

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
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FOI/PA# 1259813-001

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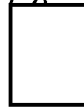
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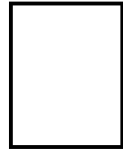
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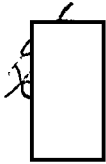
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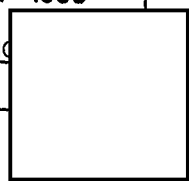
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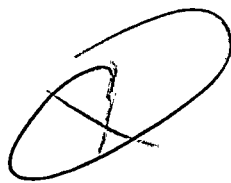
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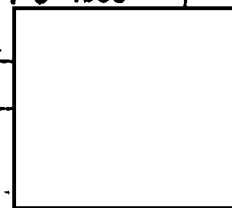


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Continuation of FD-302 of _____, On 4/23/90, Page 2

_____ said that he recalls that the meeting where LINCOLN was discussed would have been in late 1987 or early 1988 and after he attended this meeting he was informed by _____ that he would not be attending any more ERC meetings. _____ stated that "the ERC did not want outside people sitting in on LSL discussions". _____ said he was left with the impression that LSL was so sensitive that the ERC wanted no one else present at these meetings.

_____ was displayed a document which listed all of the ERC meetings that related to LSL and _____ identified February 22, 1988 as the meeting he attended. _____ said that all of the ERC members previously mentioned were present plus San Francisco Bank representatives _____

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_____ said that _____ and another lawyer from the Federal Home Loan Bank Board were present. _____ said that _____ acted as the spokesman during this meeting and _____ was there to explain San Francisco's enforcement policy regarding LSL. _____ said he believes that SAN FRANCISCO received adequate time to explain their case and _____ reiterated the fact that he believed San Francisco was correct in their action regarding LSL. _____ said he did not detect any preconceived direction that the ERC was attempting to go.

_____ said that after he gave his memo, which was a summarization of the _____ to _____ he _____ had no indepth discussion with _____ said however, he did discuss briefly the issue of transfer of supervisory authority from San Francisco. _____ said he told _____ that it was wrong to transfer supervisory authority.

_____ said that he can only recall a specific item from the _____ which pointed to the fact that LSL was supposed to have been a traditional thrift after KEATING acquired it and that he believes that _____ or _____ most likely prepared the _____ for _____ signature. _____ also recalled that this memo that was given _____ was basically in support of the San Francisco Bank.

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_____ said that he was informed by _____ that he should resign or be fired after the ERC February 22, 1988 meeting in Washington, D.C. _____ said that _____ told him that he was asked for his resignation because _____ "wanted you out". _____ said he never discussed with _____ why _____ wanted him out of

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File Charge Out - From Field Office to FBIHQ

I. IDENTITY OF FILE CHARGED OUT

File #: 58C PX 41605 Sub C
Volume(s): ser 68, 81
Sub File(s): _____
Title: Alan Chapman
Dennis DeConcini
Date Charged Out: 2/3/00

II. IDENTITY OF FILE FOR LITIGATION/REQUEST

Title: John Sidney McCain III
FOIPA Request
File #: 190 HQ 1992930

Forward to FBIHQ

- ☐ Legal Counsel
☒ FOIPA Section
☐ Other

Phone # 202 220-1073

Room G-300

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[Redacted Signature Box]

Signature of employee
making charge out

See Instructions On Reverse Side

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/16/90

[redacted]
Office of Thrift Supervision (OTS), 1700 G Street N.W.,
Washington, D.C. 20006, telephone number (202) 906-5693,
residence [redacted]
telephone number [redacted] provided the following
information:

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[redacted] said he never personally had any
conversations or meetings with anyone from Congress concerning
the LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) until September
1989, when he was requested to testify before the House Banking
Committee on October 17, 1989.

[redacted] however, through second parties, heard of
various meetings with the U.S. Senators in April 1987 [redacted]
[redacted] of the San Francisco Federal Home Loan Bank sent him an
article from the "National Thrift News," which discussed the
meetings of April 2 and April 9, 1987, with U.S. Senators
CRANSTON, DE CONCINI, GLENN, MC CAIN, and RIEGLE. and [redacted]
[redacted] and the San Francisco regulators. [redacted] told [redacted]
that he did not know about the meetings as well. [redacted] said
that in June or July of 1988, and definitely after the May 20,
1988 Federal Home Loan Bank Board meeting, [redacted] told him
of a July meeting with Senator ST. GERMAIN, in which LSL was
going to be discussed.

[redacted] additionally stated on May 18, 1988, he,
[redacted] attended a meeting with
[redacted] a staff member of the House Banking Committee.
[redacted] recalls that [redacted] may have been [redacted]
for this committee. [redacted] during this meeting, did not
identify the Congressman by name, or the staffer who had made the
inquiry concerning LSL. [redacted] asked questions indicating that
members on the committee had heard that KEATING was being
persecuted by the agency. [redacted] further stated that [redacted]
asked questions which led him to believe that other members of
the banking committee had thought that KEATING was getting a
"sweetheart deal." [redacted] believes that there was more
pressure for tough regulation than the other way around. [redacted]
compared some of the Texas thrift cases to LSL and wanted the
agency to quickly resolve the issue. [redacted] thought that the
transfer of supervision from San Francisco to the Bank Board left

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Investigation on 7/19/90 at Washington, D.C. File # 58C-PX-41605 - 73

SAs [redacted] (WMFO) and [redacted]
by [redacted] Date dictated 7/19/90

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Continuation of FD-302 of _____, On 7/19/90, Page 2

the agency open for criticism. _____ said this was the first time that he had ever been invited to the Hill to discuss a thrift.

_____ said that on January 12, 1989, he received a letter from the _____ inviting his appearance and that of _____ to appear. The committee had contacted _____ requesting the appearance of _____. At the time, _____ were in Topeka, Kansas, and did not appear. _____ appeared on their behalf. It was not until _____ appearance that they realized the focus was not general banking testimony, but was to focus on LSL. After _____ returned to Washington, D.C., he read the _____ letter and realized that the focus would be on LSL and would have been a field hearing in San Francisco. The apparent agenda for the testimony would have been first day general banking and the second would have been why the May, 1988 agreement was signed between the Federal Home Loan Bank Board and LSL. _____ believes that _____ testified before this committee.

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_____ said that he believes during the week of February 6, 1989, _____ received a telephone call from the office of Senator ALAN CRANSTON. The call concerned the affect of the BUSH Proposal on the proposed sale of LSL. _____ believes that this 'BUSH Proposal was ultimately what became the FIRREA Bill passed in August 1989. _____ said that in February or March 1989, _____ told _____ that he was with _____ on the Hill when _____ pulled them aside and questioned them concerning LSL. _____ was led to believe that _____ now the _____ of OTS, was also present during this conversation. _____ told _____ that he was so concerned at this point in time about the distortion of the agency created by LSL that he was afraid to talk to _____ without a witness. _____ stated that all _____ wanted to know was what was holding up the Federal Home Loan Bank Board's approval of one of the proposed sales of LSL.

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_____ said that he recalls in February or March of 1989, Senator DENNIS DE CONCINI called _____ regarding the status of the sale of LSL as well. _____ said he is unaware of the content of the conversation between DE CONCINI and _____ only that _____ mentioned that the Senator had called.

_____ said that on April 12, 1989, Senator ALAN CRANSTON called _____ and this call prompted the writing of two memos by _____ which are attached to this report.

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Continuation of FD-302 of [REDACTED], On 7/19/90, Page 3

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It should be noted that [REDACTED] memory was refreshed with the undated memo from [REDACTED] to [REDACTED] provided a memo dated April 12, 1989, from [REDACTED] to [REDACTED]. The apparent question asked of the Federal Home Loan Bank Board by CRANSTON's office concerned the liquidity of ISL. [REDACTED] said that the request concerning the liquidity was very unusual and characterized the request as "astonishing." [REDACTED] said the status report from a member of the Senate Banking Committee was not unusual concerning a thrift; however, the detailed request relating to the liquidity was what made this request unusual. [REDACTED] said that to have a member of the Senate Banking Committee asking for cash flow information concerning a specific thrift was, as he previously characterized, unusual and astonishing. [REDACTED] said he does not know if or how the information was conveyed to Senator CRANSTON. [REDACTED] said in his opinion, only [REDACTED] would know how the information was related to CRANSTON.

[REDACTED] said the above instances represent his knowledge of any and all contacts that occurred between his agency and members of Capitol Hill and their staffs.

[REDACTED] said that he became employed by the FEDERAL HOME LOAN BANK OF CHICAGO in [REDACTED] and in [REDACTED] accepted a position at the Federal Home Loan Bank Board in Washington, D.C., as a senior analyst. On March 20, 1987, [REDACTED] asked [REDACTED] to focus his entire time on ISL. On April 14, 1987, [REDACTED] attended a meeting in San Francisco which would be characterized as a quarterly meeting, and one of the issues discussed was ISL. [REDACTED] realized at this time that there was tension between Washington supervision and San Francisco Bank District concerning ISL. [REDACTED] in fact, remembered that there was a "flare-up" between [REDACTED] and [REDACTED] over the lack of a recommendation coming from San Francisco regarding ISL.

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[REDACTED] said that on April 20, 1987, the March 1986 examination of ISL conducted by San Francisco was transmitted to the thrift. On or about the same date when this report was received by Washington supervision, [REDACTED] instituted a review of examination.

[REDACTED] said on May 14, 1987, there was a telephone conference call wherein he pressured San Francisco for a recommendation for either a Conservatorship, Receivership, or Cease and Desist Order. He further pressured San Francisco for a resolution of the Phoenician problem, which surrounded the

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Continuation of FD-302 of [REDACTED]

, On 7/19/90

, Page 4

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evaluation of the property in Phoenix. [REDACTED] at this time believed that ISL would ultimately fail because they had basically failed his "smell test," yet the March 1986 examination did not have enough substance to support the Conservatorship, but there was certainly enough information that warranted the issuance of a Notice of Charge for a Cease and Desist Order. [REDACTED] said that in May 1987, 25 percent of ISL was in the form of noninterest-bearing assets such as land and goodwill.

[REDACTED] said that on July 1, 1987, [REDACTED] became [REDACTED] of the FEDERAL HOME LOAN BANK, and on the same date, the ISL rebuttal was received. [REDACTED] believed that the "lawyers were screwing up the process," and there seemed to be an inability to get the Board's attention as it related to ISL. At this time (July 1987) [REDACTED] was the [REDACTED] the Office of Regulatory Activities (ORA). A memo signed over [REDACTED] signature was prepared for the express purpose of informing the Board as to the significance of the ISL problem. ORA was to be the coordinator of ISL. On July 30, 1987, there was an effort to go through [REDACTED] who was the [REDACTED] of the Bank Board, in an effort to get the Board to read the [REDACTED] July 23, 1987 memo. [REDACTED] said on July 31, 1987, [REDACTED] appointed [REDACTED] as [REDACTED] of ORA, and apparently [REDACTED] had believed that [REDACTED] was a "lame duck," and this is why ORA had not been able to brief the Board on ISL.

[REDACTED] said that he authored the July 23, 1987 memo, and its express purpose was to get the attention of the Board about ISL. [REDACTED] said he also wanted ORA appointed as the coordinator of ISL, whereby further delay caused by the attorneys would be avoided. [REDACTED] characterized this delay as a "legal paralysis." Also, the memo highlighted the fact that [REDACTED] believed ISL would eventually collapse. The memo also supported San Francisco's findings. [REDACTED] said that [REDACTED] did not see the [REDACTED] memo until after July 30, 1987.

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[REDACTED] characterized the inability to gain access to [REDACTED] and the Board's attention as not being unusual. [REDACTED] said that [REDACTED] were new board members. [REDACTED] said also [REDACTED] had left an unhealthy environment when he left, and the atmosphere was such that [REDACTED] apparently did not feel encouraged to trust or believe in the staff. [REDACTED] said that FINANCIAL CORPORATION OF AMERICA (FCA) was another thrift that was going through difficult times, and the Board handled FCA independently of the staff. [REDACTED] said he was unaware that during attempts to gain access to [REDACTED]

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Continuation of FD-302 of [REDACTED], On 7/19/90, Page 5 b6 b7C

and the Board, [REDACTED] was meeting with CHARLES KEATING.

[REDACTED] said that when he first realized KEATING was meeting with [REDACTED] was on September 2, 1987. The result of this meeting was that there was no August or September examination of ISL. A limited scope examination had been scheduled by San Francisco but was canceled as a result of this meeting. The September 2, 1987 meeting with Keating was handled by [REDACTED] without any staff briefing or presence. [REDACTED] says he has no idea how KEATING arranged for this meeting.

[REDACTED] said that in September 1987, San Francisco supervision and Washington supervision still agreed that a Cease and Desist Order should be obtained. The hiring of [REDACTED] by CHARLES KEATING delayed the obtaining of the Cease and Desist Order for approximately six to eight weeks. [REDACTED] apparently called [REDACTED] of the SAN FRANCISCO BANK, and convinced [REDACTED] that he [REDACTED] was going to operate ISL as a traditional thrift. [REDACTED] believes that the hiring of [REDACTED] was simply a stall tactic on the part of KEATING in an effort to make a cosmetic change at ISL.

On November 6, 1987, [REDACTED] attended a meeting in San Francisco with [REDACTED]. This meeting was scheduled to draft the final Cease and Desist Order for presentation to the ISL Board. It was during this time that [REDACTED] was hired as the president of ISL. [REDACTED] said that with the insertion of [REDACTED] as the president of ISL and the problems being caused by AMERICAN SAVINGS AND LOAN, San Francisco supervision seized upon the opportunity to delay the obtaining of a Cease and Desist Order. During this time, [REDACTED] was calling for a new examination of AMERICAN SAVINGS AND LOAN and the resources of San Francisco were severely hampered.

[REDACTED] said that by October 16, 1987, he and [REDACTED] had completed the review of the March 1986 examination. On October 21, 1987, a meeting was held in Washington, D.C., where their findings were discussed. [REDACTED] was present at this meeting and represented ISL. [REDACTED] were present, as well as members from the San Francisco District. [REDACTED] said that he was not present, as he was on vacation. However, [REDACTED] told [REDACTED] that [REDACTED] said that KEATING would never sign a Cease and Desist Order. [REDACTED] in fact, told the group that the reason KEATING would not sign a Cease and Desist Order was because of the disclosure problem. [REDACTED] said that if the signing of the Cease and Desist Order was disclosed, it would make it difficult to raise money in the bond market.

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Continuation of FD-302 of [REDACTED]

, On 7/19/90

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[REDACTED] believes that Washington and San Francisco supervision were in agreement with the enforcement plan toward ISL until February 3, 1988. On this date there was a meeting in the office of Board Member [REDACTED] and [REDACTED] were present. The purpose of this meeting was preparation for the presentation to KEATING of a Cease and Desist Order on February 4, 1988. [REDACTED] said that apparently an attorney of KEATING's, [REDACTED] had been in contact with [REDACTED] and she voiced KEATING's objections to [REDACTED] presence at the February 4 meeting. The February 3, 1988 meeting in the office of [REDACTED] degenerated into a contest between [REDACTED] as to whether [REDACTED] should attend the meeting on February 4, when the Cease and Desist Order would be presented to KEATING. It was at this time that [REDACTED] suggested that if Washington, D.C., was going to "micro-manage ISL as they did ECA," then supervision should be transferred to Washington. [REDACTED] also stated this belief to [REDACTED] and [REDACTED] and from this day forward (February 3, 1988) there was a split between San Francisco and Washington.

[REDACTED] said that the Enforcement Review Committee (ERC) had been set up by [REDACTED] and was designed to hear disputes. [REDACTED] told [REDACTED] to have the ERC examine ISL. [REDACTED] said he attended all the ERC meetings, with the exception of one presentation. [REDACTED] said he was present on March 25, 1988, when KEATING, [REDACTED] made their presentation. KEATING was soft-spoken about the matter and acted like he did not understand why "people had been picking on him." [REDACTED] acted the "good cop/bad cop routine." [REDACTED] said that his firm, [REDACTED] was in full support of his [REDACTED] review of ISL. [REDACTED] in fact, spoke in "brave terms" about his audit. [REDACTED] said that [REDACTED] presentation was very influential with [REDACTED] who was the swing vote on the transfer of supervision from San Francisco to Washington. It was also during this time that KEATING was informed that he would have to make a significant capital infusion into ISL. KEATING, in fact, volunteered the \$10 million amount as the figure for the infusion. KEATING also said that he would take employees off the salary of ISL as well. KEATING, in fact, always appeared to be very cautious in what he was saying but stated at this time, "My family and I have not taken a dime out of ISL." [REDACTED] in retrospect, now says that it was obvious that KEATING mentioned nothing about cash being taken from ISL by ACC. [REDACTED] said he believes [REDACTED] at this time, had already been approached by KEATING for employment.

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Continuation of FD-302 of [REDACTED], On 7/19/90, Page 7

[REDACTED] believes now that on February 4, 1988, during a meeting with [REDACTED] was when KEATING again brought up the \$10 million infusion into LSL. [REDACTED] told [REDACTED] in fact, that KEATING said, "San Francisco thinks they will starve me out of cash by denying dividends, and to show them how strong ACC is I will put in \$10 million in cash." [REDACTED] believes that [REDACTED] also mentioned this statement to [REDACTED] and [REDACTED]

[REDACTED] believes that from this date forward, there was nothing but misrepresentations on the part of KEATING to Washington Supervision whenever he discussed his business dealings. [REDACTED] believes that even though [REDACTED] was introduced as the outside counsel before the March 25, 1988 ERC meeting, [REDACTED] had already been approached by KEATING for employment. [REDACTED] said that [REDACTED] officially resigned from [REDACTED] on April 12, 1988, and his letter of resignation states, "As you know, several weeks ago KEATING asked me" to go to work for him.

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[REDACTED] said that without KEATING and his people presenting their case on March 25, 1988, the ERC would not have voted for transfer of supervision from San Francisco and would not have voted for a new examination. If this presentation by KEATING and his associates had not been made, the ERC would have recommended a Cease and Desist Order to the Bank Board. [REDACTED] further states that the cause and effect relationship from the March 25, 1988 presentation of KEATING and his associates caused the Bank Board to vote in the capacity in which they did.

[REDACTED] said that his May 24, 1988 memo, in which he refers to the Memorandum of Understanding (MOU) as a fiasco, reflects [REDACTED] frustration with the MOU and warning signs he perceived coming from LSL. [REDACTED] believes that the brokerage firm of DREXEL LAMBERT is also tied in with LSL and other failed thrifts, and [REDACTED] had urged [REDACTED] not to sign the MOU. Also, this memo reflects [REDACTED] personal feeling that [REDACTED] lacked credibility and believed that [REDACTED] had, in fact, outright lied to the ERC. [REDACTED] said that after the May 20, 1988 signing of the MOU and Supervisory Agreement, and when he learned [REDACTED] had gone to work for KEATING, [REDACTED] was convinced in his own mind that LSL was doomed to fail.

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[REDACTED] said that in the MOU there was a vision for an on-site monitor to be installed. KEATING apparently disliked the term and it was dropped from the MOU. [REDACTED] opinion is

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Continuation of FD-302 of [REDACTED], On 7/19/90, Page 8

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that this was purely a matter of semantics and no advantage was given to KEATING with the dropping of the on-site monitor from the MOU. [REDACTED] said that after the July 1988 exam started, he was still opposed to the MOU until August 1988, when the exam started revealing new items such as the tax-sharing program.

