?" One of them finally told me, "We're here for Mr. Keating, and we're not supposed to talk to any of you."

They were Charlie's Angels.

It should have been a clue of what was to come.

Since shortly after 9 a.m., the back rows of the Grand Canyon Room were filled with Keating's family. Gary Hall, the eye doctor and most visible of Keating's son-in-law, sat at the end of a row, his wife and children nearby.

Hall wore what appears to be the uniform required of American Continental's men: dark suit, white or pastel shirt, conservative tie.

Keating's other daughters and sons-in-law also were there. And more children. The boys and girls appeared to have been told to smile (or at least not to squirm or sneer) for the television cameras. Local radio stations were set to broadcast the event live.

It hadn't occurred to any members of the press just yet, but they were about to be had. Keating never planned to hold a "press conference," which normally includes journalists asking questions.

Instead, Keating threw out the hook, baited with the promise of a face-to-face meeting, and the local media swallowed it whole.

After a brief, self-serving slide show

More than half the audience were Angels, employees and family. Charlie's Angels burst into applause when the boss took to the microphone. His family gave him a standing ovation. Only after he was sure that the cheers had gone over the airwaves did Keating begin reading from a prepared statement.

Last year, Keating spent $500,000 to buy radio advertising in which he tried to make himself sound like an average Joe, instead of a filthy-rich Charlie.

This time, the air time cost him only a couple of hundred bucks for the room, plus coffee and sweet rolls. It was a classic con.

To the surprise of no one, Keating blamed his company's troubles on "a few nameless bureaucrats who ... misused their position of authority and have attacked my leadership."

He complained about the "unwarranted bureaucratic assault that some malicious bureaucrats in Washington, D.C., have waged against me and my company," and added, "We were driven into Bankruptcy Court by a massive and politically timed interference by federal regulators."

All of which leads to some questions. But there were none.

Keating spoke of his love of Arizona, and of his company and of his family. Then he slipped out a side door, into a waiting car, and left. All staged to another rousing cheer by Charlie's Angels.

Reporters in the room stared at one another, dumbfounded. Keating had gotten both the first word *and* the last word. The only thing better would be for the public to now to consider him an underdog battling "the nameless bureaucrats."

Unfortunately for Charlie, there's another nameless group out there: 23,000 people holding American Continental timed" events.

These days, Keating prefers to remind people of his generosity to charities such as Mother Teresa of Calcutta, rather than talk about the 23,000 people he's left holding the bag, some of whom might become charity cases.

Charlie didn't even want to say why he held this "press conference" at the Biltmore, rather than his Phoenician Resort, where he could get a conference room for free. You'd think a person in his position would try to save a little money.

Monday's show wasn't staged to answer questions, however. It was a combination pep rally and pity party. And the pep rally worked. All of Arizona had a chance to catch Keating's performance and hear his Angels cheer.

But pity is best reserved for his investors and creditors, all those little fish he's left on the hook. Keating may have pulled off a classic media con, but even an ill-informed public knows the difference between a tuna and a shark.

In other words, "Sorry, Charlie."

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(Mount Clipping in Space Below)

Empire's woes shake Valley

Keating's deals pumped cash by the millions

By Ken Western
The Arizona Republic

It's not a question that normally comes up, but Conley Wolfswinkel once was asked whom he would pick to row a boat with him if he were stranded in the middle of the ocean.

"I said I'd pick Charles Keating," Wolfswinkel recalled. "Because Charles is resourceful, bright and honest."

That view may not be shared by everyone in metropolitan Phoenix, but many businessmen and developers such as Wolfswinkel say the fall of Keating's American Continental Corp. would be a major loss for the Valley's economy in terms of jobs and the millions of dollars in investments that the company has generated.

Whatever happens to Keating and his empire after his filing for protection under Chapter 11 of the U.S. Bankruptcy Code on Thursday, the 65-year-old businessman will have left his imprint on the Valley for years to come.

"No question the city is different for having Mr. Keating," said Charles Hickcox, president of Feldman Hickcox, a development company in Scottsdale.

"History will be a better judge than we can be now, but he's had a very positive impact on the development of quality projects," he said. "If anything ever happened to him, I think the city would be at a loss to replace a guy like that."

Keating, who has declined for months to be interviewed, has never been shy about touting the financial impact of American Continental on the Valley.

In a Dec. 26 response to a letter from a Scottsdale resident, Keating estimated that since 1985, his company had:

- Imported about $3.5 billion from sources outside Arizona directly into the state's economy.
- Paid more than $250 million in wages to Arizonans.
- Made loans of about $1.5 billion to individuals and businesses in Arizona while investing $1 billion in Arizona real estate.
- Brought such companies as Rubbermaid to the Valley as part of the Estrella master-planned community development.
- Contributed millions of dollars to charities.

Aside from business, Keating has carved out a reputation as a leading crusader against pornography, including adult magazines, Dial-A-Porn messages and theaters showing X-rated films.

Although generating a slew of mixed publicity alone of this seems to have had much impact on his businesses.

But in a bid to get around what he viewed as a negative press, Keating spent an estimated $500,000 over a 13-week period in 1987 on folksy radio advertising in which he talked about growth, his company's developments and whatever else happened to be on his mind.

Keating came to Phoenix from Cincinnati in the mid-1970s to salvage a struggling American Continental Homes, but he stayed to build it into one of the top 10 home builders in the country before selling it.

Keating has also built expensive shopping centers, and his large-scale developments often have featured lakes or lagoons in an area where rainfall is scant.

He has spent $25 million to $70 million to provide the basic infrastructure for Estrella, a development 30 miles west of Phoenix that is intended to eventually house 200,000 people on 20,000 acres.

But his crowning achievement is The Phoenician Resort in Scottsdale.

The Phoenician, on which Keating has spent about $265 million and is clearly his favorite, is a world-class destination resort that was recently touted on the television show *Lifestyles of the Rich and Famous*.

Whether it all makes sense from a financial standpoint is another question, particularly in view of Keating's Chapter 11 filing.