[REDACTED] said that after the tax-sharing program was reviewed, it was revealed that the \$10 million capital infusion that KEATING had paid to LSL was actually part of a tax-sharing payment made from LSL to ACC. [REDACTED] said that in 1986, \$56 million was upstreamed to ACC in the form of a deferred tax payment. In 1987, \$32 million went up to ACC and in 1988, \$7 million went up to ACC. [REDACTED] said it would appear that \$3 to \$4 million per month was being taken out by KEATING and his family, for a total of \$35 million. [REDACTED] said that during this time, from 1986 until the Receivership, the only income generated by ACC was the deferred tax payments and the sale of bonds to investors. [REDACTED] in fact, stated that ACC had become nothing more than a pyramid of debt adding up to \$200 million, and it ultimately defaulted on \$260 million.

[REDACTED] said he was aware of the July 1988 "whitewash" examination allegations. [REDACTED] of the Chicago Bank District, on August 30, 1988, informed [REDACTED] as to the "mini-revolt" that was taking place among the examiners. [REDACTED] in fact, had gone to Phoenix to look into the allegations. [REDACTED] said there appeared to be a lack of trust among the examiners for [REDACTED]

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[REDACTED] said [REDACTED] apparently refused to "pass on" anything he received from LSL. [REDACTED] in fact, was known to have said that [REDACTED] was more qualified to review the real estate transaction than he and his examiners. [REDACTED] specifically alluded to the transactions of [REDACTED] that were concerns of the examiners working for [REDACTED] [REDACTED] further said that these transactions had been reviewed by [REDACTED] and therefore did not need to be reviewed by the July 1988 examiners.

[REDACTED] said that [REDACTED] suggested to him that the holding company should be examined. This arose because [REDACTED] had believed that the examiners were not given the opportunity to review the affiliated transactions. [REDACTED] further believes that [REDACTED] should never have been appointed [REDACTED] because he lacked the expertise. [REDACTED] said he believed that [REDACTED] had never been exposed to such rampant fraud as he was finding with LSL. [REDACTED] said that [REDACTED] was, in fact, too trusting.

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Continuation of FD-302 of [REDACTED]

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[REDACTED] said that [REDACTED] did a good job, particularly for his covering of areas that were uncovered by the Chicago examiners. However, his opening remarks before the examiners, in fact, implied a "whitewash." [REDACTED] said if he had been an examiner, he would have had a real problem if his EIC told him "if [REDACTED] signed off on it, don't look at it." [REDACTED] believes that this was the basic stance of [REDACTED]

[REDACTED] was displayed a memo dated November 1987, from initials of [REDACTED] said this memo was from [REDACTED] with OTS, assigned to the Corporation and Securities Division. This memo relates to ISL's application to purchase additional branches. The memo does not relate to the core issue of ISL. [REDACTED] said the application was disapproved by the Federal Home Loan Bank Board.

[REDACTED] said that [REDACTED] during the February 1989 exam, threatened [REDACTED] with a personal lawsuit. [REDACTED] was employed by the U.S. League of Savings and Loan Associations. This group supported the Direct Investment regulation. As a result, KEATING did not like [REDACTED] and on one occasion, accused [REDACTED] as "being the instrument of [REDACTED] policy." [REDACTED] prepared a memo which he discussed with [REDACTED] that cited the reasons KEATING did not want [REDACTED] to continue on the ISL examination. [REDACTED] further described this memo as a method to protect [REDACTED] from any lawsuits. [REDACTED] indicated that he had done so much work relating to ISL that his removal from the examination at this late date would not protect him from lawsuits. [REDACTED] said as a result, he was never removed, with the exception of maybe three hours, from the examination of ISL.

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[REDACTED] was referred to page 954 of Part 5, November 21, 1989 Committee on Banking Finance and Urban Affairs publication in which he testified that throughout the supervisory history of ISL, they had attempted to sidetrack regulatory action through political intervention. [REDACTED] said he could not point to any specific political intervention; however, he was talking in generic terms, where ISL would try to create side issues to divert the attention of the regulators. In regard to the political intervention, he specifically was alluding to the April 2 and April 9, 1987 meetings with the five U.S. Senators. He was further asked to comment on page 956, where he referred to the fact that KEATING was a "name-dropper". [REDACTED] said he specifically was alluding to a meeting in which he was present, where KEATING told his secretary in the presence of the examiners

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Continuation of FD-302 of [REDACTED], On 7/19/90, Page 10

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to "get ALAN GREENSPAN on the line." [REDACTED] said again, this was just an effort to divert the regulators' attention.

[REDACTED] recalled that he had a conversation with [REDACTED] of the Chicago Bank District, wherein he referred to the fact that the California regulators were going to issue a bad report. [REDACTED] said his statement was made on a very narrow area of real estate that the national exam team was not going to examine. [REDACTED] of the California regulators had said that they had found problems in this area, and [REDACTED] response was that it would look odd if the national exam team did not issue similar comments; however, they would never be given the opportunity because of the scope of the examination.

[REDACTED] said that he would provide the [REDACTED] October 25, 1987 memo regarding a meeting with [REDACTED] to the Federal Bureau of Investigation (FBI), and also furnish the FBI a copy of [REDACTED] resignation letter to [REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription JULY 6, 1990

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

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ISIS

EMV Investigation on JULY 6, 1990 at Phoenix, Arizona File # 29D-LA-102009

by SAA [redacted] Date dictated JULY 6, 1990

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*Serial as 29D-LA-102009 D-455
Printed as 295 x 465*

58E PX-41605 Sub-C. 77

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/1/90

[redacted]
[redacted] for Senator DENNIS DECONCINI, was interviewed in the presence of his Attorney [redacted] resides at [redacted] telephone number [redacted]. The interview was held in [redacted] office, 1800 Massachusetts Avenue Northwest [redacted] Washington, D.C., telephone number [redacted] provided the following information:

[redacted] said he has been employed by Senator DECONCINI as [redacted]

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[redacted] said that he first met CHARLES KEATING in October of 1988, at a fund raiser at the PHOENICIAN HOTEL (PH) in Phoenix, Arizona. [redacted] said the conversation with KEATING was general in nature concerning the turnout at the fund raiser. [redacted] said that he recalls only having talked to KEATING on two other occasions, and cannot recall if this fund raiser at the PH was the first time that [redacted] had met KEATING.

[redacted] characterizes contacts with KEATING of the nature of only "passing on information to Senator DECONCINI." [redacted] said he could not recall what type of messages he passed on to Senator DECONCINI or the frequency of these messages. [redacted] said that whenever he spoke with KEATING it was primarily because KEATING had been unable to talk with DECONCINI. [redacted] said that he could not recall any specific message that he passed on to Senator DECONCINI, [redacted] said; however, that one occasion he recalled KEATING complaining about [redacted] of the FEDERAL HOME LOAN BANK BOARD (FHLBB), [redacted] as "being over bearing as were his regulators."

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[redacted] said the next time that he recalls having met KEATING was a meeting in March of 1987, attended by KEATING, [redacted] himself, Senator DECONCINI, and [redacted] from DECONCINI's office. [redacted] said that normally [redacted] would have attended this meeting, but she had been unable so he attended in her place. [redacted] stated he remembered nothing about the meeting, and he only remembered the meeting from review of Senator DECONCINI's calendar. This calendar contains no information as to the content of the meeting. [redacted] stated that this meeting in March of 1987, was the only meeting which [redacted] attended that occurred between DECONCINI and KEATING. [redacted] said

Investigation on 9/19/90 at Washington, D.C. File # 58C-PX-41605

by SAs [redacted] and [redacted] Date dictated 9/19/90

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Continuation of FD-302 of [REDACTED], On 9/19/90, Page 2

[REDACTED] that he attended no other meeting with KEATING. [REDACTED] further stated he never initiated any telephone call with KEATING, and if he did speak with KEATING by telephone, it would have been returning his telephone call; however, he could not recall any calls to KEATING under any set of circumstances.

[REDACTED] further stated that he did not attend any meeting between Senators DECONCINI and MCCAIN where KEATING or LINCOLN SAVINGS AND LOAN ASSOCIATION (LSLA) or any of KEATING's subsidiaries were discussed.

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[REDACTED] said he does recall that after the March, 1987 meeting, he called [REDACTED] of Senator MCCAIN's office and told him that KEATING had called MCCAIN a "wimp." During this telephone conversation, [REDACTED] told [REDACTED] that KEATING had also called DECONCINI a "wimp." [REDACTED] said, however, his recollection of this "wimp" statement does not refresh his memory, and could not determine why or in what context KEATING referred to Senator MCCAIN as a "wimp."

[REDACTED] said that his only recollection of [REDACTED] and the CHARLES H. KEATING, JR. letter to Senator DECONCINI, dated March 17, 1987, occurred when he was preparing response for the SENATE SELECT ETHICS COMMITTEE. [REDACTED] said that he does not know how either one of these letters were conveyed to Senator DECONCINI.

[REDACTED] said that he never offered any advise to DECONCINI regarding KEATING, or the wisdom on contacting or meeting with members of the FHLBB. [REDACTED] described DECONCINI as a "pro-active Senator", and if he "wants to act for a constituent he will" without seeking advise of the staff. [REDACTED] stated that DECONCINI has "never been heavy handed" with his contacts with government agencies.

[REDACTED] characterized his knowledge of the KEATING issue as having been acquired after the fact. [REDACTED] in fact, stated he never discussed the meetings of April 2, 1987 and April 9, 1987, with Senator DECONCINI.

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[REDACTED] further stated that he does not recall ever having discussed the issue of "negotiating" on behalf of KEATING with Senator DECONCINI. [REDACTED] stated that Senator DECONCINI is "pro-active", and described that he acquired this pro-active stance from a discussion that DECONCINI had with Senator HUEBERT HUMPHREY. [REDACTED] stated that he witnessed a conversation between DECONCINI and HUMPHREY when DECONCINI asked HUMPHREY how to please conservative business people. HUMPHREY replied that when problems arose with the conservative business community, he (Senator HUMPHREY) would take some kind of action on their behalf. [REDACTED] characterized this meeting with HUMPHREY as having

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Continuation of FD-302 of [REDACTED]

, On 9/19/90 , Page 3

considerable influence on Senator DECONCINI's pro-active stance with constituents.

[REDACTED] said he is unaware of any telephone call made by Senator DECONCINI to former FHLBB [REDACTED] said, in fact, he did know about the telephone call until asked by the SENATE SELECT ETHICS COMMITTEE investigators. [REDACTED] said he has no "prior knowledge" of the call.

[REDACTED] described the type of advice he would give DECONCINI as follows: If DECONCINI had a question concerning an issue, [REDACTED] would check with the SENATE SELECT ETHICS COMMITTEE or other lawyers on the various congressional staffs. [REDACTED] would then advise Senator DECONCINI as to what he had determined.

[REDACTED] however, reiterated the fact that DECONCINI never asked him anything concerning CHARLES KEATING or the issue that followed.

[REDACTED] stated that he believes Senator DECONCINI believed the KEATING matter was "routine", and required no consultation on his part with anyone.

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[REDACTED] stated he was aware of the April 2, 1987 and April 9, 1987, meetings with the regulators, and stated he became aware of these meeting the evening or the day they occurred; however, he only found out about the meetings in passing, and was never briefed prior to or after the meetings by DECONCINI or any member of his staff. [REDACTED] said, however, he does recall that [REDACTED] was unable to answer questions apposed to him by the Senators about ISIA.

[REDACTED] said that financial interest described in the SENATE FINANCIAL DISCLOSURE reports regarding LAWYERS TRUST COMPANY relate to fees owed to him from the sale of some property in [REDACTED]. The property was, in fact, owned by him and his in-laws. [REDACTED] said that he currently has no financial dealings with KEATING, and has never had any financial dealings with KEATING or any of his business entities. [REDACTED] further stated he is unaware of any DECONCINI involvement with KEATING on a financial basis or with any of KEATING'S business entities.

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[REDACTED] said that he has never discussed the LEE HENKEL nomination with Senator DECONCINI. [REDACTED] said he does not know why DECONCINI supported the nomination of HENKEL to the FHLBB. [REDACTED] said it was not unusual for DECONCINI to support the nomination of a Republican; however, when asked to site other instances, he could only point to the nomination of Associate Justice SANDRA DAY O'CONNOR. [REDACTED] said, however, if it were important he could provide the identity of other Republican nominees that DECONCINI supported. [REDACTED] said that he is unaware of any meeting between Senator DECONCINI and any WHITE HOUSE staff member concerning HENKEL, KEATING, and or his business entities.

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Continuation of FD-302 of _____, On 9/19/90, Page 4

_____ was displayed a letter, dated June 6, 1986, addressed to the Honorable DONALD REGAN, Chief of Staff, the WHITE HOUSE, signed by Senator DECONCINI, and a letter, dated June 16, 1986, addressed to "Dear DENNIS" from DONALD T. REGAN, and two pages of biographical information concerning LEE HENKEL. (Copies of these letters are attached to this report). _____ stated these documents did not refresh his memory, and as a result, could not discuss Senator DECONCINI's support of HENKEL.

_____ was displayed a letter, dated December 18, 1984, addressed to Mr. and Mrs. CHARLES H. KEATING, JR. signed by DENNIS DECONCINI. (This letter is attached to this report).

_____ was further asked to read the "PS" notation on this letter. _____ said that he specifically asked Senator DECONCINI about this letter. _____ said that when he initially asked Senator DECONCINI about the notation "Sorry we missed dinner, thanks for helping

_____ I have no monetary interest only my friendship for _____ signed D". _____ said that DECONCINI upon first being asked, did not recall this letter or the notation; however, after "reflection" DECONCINI told _____ that _____ had mentioned to him (Senator DECONCINI) that KEATING had helped him in a business situation, and DECONCINI had attached the notation as an after thought to KEATING. _____ said that DECONCINI did not know that KEATING had any business arrangements with KEATING until _____ told him of the occurrence, and DECONCINI attached a note merely as a gesture of courtesy. _____ said that DECONCINI told him he never introduced KEATING to _____ and does not know how KEATING and _____ became acquainted.

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_____ said that he walked in on a meeting between Senator DECONCINI and _____ when DECONCINI learned that _____ had business dealings with KEATING. _____ said that he is certain that Senator DECONCINI found out about _____ business dealings with KEATING in December of 1988, because he witnessed Senator DECONCINI's expression of surprise of being told by _____ of his _____ business dealings with KEATING.

_____ said that the majority of the letters received from KEATING, unless hand delivered, were mailed to Senator DECONCINI's office.

DENNIS DeCONCINI
ARIZONA

COMMITTEES:
APPROPRIATIONS
JUDICIARY
VETERANS' AFFAIRS
INDIAN AFFAIRS
HILLS AND ADMINISTRATION

United States Senate
WASHINGTON, DC 20510

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(202) 224-4521

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700 E. JEFFERSON, SUITE 200
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97 EAST CONGRESS, SUITE 120
TUCSON, AZ 85701
(602) 623-8831

EAST VALLEY OFFICE:
20 E. MAIN, SUITE 315
MESA, AZ 85201
(602) 261-4998

June 6, 1986

The Honorable Donald Regan
Chief of Staff
The White House
Washington, D. C. 20500

Dear Don:

I want to bring Mr. Lee Henkel to your attention for appointment by the President to the Federal Home Loan Bank Board. I am advised that Mr. Hovde has submitted his resignation, as of June 4, thereby creating a vacancy at the Bank Board.

Because of his several years service at the Internal Revenue Service as Chief Counsel and his consideration for appointment as a commissioner of that agency, Mr. Henkel should be well known to the administration. He is recognized as an outstanding lawyer and former government official who has the capabilities as well as the character to serve as a member of the Federal Home Loan Bank Board.

I would appreciate an opportunity to talk to you about Mr. Henkel in the very near future, and would be pleased if you would be so kind to call me.

Thank you for your time and consideration.

Sincerely,

DENNIS DeCONCINI
United States Senator

DDC/Y

00003647

THE WHITE HOUSE
WASHINGTON

June 16, 1986

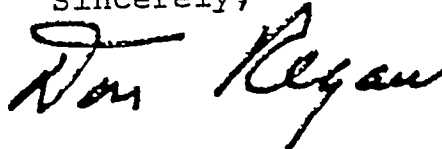
1986 JUN 18 10:14
Dear Dennis:

Thank you for your letter of recommendation on behalf of
Lee Henkel.

I have forwarded your correspondence to other appropriate
members of the White House staff for their information and
attention. Please be assured that your comments will be
given every consideration and will be further noted in our
personnel files.

With best wishes,

Sincerely,



Donald T. Regan
Chief of Staff to the
President of the United States

The Honorable Dennis DeConcini
United States Senate
Washington, D.C. 20510

D000648



AMERICAN
CONTINENTAL
CORPORATION

CHARLES H KEATING, JR.
Chairman of the Board

2735 East Camelback Road
Phoenix, Arizona 85016/(602) 957-7170

[redacted], a member of the Federal Home Loan Bank
announced on Wednesday, June 4, 1986.

Whether [redacted] will resign, is
problematical. However, if he should, it is likely the person
appointed by the Administration to succeed Hovde could then
become Chairman.

The very best thing that could happen for the savings
and loan industry would be to have Lee Henkel (7 Whitewater
Trail, N.W., Atlanta, Georgia, 30327, 404/231-1615) succeed Mr.
Hovde with the promise of becoming Chairman in the event of [redacted]
departure.

I have spoken with Mr. Henkel, who would accept the
appointment.

Mr. Henkel's appointment would be enthusiastically
endorsed by the Honorable Mack Mattingly, Republican Senator of
Georgia.

Mr. Henkel is currently with the Georgia law firm of
Troutman, Sanders, Lockerman & Ashmore, 1400 Chandler Building,
127 Peachtree Street, N.E., Atlanta, Georgia, 1/404-658-8370.

From 1971 through 1973, Mr. Henkel was chief counsel of
the Internal Revenue Service. Upon his resignation as chief
counsel, the White House requested Mr. Henkel to become IRS
Commissioner, which he declined due to family commitments.

Mr. George Schultz, Secretary of State, and [redacted]
excellent character and political references for Mr. Henkel.

I have asked Mr. Henkel, who by coincidence will be in
Washington today at the request of the White House to attend a
tax session, to stop by Senator DeConcini's office with his
resume and, should the Senator so desire, for a short visit.

I will determine the interest of Mr. Donald Regan in
the suggestion of Senator DeConcini that Mr. Henkel be appointed
as indicated above. I will convey the appropriate information to
the Senator Friday, June 6, 1986.

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United States Senate
WASHINGTON, D.C. 20510

1/30/84
11:00

December 18, 1984

Mr. and Mrs. Charles H. Keating, Jr.
6326 North 38th Street
Paradise Valley, Arizona 85253

Dear Mr. and Mrs. Keating:

Thank you for the invitation for your New Years Eve Party. Unfortunately, I will be unable to attend because I will not be in Arizona. We appreciate the thought though, and hope you will have a happy and holy holiday season.

Sincerely,

Dennis
DENNIS DeCONCINI
United States Senator

*P.S. Sorry we missed Dennis,
Thanks for helping End Katy.
I have no monetary interest
only my friendship for End.*

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/1/90

[redacted] residence [redacted]
[redacted] telephone number [redacted] and his
legal residence is [redacted]
[redacted] telephone number [redacted] was interviewed
in the Tyson's Corner Resident Agency office of the FEDERAL
BUREAU OF INVESTIGATION. [redacted] provided the following
information:

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[redacted] said that he is an attorney by education and
described his occupation as consultant and lobbyist. [redacted]
said he is a former congressman from [redacted] and held that
elected office from [redacted]

[redacted] said that he first met CHARLES H. KEATING, JR.
in 1986 or 1987, when he [redacted] was employed by the law firm
of [redacted]. When he
became employed by this firm, he was given the CHARLES
KEATING/LINCOLN SAVINGS AND LOAN ASSOCIATION (LSLA) account, and
as a result of the maintenance of this account, he met KEATING.

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[redacted] said that he was with this firm from the summer or fall
of [redacted] until [redacted] when he left and formed his own
law firm, and he brought the KEATING account to his new law firm.
[redacted] said that while he was with [redacted] his lobbying activity
was limited on behalf of KEATING. [redacted] said he sponsored no
fund raising activity, and took no trip with any legislator on
behalf of KEATING and his business entities. [redacted] said that
his function was primarily that of offering an opinion to KEATING
and [redacted] concerning the "banking environment in congress."
[redacted] recalls that the big issue at this time, was the
director investment regulation, and he also discussed this issue
with other thrift clients. [redacted] recalls that his only
lobbying activity concerned 86 HR 20 Bill, which would have
applied the federal accounting standards to state chartered
thrifts. [redacted] recalls that KEATING was against this purposed
legislation as was [redacted]

[redacted] said that when he decided to leave the firm of
[redacted] and KEATING indicated that they wanted to keep him
as their lobbyist. [redacted] said that in the [redacted] when
he found the law firm of [redacted] he
brought with him the LSLA account. [redacted] said this law firm
now does not exist. [redacted] said that the law firm was desolved
in [redacted]

Investigation on 9/20/90 at Washington, D.C. File # 58C-PX-41605by SAs [redacted] and [redacted]
by [redacted] Date dictated 9/20/90

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Continuation of FD-302 of _____, On 9/20/90, Page 2

_____ said that although he had the account of ISLA, he only met CHARLES KEATING twice during this time. _____ said that all of his contacts were with _____

_____ said on one occasion when he personally met KEATING, was to introduce KEATING and _____ to Senator TERRY SANFORD, who was from North Carolina. _____ said that he had known SANFORD while he _____ was a congressman when the Sanford Commission was formed to study ways by which the Democratic party could better represent their constituents. SANFORD was on the Senate Banking Committee at the time _____ and KEATING were introduced to him by _____ said that this meeting would have been in either 1986 or 1987. _____ could not remember who suggested the meeting with SANFORD, and does not recall if SANFORD had any of his staff present. During this meeting, KEATING talked about the direct investment regulation, and the GREENSPAN and GEORGE BENSTON reports. _____ could not more specifically recall the conversation with SANFORD. _____ characterized the meeting as a "getting to know you" type of meeting, and that he _____ "carried no water" meaning that he did not talk on behalf of KEATING. He primarily just listened to the conversation between KEATING and SANFORD. _____ said that he does not recall KEATING asking SANFORD to do anything for him, and does not know if KEATING made any contributions to SANFORD or any SANFORD affiliated group.

_____ said that this was the only "hill visit" he made on behalf of KEATING.

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_____ said that in his opinion, and the opinion expressed by _____ was that KEATING "did not do well" at the meeting with SANFORD. _____ said he believed that KEATING was too vigorous in addressing his position on direct investment as the only position to be taken with SANFORD. _____ said he is unaware of any additional meetings that occurred between SANFORD, KEATING, and his associates.

_____ said that he never contributed any money to anyone on behalf of KEATING, and received no funds from KEATING or any of his associates or business entities for this purpose.

_____ said that, in fact, he was never asked by KEATING or _____ or any of their associates to contribute money to anyone or any entity.

_____ said after the meeting on the hill with SANFORD, his subsequent contacts with ISLA was with _____ characterized these contacts as erratic, and when a call did come in from _____ the theme of these contacts concern what the FEDERAL HOME LOAN BANK BOARD (FHLBB) was doing, and what was "happening on the hill." _____ said that he was aware that

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Continuation of FD-302 of _____, On 9/20/90, Page 3

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there was the _____ deal" (Enforcement Review Committee of the FHLBB) was involved with ISLA, but he did not know to what extent. _____ said he never discussed the _____ deal" with _____ said that when he would call the FHLBB he normally spoke with _____ characterized these contacts with _____ as general conversations, and did not specifically discuss any institution or thrift. _____ further characterized the contacts by _____ as soliciting the views of _____ on various topics. _____ said that his knowledge of Washington and contacts that he had on the hill from being a former congressman, gave no inside track or any advantage to KEATING. _____ said that he never contacted _____ and took the position as a mediator between the bank board and ISLA. _____ said he never made any statement to _____ that could be construed as an effort on his part to mediate on behalf of ISLA with the bank board. _____ said that he never asked or suggested to _____ if there was any way that they could "get this thing going, and get them around the table." _____ said, in fact, when he called _____ he called them on his own initiative, and not at the request of KEATING or _____

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_____ said that he does not know _____ or _____ said that he never traveled to Phoenix to meet with _____ or KEATING.

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_____ said that he maintained the ISLA account until they quit paying his fee early in 1989.

_____ said he does not recall ever rendering a legal opinion concerning the sale of bonds or debentures by any of the AMERICAN CONTINENTAL CORPORATION (ACC) subsidiaries or the parent. _____ specifically said he rendered no legal opinions concerning any SECURITY AND EXCHANGE COMMISSION issue or any tax matter. _____ said that his representation of ISLA was that of a lobbyist not an attorney.

_____ said that he met with _____ one on one to specifically discuss KEATING or ISLA. _____ said that his meetings with _____ would have been general in nature; however, _____ does recall discussing the GREENSPAN and BENSTON reports concerning direct investment regulations. _____ reiterated the fact that he never specifically contacted _____ on behalf of KEATING or ISLA.

_____ said that he knew that the following lobbyist represented KEATING _____

_____ said that he was "slightly surprised" when he found out how many lobbyist had been retained by KEATING. _____ said that he acquired this knowledge of KEATINGs lobbying efforts from the House Banking Committee

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Continuation of FD-302 of [REDACTED], On 9/20/90, Page 4

testimony.

[REDACTED] said that his only association with [REDACTED] was on a business basis, and he never socialized with him. All of the activities requested of [REDACTED] by [REDACTED] was proper, and [REDACTED] never asked [REDACTED] to do something that was improper. [REDACTED] further characterized this statement would have included anyone from the ISLA, KEATING, his companies and KEATING associates.

[REDACTED] said that he did not have any contact personal, written, or telephonic, with Senators CRANSTON, DECONCINI, GLENN, MCCAIN, RIEGLE, or their staffs. [REDACTED] further stated that he would like to qualify his answer by saying that on occasion, while he was with [REDACTED] he may have submitted a "one pager", which may have found its way to one of the Senators on the direct investment issue. [REDACTED] said that he could not be more specific concerning this "one pager", and could not recall if his signature would have appeared at the bottom, or would have been that of the law firm.

[REDACTED] said that he made no contacts with any FHLBB member or staff concerning the proposed sales of ISLA. [REDACTED] said that [REDACTED] did ask him to contact HENRY B. GONZALEZ, Chairman of the House Committee on banking. [REDACTED] could not recall the date of this requested contact; however, it would have been after the House Banking Committee was receiving testimony about ISLA. [REDACTED] wanted [REDACTED] to contact Congressman GONZALEZ, and ask him (GONZALEZ) to return contact the FHLBB to say that they (the banking committee) approved the ROUSSELOT purchase of ISLA. [REDACTED] said that he did not do what was asked of him by [REDACTED] because it "didn't make any sense."

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[REDACTED] said that he had no input or did not confer with [REDACTED] or KEATING concerning the appointment of LEE HENKEL to the FHLBB. [REDACTED] said that he knew HENKEL through his [REDACTED] being a member of the ASSOCIATION OF THRIFT HOLDING COMPANIES (ATHC), which was a company operated by [REDACTED]. [REDACTED] said that he met HENKEL only after he had been given the recess appointment as a member of the FHLBB. [REDACTED] said that the first time that he met HENKEL was as an invitee to a speech made by HENKEL that was sponsored by the ATHC. This meeting was at the WHITE HOUSE, and both HENKEL and BERYL SPRINKLE were the featured speakers. [REDACTED] said that he later met HENKEL again at another speech sponsored by the AMERICAN COUNCIL OF STATE SAVINGS SUPERVISORS. [REDACTED] said that HENKEL spoke as well as did (FHLBB) member LARRY WHITE. [REDACTED] said that on both occasions he met HENKEL after the conference was over, and his meetings with HENKEL were after these two speeches, and were general conversations and not specific about any institution or thrift, and specifically not about KEATING and ISLA.

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[REDACTED]

Continuation of FD-302 of [REDACTED], On 9/20/90, Page 5

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[REDACTED] said that he was aware that both KEATING and [REDACTED] supported HENKEL for the bank board position; however, he reiterated the fact that he had only general conversations with [REDACTED] and KEATING about HENKEL, and contributed nothing concerning any position or strategy chosen by KEATING regarding HENKEL's appointment, and had never met HENKEL until after his appointment to the FHLBB. [REDACTED] said that he recalls [REDACTED] was also at the WHITE HOUSE when HENKEL and SPRINKLE spoke. [REDACTED] said that those that attended this meeting/speech were members of the banking industry both banks and thrifts.

[REDACTED] said the last contact he had with KEATING was during the TIM RYAN confirmation hearings and at this time, he observed KEATING at the confirmation hearing, but he did not talk with KEATING. [REDACTED] said that he also saw [REDACTED] at this hearing and only had general conversation with [REDACTED] about his physical appearance in that [REDACTED] had lost weight.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/25/90

[redacted]
[redacted]
[redacted] telephone number [redacted] provided the following information regarding CHARLES KEATING.

[redacted] said that he received a telephone call in either 1985 or 1986 from CHARLES KEATING. [redacted] could not place the date of the telephone call; however, he stated it was during his tenure as [redacted]. His tenure as [redacted] was from [redacted] until [redacted].

During the telephone call, KEATING asked [redacted] "Would you call or visit [redacted] and get him off my back?" [redacted] said he did not recall the details of the conversation; however, he was aware independently of KEATING that KEATING and [redacted] were having problems regarding KEATING's operation of LINCOLN SAVINGS AND LOAN ASSOCIATION.

[redacted] could not recall his response to KEATING, however, in effect it was a no because he never made any attempt to contact [redacted] in any form (personal, by telephone, or written communication).

[redacted] said that the message slip from KEATING, if one were made, would be in the archives of the state of Arizona. [redacted] said that he could not recall the circumstances of how the call was made, as to whether he [redacted] returned a call to KEATING, or KEATING placed the call and was transferred to [redacted].

[redacted] said that he, after this initial telephone call, never spoke with KEATING again. [redacted] also said he did not receive any additional telephone calls from any of KEATING's associates.

Investigation on 8/28/90 at Phoenix, Arizona File # 58C-PX-41605

by SA [redacted] Date dictated 8/28/90

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File Charge Out - From Field Office to FBIHQ

I. IDENTITY OF FILE CHARGED OUT

File #: 58C PX 41605 Sub C
Volume(s): ser 68, 81
Sub File(s): _____
Title: Alan Chanston
Dennis DeConcini
Date Charged Out: 2/3/00

II. IDENTITY OF FILE FOR LITIGATION/REQUEST

Title: John Sidney McCain III
FOIPA request
File #: 190 HQ 1192930

Forward to FBIHQ

- ☐ Legal Counsel
☒ FOIPA Section
☐ Other

phone # 202 220-1073

Room

[Redacted Signature Box]

Signature of employee
making charge out

See Instructions On Reverse Side

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/1/90

[redacted] was interviewed in the presence of
her Attorney [redacted] at [redacted] law office, 1800
Massachusetts Avenue Northwest, [redacted] Washington, D.C., telephone
number [redacted] resides at [redacted]

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[redacted] telephone number [redacted]

[redacted] and maintains an [redacted] residence of [redacted]

[redacted] telephone number [redacted]

[redacted] provided the following information:

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Investigation on 9/19/90 at Washington, D.C File # 58C-PX-41605-SubC 8

by SAs [redacted] and [redacted] Date dictated 9/19/90

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/30/90

[redacted]
[redacted] home telephone: [redacted] date of
birth: [redacted] place of birth [redacted] Social
Security Number: [redacted] business: [redacted]
[redacted] voluntarily
appeared at the Phoenix office of the FEDERAL BUREAU OF
INVESTIGATION (FBI) to enter into a proffer agreement. Present
with [redacted] were his attorneys, [redacted]
[redacted]
[redacted] Present for the
United States Attorney's Office, Central District of California,
Los Angeles, were Assistant United States Attorneys [redacted]
and [redacted] Also present was task force member [redacted]
[redacted] Arizona Attorney General's Office. [redacted] having been
advised of the official identities of the interviewing agents and
the purpose of the interview, provided the following information
during the morning and afternoon sessions:

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b7DInvestigation on 8/22/90 at Phoenix, Arizona File # 29D-LA-102009by SAs [redacted] Date dictated 8/30/90b6
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FEDERAL BUREAU OF INVESTIGATION

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Date of transcription 9/5/90

[redacted] voluntarily appeared at the Federal Bureau of Investigation (FBI) Office, Phoenix, Arizona, with his attorneys [redacted]

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[redacted] Also present were [redacted] both Assistant U. S. Attorneys (AUSAs), 312 N. Spring Street, Los Angeles, California 90012, (213)894-2434.

[redacted] appeared at the FBI pursuant to a Proffer Agreement between himself and the U. S. Attorney's Office of the Central District of California. [redacted]

[redacted] was advised to be truthful and not to minimize his culpability as this could subsequently void the Proffer Agreement if [redacted] was found to be untruthful. At this time, the Proffer Agreement was executed by [redacted] and Special Agent (SA) [redacted]. A copy of this agreement is attached hereto.

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Investigation on 8/21/90 at Phoenix, Arizona File # 58C-PV-41605 sub 82
29D-LA-102009
by SAs [redacted] Santa Ana RA
[redacted] dictated 8/27/90

alphabetical file

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/3/90

[redacted]
[redacted] work telephone number [redacted]
residence [redacted]
telephone number [redacted] provided the following information:

[redacted] said that he was [redacted] for the three Arizona offices operated by Senator DENNIS DECONCINI during the period [redacted]. During this period of time he attended three meetings with Senator DECONCINI and CHARLES H. KEATING, JR. [redacted] said most of the dealings with KEATING were through the Senator's office in Washington, D.C.

[redacted] said the first meeting was in [redacted] and was a luncheon meeting at KEATING's office in Phoenix. This meeting was arranged between mutual friends of Senator DECONCINI and KEATING. [redacted] believes that [redacted] arranged for this meeting. [redacted] at this time, was DECONCINI's [redacted]. The meeting was a catered lunch and those present were KEATING, [redacted] and DECONCINI. [redacted] said there was no agenda for this meeting and the conversation ranged from talking about children to politics. [redacted] said he does not recall any discussion concerning the savings and loan industry or LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). [redacted] said he does recall that DECONCINI, after the meeting, commented that he believed KEATING liked to "name drop" and he could not understand why he (DECONCINI) had gone to this meeting. [redacted] said there was additionally no discussion concerning campaign contributions at this meeting.

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[redacted] said that the second meeting was during a birthday celebration for KEATING. [redacted] said he does not recall now if the first meeting with KEATING was before or after the birthday celebration which was at KEATING's residence. DECONCINI, his wife SUSAN, [redacted] were invited to KEATING's home for the birthday party. [redacted] said that the three attended the birthday party after they had attended another function and arrived at KEATING's residence at approximately 9:30 p.m. [redacted] said that there were over 1000 people present and KEATING had imported a band from the Bahamas. After the introduction of KEATING's wife to DECONCINI's wife was made, DECONCINI, [redacted] and SUSAN DECONCINI were by themselves and shortly, thereafter,

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Investigation on 10/15/90 at Phoenix, Arizona File # 58C-PX-41605

by SA [redacted] Date dictated 10/15/90

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Continuation of FD-302 of [REDACTED], On 10/15/90, Page 2

left the party. [REDACTED] said he did not recall any conversation with KEATING at this meeting and, in fact, the only time KEATING and DECONCINI spoke was when they introduced their wives to each other.

[REDACTED] said that the third occasion when KEATING and DECONCINI were present was definitely after KEATING's birthday party. This meeting again occurred at the residence of KEATING. [REDACTED] said that it was [REDACTED] and was a Sunday afternoon. ALAN CRANSTON was staying at KEATING's home and DECONCINI went to KEATING's home to meet with CRANSTON. [REDACTED] said that this meeting with CRANSTON had been set up by DECONCINI and not himself. [REDACTED] said that CRANSTON and DECONCINI were involved in a conversation when KEATING approached the two and said that he (KEATING) made a reference to CRANSTON's voter registration drive or voter identification drive being conducted in California. KEATING said he was helping CRANSTON with this effort. KEATING also stated that the annual CDL banquet was being planned and he hoped that CRANSTON and DECONCINI would attend.

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[REDACTED] said that the last time he was present where DECONCINI and KEATING were also present was at the CDL dinner. [REDACTED] said that this would have been in [REDACTED] but could not recall the date. [REDACTED] said that DECONCINI sat at a different table and he does not recall KEATING and DECONCINI engaging in conversation at this banquet. [REDACTED] said at this banquet he also met [REDACTED] but he did not engage in any conversation with [REDACTED]

[REDACTED] said that he made no telephone calls to KEATING or any of his associates; however, he does recall receiving telephone calls from KEATING. [REDACTED] characterized these telephone calls as inquiries as to where the Senator was in order that KEATING could contact him. [REDACTED] said normally he would refer KEATING to the Washington, D.C. office. [REDACTED] said that he never engaged in conversation with KEATING and these telephone contacts were to arrange for a message to be relayed to DECONCINI that KEATING had called. [REDACTED] said it was common knowledge that KEATING was having difficulty with the Federal Home Loan Bank regulators; however, KEATING never mentioned this in any of the telephone messages that were relayed to DECONCINI's office in Washington, D.C. [REDACTED] said he would have acquired this knowledge of KEATING's problems with regulators, possibly from [REDACTED] the Washington, D.C. office or [REDACTED] also of the Washington, D.C. office.

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Continuation of FD-302 of _____, On 10/15/90, Page 3

_____ said he does not have any knowledge as to how arrangements were made or solicitations made for KEATING's contributions to DECONCINI. _____ said that _____ and _____ were the _____ for DECONCINI.

_____ could not recall any events concerning the recess appointment of LEE HENKEL to the Federal Home Loan Bank Board (FHLBB). _____ initially believed that DECONCINI did not support HENKEL; however, he then corrected his understanding and did recall that DECONCINI, in fact, did support HENKEL. _____ said he had no detailed knowledge of why DECONCINI supported HENKEL and did not discuss this issue with DECONCINI.

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_____ said he is not aware of any mutual financial interests on behalf of KEATING and DECONCINI. _____ said that the trusts that have been set up by DECONCINI had been established by the time _____ was employed by DECONCINI. _____ stated that these trusts were established by DECONCINI to avoid any appearance of conflict of interest.

_____ said that he learned of the April 2, 1987, and April 9, 1987 meetings attended by DECONCINI and other senators with the FHLBB regulators after the meetings occurred. _____ said that he learned of the April 2, 1987 meeting from _____ for DECONCINI. _____ believes that he learned of this meeting several days after it occurred. _____ was never asked for his opinion concerning this meeting but he questioned the wisdom of the decision to attend both meetings. _____ said he was aware that DECONCINI had been working on the KEATING/LSL issue and considered the five senators in one room as a bit unusual. _____ reiterated the fact that he had no discussion with DECONCINI prior to either meeting; however, he discussed the first meeting with DECONCINI after the second meeting had occurred.