"There are some things that probably could have been done cheaper," Wolf-

— See EMPIRE'S, page I12

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Empire's woes leave Valley shaken

— EMPIRE'S, *from page F1*

swinkel said. "It's a mind-boggling project."

But Keating has never been known to skimp on projects carrying his name.

Keating, whose reputation for paying top salaries is unequalled, also is credited with having brought business people to Phoenix with a financial savvy that even critics describe as rare.

"These guys were light-years ahead of almost everybody in town in terms of sophistication," an observer said.

"Not only do we lose a tremendous amount of capital, but we lose a tremendous amount of brainpower. Phoenix isn't that long on brainpower and sophistication that we can afford to lose it."

Still, those same brains apparently helped get American Continental into some of the problems it now finds itself in.

Keating has invested hundreds of millions of dollars in the Phoenix area through Lincoln Savings and Loan Association of Irvine, Calif., which American Continental acquired in 1984.

"I hate to see that Charlie and Lincoln (which Keating is trying to sell) are not going to be actively doing deals in Arizona," Wolfswinkel said.

"If you had your choice, you'd definitely want those dollars to stay, but they're probably not going to stay. It's not going to be devastating that they're not here, but it damn sure isn't going to be good."

Wolfswinkel has borrowed millions from Lincoln to help support his projects.

Keating has built what generally is considered the most aggressive private economic-development group in the state in an effort to bring new industry to his Estrella development.

American Continental officials reportedly have spent two days a week since early this year trying to sell southern California firms on the value of moving to the Goodyear area.

"They've got this down to about as fine a science as you can get for any one piece of property," said Ben Warren, a senior consultant in economic development at Arizona Public Service Co.

Warren said he gets two or three calls a week from companies rounded up by American Continental that want to have rate comparisons done on power that would be supplied by APS if they relocated to Estrella.

But Keating's business is so complex that few even pretend to understand everything that he does.

"What I understand least, but tend to appreciate most, is that guy's genius for financing," a Phoenix businessman said.

Spun-off firm strong, growing

Continental Homes Inc. of Scottsdale was sold by American Continental Corp. in May 1985 to a three-person management team for about $55 million.

Less than two years later, Continental Homes successfully completed an initial public offering of 1,380,000 shares of common stock at $11.50 per share, giving the company a strong capital base.

The new management has expanded Continental Homes' operations into southern California and Denver.

WHAT THEY'RE SAYING ABOUT AMERICAN CONTINENTAL



"This is a real sad day in Phoenix. He's been a major employer, providing a lot of jobs in the last 10 years. It's got to be a blow to our economy.

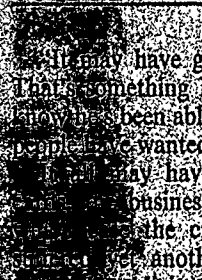
"He was a great contributor to charity in our community. He gave a lot of money to St. Vincent de Paul and land to the Little Sisters of the Poor."

—Gene Rice, chairman of MeraBank



"I believe that any negative financial indicators further erode the confidence that people have in our local economy, and for that reason, it's a very sad thing. And it's also sad because of all the employees and shareholders that are going to be losing jobs. This is going to affect a lot of people."

—Jack Pfister, Salt River Project general manager



"It may have gone over the edge. That's something I can't judge, but I know he's been able to do things other people have wanted to do."

[illegible] may have been a house of [illegible] businessman suggested, in [illegible] the city and state have [illegible] another hit of negative [illegible] publicity about record fore-[illegible]closures and Chapter 11 filings.

But those who know Keating, such as Wolfswinkel, say he should never be counted out.

"The thing I admire most about Charlie is that if he believes in something, whether it's right or wrong, he goes after it 3,000 percent," Wolfswinkel said.

"He doesn't go after it 110 percent. It's 3,000 percent. I have to admire that type of conviction in a person. He's a bulldog."

WHAT THEY'RE SAYING ABOUT AMERICAN CONTINENTAL



— Duane Pell, Phoenix city councilman

"When something like this happens, that's a tremendous impact on people's lives, from secretaries to office workers to custodians. It's not just one individual, person that suffers when this happens. It's just a terrible tragedy.

"It doesn't help the image at all. Whatever side you're on with American Continental and Charlie Keating, he's a tremendous generator of cash flow into our economy. To just take that away has to have a negative impact."



— David Jankofsky, director of the Arizona Department of Commerce

"Clearly, when one of the major developers in any metropolitan area files for bankruptcy, it probably has some sort of impact on the community image. We'll have to sort that out over time.

"For our part, we'll keep spreading the good news about Phoenix. It's a diversified economy ... and we'll keep plugging."



— Lee McPheters, director of Arizona State University's Economic Outlook Center

"This is not going to be any fatal blow, but it's certainly not good news. On the whole, I think we're seeing the tip of the iceberg and there's probably going to be a bit more financial restructuring ahead of us by others.

"I think there's some more bad news in store for the Arizona economy. This is the year where it all bottoms out, and when you hit bottom there are going to be a lot of sounds like this along the way."