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_____ said that this conversation with DECONCINI focused on the first meeting and _____ said that DECONCINI told him he believed the FHLBB was dragging out the examination of LSL. DECONCINI stated that he hoped that the FHLBB would "get off the dime." _____ said he had no further discussion with DECONCINI concerning these meetings.

_____ said he is fairly certain that DECONCINI acted solely on the data provided him by KEATING and believed that LSL and AMERICAN CONTINENTAL CORPORATION were financially strong.

58C-PX-41605

Continuation of FD-302 of _____, On 10/15/90, Page 4

_____ said he did recall DECONCINI telling him that if the regulators had found out something wrong about LSL, he wished that they would act upon it. DECONCINI further told _____ that it appeared as if the regulators were trying to "make life difficult for LSL."

_____ said that he did not discuss with DECONCINI or have any knowledge concerning his telephone calls to _____ during the efforts by KEATING to sell the thrift. _____ said that he never placed any telephone call to any regulator on behalf of KEATING and was never asked by KEATING or any of his associates to make such a telephone call. _____ stated that he was never asked to make such a telephone call by Senator DECONCINI or any of his staff members as well.

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_____ said he is unaware of any effort on the part of KEATING to pressure DECONCINI into negotiating on his behalf. _____ said that DECONCINI was not consumed with the LSL/KEATING problem and this issue was merely part of other issues with which the senator was involved. _____ characterized DECONCINI's office as very similar to a "social service department."

_____ said that he was aware that KEATING was a major contributor to DECONCINI; however he does not know how he acquired this knowledge and believed that he may have read of the contributions in the newspaper. _____ said he also was unaware until the information was in the newspaper that _____ through their business entity _____ had borrowed money from LSL. _____ said he never discussed the _____ issue with DECONCINI and does not know when DECONCINI learned of their borrowing funds from LSL.

_____ said he was aware that DECONCINI's wife, SUSAN, solicited funds from KEATING for charitable events. _____ characterized this as not unusual because KEATING was known in the state as a philanthropist and it was common knowledge that he desired to be contacted to contribute to charities.

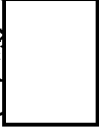
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_____ said he is unaware of any meetings between Senator JOHN MC CAIN and DECONCINI regarding KEATING and LSL.

_____ said that his leaving the employment of Senator DECONCINI had nothing to do with the problems that arose from DECONCINI's support of KEATING. _____ said that when he agreed to be _____ for DECONCINI, he and DECONCINI agreed upon a date when he would depart.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/12/90

[redacted] provided a copy of his affidavit proffered to the Service Ethics Committee. This affidavit is dated November 6, 1990. The copy supplied by [redacted] to the FEDERAL BUREAU OF INVESTIGATION (FBI), November 27, 1990, has been exhibited as evidence.

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A copy is attached to this report:

Investigation on 11/27/90 at Phoenix, Arizona File # 58C-PX-41605

by SA [redacted] Date dictated 11/30/90

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

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/23/91

[redacted] was interviewed in the office of the Phoenix Federal Bureau of Investigation (FBI). [redacted] resides at [redacted] telephone number [redacted] provided the following information:

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[redacted] said that while she was employed at AMERICAN CONTINENTAL CORPORATION, she was [redacted] who was [redacted] of AMERICAN CONTINENTAL CORPORATION (ACC) in [redacted]. During this time, [redacted] stated that she would prepare personal checks drawn on the personal accounts of [redacted]. These checks were political contributions. [redacted] stated that she would write the word "political" on the check as a reminder for the above individuals that these were political contributions. [redacted] said she does not know if they were reimbursed for their contributions.

[redacted] was displayed a "Request for Check" form #42627 dated August 21, 1987. [redacted] stated this check request was for a political contribution to THE GARN INSTITUTE OF FINANCE.

[redacted] said she recalls that [redacted] and CHARLES H. KEATING, JR., were going to attend some function for Senator JAKE GARN.

[redacted] was also displayed LINCOLN SAVINGS & LOAN ASSOCIATION (LSL) check #315581 dated August 21, 1987, in the amount of \$10,000.00. [redacted] said she did not normally handle "LINCOLN SAVINGS & LOAN side" checks. [redacted] further stated that the "LSL checks" went through the LINCOLN SAVINGS & LOAN side and not normally on her "side" at ACC. [redacted] said that [redacted] would possibly have handled the processing of the LSL check. [redacted] said she does not know why she would have been requesting this check since it was issued by LSL. [redacted] identified the initials for approval of this check as the initials of [redacted].

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[redacted] said she does not remember why her name would have appeared on this check request form. She stated, however, in view of the fact that [redacted] KEATING, and [redacted] were going to attend some function for Senator GARN, there may have been a sudden need for this check. [redacted] said under normal

Investigation on 12/17/90 at Phoenix, Arizona File # PX 58C-PX-41605

by SA [redacted] Date dictated 1/15/91

PX 58C-PX-41605

Continuation of FD-302 of [REDACTED], On 12/17/90, Page 2

circumstances if she processed a request for a check, either [REDACTED] would have called her to issue the check. However, she does not specifically recall a telephone call from these individuals. [REDACTED] would have upon receiving the request from [REDACTED] informed [REDACTED] who would have been the final approving authority. [REDACTED] said the issuance of this check at her request was not a standard in view of the fact that the check was issued by the "LINCOLN SAVINGS & LOAN side" of ACC. [REDACTED] said she does recall receiving a lot of telephone calls that should have been directed to the "LINCOLN SAVINGS & LOAN side." [REDACTED] does not recall any discussion with any individual regarding the need for the \$10,000.00 check. [REDACTED] does not recall requesting any other checks for political contributions other than those personal checks that she prepared for [REDACTED]

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[REDACTED] was displayed a letter on ACC letterhead from [REDACTED] to "CHK" dated October 20, 1988. The subject of this letter was [REDACTED] and a note he signed with ACC. [REDACTED] stated she typed this memo and recalled it was in rough draft form from [REDACTED]

[REDACTED] said to her knowledge, MEDEMA HOMES of Utah was a holding company. [REDACTED] said that she characterized MEDEMA HOMES as a "paper" company. [REDACTED] stated even though this company was a "paper" company, it did have officers but she did not know its purpose. [REDACTED] stated she did not know the source of funds for MEDEMA but believed that the funds for MEDEMA HOMES came from ACC funds.

[REDACTED] said she was aware that loans were being made by MEDEMA HOMES to various executives of ACC but again stated she did not know the source of these loan proceeds. [REDACTED] said that in her position as an executive secretary, she would not have qualified for a loan from MEDEMA HOMES. [REDACTED] stated she believes those that did receive loans were executive level employees of ACC.

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[REDACTED] said that it was not unusual for CHARLES KEATING JR., to "forgive" loans made to employees. [REDACTED] said that [REDACTED] was a painter and worked very closely with Mrs. CHARLES H. KEATING.

[REDACTED] said she could not explain the language in this memo that referred to "'clean' accounting." However, she stated the memo with the usage of these words made it appear sinister.

Attached to this report are the following documents:

- 1) A Request for Check dated August 21, 1987

PX 58C-PX-41605

Continuation of FD-302 of , On 12/17/90, Page 3 b6
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- 2) LSL check #315581 dated August 21, 1987
- 3) Memo from to "CHK" dated
October 20, 1988

REQUEST FOR CHECK

42627

DATE: 8-21-87

ISSUE TO: THE GARN INSTITUTE OF FINANCE

EXPLANATION: Contribution

COMPANY: LINCOLN S&LA

REQUESTED BY:

APPROVED BY:

ACCT. DIST:

V-4537

Corp-527800

Note: Instructions given per CHK
thru

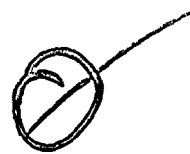
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AMOUNT: \$10,000.00

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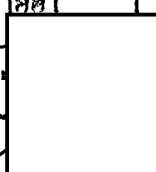
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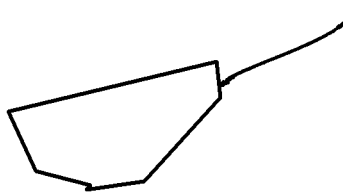
The following investigation was conducted by Special Agent [redacted]

SANTA ANA, CALIFORNIA

On April 26, 1991, [redacted] telephone [redacted] Attorney for [redacted] telephonically contacted the Santa Ana Resident Agency of the FEDERAL BUREAU OF INVESTIGATION. She indicated that her client was sure he was introduced to Senator RIEGLE on a flight going from Phoenix, Arizona, to Irvine, California. [redacted] recalled watching a Congressional Hearing on television where Senator RIEGLE testified. Senator RIEGLE indicated he was on a flight headed towards Las Vegas, Nevada, on the day [redacted] believed he met the senator on a flight going to Irvine, California. [redacted] was a little confused by this, but was clear in his mind that the individual he was introduced to was Senator RIEGLE. He explained that it was clear in his mind because this was the first time CHARLES H. KEATING JR. introduced [redacted] as the "head of the investment department." [redacted] felt a little uneasy with this since [redacted] [redacted] was also present on the flight, and up until that point, he [redacted] was known as the head of the investment department.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/19/91

[redacted]
[redacted] was interviewed in the office of her Attorney, [redacted] on June 17, 1991. Upon being advised of the identities of the interviewing Agents and the nature of the interview, [redacted] voluntarily provided the following information in the presence of her attorney:

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[redacted] has been [redacted] in Detroit for the past two years and she received her undergraduate degree at [redacted]. She graduated from law school at [redacted] and was born in [redacted] on [redacted].

[redacted] stated she was [redacted] for the RIEGLE FOR SENATE committee in 1987. Regarding the fundraising event held for Senator RIEGLE at the PONTCHATRAIN HOTEL on March 23, 1987, [redacted] stated she could not recall whether she even attended this event. Although she was [redacted] for the RIEGLE re-election, she stated she had no responsibility in collecting any campaign funds. She recalled a couple of times she received checks for contributions by mistake, but would forward them immediately to [redacted] in Washington, D.C., as [redacted] was a member of RIEGLE's re-election staff.

One

[redacted] stated she did not prepare the Federal Election Commission report for the first half of 1987 and she was unaware of who the individual was who would have been responsible for doing so. She explained as [redacted] she had hardly any responsibility and when she was asked by RIEGLE to be the [redacted] she explained to him at the outset she did not have a background in accounting. She stated she basically received forms from the Election Commission in Washington, D.C., signed them, and returned them to [redacted] in Washington, D.C. [redacted] stated, in essence, as [redacted] she was nothing more than a "figurehead." She again reiterated she had absolutely no responsibility regarding any money or campaign funds for RIEGLE's re-election. She stated she never focused in on the fundraisers as to who made contributions and how much as that simply was not her responsibility as [redacted].

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Investigation on 6/17/91 at Detroit, Michigan File # 58C-PX-41605

by SAs [redacted] and [redacted] Date dictated 6/18/91

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 6/17/91, Page 2

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[REDACTED] stated [REDACTED] was the only staff member she was ever in communication with. As she did not have a day-to-day "hands on" knowledge of what was going on, she would communicate with [REDACTED] when she had questions. [REDACTED] advised she did not know who was actually doing all of the work, except possibly other staff members in Washington, who would send forms to her, [REDACTED]

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☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

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

2 TO FBI CINCINNATI/ROUTINE/

3 FBI CLEVELAND/ROUTINE/

4 FBI DETROIT/ROUTINE/

5 FBI LOS ANGELES/ROUTINE/

6 BT

7 UNCLAS

8 CITE: //3630//

10 SUBJECT: UNITED STATES SENATORS ALLAN CRANSTON, DENNIS

11 DE CONCONI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; CHARLES H.

12 KEATING, DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) OF

13 CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX,

14 ARIZONA; CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE; OO:

15 PHOENIX, OO: LOS ANGELES.

16 RE FBIHQ TEL TO PHOENIX AND LOS ANGELES, NOVEMBER 9, 1989.

PPASSIGN

Approved: [redacted]

Transmitted [redacted]

(Number)

(Time)

Per [redacted]

MRI: 589 JULIAN DATE: 319

ISN: 5 ACCEPT [redacted]

FILTER FILE NAME [redacted]

OPERATOR'S INITIALS: [redacted]

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FD 448 (Rev. 1-7-88)

Transmit attached by Facsimile

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION

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

To, FBI, Phoenix

From, Los Angeles (58C-PX-41605) (LXCC-4/SARA)

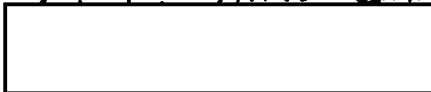
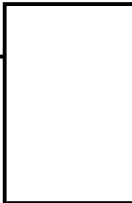
Subject: ALLEGATIONS AGAINST US SENATORS;

Date 11/15/89

Corruption of Federal Public Officials - Legislative
OO: Phoenix/Los Angeles

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

Special handling instructions:

Please Handle Carefully to Supinun.Approved: 

FBI/DOJ

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58C-PX-41605 ^{D-3}
3

SECT		
SC		

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 11/20/89

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

2 TO DIRECTOR FBI/ROUTINE/

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

4 FBI SAN FRANCISCO (58C-PX-41605)/ROUTINE/

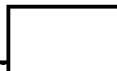
5 BT

6 UNCLAS

7 CITE: //3630//

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

14 RE LOS ANGELES TELETYPE TO DIRECTOR NOVEMBER 14, 1989,
 15 PHOENIX TELCALL TO SAN FRANCISCO, NOVEMBER 20, 1989.



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Approved: _____

Transmitted _____

(Number)

(Time)

Per _____

MRI: 1513 JULIAN DATE: 325

ISN: 011 ACCEPTED AT: 1728

FILTER FILE NAME: _____

OPERATOR'S INITIALS: _____

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U.S. GPO. 1987

58CPX 41605 D-4

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0006 MRI 01645

RR FBIPX

DE FBIAT #0014 3390341

ZNY EEEEE

R 042333Z DEC 89

FM FBI ATLANTA

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

BT

UNCLAS E F T O

CITE: //3040:1378//

SUBJECT: ALLEGATIONS AGAINST UNITED STATES SENATORS, ALLEN
CRANSTON; DENNIS W. DECONCINI; JOHN GLENN; ET AL; OO:LOS
ANGELES/PHOENIX.

REFERENCE TELCALL FROM SPECIAL AGENT [REDACTED] TO
PHOENIX DIVISION, DATED NOVEMBER 30, 1989.

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ADMINISTRATIVE:

FOR INFORMATION OF PHOENIX DIVISION, THE ATLANTA DIVISION,
THOMASVILLE RESIDENT AGENCY, HAS RECEIVED INFORMATION REGARDING
THE ABOVE-CAPTIONED CASE. THIS INFORMATION HAS BEEN OBTAINED
CONFIDENTIALITY. IT IS REQUESTED THAT THE CASE AGENT

*SA [REDACTED]
was instructed
to send this
T/T. Info to TX
was initially by
Telephone*

*CP
4*

*Fisher
Whelan*

*41605D-5
58C-PX-416054*

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PAGE TWO DE FBIAT 0014 UNCLAS E F T O

(SA [REDACTED] BE CONTACTED PRIOR TO ANY ACTION INVOLVING
THIS INFORMATION.

ON NOVEMBER 13, 1989, A CONFIDENTIAL SOURCE OF THE ATLANTA
DIVISION MET WITH SPECIAL AGENT [REDACTED] THOMASVILLE
RESIDENT AGENCY.

SOURCE STATED THAT [REDACTED]

[REDACTED]

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0004 MRI 01581

RR RUEHFB FBILV FBILA FBINO FBIPX FBITP FBIWMFO

DE FBISA #0005 3610435

ZNY EEEEE

R 262349Z DEC 89

FM FBI SAN ANTONIO (58C-537) (P)

TO DIRECTOR FBI (58-12166)/ROUTINE/

FBI LAS VEGAS (58C-175)/ROUTINE/

FBI LOS ANGELES (56C-101615)/ROUTINE/

FBI NEW ORLEANS (58-505)/ROUTINE/

FBI PHOENIX (58C-41605)/ROUTINE/

FBI TAMPA (58C-277)/ROUTINE/

FBI WMFO (58C-2216)/ROUTINE/

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UNCLAS E F T O

SECTION ONE OF TWO SECTIONS

CITE: //3770//

PASS: SSA WHITE COLLAR CRIME SECTION, PUBLIC
CORRUPTION UNIT.

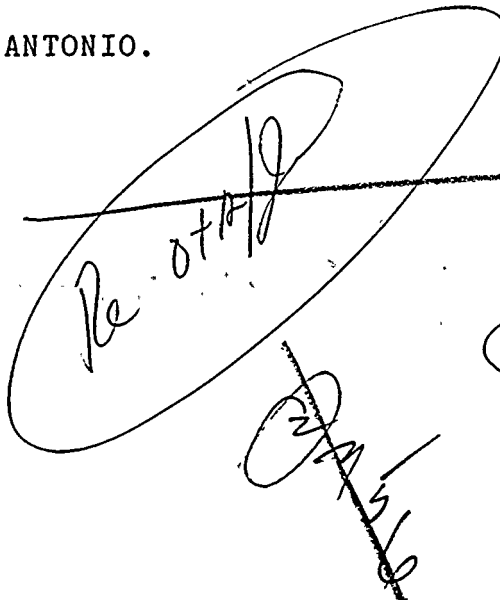
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SUBJECT: DUNDEAL; OO: SAN ANTONIO.

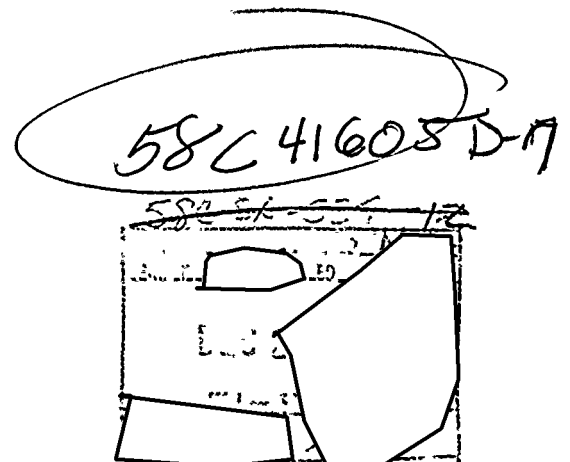
1 CC
58C 41605



Re. 01/1/89



58C 41605 D-17



PAGE TWO DE FBISA 0005 UNCLAS E F T O

RE SAN ANTONIO TELCAL TO LOS ANGELES, SANTA ANA RA,
OF DECEMBER 23, 1989; SAN ANTONIO TELETYPE TO FBIHQ, LAS VEGAS,
NEW ORLEANS, TAMPA, AND WFMO, DATED OCTOBER 26, 1989; SAN ANTONIO
TELETYPE TO FBIHQ, TAMPA AND WMFO DATED NOVEMBER 20, 1989; SAN
ANTONIO TELETYPE TO LAS VEGAS AND WMFO DATED NOVEMBER 22, 1989;
AND SAN ANTONIO TELETYPE TO NEW ORLEANS DATED NOVEMBER 29, 1989.