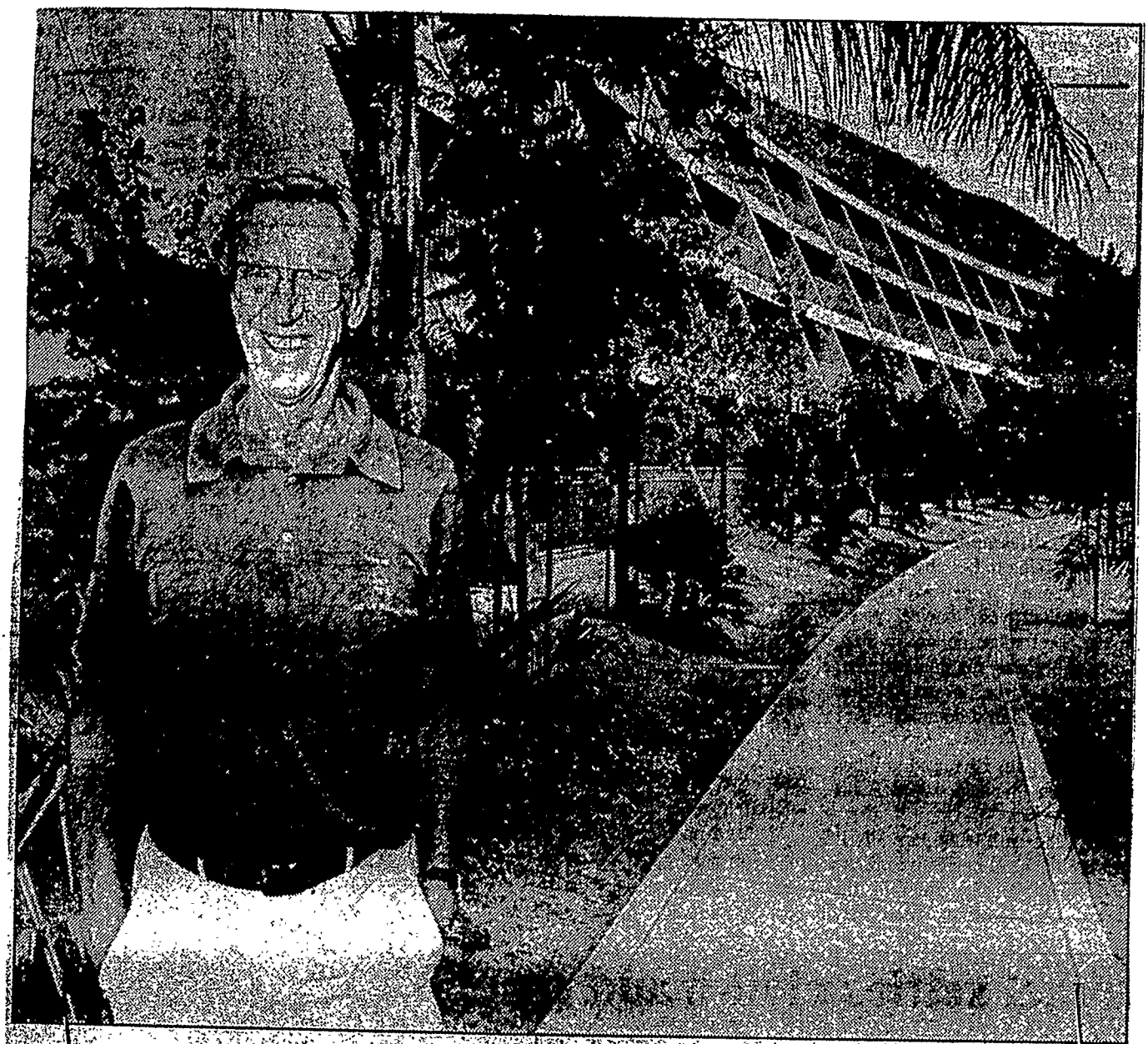


— Karl Eller, chairman of Circle K Corp.

"This is going to be just another black mark and is definitely going to be bad for the state. It's going to be another sign to people that the economy has softened here and it isn't going to be getting any better for awhile.

"It's going to lower the value of everybody's land. A lot of people are going to be hurt by this. And we already have enough problems.

"This is sad. You hate to see this happen to anyone."



A happy Charles H Keating Jr. posed last year outside his favorite holding, the Phoenician Resort, which was then under construction at 6000 E. Camelback Road. The resort is not part of the Chapter 11 filing.

Dave Nelson/The Arizona Republic

KEATING DEVELOPMENTS

- Rebuilt Continental Homes into a profitable company.
- Developed Dobson Ranch residential community, near Dobson and Baseline Roads, Mesa.
- Developed The Islands, a master-planned community, Gilbert.
- Developed Continental Plaza, a retail center at University Drive and Extension Road, Mesa.
- Developed Union Square, a retail center at 43rd Avenue and Union Hills Road, Phoenix.
- Built the Phoenician Resort and Crescent Hotel.
- Began development of the master-planned Estrella community, Goodyear.

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(Mount Clipping in Space Below)

Complex legal dealings could unfold over years

By David Schwartz
The Arizona Republic

American Continental Corp.'s landmark filing for protection under federal bankruptcy law could be just the start of a complex series of legal proceedings that could take years to resolve.

Bankruptcy officials said the company's filing for reorganization under Chapter 11 of the U.S. Bankruptcy Code was basic and left many questions unanswered.

The next 15 days are likely to reveal the heart of the case for the giant Phoenix-based company and 11 subsidiaries.

This is the deadline for company attorneys to identify a list of people, corporations and financial institutions owed money [illegible] will be divided in order of priority for repayment.

Included in that next filing will be a detailed outline of each company's financial shape. Sketched out will be such items as property, tax refunds, liens, loans and payments and leases and contracts.

A history of lawsuits against the companies also must be listed in this filing.

American Continental attorneys touched on several of these items in Thursday's original filing but gave few details. Attorneys just listed the 20 major creditors owed money by American Continental.

Following the detailed list will be a creditors meeting before the U.S. Trustee where the jurisdictional questions and a thumbnail sketch of American Continental and the subsidiaries' obligations will be reviewed. This occurs within 20 to 40 days after the original filing.

The vastness of the American Continental case could mean that 12 of these meetings might have to be held.

Long-shot possibilities could include the appointment of a special examiner who would be hired to examine each company's books, officials said.

In addition, it is possible for a trustee to be appointed to preside over the reorganization if it can be shown that company executives were guilty of fraud or mismanagement.

The clock will be running on the company's deadline to file a formal strategy for pulling itself out of financial trouble and regrouping for a new start.

This reorganization plan will include how creditors will be paid off, in what order, and if any assets, such as property, would have to be sold. The company also must provide a plan for liquidation.

A bankruptcy attorney said the theory is that the company must prove to the court that those owed money would be better off if the company reorganized than if it was dissolved.

BANKRUPTCY DEFINITIONS

ASSET: Anything having commercial or exchange value owned by a business, institution or individual.