FOR INFORMATION OF LOS ANGELES, BACKGROUND OF CAPTIONED
INVESTIGATION IS SET OUT IN SAN ANTONIO TELETYPE DATED JUNE 2,
1988 AND ADMINISTERED IN LOS ANGELES CASE NUMBER 194C-398. FOR
INFORMATION OF PHOENIX, BACKGROUND OF CAPTIONED INVESTIGATION IS
SET OUT IN SAN ANTONIO TELETYPE DATED JUNE 19, 1989 AND
ADMINISTERED IN PHOENIX CASE NUMBER 58C-427.

PER REFERENCED TELCAL WITH LOS ANGELES, LOS ANGELES AND
PHOENIX ARE CONDUCTING A JOINT INVESTIGATION WHICH COINCIDES WITH
ONE ASPECT OF THE CAPTIONED INVESTIGATION, SPECIFICALLY,
INVESTIGATION INTO CAMPAIGN CONTRIBUTIONS BY CHARLES KEATING,
JR., MADE TO VARIOUS MEMBERS OF THE SENATE BANKING COMMITTEE,
INCLUDING FORMER SENATOR HECHT.

FOR FURTHER INFORMATION OF LOS ANGELES AND PHOENIX, THE
FOLLOWING ADDITIONAL BACKGROUND INFORMATION IS PROVIDED. ON
SEPTEMBER 13, 1989, A FEDERAL GRAND JURY IN THE WESTERN DISTRICT

OF TEXAS AT SAN ANTONIO RETURNED A TWENTY-TWO COUNT TRUE-BILL OF INDICTMENT CHARGING THE FOLLOWING VIOLATIONS OF TITLE 18, UNITED STATES CODE: GLEN MAULDIN WAS CHARGED WITH SEVENTEEN COUNTS OF USE OF INTERSTATE FACILITY IN AID OF RACKETEERING, SECTION 1952 (A) (3), TWO COUNTS OF BRIBERY, SECTION 201 (C), ONE COUNT OF BRIBERY, SECTION 201 (B) AND (C), AND ONE COUNT OF CONSPIRACY, SECTION 317. VINCENT LACHELLI WAS CHARGED WITH FIFTEEN COUNTS OF USE OF INTERSTATE FACILITY IN AID OF RACKETEERING, 1952 (A) (3), ONE COUNT OF BRIBERY, SECTION 201 (C), ONE COUNT OF BRIBERY, SECTION 201 (B) AND (C), AND ONE COUNT OF CONSPIRACY, SECTION 371. DARRELL TOMBLIN WAS CHARGED WITH FIFTEEN COUNTS OF USE OF AN INTERSTATE FACILITY IN AID OF RACKETEERING, SECTION 1952 (A) (3), TWO COUNTS OF BRIBERY, SECTION 201 (C), ONE COUNT OF BRIBERY, SECTION 201 (B) AND (C), AND ONE COUNT OF CONSPIRACY, SECTION 371. IN A SEPARATE BUT RELATED INDICTMENT ISSUED THE SAME DAY, WILLIAM ABROMS WAS CHARGED WITH FIVE COUNTS OF FALSE STATEMENT UNDER OATH IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 1623, IN CONNECTION WITH HIS TESTIMONY BEFORE THE SAME GRAND JURY IN ITS INVESTIGATION OF CAPTIONED MATTER.

FOR THE INFORMATION OF ALL RECEIVING OFFICES, ON DECEMBER 4,

PAGE FOUR DE FBISA 0005 UNCLAS E F T O

1989, U.S. DISTRICT COURT JUDGE ED PRADO GRANTED A MOTION OF CONTINUANCE FILED ON BEHALF OF SUBJECT [REDACTED] AND RESCHEDULED THAT TRIAL FOR JANUARY 22, 1990. THE ATTORNEYS FOR SUBJECTS

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[REDACTED] HAVE FILED MOTIONS FOR SUPPRESSION, AND THAT HEARING IS SCHEDULED FOR JANUARY 16, 1990, BEFORE U.S. DISTRICT COURT JUDGE HIPOLITO GARCIA. [REDACTED] ATTORNEY FILED A MOTION TO JOIN THE TWO MATTERS FOR THE SUPPRESSION HEARING ON JANUARY 16, 1990, WHICH MOTION WAS GRANTED BY JUDGE GARCIA.

SA [REDACTED] WMFO, AND SA [REDACTED] TAMPA, WILL BE ADVISED BY SEPARATE TELETYPE WHEN TO REPORT TO SAN ANTONIO FOR SUPPRESSION HEARING SCHEDULED FOR JANUARY 16, 1989.

FOR INFORMATION OF ALL RECEIVING OFFICES, IN PREPARATION FOR [REDACTED] TRIAL, DOJ ATTORNEY [REDACTED] TRAVELED TO SAN ANTONIO ON NOVEMBER 27, 1989, AND THEN IN THE COMPANY OF CO-CASE AGENT [REDACTED] TRAVELED TO BATON ROUGE, LOUISIANA, ON NOVEMBER 30, 1989. [REDACTED] CONDUCTED PRETRIAL INTERVIEWS AT LOUISIANA STATE UNIVERSITY (LSU) OF THE ATTENDEES AT THE MEETING OF SEPTEMBER 6, 1988 AT WHICH SUBJECT [REDACTED] RECRUITED THE PARTICIPATION OF LSU IN SOME OF THE GRENADIAN BUSINESS VENTURES. THESE PRETRIAL INTERVIEWS UNCOVERED

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ADDITIONAL HANDWRITTEN NOTES TAKEN DURING THE MEETING WHICH BEAR DIRECTLY ON COUNT TWO OF THE INDICTMENT AGAINST [REDACTED]

ON NOVEMBER 30, 1989, SA [REDACTED] TAMPA DIVISION, AND SA [REDACTED] WMFO, ARRIVED IN SAN ANTONIO, AND BEGAN PREPARATION OF CASSETTE TAPES FROM DUPLICATE ORIGINAL REEL-TO-REEL TAPES AND CORRESPONDING TRANSCRIPTS FOR THOSE CONVERSATIONS DESIGNATED FOR USE AS EVIDENCE IN [REDACTED] TRIAL.

ON DECEMBER 4TH AND 5TH, 1989, CO-CASE AGENT [REDACTED] AND SA [REDACTED] LAS VEGAS DIVISION, RENO RA, CONDUCTED FURTHER INVESTIGATION CONCERNING [REDACTED] ASSOCIATES IN NEVADA. [REDACTED] AND LONG TIME FRIEND OF [REDACTED] WAS INTERVIEWED, AND PROVIDED DETAILED BACKGROUND INFORMATION ABOUT [REDACTED] FORMER NEVADA DEPUTY ATTORNEY GENERAL, WAS INTERVIEWED AND PROVIDED INFORMATION REGARDING HER ASSOCIATION WITH SUBJECT [REDACTED] WHEN [REDACTED] WAS A MEMBER OF THE [REDACTED] FORMER NEVADA GOVERNOR [REDACTED] WAS CONTACTED AND PROVIDED DETAILS REGARDING [REDACTED] APPOINTMENT OF [REDACTED] TO THE [REDACTED] AND [REDACTED] EVENTUAL REQUEST FOR [REDACTED] RESIGNATION. [REDACTED] ADVISED THAT [REDACTED] WAS RECOMMENDED TO HIM AS A GOOD CANDIDATE FOR THE [REDACTED]

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[REDACTED] BECAUSE OF HIS ACCOUNTING BACKGROUND, AND BECAUSE HE WAS POLITICALLY ACTIVE, HAVING SERVED AS THE NEVADA STATE

[REDACTED] AND HAVING ACTIVELY CAMPAIGNED FOR OTHER REPUBLICANS. [REDACTED] WAS AWARE, HOWEVER, AT THE TIME THAT HE

APPOINTED [REDACTED] TO THE [REDACTED] THAT [REDACTED] WAS SEPARATED FROM HIS WIFE AND HAD A GIRLFRIEND. LATER, [REDACTED]

DISCOVERED THAT [REDACTED] GIRLFRIEND WAS [REDACTED]

[REDACTED] ALSO HAD RECEIVED COMPLAINTS FROM THE OTHER

MEMBERS OF THE NEVADA [REDACTED] THAT [REDACTED] WAS A LONER AND WAS NOT WORKING WELL WITH THE OTHERS ON THE BOARD.

WHEN [REDACTED] FOUND OUT THAT [REDACTED] MARRIED [REDACTED] HE ASKED FOR

[REDACTED] RESIGNATION, BASED ON THE CONFLICT OF INTEREST CREATED BY [REDACTED] EMPLOYMENT WITH [REDACTED] [REDACTED] IS NOT

ACQUAINTED WITH SUBJECTS [REDACTED] BUT HAS MET SUBJECT

[REDACTED] APPROACHED [REDACTED] APPROXIMATELY FIVE YEARS AGO,

AFTER [REDACTED] AND REQUESTED

[REDACTED] ASSISTANCE IN LOBBYING EFFORTS TO GAIN FEDERAL AND STATE GRANT MONEY FOR NEVADA INDIAN TRIBES. [REDACTED] DID NO BUSINESS WITH

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0005 MRI 01582

RR RUEHFB FBILV FBILA FBINO FBIPX FBITP FBIWMFO

DE FBISA #0006 3610436

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R 262351Z DEC 89

FM FBI SAN ANTONIO (58C-537) (P)

TO DIRECTOR FBI (58-12166)/ROUTINE/

FBI LAS VEGAS (58C-175)/ROUTINE/

FBI LOS ANGELES (56C-101615)/ROUTINE/

FBI NEW ORLEANS (58-505)/ROUTINE/

FBI PHOENIX (58C-41605)/ROUTINE/

FBI TAMPA (58C-277)/ROUTINE/

FBI WMFO (58C-2216)/ROUTINE/

BT

UNCLAS E F T O

SECTION TWO OF TWO SECTIONS

CITE: //3770//

PASS: SSA [REDACTED] WHITE COLLAR CRIME SECTION, PUBLIC
CORRUPTION UNIT.

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SUBJECT: DUNDEAL; OO: SAN ANTONIO.

TEXT CONTINUES:

[REDACTED] AND HAS HAD NO CONTACT WITH HIM SINCE THAT TIME.

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A REVIEW OF NEWSPAPER ARTICLES PUBLISHED IN THE RENO AREA INDICATE THAT [REDACTED] BEGAN WORKING AT [REDACTED] IN LAS VEGAS IMMEDIATELY UPON HIS RESIGNATION FROM THE NEVADA [REDACTED]

A FURTHER REVIEW BY SAN ANTONIO OF RECORD OBTAINED FROM THE FEDERAL ELECTION COMMISSION SHOW THAT KEATING OR HIS FAMILY AND ASSOCIATES DONATED OVER \$36,000 TO THE HECHT REELECTION CAMPAIGN COMMITTEE ON OCTOBER 18, 1988. PER REFERENCED TELCAL, LOS ANGELES (56C-LA-101615) IN CONNECTION WITH PHOENIX (58C-PX-41605) HAS ALREADY CONDUCTED SOME INVESTIGATION INTO THE KEATING CAMPAIGN CONTRIBUTIONS TO HECHT ON OCTOBER 18, 1988. IN ORDER TO COORDINATE EFFICIENTLY THE INVESTIGATION OF THE KEATING CONTRIBUTIONS TO THE HECHT REELECTION CAMPAIGN, IN A WAY THAT IS PRODUCTIVE TO ALL OFFICES, SAN ANTONIO WILL HENCEFORTH COORDINATE THE SETTING OUT OF LEADS IN THIS ASPECT OF THE INVESTIGATION WITH LOS ANGELES AND PHOENIX.

LAS VEGAS AT LAS VEGAS, NEVADA: (1) LOCATE AND INTERVIEW

[REDACTED]
[REDACTED] AND SUBSEQUENTLY EMPLOYED BY SENATOR HECHT'S LAS

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VEGAS OFFICE, WHO RECOMMENDED [] TO [] AS A CANDIDATE FOR THE [] OBTAIN FULL DETAILS OF HIS PAST AND PRESENT ASSOCIATION WITH SUBJECT [] ALSO ASCERTAIN HIS KNOWLEDGE OF SUBJECTS []

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(2) LOCATE AND INTERVIEW []

THE NEVADA [] WHO SERVED AT THE SAME TIME AS [] OBTAIN FULL DETAILS OF HIS ASSOCIATION WITH [] AND WITH SUBJECTS []

(3) LOCATE AND INTERVIEW APPROPRIATE PERSONNEL AT THE

[] TO OBTAIN INFORMATION REGARDING [] EMPLOYMENT THERE, SUBSEQUENT TO HIS RESIGNATION FROM THE NEVADA [] IN [] IF POSSIBLE, OBTAIN COPIES OF [] PERSONNEL FILE AND/OR RESUME.

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(4) FORWARD RESULTS OF INTERVIEW OF [] EX-WIFE OF [] PER LEAD SET OUT IN REFERENCED TELETYPE DATED NOVEMBER 22, 1989, SO THAT SAN ANTONIO MAY REVIEW FOR FURTHER ADDITIONAL LEADS.

LAS VEGAS LEAD AGENT SHOULD REVIEW ALL PREVIOUS COMMUNICATIONS IN LAS VEGAS FILE NUMBER 58C-175 AND THEN CONSULT

PAGE FOUR DE FBISA 0006 UNCLAS E F T O

WITH SA [REDACTED] RENO RA, IN ORDER TO PREPARE FOR PRODUCTIVE INTERVIEWS AS SET FORTH IN THE ABOVE LEADS.

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(5) OBTAIN A COPY OF [REDACTED] DEPOSITION WHICH WAS GIVEN IN AUGUST OF 1982 IN CONNECTION WITH A LIBEL SUIT FILED BY [REDACTED] [REDACTED] AGAINST NBC IN OCTOBER OF 1980.

(6) CONDUCT A REVIEW OF PUBLIC STATE AND FEDERAL COURT RECORDS REGARDING CIVIL OR CRIMINAL ACTION WHICH INVOLVED SUBJECTS [REDACTED]

LOS ANGELES AT SANTA ANA, CALIFORNIA: PROVIDE A LIST OF THE NAMES AND ADDRESSES OF THE INDIVIDUALS WHO HAVE BEEN IDENTIFIED AS HAVING MADE CAMPAIGN CONTRIBUTIONS TO THE HECHT REELECTION CAMPAIGN IN LOS ANGELES CASE 56C-LA-101615. INDICATE THE RELATIONSHIP OF THESE INDIVIDUALS TO KEATING, AND WHICH OF THESE INDIVIDUALS HAVE BEEN CONTACTED AND/OR INTERVIEWED. FORWARD COPIES OF REPORTS OF INTERVIEW OR INSERTS REFLECTING CONTACT AND INVESTIGATIVE STATUS REGARDING THESE INDIVIDUALS.

SAN ANTONIO AT SAN ANTONIO, TEXAS: IN ORDER ASSIST LOS ANGELES AND PHOENIX IN THEIR JOINT INVESTIGATION, UPON RECEIPT OF THE INFORMATION REQUESTED AS SET OUT IN THE ABOVE LEAD TO LOS ANGELES, SAN ANTONIO WILL REVIEW ALL CONSENSUAL MONITORINGS AND TITLE III INTERCEPTED CONVERSATIONS FOR ADDITIONAL PERTINENT

PAGE FVE DE FBISA 0006 UNCLAS E F T O

BACKGROUND INFORMATION, AND FORWARD SAME. INVESTIGATION IN SAN
ANTONIO CONTINUING.

BT

#0006

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TRANSMIT VIA:

☒ Teletype☐ Facsimile☐ _____

PRECEDENCE:

☐ Immediate☐ Priority☒ Routine

CLASSIFICATION:

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

Date

1/19/90

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

2 TO DIRECTOR FBI/ROUTINE/

3 FBI LOS ANGELES/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3630//

7 PASS: FOR FBIHQ, PUBLIC CORRUPTION UNIT.

8

9 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS, ALLAN CRANSTON,

10 ET AL; CHARLES H. KEATING, JR., DBA ET AL; CORRUPTION OF FEDERAL

11 PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

12 RE PHOENIX LHM TO THE BUREAU, 12/19/89, AND PHOENIX

13 TELEPHONE CALLS TO THE BUREAU, 1/18/90 AND 1/19/90.

14 UACB, PHOENIX AND LOS ANGELES WILL EXTEND THE P.I. FOR AN

15 ADDITIONAL 30 DAYS BEYOND THE 90 DAY PERIOD AND CONDUCT THE

16 FOLLOWING INVESTIGATION:



Approved

Transmitted

(Number)

(Time)

Per

Indexed...

MRI: 2148 JULIAN DATE: 019 1/19

ISN: 078 ACCEPTED AT: 2257

FILTER FILE NAME

OPERATOR'S INITIALS:

58CPX41605-8

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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☒ Priority
☐ Routine

CLASSIFICATION:

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

Date 12/8/89

1 FM FBI PHOENIX (29D-LA-102009) (P)

2 TO FBI NEW YORK/PRIORITY/

3 FBI LOS ANGELES (29D-LA-102009) (58C-PX-41605)/PRIORITY/

4 FBI SAN FRANCISCO/PRIORITY/

5 FBI WMFO/PRIORITY/

6 BT

7 UNCLAS

8 CITE: //3630//

9
10 SUBJECT: DESERT GEM; MAJOR CASE 24; OO: LOS ANGELES/PHOENIX.

11 ON DECEMBER 8, 1989, AUSA [REDACTED] LOS ANGELES,
12 CALIFORNIA, ADVISED THAT ON THIS DATE HE RECEIVED INFORMATION
13 FROM (FNU) [REDACTED] PUBLIC INTEGRITY SECTION, WASHINGTON, D.C.,
14 WHO IN TURN HAD RECEIVED INFORMATION FROM CONGRESSMAN JAMES H.
15 SCHEUER FROM THE DISTRICT OF QUEENS, NEW YORK, THAT CHARLES H.
16 KEATING, JR. IS A FLIGHT RISK. [REDACTED] DID NOT DISCLOSE

Searched.....
Serialized [REDACTED]
Indexed.....
Filed..... [REDACTED]

18 [REDACTED]
19 MRI: 371 JULIAN DATE: 343
20 ISN: 8 ACCEPTED AT: 0555
21 FILTER FILE NAME [REDACTED] 0950.343
OPERATOR'S INITIALS: [REDACTED]

Approved [REDACTED]

Transmitted [REDACTED]
(Number [REDACTED])

er [REDACTED]

58C-PX-41605-SUB R-9

0013 MRI 00215

PP RUEHFB FBILA FBIPX

DE FBINY #0011 3330311

ZNR UUUUU

P 290158Z NOV 89

FM FBI NEW YORK (29A-17285) (C)

TO DIRECTOR FBI (29A-LA-102009)/PRIORITY/

FBI LOS ANGELES (29A-LA-102009)/PRIORITY/

FBI PHOENIX (29A-LA-102009)/PRIORITY/

BT

UNCLAS

CITE: //3540//

PASS: HQ FOR SSA [REDACTED] FCU AND SSA [REDACTED] PCU.

SUBJECT: [REDACTED]

[REDACTED]
[REDACTED] GOLDEN PACIFIC NATIONAL BANK - VICTIM;

BF & E (A); OO:NY.

RENYAIRTEL & LHM TO THE DIRECTOR, DATED AUGUST 11, 1989, NY

PROSECUTIVE REPORT OF INVESTIGATION, DATED MARCH 24, 1986, AND NY

TELEPHONE CALL TO SSA [REDACTED] ON NOVEMBER 13, 1989.

58-41605-Sub D-10
29A-LA-102009-SUB L-59

SEARCHED	INDEXED
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FBI - PHOENIX	

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PAGE TWO DE FBINY 0011 UNCLAS

FOR INFORMATION OF LOS ANGELES AND PHOENIX, CAPTIONED NY INVESTIGATION INVOLVED THE FAILURE OF THE GOLDEN PACIFIC NATIONAL BANK (GPNB) ON JUNE 17, 1985. GPNB HAD RECORDED ASSETS OF \$163 MILLION, PER PUBLISHED REPORTS, AND OPERATED ITS MAIN OFFICE AND ONE BRANCH IN MANHATTAN, NEW YORK; TWO BRANCHES IN QUEENS, NEW YORK; LOAN PRODUCTION OFFICES IN SAN MATEO, CALIFORNIA; MONTERAY PARK, CALIFORNIA; BOSTON, MASSACHUSETTS; CHICAGO, ILLINOIS; HOUSTON, TEXAS; AND INTERNATIONAL BANKING FACILITIES IN TAIPEI, TAIWAN AND HONG KONG. GPNB WAS THE LARGEST NATIONAL BANK TO BE CLOSED BY THE OCC IN 1985, AND BECAME THE SUBJECT OF A UNITED STATES HOUSE OF REPRESENTATIVES, COMMITTEE ON BANKING FINANCE AND URBAN AFFAIRS, HEARING.

INVESTIGATION CENTERED PRIMARILY ON THE ISSUANCE OF FRAUDULENT CERTIFICATES OF DEPOSIT (CD'S) REFERRED TO AS "YELLOW CD'S" (YCD'S). IN EXCHANGE FOR DEPOSITS, CUSTOMERS RECEIVED FROM GPNB THESE YCD'S. HOWEVER, RATHER THAN ESTABLISHING INDIVIDUAL MONEY MARKET ACCOUNTS, CUSTOMER FUNDS WERE LUMPED TOGETHER AND DEPOSITED INTO TRUSTEE ACCOUNTS BEARING FICTITIOUS NAMES. THESE ACCOUNTS BECAME A SLUSH FUND USED BY GPNB, [REDACTED]

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PAGE THREE DE FBINY 0011 UNCLAS

DURING THE INVESTIGATION IT WAS DISCOVERED THAT IN 1983, GPNB [REDACTED] AND FIVE OTHER GPNB EMPLOYEES MADE A POLITICAL CONTRIBUTION IN THE AMOUNT OF \$1,000.00 EACH TO UNITED STATES SENATOR ALAN CRANSTON. THIS CONTRIBUTION WAS PART OF A FUND RAISING PARTY WHICH [REDACTED] HELD FOR SENATOR CRANSTON IN NEW YORK. INVESTIGATION DETERMINED THAT ALL OF THE EMPLOYEES WERE REIMBURSED IN AUGUST OF 1983, THROUGH THE USE OF GPNB MONEY ORDERS. THE FUNDS USED TO PURCHASE THESE GPNB MONEY ORDERS CAME FROM THE CREATION OF FRAUDULENT EXPENSE VOUCHERS BY [REDACTED] WITH THE APPROVAL OF [REDACTED] ON JUNE 5, 1986, [REDACTED] PLED GUILTY TO ONE COUNT OF VIOLATING TITLE 18, USC, SECTION 371, CONSPIRING TO HAVE GPNB MAKE AND CONCEAL THIS ILLEGAL CAMPAIGN CONTRIBUTION TO THE CRANSTON FOR PRESIDENT CAMPAIGN IN 1983. [REDACTED] THEN COOPERATED IN THE INVESTIGATION AND PROSECUTION OF THIS MATTER.

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ON SEPTEMBER 26, 1988, [REDACTED] STOOD TRIAL IN THE SOUTHERN DISTRICT OF NEW YORK ON INDICTMENTS CHARGING [REDACTED] AND [REDACTED] WITH NUMEROUS VIOLATIONS INCLUDING CHARGING [REDACTED] WITH CONSPIRACY TO FALSIFY BANK RECORDS TO COVER UP THE UNLAWFUL CAMPAIGN CONTRIBUTION. ON JANUARY 18, 1989, [REDACTED] WERE FOUND GUILTY, WITH [REDACTED] BEING CONVICTED ON TWENTY-TWO COUNTS INCLUDING THE CONSPIRACY TO FALSIFY BANK RECORDS TO COVER UP THE UNLAWFUL

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PAGE FOUR DE FBINY 0011 UNCLAS

CAMPAIGN CONTRIBUTION. ON JULY 31, 1989, [] WAS SENTENCED TO FIVE YEARS IMPRISONMENT AND TO MAKE RESTITUTION IN THE AMOUNT OF \$14.8 MILLION. [] IS CURRENTLY IN PRISON PENDING HIS APPEAL. ON JUNE 15, 1989, [] WAS SENTENCED TO ONE YEAR PROBATION AND \$1,000 RESTITUTION IN CONNECTION WITH HIS GUILTY PLEA.

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ALTHOUGH NO INFORMATION HAS BEEN DEVELOPED TO INDICATE SENATOR CRANSTON HAD KNOWLEDGE OF THE ILLEGAL CONTRIBUTIONS, SENATOR CRANSTON HAD NUMEROUS COMMUNICATIONS WITH [] ONE SUCH COMMUNICATION IS A JULY 6, 1983, LETTER TO [] FROM SENATOR CRANSTON REGARDING SENATOR CRANSTON'S EFFORTS ON [] BEHALF INVOLVING DIFFICULTIES GPNB WAS HAVING REGARDING THE TAIPEI REGENCY HOTEL IN TAIPEI, TAIWAN.

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b7C

THE TAIPEI REGENCY HOTEL HAD BEEN DECLARED BANKRUPT BY THE TAIPEI DISTRICT COURT. INVESTIGATION HAS DETERMINED THAT GPNB'S INVESTMENT IN THE TAIPEI REGENCY HOTEL HAD COME FROM THE YCD SLUSH FUND.

IN LIGHT OF THE CURRENT PUBLICITY INVOLVING THE LINCOLN SAVINGS AND LOAN INVESTIGATION, CAPTIONED DESERT JEM; MAJOR CASE NUMBER 24, THIS INFORMATION IS BEING PROVIDED FOR WHATEVER ACTION DEEMED APPROPRIATE.

PAGE FIVE DE FBINY 0011 UNCLAS

BT

#0011

NNNN

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

2/6

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

2 TO FBI WMFO/ROUTINE/

3 BT

4 UNCLAS

5 CITE: //3630//

6
7 SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON,
8 DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DON REIGLE, CHARLES
9 H KEATING, JR., DBA ET AL; CORRUPTION OF FEDERAL PUBLIC
10 OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

11 RE TELCAL OF PHOENIX TO RELIEF SUPERVISOR SA [REDACTED]
12 WMFO, 2/2/90.

13 FOR THE INFORMATION OF WMFO, PHOENIX SPECIAL AGENTS [REDACTED]
14 [REDACTED]

15 WILL BE IN WASHINGTON, D.C. 2/8-
16 9/90 TO CONDUCT INTERVIEWS AND SERVE SUBPOENAS IN CONNECTION WITH
17
18

19 [REDACTED]
20 [REDACTED]

21 [REDACTED] 0145.033

Approved

Transmitted

(Number)

(Time)

Per

Searched.....

Serialized.....

Indexed.....

Filed.....

MRI: 360 JULIAN DATE: 038

004 ACC: 0404

FILE NAME

OPERATOR'S INITIALS:

U.S. GPO. 1987 - 181-486

58C-PX-41605-SubD-11

b6
b7C

^PAGE TWO

PX 58C-41605

UNCLAS

CAPTIONED MATTER. NO ASSISTANCE IS BEING REQUESTED OF WMFO.

SACS PHOENIX AND WMFO CONCUR WITH TRAVEL OF AGENTS TO
WASHINGTON, D.C.

BT

0017 MRI 00360

RR FBIPX

DE FBIPX #0004 0380424

ZNR UUUUU

R 070402Z FEB 90

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

TO FBI WMFO/ROUTINE/

BT

UNCLAS

CITE: //3630//

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON,
DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DON REIGLE, CHARLES
H KEATING, JR., DBA ET AL; CORRUPTION OF FEDERAL PUBLIC
OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE TELCAL OF PHOENIX TO RELIEF SUPERVISOR SA [REDACTED]
WMFO, 2/2/90.

FOR THE INFORMATION OF WMFO, PHOENIX SPECIAL AGENTS [REDACTED]

b6
b7c

[REDACTED] WILL BE IN WASHINGTON, D.C. 2/8-
9/90 TO CONDUCT INTERVIEWS AND SERVE SUBPOENAS IN CONNECTION WITH
CAPTIONED MATTER. NO ASSISTANCE IS BEING REQUESTED OF WMFO.

Searched.. [REDACTED] ..
Serialized [REDACTED] ..
Indexed [REDACTED] ..
Filed.. [REDACTED] ..

58C-PX-41605-Sub D-11

PAGE TWO DE FBIPX 0004 UNCLAS

SACS PHOENIX AND WMFO CONCUR WITH TRAVEL OF AGENTS TO
WASHINGTON, D.C.

BT

#0004

NNNN

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☒ Priority
☐ Routine

CLASSIFICATION:

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

Date

3/5

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

2 TO DIRECTOR FBI/PRIORITY/

3 FBI LOS ANGELES/PRIORITY/

4 FBI NEW YORK/PRIORITY/

5 FBI WMFO/PRIORITY/

6 BT

7 UNCLAS

8 CITE: //3630//

9 PASS: FBIHQ, SSA [REDACTED] FINANCIAL CRIME UNIT - WHITE
 10 COLLAR CRIME SECTION.

11
 12 SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON,
 13 DENNIS D DECONCINI, JOHN GLENN, JOHN MC CAIN, DON RIEGLE, CHARLES
 14 H. KEATING, JR; DBA ET AL; CORRUPTION OF FEDERAL PUBLIC
 15 OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]

Searched [REDACTED]

Serialized [REDACTED]

Indexed [REDACTED]

Filed [REDACTED]

Approved [REDACTED]

Transmitted [REDACTED]

(Number)

(Time)

Per [REDACTED]

MRI: 1071 JULIAN DATE: 064 3/5

ISN: 1071 ACCEPTED AT: 1831

OPER FILE NAME [REDACTED]

OPERATOR'S INITIALS: [REDACTED]

58C-PX-41605-Sub D-12

b6
b7c

FBI

TRANSMIT VIA:

- ☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

3/21/90

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

2 TO DIRECTOR FBI/ROUTINE/

3 FBI LOS ANGELES/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3630//

7 PASS: FOR FBIHQ, PUBLIC CORRUPTION UNIT, SSA [REDACTED]

8
 9 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET
 10 AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
 11 ASSOCIATION, CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION,
 12 PHOENIX, ARIZONA; CORRUPTION OF PUBLIC OFFICIALS - LEGISLATIVE;
 13 OO: PHOENIX/LOS ANGELES.

14 THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED DURING
 15 THE PERIOD 2/22/90 TO 3/15/90:

16 ON 2/22/90 AND 2/23/90, [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 005 D. 080

20 Approved [REDACTED]

Transmitted

(Number)

(Time)

Per [REDACTED]

MRI: 361/362 JULIAN DATE: 08/

ISN: 003/004 ACCEPTED AT: 0249/0250 U.S. GPO. 1987 - 181-486

TER FILE NAME [REDACTED]

OPERATOR'S INITIALS: [REDACTED]

58C PX 41605-D-14

b6
b7c

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

4/3

1 FM FBI PHOENIX (58C-PX-41605) (P)
 2 TO DIRECTOR FBI/ROUTINE/
 3 FBI SEATTLE (58C-PX-41605)/ROUTINE/
 4 FBI LOS ANGELES (58C-PX-41605)/ROUTINE/INFO
 5 BT

UNCLAS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT.

10 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET
 11 AL; DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) AND AMERICAN
 12 CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF
 13 FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

14 RE PHOENIX AIRTEL TO THE BUREAU, MARCH 21, 1990, AND
 15 TELEPHONE CALL OF SA [REDACTED] (PHOENIX) TO SA [REDACTED]

b6
b7C

Searched

Serialized

Indexed

Filed.....

Approved: [REDACTED]

Transmitted

(Number)

(Time)

Per

MRI: 256 JULIAN DATE: 094

ISN: 2 ACC

FILTER FILE NAM

OPERATOR'S INITIALS: [REDACTED]

U.S. GPO. 1987 - 181-486

58C-PX-41605-Sub D-48

15

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

4/23/90

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

2 TO DIRECTOR FBI/ROUTINE/

3 FBI CHICAGO/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3630//

7 PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT, FBIHQ.

8
9 SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON,
10 DENNIS DE CONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
11 CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION
12 OF CALIFORNIA (LSL), AMERICAN CONTINENTAL CORPORATION (ACC),
13 PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
14 LEGISLATIVE; OO: PX.

15 RE PHOENIX TELCAL OF SA [REDACTED]

TO SSA [REDACTED]

16 [REDACTED] APRIL 23, 1990.

b6
b7C

21 Searched.. [REDACTED]

Serialized.. [REDACTED]

Indexed..... [REDACTED]

Filed..... [REDACTED]

Approved: [REDACTED]

Transmitted _____

(Number)

(Time)

Per _____

MRI: 374 JULIAN DATE: 114

ISN: 005 ACCEPTED AT: 0318

FILTER FILE NAME [REDACTED] 0550.113

OPERATOR'S INITIALS: [REDACTED]

U.S. GPO: 1987 - 181-486

58C-PX-41605-Sub D-16

^PAGE TWO PX 58C-PX-41605 UNCLAS

FOR THE INFORMATION OF CHICAGO, THIS CASE ARISES FROM A MEETING OF FIVE U. S. SENATORS WITH [REDACTED] FEDERAL HOME LOAN BANK BOARD, ON APRIL 2, 1987, AND THEN WITH OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK BOARD CHAIRMAN AND FEDERAL HOME LOAN BANK REPRESENTATIVES OF THE SAN FRANCISCO DISTRICT, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION. [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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b7C

INVESTIGATION THUS FAR HAS SHOWN THAT THE SENATORS, FROM A REVIEW OF DOCUMENTS AVAILABLE TO THE FBI, MET FREQUENTLY WITH KEATING. SUPERVISORY AUTHORITY WAS TRANSFERRED FROM THE SAN FRANCISCO DISTRICT OF THE FEDERAL HOME LOAN BANK TO THE FEDERAL HOME LOAN BANK BOARD. THIS TRANSFER OCCURRED OFFICIALLY IN MAY OF 1988. SUBSEQUENT INVESTIGATION HAS SHOWN THAT A NATIONAL EXAM TEAM WAS FORMED TO RE-EXAMINE LINCOLN SAVINGS AND

^PAGE THREE PX 58C-PX-41605 UNCLAS

LOAN ASSOCIATION. SOME OF THE EXAMINERS HAVE VOICED CONCERN THAT THE EXAM APPEARED TO BE A "WHITE-WASH." [REDACTED] OF THE CHICAGO DISTRICT, FEDERAL HOME LOAN BANK, NOW OFFICE OF THRIFT SUPERVISION (OTS), MAINTAINED NOTES WHICH IDENTIFIED THE DIFFERENT EXAMINERS WHO WERE CONCERNED THAT THEIR FINDINGS WOULD NOT BE MADE PART OF THE EXAM REPORT. [REDACTED] ALTHOUGH ASSIGNED TO THE SPRINGFIELD OFFICE OF THE OTS, WILL BE IN CHICAGO DURING THE WEEK OF MAY 1 -4, 1990. IN ADDITION TO [REDACTED] THE FOLLOWING OTS EMPLOYEES WILL BE INTERVIEWED CONCERNING THE "NATIONAL EXAM":

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IN ADDITION TO THE INTERVIEW OF THESE INDIVIDUALS, [REDACTED] [REDACTED] WHO RESIDES IN [REDACTED] WILL BE ALSO INTERVIEWED. [REDACTED] IS [REDACTED] OF FORMER FEDERAL HOME LOAN BANK BOARD MEMBERS, [REDACTED] HAS BEEN INTERVIEWED AND HE HAS INDICATED THAT [REDACTED] WAS CONTACTED FREQUENTLY BY KEATING AND HIS ASSOCIATES. [REDACTED] ALSO WAS PRESENT DURING A MEETING WITH [REDACTED] WHEN KEATING PROVIDED A "SECRET FILE" REGARDING OFFICIALS OF THE ELEVENTH DISTRICT (SAN FRANCISCO).

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^PAGE FOUR PX 58C-PX-41605 UNCLAS

SACS, PHOENIX AND CHICAGO CONCUR IN THE TRAVEL OF PHOENIX
CASE AGENT TO INTERVIEW THE ABOVE INDIVIDUALS AND AT THIS TIME NO
ASSISTANCE IS BEING REQUESTED OF THE CHICAGO DIVISION. SA

UPON ARRIVAL IN CHICAGO, WILL NOTIFY THE CHICAGO OFFICE
OF HIS ARRIVAL AND DEPARTURE.

BT

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b7c

0018 MRI 00374

RR FBIPX

DE FBIPX #0005 1140347

ZNR UUUUU

R 240318Z APR 90

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

TO DIRECTOR FBI/ROUTINE/

FBI CHICAGO/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT, FBIHQ.

b6
b7c

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

RE PHOENIX TELCAL OF SA [REDACTED] TO SSA [REDACTED]

[REDACTED] APRIL 23, 1990.

Searched [REDACTED]
Serialized [REDACTED]
Indexed [REDACTED]
Filed [REDACTED]

58C-PX-41605-SubD-16

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date

4/23/90

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

2 TO DIRECTOR FBI/ROUTINE/

3 FBI LOS ANGELES/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3630//

7 PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT, FBIHQ.

8
 9 SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON, ET
 10 AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
 11 ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
 12 PUBLIC OFFICIALS - LEGISLATIVE; OO: PX/LA.

13 RE PHOENIX TEL TO BUREAU, MARCH 21, 1990.

14 THE FOLLOWING IS A SUMMARY INVESTIGATION CONDUCTED SINCE
 15 MARCH 21, 1990:

16 ON APRIL 3, 1990, [REDACTED]

FEDERAL

b6
 b7c

21 Approved: [REDACTED]

Transmitted _____

(Number)

(Time)

Per _____

MRI: 353/354 JULIAN DATE: 114

ISN: 002/3 ACCEPTED AT: 0314/0315

FILTER FILE NAME [REDACTED]

OPERATOR'S INITIALS: [REDACTED]

Searched.....

Serialized.....

Indexed.....

Filed.....

58C-PX-41605-subD-17

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date May 8, 1990

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

TO FBI ATLANTA/ROUTINE/

FBI BOSTON/ROUTINE/

INFO FBI LOS ANGELES/ROUTINE/

FBI NEW YORK/ROUTINE/

FBI OMAHA/ROUTINE/

FBI SAN FRANCISCO/ROUTINE/

BT

UNCLAS

CITE: //3630:SQ 4//

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.

Searched ☐ 4
 Serialized ☐
 Indexed ☐
 Filed ☐

FOR THE INFORMATION OF RECEIVING OFFICES, THIS CASE AROSE
 FROM A MEETING OF THE FIVE U.S. SENATORS WITH ☐ ON
 4/2/87. SUBSEQUENT TO THIS MEETING, THE SENATORS AGAIN MET WITH

b6
 b7c

Approved: ☐Print Filename: ☐Time Received: 0400Filter Filename: ☐MRI/JULIAN DATE: 344 349/130ISN: 001 / 002FOX DATE & TIME OF ACCEPTANCE: 0412 / 0414

02 @ S1.128
 02 @ S2.128
 58C-PX-41605-Sub D-77 20

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 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. THE [REDACTED] 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.