LIABILITY: A claim on the assets of a company or individual.

CREDITOR: Individuals or companies that have a claim on a company in financial difficulty or bankruptcy.

LIEN: A creditor's claim against property, such as a mortage against a house.

LIQUIDATION: Dismantleing of a business, paying off debts in order of priority and distributing the remaining assets in cash to owners.

Source: Barron's Dictionary of Finance and Investment Terms

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Business 'normal' at Keating firm

By Ken Western
The Arizona Republic

American Continental Corp. said business was normal on Friday despite developments in the past two days that will determine the fate of the Phoenix-based company.

"The attitude is not one of gloom and doom," company spokesman Mark Connally said.

"The mood here is one of, 'We're glad to have a forum in which we can more thoroughly plead our case,'" he said, referring to the company's filing Thursday for protection under Chapter 11 of the federal Bankruptcy Act.

The company's 3,000 employees had barely learned that American Continental had filed for reorganization before federal regulators announced early Friday that they had seized Lincoln Savings and Loan Association in California.

The action against the 29-branch American Continental subsidiary was taken "on the legal grounds that the institution's assets had been substantially dissipated and that it was operating in an unsafe and unsound condition," the Federal Home Loan Bank Board said.

Lincoln, based in Irvine, Calif., accounts for about 90 percent of American Continental's assets.

David Loveday, a spokesman for the bank board stationed in Irvine, said Lincoln employees generally were "in a very good mood" after the seizure.

"They certainly were not surprised by this action," he said. "They are, right now, being very cooperative and helping us out tremendously."

About 20 federal examiners were reported to be examining records at Lincoln after the seizure.

The Federal Savings and Loan Association stationed insurance specialists at each of Lincoln's 29 branches to answer questions about customer accounts and the placing of Lincoln into conservatorship.

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Economic, human factors behind Keating's fall

The Charles Keating financial-services and real-estate empire is a shambles, the victim of the Valley's real-estate recession, obstinacy, overambition and, to a degree, a failure by regulators to act expeditiously.

Keating was in character right to the end — if we truly have seen the end.

Last week, the Federal Home Loan Bank Board went to Keating and told him it intended to take over the savings and loan association in California his company owned. The agency demanded Keating sign a consent agreement.

But there was Keating on Thursday telling the bank board, in so many words, to stuff their consent agreement.

And as in nearly every previous confrontation with regulators, whether state or federal, Keating defended his position by attacking. He accused the regulators of making presentations that were not correct when demanding he sign the consent agreement.

Signing that agreement would have resulted in the Federal Savings and Loan Insurance Corp.'s taking control of Lincoln Savings and Loan Association and all its subsidiaries.

It would have meant, for all intents and purposes, the end of the financial services and investment empire that Keating has nurtured since arriving in Arizona in 1976 from Cincinnati.

That's not the sort of thing Keating would be expected to stand still for. He has never taken kindly to regulators telling him how to run his business. So he filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. His filing included several subsidiaries of Lincoln Savings, meaning he was trying to claim those assets for American Continental.

This time, however, the bank board had had enough. It wasn't going to take "no" for an answer. And bright and early Friday morning, the bank board unhesitatingly put Lincoln Savings into conservatorship. It also was threatening to find a way to take control of the Crescent Hotel and The Phoenician Resort, which in recent months has emerged as something of Keating's pet possession. One he has indicated he would try to keep at all costs.

However, it is Lincoln Savings that has been key to Keating's empire and the main financing conduit through which Keating has fueled the growth of his American Continental Corp.

And therein lies one of the real tragedies of the situation. American Continental, through Lincoln, imported hundreds of millions of dollars into Arizona for its own investment purposes and to lend to others who were investing here. It was a blessing, albeit a mixed one, in a state where access to investment capital is extremely limited.

The flip side of the coin was that the availability of financing appears to have encouraged some investors to become speculators, buying properties that couldn't sustain their value in a falling market. And many of those investments probably have found their way back to Lincoln as "real estate owned."

It's a little scary to consider, but there is a possibility that the FSLIC, which will operate Lincoln as conservator, will decide the best thing to do with all that property is sell it as quickly as possible.

A spokesman for the bank board said Friday that the FSLIC will give all options careful consideration. Let's hope that is not as ominous as it sounds.

There's also the consideration of human capital, without which all the investment capital in the world is worthless. A lot of bright, talented people are now or likely soon will be out of work — at a time when the job market in Phoenix is tight. They represent another resource this state can ill afford to lose.

It may be too soon to count Keating out, but it appears likely that he may finally have been brought down by his own ambition and refusal to compromise.

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Chapter 11 is a strategic refuge

By Jean Novotny
and Ken Western
The Arizona Republic

Charles Keating thinks he can live to do another deal.

The Chapter 11 filing by his American Continental Corp. has served notice that Keating is determined to salvage as much of his Phoenix-based company as possible. Keating is chairman and chief executive of American Continental.

"It is just extremely doubtful at this point that they're throwing in the towel," said Dawn Stoll Zeitlin, who heads the bankruptcy department at the Phoenix law firm of Gust, Rosenfeld and Henderson. Neither she nor her firm was involved in the Chapter 11 filing by American Continental.

With the filing, the company has sought to shelter not only its assets from creditors while it attempts to reorganize, but also to shelter assets whose ownership will be disputed by others, notably the federal government.

In addition, by filing for court protection, American Continental has taken its long-running dispute with federal regulators over Lincoln Savings and Loan Association of Irvine, Calif., into what may prove a favorable forum.

The intent of Chapter 11 is to give a company an opportunity to reorganize and come up with a plan for satisfying creditors. Under Chapter 11, a company seeks court protection from threats of lawsuits by creditors while it reorganizes.

"It should let American Continental breathe for a while," Zeitlin said.

"It says, 'Let them see what they can do. Let's give them another chance.'

"It says, 'Everyone back off. You're not going to collect anything. You're not going to sue. You're not going to foreclose until American Continental gets a decent shot a trying to reorganize.'