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[] 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: []

[]
[] FOR THE CHICAGO DISTRICT NOW [] OF THE SOUTH GROUP, OTS.

[] 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 EXAMINERS IDENTIFIED AS VOICING CONCERNS ARE AS FOLLOWS: []

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[] ALL FROM THE ATLANTA FEDERAL HOME LOAN BANK DISTRICT, [] OF THE BOSTON BANK DISTRICT, [] OF THE STATE OF CALIFORNIA, DEPARTMENT OF SAVINGS AND LOAN, [] OF THE DES MOINES IOWA BANK DISTRICT.

IT WAS FURTHER DETERMINED THAT [] AND

[] OF THE NEW YORK BANK DISTRICT EXPRESSED CONCERNS. [] WAS THE [] WAS [] [] FOR THE NEW YORK BANK DISTRICT AND EITHER [] OR [] REPORTED TO [] THAT EXAMINERS ASSIGNED FROM

THE NEW YORK DISTRICT WERE CONCERNED ABOUT THE EXAM BEING A "WHITE WASH", HOWEVER, THE IDENTITY OF THESE EXAMINERS WERE NOT RECALLED BY [] WAS [] OF THE OPERATIONS SIDE OF THE THRIFT AND HE EXPRESSED CONCERNS ABOUT THE DIRECTION OF THE EXAM AS WELL.

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..
..

FOR THE INFORMATION OF NEW YORK, [] WAS A MEMBER OF THE FEDERAL HOME LOAN [] AND CHARLES KEATING PROVIDED

HIM WITH A FILE WHICH CONTAINED INFORMATION CONCERNING THE 11TH DISTRICT. THIS FILE WAS GIVEN TO [REDACTED] IN APRIL OR MAY 1988 AND HE TOLD [REDACTED] (SAN FRANCISCO BANK) OF ITS 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 HIS

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[REDACTED] WHO NOW WORKS FOR [REDACTED] AND RESIDES AT [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 [REDACTED] [REDACTED] THAT [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 ESTATE MARKET WOULD COLLAPSE.

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THIS CASE OBVIOUSLY IS COMPLICATED AND SHOULD LEAD AGENTS NEED ANY ADDITIONAL INFORMATION, THEY SHOULD CONTACT PHOENIX CASE AGENT SA [REDACTED] FTS 761-4121 OR (602) 279-5511.

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. [] FOR THIS AREA WAS []

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b7C

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

LEADS. ATLANTA DIVISION AT ATLANTA. INTERVIEW []

[] THROUGH OTS TELEPHONE NUMBER []

BOSTON DIVISION AT BOSTON. INTERVIEW []

[] THROUGH OTS NUMBER []

NEW YORK DIVISION AT NEW YORK. INTERVIEW []

[] THROUGH OTS NUMBER []

IT SHOULD BE NOTED [] WAS THE [] OF THE OPERATIONS SIDE OF LSL. ADDITIONALLY, [] WOULD KNOW THE IDENTITY OF NEW YORK EXAMINERS WHO EXPRESSED CONCERNS REGARDING THE JULY 1988 EXAMINATION.

b6
b7C

OMAHA DIVISION AT DES MOINES, IOWA. INTERVIEW []
THROUGH TELEPHONE NUMBER []

SAN FRANCISCO DIVISION AT SAN FRANCISCO. INTERVIEW CDSL EXAMINER [] THROUGH TELEPHONE NUMBER []

(INTERVIEW WILL BE LENGTHY IN VIEW OF THE FACT THAT [] WAS ON SIGHT FROM THE INCEPTION AND HE SHOULD BE INTERVIEWED CONCERNING ANY CONTACTS WITH POLITICAL OFFICIALS AND KEATING OR HIS EMPLOYEES.)

BT

0010 MRI 00349

RR FBIPX

DE FBIPX #0002 1300445

ZNR UUUUU

R 100413Z MAY 90

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

TO FBI ATLANTA/ROUTINE/

FBI BOSTON/ROUTINE/

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),

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 5/16/90

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

2 TO DIRECTOR FBI/PRIORITY/

3 FBI LOS ANGELES/PRIORITY/

4 BT

5 UNCLAS

6 CITE: //3630//

7 PASS: PUBLIC CORRUPTION UNIT; SSA [REDACTED]

8
9 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET
10 AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
11 ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
12 PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

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

16 THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED SINCE

17 [REDACTED]

18 MRI: 1540 JULIAN DATE: 137 5/17
19 ISN: 070 ACCE 1914
20 FILTER FILE NAME [REDACTED] 07150.136
21 OPERATOR'S INITIALS: [REDACTED]

Approved: [REDACTED]

Transmitted _____

(Number)

(Time)

Per _____

Searched... [REDACTED]
Serialized... [REDACTED]
Indexed... [REDACTED]
Filed... [REDACTED]

MRI: 1541 JULIAN DATE: 137 5/17
ISN: 071 ACCE 1915
FILTER FILE NAME [REDACTED] 07150.136
OPERATOR'S INITIALS: [REDACTED]

58C-PK-41605-Sub D-21

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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date May 17, 1990

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 PUBLIC CORRUPTION UNIT; SAC, DALLAS.

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.

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RE TELEPHONE CALL OF SA TO SA
 5/17/90.

FOR THE INFORMATION OF DALLAS, THIS CASE AROSE FROM A
 MEETING ATTENDED BY THE FIVE U.S. SENATORS WITH
 FEDERAL HOME LOAN BANK BOARD (FHLBB), ON 4/2/87 AND

Approved: Print Filename: Time Received: 0311Filter Filename: 001S0.137MRI/JULIAN DATE: 274/136ISN: 602FOX DATE & TIME OF ACCEPTANCE: 033058C-PX-41605-Sub D-22

0009 MRI 01025

RR FBICE FBIPX

DE FBIAT #0010 1411935

ZNR UUUUU

R 211903Z MAY 90

FM FBI ATLANTA (58C<PX<41605) (P)

TO FBI CHARLOTTE/ROUTINE/

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

BT

UNCLAS

CITE: //3040:SQ 10//

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.

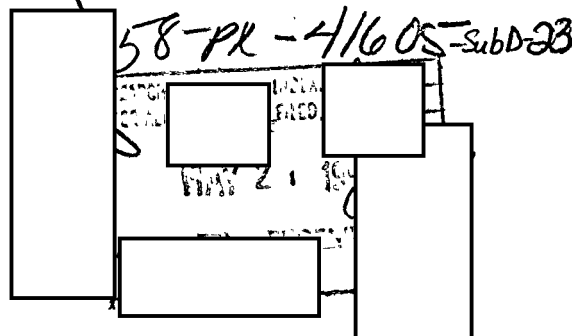
RE PHOENIX TELETYPE TO ATLANTA ON 5/10/90.

FOR INFORMATION OF PHOENIX AND CHARLOTTE, ATLANTA HAS

DETERMINED

WORK OUT OF

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PAGE TWO DE FBIAT 0010 UNCLAS

[] OFFICE AT TELEPHONE# [] IS SCHEDULED

FOR INTERVIEW 5/24/90, WHEN HE RETURNS TO [] FOR

INFORMATION OF CHARLOTTE THE ORIGINAL PHOENIX TELETYPE FOLLOWS:

FOR THE INFORMATION OF RECEIVING OFFICES, THIS CASE AROSE
FROM A MEETING OF THE FIVE U S SENATORS WITH [] 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) [] AND OFFICIALS OF THE
FEDERAL HOME LOAN BANK OF SAN FRANCISCO, THEY QUESTIONED THESE
INDIVIDUALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION
(LSL). [] 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.

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

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PAGE THREE DE FBIAT 0010 UNCLAS

AND OPERATION OF LSL. SUBSEQUENT TO 4/9/87, SENATORS 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. THE [REDACTED] 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] FOR THE CHICAGO DISTRICT NOW [REDACTED] OF THE SOUTH GROUP, OTS.

[REDACTED] WAS SO CONCERNED THAT THE THRIFT EXAMINATION OF 7/11/88 WAS A "WHITE WASH" THAT HE MAINTAINED PERSONAL NOTES

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PAGE FOUR DE FBIAT 0010 UNCLAS

WHICH REFLECT CONCERNS ON THE PART OF THE VARIOUS EXAMINERS. THE EXAMINERS IDENTIFIED AS VOICING CONCERNS ARE AS FOLLOWS: [REDACTED]

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[REDACTED] ALL FROM THE ATLANTA FEDERAL HOME LOAN BANK DISTRICT, [REDACTED] OF THE BOSTON BANK DISTRICT [REDACTED] OF THE STATE OF CALIFORNIA, DEPARTMENT OF SAVINGS AND LOAN, [REDACTED] OF THE DES MOINES, IOWA BANK DISTRICT.

IT WAS FURTHER DETERMINED THAT [REDACTED] AND

[REDACTED] OF THE NEW YORK BANK DISTRICT EXPRESSED CONCERNS.

[REDACTED] WAS [REDACTED]

[REDACTED] FOR THE NEW YORK BANK DISTRICT AND EITHER [REDACTED]

OR [REDACTED] REPORTED TO [REDACTED] THAT EXAMINERS ASSIGNED FROM THE NEW YORK DISTRICT WERE CONCERNED ABOUT THE EXAMINATION BEING A "WHITE WASH", HOWEVER, THE IDENTITY OF THESE EXAMINERS WERE NOT RECALLED BY [REDACTED] WAS [REDACTED] OF THE OPERATIONS SIDE OF THE THRIFT AND HE EXPRESSED CONCERNS ABOUT THE DIRECTION OF THE EXAMINATION AS WELL.

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FOR THE INFORMATION OF NEW YORK, [REDACTED] WAS A MEMBER OF THE FEDERAL HOME LOAN [REDACTED] AND CHARLES KEATING PROVIDED HIM WITH A FILE WHICH CONTAINED INFORMATION CONCERNING THE 11TH DISTRICT. THIS FILE WAS GIVEN TO [REDACTED] IN APRIL OR MAY 1988 AND

PAGE FIVE DE FBIAT 0010 UNCLAS

HE TOLD [REDACTED] OF SAN FRANCISCO BANK) OF ITS
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 HIS

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[REDACTED] WHO NOW WORKS FOR [REDACTED]

[REDACTED] AND RESIDES AT [REDACTED]

[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.

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SPECIFICALLY, IT HAS BEEN REPORTED BY A FORMER AID OF [REDACTED]

[REDACTED] THAT [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

PAGE SIX DE FBIAT 0010 UNCLAS

REMOVED, NOT ONLY WOULD THE THRIFT FAIL, BUT THE ARIZONA REAL 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] FTS 761-4121 OR (602) 279-5511.

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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] FOR THIS AREA WAS [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] THROUGH OTS TELEPHONE NUMBER [REDACTED]

CHARLOTTE DIVISION AT CHARLOTTE- INTERVIEW [REDACTED] AND

[REDACTED] AS SET FORTH INITIALLY FOR ATLANTA AS THEY WORK OUT OF THAT OFFICE. THEY CAN BE CONTACTED AT TELEPHONE# [REDACTED]

BT

#0010

NNNN

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date May 21, 1990

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/

BT

UNCLAS

CITE: //3630//

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

Approved: Print Filename: Time Received: 6214Filter Filename: 00150.141MRI/JULIAN DATE: 226 / 142ISN: 004FOX DATE & TIME OF ACCEPTANCE: 023358C-PX-41605-SubD-24b6
b7c

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

0027 MRI 01373

RR FBIPX

DE FBICE #0001 1441744

ZNR UUUUU

R 241725Z MAY 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

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1cc to 29D-18-102009 [REDACTED]



58-PX-41605 Sub D 26

[REDACTED]	[REDACTED]
MAY 24 1991	
[REDACTED]	[REDACTED]

0030 MRI 01650

RR FBIPX

DE FBIOM #0002 1442128

ZNR UUUUU

R 241916Z MAY 90

FM FBI OMAHA (58C-PX-41605) (RUC)

TO FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3600//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALLEN CRANSTON,
DENNIS DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIGLE; CHARLES
H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF
CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
FEDERAL PUBLIC OFFICIALS - LEGISLATIVE BRANCH; OO: PHOENIX.

THE FOLLOWING INVESTIGATION WAS CONDUCTED BY SPECIAL AGENT

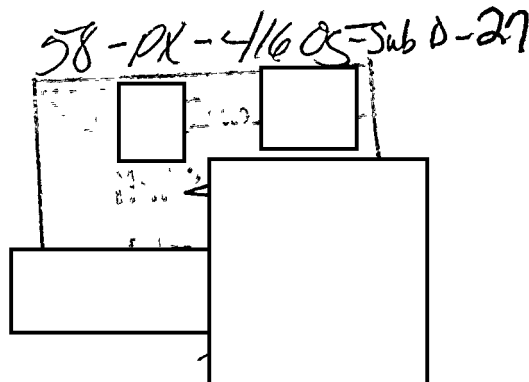
[REDACTED] AT [REDACTED]

ON MAY 21, 1990:

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[REDACTED] WAS ADVISED OF THE IDENTITY OF

THE INTERVIEWING AGENT AND THE PURPOSE OF THE INTERVIEW. [REDACTED]



0042 MRI 01607

PP FBIPX

DE FBIAT #0012 1451956

ZNR UUUUU

P 251930Z MAY 90

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

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

BT

UNCLAS

CITE: //3040:SQ 10//

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

AL. CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE; OO: PX.

RE PX TELETYPE TO ATLANTA 5/22/90.

FOR INFORMATION OF PX, [REDACTED]

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WAS INTERVIEWED ON 5/24/90 AT ATLANTA, GA. SUMMARY FOLLOWS WITH

FD-302 TO FOLLOW BY SEPARATE COMMUNICATION. [REDACTED] TESTIFIED

BEFORE U.S. HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ON [REDACTED] A COPY OF HIS TESTIMONY WAS OBTAINED AND WILL

ACCOMPANY HIS FD-302.

[REDACTED] ADVISED [REDACTED]

B

8-PX-41605 SUBD 28

[REDACTED]
[REDACTED]
[REDACTED]

0018 MRI 01815

RR FBIPX

DE FBISF #0021 1622344

ZNR UUUUU

R 112334Z JUN 90

FM FBI SAN FRANCISCO (58C-PX-41605) (P) (SQ. 5)

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

BT

UNCLAS

CITE: //3790//

SUBJECT: ALLEGATIONS CONCERNING U S SENATORS ALAN CRANSTON,
ET AL; CHARLES H KEATING, JR, AKA CORRUPTION OF FEDERAL PUBLIC
OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX TELETYPE TO ATLANTA, DATED 5-21-90, AND TELEPHONE
CALL BETWEEN SA [REDACTED] SAN FRANCISCO DIVISION, AND SA
[REDACTED] PHOENIX DIVISION, DATED 6-1-90.

FOR THE INFORMATION OF RECEIVING OFFICE, [REDACTED]
[REDACTED] FEDERAL DEPOSIT INSURANCE CORPORATION, WAS CONTACTED ON
6-1-90. [REDACTED] WAS [REDACTED] FOR THE CALIFORNIA DEPARTMENT OF
SAVINGS AND LOAN, WHICH EXAMINED LINCOLN SAVINGS AND THEIR PARENT

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58C-PX-41605 sub D-30

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 1 1990	
FBI - PHOENIX	

PAGE TWO DE FBISF 0021 UNCLAS

HOLDING COMPANY, AMERICAN CONTINENTAL CORPORATION. IN SUMMARY,

[REDACTED] BELIEVES THE EXAMINATION OF LINCOLN AND ITS PARENT

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HOLDING COMPANY DURING THE SUMMER OF 1988, AS BEING A "WHITE

WASH" AS CONDUCTED BY FEDERAL EXAMINERS OF THE FEDERAL HOME LOAN

BANK BOARD. HOWEVER, [REDACTED] HAD NO FIRST HAND KNOWLEDGE OF THIS

SITUATION EXTENDING TO CAPTIONED PUBLIC OFFICIALS.

IT SU

IT SHOULD BE NOTED THAT [] HAS AFFORDED APPROXIMATELY 1,500 PAGES OF SWORN TESTIMONY CONCERNING CAPTIONED MATTER BEFORE CONGRESSIONAL SUBCOMMITTEES. SAN FRANCISCO DIVISION WILL MAKE ARRANGEMENTS TO HAVE COPIES OF [] TRANSCRIPT FORWARDED, OR PROVIDE THE MEANS BY WHICH PHOENIX DIVISION CAN OBTAIN THE COPIES THROUGH ANOTHER SOURCE.

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CONSIDERING [] PREVIOUS TESTIMONY IN THIS MATTER, INTERVIEWING TIME WILL BE CONSIDERABLE. A SECOND INTERVIEWING DATE IS GOING TO BE SCHEDULED FOR THE WEEK OF 6-11-90. [] EMPHASIZED A MEMORANDUM OF UNDERSTANDING BETWEEN LINCOLN SAVINGS AND THE FEDERAL HOME LOAN BANK BOARD (FHLB) AS BEING HIS PRIMARY BASIS FOR QUESTIONING THE LEGITIMACY OF THE FEDERAL EXAM.

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[] CONSIDERED THE MEMORANDUM OF UNDERSTANDING AS AN UNBELIEVABLE CONCESSION TO THE INSTITUTION (LINCOLN SAVINGS). THE MEMORANDUM OF UNDERSTANDING (MOU) PROHIBITED THE FEDERAL EXAMINERS FROM UTILIZING THE PREVIOUS FINDINGS OR WORK PAPERS FROM THE 11TH DISTRICT FHLB EXAM, WHICH WAS COMPLETED IN LATE 1986 OR EARLY 1987. THE MOU REQUIRED SHORT TIME CONSTRAINTS AS TO THE PERIOD OF EXAMINATION AND THE REPORTING DEADLINE. THERE WAS SOME DISCUSSION THAT THE FEDERAL EXAMINERS WERE PERSONALLY PICKED OUTSIDE OF THE 11TH DISTRICT. THE MOU ALSO WOULD NOT

PAGE THREE DE FBISF 0021 UNCLAS

ALLOW APPRAISERS TO BE UTILIZED BY THE FEDERAL EXAMINERS, WHICH

[REDACTED] CONSIDERED TO BE UNPRECEDENTED. FINALLY, [REDACTED]

MENTIONED AN AGREEMENT KNOWN AS [REDACTED] PERTAINING TO

[REDACTED] FOR THE FEDERAL HOME

LOAN BANK BOARD. THIS SIDE AGREEMENT APPARENTLY PREVENTED THE
DISCLOSURE OF FHLB RESULTS TO OTHER FEDERAL AGENCIES.

RESULTS OF THESE CONTACTS WITH [REDACTED] WILL BE FORWARDED VIA
302 UPON COMPLETION.

BT

#0021.

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014 MRI 01617

RR FBINK FBIPX

DE FBIBS #0021 1622249

ZNR UUUUU

R 112220Z JUN 90

FM FBI BOSTON (58C<PX<41605) (C1)

TO FBI NEWARK/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3090//

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON,
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGEL; 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-
LEGESLATIVE OFFICE OF ORIGIN PHOENIX AND LOS ANGELES.