Keating remains in charge of the company, but management is subject to oversight by the court, according to Terry Gilbert, a certified public accountant with Kenneth Leventhal and Co., a national CPA firm specializing in real estate.

American Continental's management could be replaced by the court, "but that doesn't happen very often in cases of this size," he said.

"That's because usually the company's assets can be maximized by people who know where the key to the washroom is.

"By bringing in a bunch of strangers, who may not know specific assets or the business, you could have disastrous results. Typically, you get a trustee in there if it's judged that management is dishonest or grossly incompetent. That's pretty hard to prove."

American Continental has 120 days to file a plan for reorganization. If the company does not do so, creditors may draw up their own plan for guiding the company or perhaps liquidating it.

— See CHAPTER 11, page F2

(Indicate page, name of newspaper, city and state.)

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Chapter 11 is a refuge for firm

— CHAPTER 11, *from page F1*

Keating, who earned $2 million in 1987, also could see his salary scaled down when the court reviews the company's operations.

The case is expected to be a bonanza for lawyers and accountants, among others.

"The legal business is not a business that will be suffering as a result of this," Gilbert said.

"Certainly, there will be a lot of people employed that were not yesterday."

On Friday, a day after American Continental filed its Chapter 11 petition, the federal government seized its major asset, Lincoln Savings & Loan Association of Irvine, Calif.

Lincoln, by virtue of being a federally insured institution, could not file for bankruptcy.

Subsidiaries of Lincoln, however, were included by American Continental in the Chapter 11 filing, although some, such as the holding company for the Phoenician Resort and the Crescent Hotel, did not seek protection.

The Federal Home Loan Bank Board, in taking control of Lincoln, assumed a stock-ownership role in Lincoln's subsidiaries, but it was not able to take control of the subsidiaries themselves because they were included in the Chapter 11 filing.

The federal government, Zeitlin said, has become a major player in the bankruptcy case, but will play the role as an owner, not a creditor.

That action will pit the regulators against American Continental in a fight over who owns and controls those subsidiaries.

Zeitlin said there is no indication that American Continental has any plans to liquidate, which is an option under Chapter 11.

The company's filing for protection is the largest such case in Arizona history. Its debts total almost $3 billion, and it has more than 25,000 creditors. It claimed assets of $3.8 billion in the petition.

Meanwhile, staff at Bankruptcy Court started processing the massive case early Friday.

Court officials will use the opportunity to start an electronic filing system for case documents. Tentative plans call for the attorneys involved to have access to the computer files from their offices.

A special telephone line offering a daily update will be set up early next week, according to Court Clerk Kevin O'Brien. Extra staff may be hired, he said.

Copying work has been contracted out to a private company, which has told court administrators it will have workers available round-the-clock.

The scene at the court was hectic Friday, as workers handled numerous telephone calls and media requests to examine Thursday's filing.

"Hey, this is bigger than Eastern," one worker said, alluding to a recent bankruptcy filing by Eastern Airlines.

"We're in the big leagues now."

David Schwartz of *The Arizona Republic* contributed to this story.

AMERICAN CONTINENTAL HOLDINGS

Affected by Chapter 11 filing

	Assets	Liabilities
American Continental Corp.	$454,712,642	$358,887,870
AMCOR Funding Corp.	$935,613,000	$820,766,000
Formerly known as Lincoln American Financial Insurance Co. Involves the Phoenician Funding Corp., Continental Fidelity Life Insurance Co., American Founders Life Insurance Co. and AMCOR Insurance Group.		
AMCOR Investment Corp.	$626,634,000	$532,073,000
Formerly known as Continental Homes Corp. Involves Estrella Star Real Estate Corp., Uplands Co., Uplands Waste Water Co., AMCOR Continental Inc. and Rancho Estate Realty Co.		
Castle Meadows Inc.	$136,105,000	$10,014,000
Crescent Hotel Group	$120,589,000	$3,759,000
Crescent Lending Corp.	$155,128,000	$78,098,000
Cresfin Corp.	$63,140,000	$1,493,000
Linfin Corp.	$724,424,000	$605,121,000
Phoenician Commercial Prop. Inc.	$283,586,000	$278,482,000
Involves Tammany Highland Inc., American Northland Inc., Crescent Hotel Group and Phoenician Continental Corp.		
Phoenician Financial Corp.	$287,067,000	$219,417,000
Provident Mortgage Corp.	$36,223,000	$32,546,000
SSFLC	$24,756,000	$27,377,000
Involves YSP Holdings and Young, Smith and Peacock Inc.		

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

'Heavy-duty' case goes to newest jurist

By Alan Thurber
The Arizona Republic

She is bright, tough, and always well-prepared. And she'll need all three traits as judge in the American Continental Corp. reorganization.

Judge Sarah Sharer Curley of U.S. Bankruptcy Court was assigned the American Continental Chapter 11 reorganization case, the largest in Arizona history, entirely by chance. Her name came up in a random drawing.

She is the newest of the court's four judges, appointed to a 14-year term Oct. 1, 1986. Her appointment came as a surprise to some, for she was new to the state, had not practiced here and had never been a judge.

"As a result," said one Phoenix attorney, "her relationship with the Bar has been somewhat uncomfortable."

She had good credentials, however, and had practiced bankruptcy law in New York and Wisconsin.

Attorneys have good and bad things to say about her. One called her the best judge in Bankruptcy Court.

"She's never been unprepared," said John J. Dawson, of Streich, Lang, Weeks & Cardon, Phoenix. "She reads every word of the material presented to her, and that will be important in a case like American Continental. That will be a heavy-duty matter."

On the other hand, said a former Phoenix attorney, "she can be erratic, irascible, and doesn't always show good judicial temperament in the form of courtesy, patience and the appearance of impartiality."

"She has a reputation of being very difficult to deal with," said another lawyer, "even unreasonable."

Several bankruptcy attorneys in town were reluctant to speak freely about a judge they would have to appear before in the future.

But all of the attorneys agreed that she comes to the bench prepared.

Curley, 39, was born in Oak Park, Ill., a suburb of Chicago. She went to Mount Holyoke College in Massachusetts and graduated cum laude from New York Law School in 1977.

She did bankruptcy work for a New York law firm, then became an assistant counsel for First Wisconsin Bank Corp. (now Firstar), the largest bank holding firm with headquarters in that state.

"She was a top-notch bankruptcy lawyer," said William Schulz, deputy counsel of the firm.

"She's very bright, hard-working and loyal, and her integrity is beyond reproach. She's a tough lawyer, and I mean that as a compliment."

Curley moved to Arizona in late 1985 when her husband, attorney Roger Curley, joined First Interstate Bank of Arizona as vice president and counsel in the trust division.

One attorney said she had a "very pleasant demeanor, except on the bench."

"No one will bully Judge Curley," said Dawn Stoll Zeitlin, an attorney with Gust, Rosenfeld & Henderson, Phoenix. "She will rule with an iron hand, and is not afraid to make an unpopular decision."

One side's unpopular decision is the other side's victory, but Curley has made

—See JUDGE, page A2

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Judge given 'heavy' case

— JUDGE, *from page F1*

some tough ones.

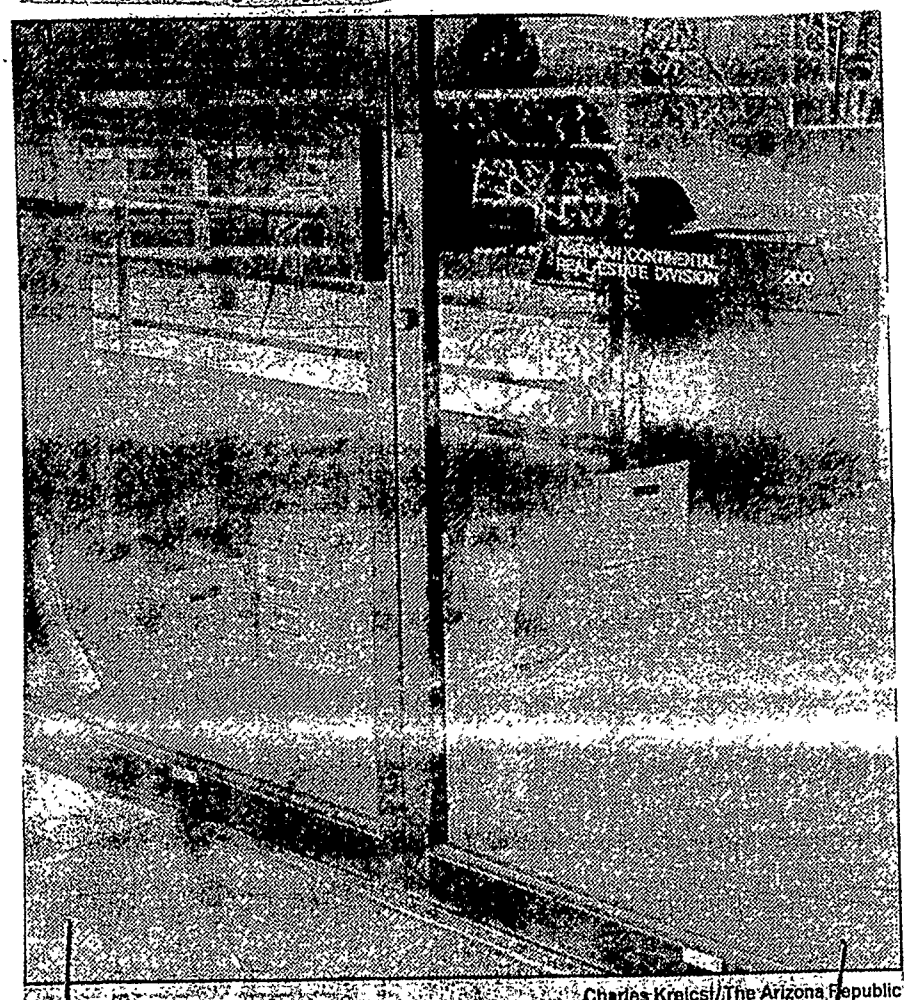
In February, she ruled that a New York securities firm could sell between $80 million and $100 million of the stock it held as collateral on loans to Residential Resources Inc. of Scottsdale.

That case, considered the largest in the state until now, is in the process of being settled, attorneys said, which will allow Curley time to take the American Continental case.

"This one will put a strain on anybody's calendar," said Edward Davis, an attorney with Davis & Lowe in Phoenix. "With a big case, there's usually a tremendous flurry of activity for the first few months."

"It's going to be a challenge to her," said another attorney. "It's not a case for a lot of snap judgments. She'll have to keep control."

Said Dawn Zeitlin, "She'll do whatever it takes to get the job done."



Charles Krejcsi/The Arizona Republic

Boxes partially block the entrance to an office at American Continental Corp. on Camelback Road. Employees removed a number of boxes filled with unknown contents from the offices Friday.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Lawmakers deny role in U.S. seizure

By Sam Stanton
Republic Washington Bureau

WASHINGTON — Members of Congress denied that their intervention with federal regulators contributed to the conditions that led to Friday's seizure of Lincoln Savings and Loan Association.

One congressman was dismayed that federal examiners had not been looking closely enough at the operation run by Charles H. Keating Jr.

"I think there were some people who were saying for a long time that this was coming and were urging the examiners to take a harder look at Lincoln thrift," said Rep. Jim Kolbe, R-Ariz.

"There was a thrift that was flying high and that regulators needed to take a look at, but there was political pressure applied, and these are the results we have."

Kolbe received $12,000 in campaign contributions from Keating associates when he was a member of the House Banking Committee. He said Keating had complained regularly about federal regulators.

"He was constantly expressing it. He did come into the office and he said he was being harassed," Kolbe said. "If anything, we should have [illegible] they regulate them tough, strictly, and it's certainly not

— See LAWMAKERS, page A9

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Lawmakers deny seizure role

—LAWMAKERS, *from page A1*

limited to Keating."

But Kolbe also said he did not believe any politician had acted improperly in an April 1987 meeting between senators and examiners that was prompted by Keating's complaints.

Keating and his associates have contributed hundreds of thousands of dollars to politicians whom he later asked for help in dealing with federal regulators.

But they have steadfastly denied any impropriety and continued to deny it Friday.

"There's no evidence or any indication that the regulators laid off (Lincoln Savings)," said Sen. John McCain, an Arizona Republican who received $112,000 in campaign contributions from Keating's family and associates.

McCain was among five senators who met two years ago in the office of Sen. Dennis DeConcini, D-Ariz., to ask federal examiners why their probe of Lincoln Savings was taking so long.

The meeting was called after Keating, who had contributed large sums of money to each of the senators, had complained about the regulators.

However, since the meeting was revealed in September 1987, everyone involved has denied there was any intent to pressure regulators to act more favorably toward Keating's thrift.

"Nothing I said or conveyed in that meeting would give any impression of that sort," McCain said. "The purpose was to see that he was being treated fairly, not that he receive any special treatment."

Nevertheless, the senators involved faced scrutiny about their dealings with Keating.

McCain, for instance, was a co-sponsor of a 1985 House resolution that would have delayed a sweeping regulation to curb risky investments by institutions like Lincoln Savings.

In addition to the $112,000 for McCain, Keating had helped raise $40,000 in campaign funds for DeConcini, $41,000 for Sen. Alan Cranston, D-Calif; $34,000 for Sen. John Glenn, D-Ohio; and $76,000 for Sen. Donald Riegle, D-Mich.

All five were involved in the April 1987 meeting, and publicity over the matter led Riegle, who is now chairman of the Senate Banking Committee, to return the funds he received.

McCain was the only one of the five who could be reached for comment late Friday, but others at the meeting have insisted that they were not trying to pressure regulators into laying off their probe of Lincoln Savings.

McCain said he has not spoken with Keating for at least six months but added that he felt badly about Keating's financial problems.

"I feel sorry for him and his employees," he said. "More importantly, I don't see how it could do anything but hurt our economy."

McCain added that he hopes an end to the national thrift crisis is in sight.



The Orange County Register via The Associated Press

Trudy Papson comforts her mother, Marilyn, who says all the savings she has are invested in an uninsured bond at Lincoln in Santa Ana, Calif.

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Lincoln S&L taken over by regulators

'Unsound'; battle looms over assets

By Lisa Morrell
The Arizona Republic

The federal government seized the largest subsidiary of American Continental Corp. on Friday, setting the stage for a major battle in U.S. Bankruptcy Court.

The confrontation will pit federal regulatory officials and American Continental of Phoenix in a legal war over many of the assets of the company's Lincoln Savings and Loan Association of Irvine, Calif.

CHAPTER 11: The strategy behind protection filing, **F1**

The government placed Lincoln in conservatorship Friday morning, saying that the S&L's assets had been substantially dissipated and that it was being operated in an "unsafe and unsound condition." The Federal Home Loan Bank Board said Lincoln, with $5.4 billion in assets, has only about $20 million in capital.

One day earlier, American Continental and 11 of its subsidiaries filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. The filing involves many of Lincoln's subsidiary companies.

American Continental is headed

—See LINCOLN, page A8

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Lincoln S&L seized by U.S. regulators; asset battle looms

— LINCOLN, *from page A1*

by Charles H Keating Jr., who has been fighting with bank-board officials for at least three years.

Lincoln was the 42nd-largest thrift in the nation at the end of 1988 and has 29 branches. It is the second-biggest S&L that was technically solvent to be taken over by the government in the past month. Gibraltar Savings of Beverly Hills, Calif., was seized March 31.

Regulators stressed that Lincoln's branches will remain open as usual and that all deposits are guaranteed up to the $100,000 insurance limit.

Bank-board member Lawrence White painted a bleak picture of Lincoln's health.

"The place is insolvent," White said. "The assets are not adequate to cover the liabilities. In fact, the place is deeply insolvent."

Bert Ely, a thrift-industry consultant in Alexandria, Va., estimated the loss to the Federal Savings and Loan Insurance Corp. at more than $500 million from Lincoln.

Lincoln was placed in conservatorship, which means the regulators appoint management for the thrift. It does not wipe out financial interests of the shareholders and holders of the company's subordinated debt.

The bank board appointed the FSLIC as Lincoln's conservator, or manager, and contracted with the Federal Deposit Insurance Corp. to provide a managing agent to oversee Lincoln's operations.

Then the board named F. Roger Clark, a veteran thrift executive, as Lincoln's chief executive. He was a chief executive of Montfort Savings in Dallas when it was under a bank-board management program.

John Rousselot resigned as chairman and chief executive of Lincoln Savings on Friday. He had been elected to those positions just three days before.

After news broke of Lincoln's takeover, American Continental's stock price plunged $1, or 44 percent, to $1.25 a share. A total of 144,000 shares were traded in the over-the-counter market.

Earlier this week, the bank board demanded that American Continental agree to turn Lincoln Savings over to the FSLIC, which insures deposits of S&Ls. American Continental refused to comply with the demand.

The government's takeover of Lincoln deals a severe blow to American Continental. American Continental, after it bought Lincoln in 1984, used the deposits from the thrift to fund many of its developments and other real-estate projects, including the Phoenician Resort in Scottsdale and the Estrella master-planned community in Goodyear.

"I doubt if American Continental would have done nearly what it did do in terms of developing things and building things, had it not been for Lincoln," Ely said.

He said many developers in the early 1980s saw thrifts as a cheap source of funds for projects.

Risk-oriented projects have been a battleground between American Continental and federal regulators during the past three years.

A year ago, American Continental began trying to sell Lincoln.

Rousselot headed an investment group that was trying to buy the S&L for newly issued preferred stock with a face value of $200 million. In a last-ditch attempt to win approval of the deal, the group drastically revised its offer earlier this week. But the bank board flatly rejected the deal.

"There was insufficient capital or value being injected into this situation and there really wasn't a sale there," said M. Danny Wall, chairman of the bank board.

DEVELOPMENTS UNDER LINCOLN

Planned communities being developed in Arizona by Lincoln Savings or its subsidiaries. Book values are in millions of dollars as of Dec. 31, 1987.

Project	Location	Book value
Estrella	Goodyear	$76.0
Continental Ranch	Tucson	$32.1
Garden Lakes	Avondale	$20.3
Anderson Springs	Chandler	$8.3
Lakewood	Phoenix	$7.4
The Islands	Gilbert	$6.1

American Continental contends that the bank board's actions were "regrettable," said Mark Connally, a company spokesman.

"Ultimately, the taxpayer stands a risk of having to fund FSLIC for operating that institution, when it didn't have to happen," he said.

The government now has two options: find a buyer for the thrift or liquidate its assets, White said. Regulators usually opt to sell.

"We'd be thrilled if they did sell it," Connally said. "We've been trying to get them to do that for a year."

In that time, deals with three potential buyers have collapsed.

Federal thrift examiners moved in on Lincoln about 7 a.m. Friday. Federal officials were stationed to answer questions for the public at all of Lincoln's branches in southern California and at American Continental's headquarters on Camelback Road. About 20 thrift examiners began looking over the company's files at Lincoln's headquarters.

"When a thrift is seized, investigations as to any possible wrongdoing are standard," White said.

A statement from federal regulators indicated that "management appeared to operate Lincoln mainly for the benefit of American Continental [illegible] repeatedly violated regulations relating to transactions with affiliates, used poor underwriting and has refused to follow supervisory directives."

Federal regulators will have to struggle in court with American Continental over some of Lincoln's assets that the company threw into its Chapter 11 bankruptcy-protection filing Thursday. The federal regulators will try to get those assets under their management at Lincoln.

The bank board's Wall said thrift officials will claim that "our authority under the law takes precedence over the Bankruptcy Code and/or these various assets should be considered as ours and in our control."

The Bankruptcy Court will attempt to sort out what is American Continental's to manage and what is the FSLIC's. A major question mark is the Phoenician Resort and the Crescent Hotel in Phoenix. The majority ownership of the properties belongs to a Lincoln subsidiary.

"The lawyers are really going to get rich on this one because of all the ties between Lincoln and American Continental," Ely said.

He said American Continental will be severely damaged by the loss of Lincoln, because that was its primary source of cash flow.

"My sense is American Continental ultimately will be liquidated," Ely said.

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FM DIRECTOR FBI

TO FBI LOS ANGELES (56-NEW)/PRIORITY/

FBI PHOENIX/PRIORITY/

BT

UNCLAS

CITE: //0622//

SUBJECT: CHARLES KEATING, CHAIRMAN, AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; UNSUB; PRINCIPALS AND OFFICERS OF AMERICAN CONTINENTAL CORPORATION; UNSUB; PRINCIPALS AND OFFICERS OF LINCOLN SAVINGS AND LOAN, IRVINE, CALIFORNIA; ELECTION LAWS; OO: LOS ANGELES.

Rec Close 1/6 JF

LA HAS NO BASIS TO INVESTIGATE IF per para 3.

REFERENCE IS MADE TO LOS ANGELES FACSIMILE TO FBIHQ DATED MARCH 21, 1989, AND TELCAL OF SSA [redacted] FBIHQ, TO SSRA [redacted] SANTA ANNA RESIDENT AGENCY ON MARCH 23, 1989.

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REFERENCED FACSIMILE SET FORTH ALLEGATIONS THAT CAPTIONED

56C-181-46

DESTRUCTION DATE 11/3/89
INITIAL JF
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JUSTIFICATION

SUBJECTS MAY HAVE VIOLATED VARIOUS ELECTION LAWS, AND A REQUEST THAT REFERENCED COMMUNICATION BE PRESENTED TO THE DEPARTMENT OF JUSTICE (DOJ) TO DETERMINE IF AN INVESTIGATION SHOULD BE CONDUCTED.

ON MARCH 23, 1989, INFORMATION CONTAINED IN REFERENCED COMMUNICATION WAS PROVIDED TO CRAIG DONSANTO, DIRECTOR, ELECTION CRIMES BRANCH, PUBLIC INTEGRITY SECTION, DOJ. UPON HIS REVIEW, MR. DONSANTO OPINED THAT BASED UPON FACTS SET FORTH IN REFERENCED COMMUNICATION THERE IS NO BASIS TO INITIATE AN INVESTIGATION FOR ELECTION LAW VIOLATIONS REGARDING CAPTIONED SUBJECTS.

ACCORDINGLY, REFERENCED FBIHQ TELCAL TO LOS ANGELES INSTRUCTED LOS ANGELES TO DISCONTINUE CAPTIONED INVESTIGATION.

MR. DONSANTO NOTED THAT HE HAS BEEN IN CONTACT WITH ASSISTANT UNITED STATES ATTORNEY (AUSA) [redacted] CENTRAL DISTRICT OF CALIFORNIA, WHO HAS OBTAINED FEDERAL GRAND JURY SUBPOENAS FOR [redacted] MR. DONSANTO ADVISED HE HAS INFORMED AUSA [redacted] OF HIS OPINION IN THE MATTER AND HAS ARRANGED

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WITH AUSA [redacted] FOR A LIMITED COMPARISON OF [redacted] b3 b6 b7C

[redacted] OBTAINED BY THE ABOVE

FEDERAL GRAND JURY SUBPOENAS, WITH FEDERAL ELECTION COMMISSION CAMPAIGN RECORDS. SHOULD THESE RECORDS DEVELOP PREDICATION FOR INITIATION OF A ELECTION LAW INVESTIGATION, MR. DONSANTO STATED HE WOULD ADVISE THIS BUREAU.

QUESTIONS REGARDING THIS MATTER SHOULD BE DIRECTED TO SSA [redacted] PUBLIC CORRUPTION UNIT, EXTENSION 5701.

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