RE: PHOENIX TELETYPE TO BOSTON MAY 10, 1990 AND BOSTON
TELETYPE PHOENIX MAY 25, 1990. FOR THE INFORMATION OF NEWARK,
THIS CASE AROSE FROM A MEETING OF THE FIVE (5) US SENATORS WITH

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58-PX-41605-SubD
31

PAGE TWO DE FBIBS 0021 UNCLAS

[REDACTED] ON 4/2/87. SUBSEQUENT TO THIS MEETING, 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 MEETING WITH THE FEDERAL HOME LOAN BANK BOARD (FHLBB) [REDACTED] AND OFFICIALS OF THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO 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 US SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI TO INVESTIGATE THIS MATTER.

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b7c

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 MEETING. 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 MEETING, SENATORS 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

PAGE THREE DE FBIBS 0021 UNCLAS

BEEN DETERMINED THAT THERE WERE ALLEGATIONS OF A "WHITEWASH" THAT OCCURED DURING THE EXAMINATION OF THE THRIFT WHICH STARTED IN JULY, 1988. THE [REDACTED]

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 THROUGH 9/4/90, EXAMINERS FROM THE CHICAGO BANK DISTRICT WERE INTERVIEWED AS FOLLOWS: [REDACTED]

[REDACTED] FOR THE CHICAGO DISTRICT, NOW [REDACTED]

[REDACTED] OF THE SOUTH GROUP, OTS.

[REDACTED] WAS SO CONCERNED THAT THE THRIFT EXAMINATION OF 7/11/88 WAS A "WHITEWASH" THAT HE MAINTAINED PERSONAL NOTES WHICH REFLECT CONCERNS ON THE PART OF THE VARIOUS EXAMINERS. THE EXAMINERS IDENTIFIED AS VOICING CONCERNS ARE AS FOLLOWS: [REDACTED]

[REDACTED] ALL FROM THE ATLANTA FEDERAL HOME LOAN BANK DISTRICT, [REDACTED] OF THE BOSTON BANK DISTRICT, [REDACTED] OF THE STATE OF CALIFORNIA

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PAGE FOUR DE FBIBS 0021 UNCLAS

DEPARTMENT OF SAVINGS AND LOAN, [REDACTED] OF THE DES MOINES
IOWA BANK DISTRICT.

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IT WAS FURTHER DETERMINED THAT [REDACTED]

[REDACTED] OF THE NEW YORK BANK DISTRICT EXPRESSED CONCERNS.

[REDACTED] WAS [REDACTED]

WAS [REDACTED]

[REDACTED] FOR THE NEW YORK BANK DISTRICT AND EITHER [REDACTED]

OR [REDACTED] REPORTED TO [REDACTED] THAT EXAMINERS ASSIGNED FROM THE
NEW YORK DISTRICT WERE CONCERNED ABOUT THE EXAM BEING A
"WHITEWASH." HOWEVER, THE IDENTITY OF THESE EXAMINERS WERE NOT
RECALLED BY [REDACTED] WAS [REDACTED] OF THE OPERATION SIDE
OF THE THRIFT AND HE EXPRESSED CONCERNS ABOUT THE DIRECTION OF
THE EXAM AS WELL.

THIS CASE OBVIOUSLY IS COMPLICATED AND SHOULD LEAD AGENTS
NEED ANY ADDITIONAL INFORMATION THEY SHOULD CONTACT PHOENIX CASE
AGENT SA [REDACTED] FTS 761-4121 OR (602) 279-5511.

b6
b7c

IT SHOULD BE NOTED THAT IT APPEARS THE MAJORITY OF THE
CONCERNS THAT THE JULY, 1988 EXAMINATION WAS A "WHITEWASH" CAME
FROM THOSE EXAMINERS INVOLVED IN THE INVESTMENT AND REAL ESATE
PORTFOLIO OF LSL. THE [REDACTED] FOR THIS AREA WAS [REDACTED]

THE ORIGINAL PHOENIX TELETYPE REQUESTED ALL OFFICES TO
SUBMIT HIGHLIGHTS OF INTERVIEWS BY TELETYPE PRIOR TO 6/1/90 AND

PAGE FIVE DE FBIBS 0021 UNCLAS

FOLLOW UP IMMEDIATELY WITH FD 302s.

BOSTON RECEIVED THE LEAD TO LOCATE AND INTERVIEW EXAMINERS

[REDACTED] ON 5/18/90 AN ATTEMPT WAS MADE TO
LOCATE AND INTERVIEW [REDACTED] THROUGH THE BOSTON
DIRECTOR OF OTS, [REDACTED] AT WHICH TIME IT WAS DETERMINED
THAT [REDACTED] WOULD BE OUT OF TOWN UNTIL 5/23/90. IT WAS ALSO
DETERMINED THAT [REDACTED] WERE ALSO OUT OF
TOWN ON ASSIGNMENT. ON 5/23/90 [REDACTED] CONTACTED THE
BOSTON OFFICE AND STATED THAT HE WOULD DETERMINE WHERE EXAMINERS
[REDACTED] ARE ASSIGNED AND HOW THEY CAN BE REACHED.
ON 5/25/90 [REDACTED] WAS TELEPHONICALLY CONTACTED AND
ADVISED [REDACTED] ARE ASSIGNED TO AN
EXAMINATION OF THE ACTION SAVINGS AND LOAN, SUMMERS POINT, NEW
JERSEY AND ARE EXPECTED TO BE THERE UNTIL THE END OF JUNE, 1990.
HE STATED THEY CAN BE REACHED THROUGH TELEPHONE NUMBER [REDACTED]
[REDACTED] HE FURTHER ADVISED THAT DUE TO THE SERIOUSNESS OF
THIS INVESTIGATION HE HAD TO "RUN THROUGH THE CHAIN OF COMMAND"
THE FBI'S INTENTION OF INTERVIEWING [REDACTED] HE
STATED THAT FOR THIS REASON THEY WILL BE EXPECTING A CONTACT FROM
BUREAU AGENTS.

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PAGE SIX DE FBIBS 0021 UNCLAS

CASE AGENT [REDACTED] OF THE PHOENIX DIVISION WAS ADVISED OF
THIS SITUATION BY TELETYPE 5/29/90 AND TELEPHONICALLY CONTACTED
THE BOSTON DIVISION REQUESTING THAT [REDACTED] AND
[REDACTED] BE IMMEDIATELY INTERVIEWED.

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LEAD FOR NEWARK DIVISION AT SUMMERS POINT, NEW JERSEY:

WILL IMMEDIATELY LOCATE AND INTERVIEW [REDACTED] AND

[REDACTED] AT THE ACTION SAVINGS AND LOAN ASSOCIATION TELEPHONE
NUMBER [REDACTED] ALONG LINES SET FORTH ABOVE.

BT

#0021

NNNN

0053 MRI 01884

RR FBIPX

DE FBIBS #0021 1452122

ZNR UUUUU

R 252113Z MAY 90

FM FBI BOSTON (58C-PX-41605) (RUC)

TO FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3090//

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

RE PHOENIX TEL TO BS 5/10/90. 5/18/90 AN EFFORT WAS MADE TO
CONTACT LOCAL DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION (OTS)
[REDACTED] THROUGH TELEPHONE NUMBER [REDACTED] IT WAS
DETERMINED THAT HE WILL BE OUT OF TOWN UNTIL 5/23/90 AND THAT

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58C-PX-41605-Sub D-32

[REDACTED] WERE ALSO OUT OF TOWN.

ON 5/23/90 [REDACTED]

WAS CONTACTED AND ADVISED THAT

[REDACTED] ARE OUT OF TOWN ON ASSIGNMENT. HE

ADVISED THAT HE WOULD DETERMINE THE CONTACT NUMBER AND ADDRESS

WHERE THEY ARE ASSIGNED AND ALSO HOW LONG THEY WILL BE OUT OF

TOWN. ON 5/25/90 [REDACTED] ADVISED THAT [REDACTED]

[REDACTED] ARE ASSIGNED TO AN EXAMINATION OF THE ACTION

SAVINGS AND LOAN, SUMMERS POINT, NEW JERSEY, AND ARE EXPECTED TO
BE THERE UNTIL THE END OF JUNE, 1990. HE STATED THAT THEY CAN BE
REACHED THROUGH TELEPHONE NUMBER [REDACTED] EXTENSION [REDACTED]

HE FURTHER ADVISED THAT HE HAD "RUN THROUGH THE CHAIN OF COMMAND"

THE FBI'S INTENSION OF INTERVIEWING [REDACTED] HE

STATED THAT FOR THIS REASON, THEY WILL BE EXPECTING A CONTACT

FROM BUREAU AGENTS.

BT

#0021

NNNN

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0033 MRI 01740

RR FBILA FBIPX FBISE

DE FBINY #0013 1592000

ZNR UUUUU

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,

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b7c

58-124-41605-SubD
34
JUN 8 1990

FILED

JUN 8 1990

PAGE TWO DE FBINY 0013 UNCLAS

1990.

FOR INFORMATION OF PHOENIX, [] INTERVIEWED JUNE 6, 1990. [] WAS PRESENT AT A MEETING IN EARLY 1988 WITH [] [] CHARLES KEATING AND KEATING'S [] TO DISCUSS KEATING'S OBJECTIONS TO THE FINDINGS OF AN EXAMINATION OF LSL. KEATING PRESENTED [] WITH A PACKAGE OF DOCUMENTS OUTLINING HIS COMPLAINTS. THE PACKAGE, OR FILE CONSISTED OF A COVER MEMO DIRECTED TO [] 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. [] HAS RETAINED A COPY OF THIS FILE AND WILL PROVIDE TO NEW YORK ON JUNE 8, 1990. IT IS [] OPINION THAT THIS FILE IS NOT MEANINGFUL ALTHOUGH IT HAS BEEN THE TOPIC OF MUCH DISCUSSION.

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

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PAGE THREE DE FBINY 0013 UNCLAS

[REDACTED] TO THREE US SENATORS, 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 LARRY WHITE 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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PAGE FOUR DE FBINY 0013 UNCLAS

HARMFUL TO THE ARIZONA REAL ESTATE MARKET.

FD-302S TO FOLLOW.

BT

#0013

NNNN

0025 MRI 02046

RR FBIBS FBIPX

DE FBINK #0023 1702214

ZNR UUUUU

R 192209Z JUN 90

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

TO FBI BOSTON/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3510:3412//

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

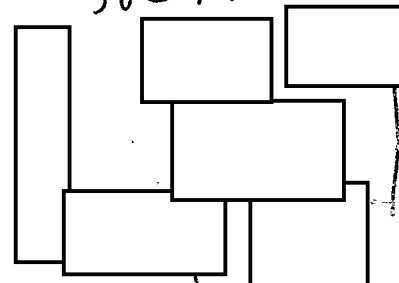
RE: BOSTON TELETYPE TO NEWARK, DATED 6/11/90.

ON 6/16/90, BUAGENTS INTERVIEWED [REDACTED] AND

[REDACTED] PURSUANT TO REFERENCED TELETYPE. BOTH

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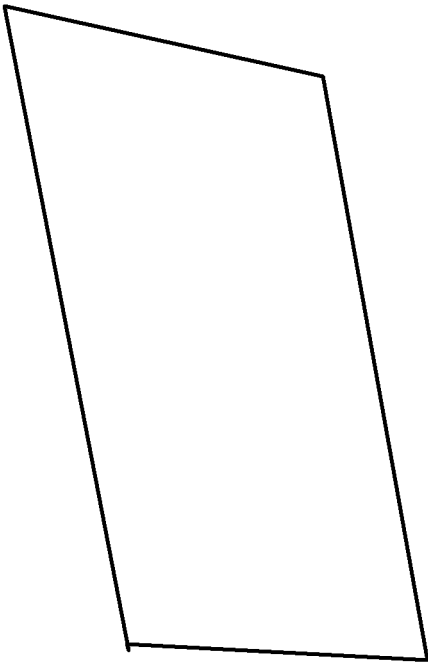
58C-PX-41605-35



58C-PX-41605-36

SEARCHED		INDEXED	
SERIALIZED		FILED	
JUN 12 1990			
FBI - PHOENIX			

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b7C



Regulator Tipped Off S&L About FBI's Lincoln Probe

By George Williamson
Chronicle Staff Writer

In violation of agency policy, a top federal regulator early last year alerted the president of Lincoln Savings' parent company that, at her agency's suggestion, the FBI was investigating the scandal-plagued thrift's employees for possible criminal activity.

The unusual warning occurred as an outgrowth of a two-year coordinated effort among executives of American Continental Corp. — Lincoln's parent company — and administrators of the old Federal Home Loan Bank Board to control news coverage of Lincoln's serious problems.

Disclosure of criminal referrals — in which regulators pass on evidence of criminal activity to the Justice Department — is normally prohibited and is considered so improper that five U.S. senators were told in no uncertain terms they could not pass on to Lincoln or American Continental officials their knowledge of the possibility of criminal prosecutions.

Enforcement Official's Warning

On Feb. 28, 1989, home loan bank board Office of Enforcement Director Rosemary Stewart informed Judy Wischer, the president of American Continental, that bank board had sent criminal referrals about "Lincoln folks" to the FBI and that a reporter might have obtained the list.

Ed Gray, former chairman of the regulatory agency, said he was shocked when he learned that Stewart had tipped off Lincoln's parent company.

"I have no explanation for Rosemary's terrible behavior," said Gray, whose term ended in mid-1987. He said he could not understand how "the head of enforcement for the bank board would be dealing on such a level with Lincoln. At a certain point, it became difficult to tell who was on which side."

A partial transcript of the telephone conversation reveals that Stewart described for Wischer the specific May 28, 1987, and Feb. 19, 1988, dates of the referrals to the FBI and the names of the three U.S. attorneys handling them.

"Your attorney should contact U.S. attorney's office and ask the status," Stewart advised Wischer, according to Wischer's memorandum on the conversation. The memo was disclosed by the Nation-

al Mortgage News, an S&L trade publication, and subsequently obtained by The Chronicle.

About six weeks after the unusual conversation, the federal government seized Lincoln. With a projected cost to the taxpayers of \$2.5 billion, it is the most expensive single thrift collapse in history.

Political Pressure

San Francisco-based federal regulators, who were at odds with their Washington superiors on the Lincoln matter, had wanted to close the Irvine thrift two years earlier. Critics now contend that political pressure — including two April 1987 meetings regulators had with five U.S. senators, including California Democrat Alan Cranston — was largely responsible for the long delay.

In testimony before the House Banking Committee late last year, Stewart said she believed San Francisco regulators had a vendetta against Lincoln and its owner, Charles Keating, and she believed they were the source of news leaks. (During subsequent court depositions for a lawsuit that Keating filed over the leaks, she was unable to prove her suspicions, and the lawsuit was dropped.)

In Washington, Janis Smith, a spokeswoman for the Office of Thrift Supervision — the Federal Home Loan Bank Board's successor agency — said "it has been the policy not to disclose specifics of criminal referrals at all, especially not the names and dates." She added, however, that she was "not aware of any regulation or statute that says it cannot be done."

Smith said that Stewart and she could not comment specifically about the Wischer memo because of a new blanket policy not to discuss specific cases, such as Lincoln's, under litigation.

Senators' Reactions

A transcript of the five senators' second meeting with regulators records Arizona's Dennis DeConcini saying, after learning of pending criminal referrals: "The criminality surprised me. We're not interested in discussing those issues."

Ohio Senator John Glenn then asked: "What can we say to Lincoln?"

"Nothing with regard to the criminal referral," replied Bill Black, chief lawyer for the San Francisco Federal Home Loan Bank. "They haven't (been), and

won't be, told by us that we're making one."

"You haven't told them?"

Glenn then asked.

"No," Black said. "Justice would skin us alive if we did. Those referrals are very confidential."

During the telephone conversation between Wischer and Stewart in 1989, Wischer asked: "Who else at Lincoln is on the list?"

"I'm not at liberty to say criminal offenses or offer names," Stewart replied. "Once we make criminal

referrals, it's up to the Justice Department to pursue."

Stewart specified which lawyer in the U.S. attorney's office in San Francisco forwarded the 1987 referral to a federal attorney in Los Angeles, according to the memo, which concluded with Wischer asking how she would know if, and when, the criminal referrals were dropped.

"When it's declined by the U.S. attorney's office," Stewart said.

According to the memo, Stewart began the conversation by saying, "Reporter Steve Pizzo must have list — 21 page (sic) of priority criminal referrals. List is not to be released to anyone. He would not say how he got it but he did say he did not get it from anyone from FHLB in San Francisco."

Pizzo is co-author of "Inside Job: The Looting of America's Savings and Loans," the top seller among books on the S&L catastrophe, which is now projected to cost taxpayers up to half a trillion dollars.

Pizzo told The Chronicle he never had such a list. "I wish I had, but nope, never did get such a thing," he said.

Attempt to Plug Leaks

Former top Home Loan Bank Board official Karl Hoyle testified in a deposition in February that former board Chairman M. Danny Wall became directly involved in trying to halt publication of news stories detrimental to Lincoln within weeks after Wall replaced Gray.

JUN 11 '90 15 13

FBI SANTA ANA /

PAGE.01

*** call Rev 5-88

Transmit attached by Facsimile

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION

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

To FBI, Phoenix

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

Subject Allegations Concerning U.S. Senators;
Corruption of Federal Public Officials,
OO: PX/LA

Date 6/11/90

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

Special handling instructions:

Approved _____

FF: 701

58C-PX-41605-37

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 28 1990	
FBI -	

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0002 MRI 01114

PP FBIPX

DE FBIPX #0001 1901901

ZNR UUUUU

P 091857Z JUL 90

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]
[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; CPO-LEGISLATIVE;
OO: PX/LA.

THE BUREAU IS REQUESTED TO AUTHORIZE THE INTERVIEW OF BELOW

58C-PX-41605-SubD-38

SEARCHED....	INDEXED..
SERIALIZED..	FILED.....
JUL 09	
[REDACTED]	PHO [REDACTED]

PAGE TWO DE FBIPX 0001 UNCLAS

INDIVIDUALS DURING THE WEEK OF 7/16/90 IN WASHINGTON, DC:

- 1) [REDACTED] FEDERAL HOME LOAN BANK BOARD, FORMER AND CURRENT OFFICE OF THRIFT SUPERVISION EMPLOYEE WHO RECEIVED TELEPHONE CALLS FROM SUBJECTS. REVIEW OF KEATING'S AGENDA INDICATED KEATING HAD MEETINGS WITH [REDACTED] ON 1/2/88, 3/25/88, 9/24/87, AND 8/11/86.

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- X 2) [REDACTED] NOW EMPLOYED BY THE LAW FIRM OF [REDACTED]
[REDACTED]
[REDACTED] FOR [REDACTED] HOME TELEPHONE NUMBER [REDACTED]
[REDACTED] HAD CONTACTS WITH KEATING ON 9/24/87 AND ALSO INFORMED [REDACTED] (OF THE FEDERAL HOME LOAN BANK-SAN FRANCISCO) ABOUT THE POLITICAL INFLUENCE OF CHARLES KEATING.

- 3) [REDACTED] MEMBER OF THE [REDACTED]
[REDACTED] WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. FROM REVIEW OF THE KEATING AGENDA, [REDACTED] HAD MEETINGS WITH KEATING ON 2/4/88 AND 11/17/88, AND FREQUENT TELEPHONE CALLS.

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- X 4) [REDACTED] MEMBER OF THE [REDACTED] WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE BANK BOARD. CONTACTS ON

PAGE THREE DE FBIPX 0001 UNCLAS

11/17/88 AND 9/24/87.

X 5) [] MEMBER OF THE [] WHICH CONSIDERED THE
DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND
FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW RESIDING IN
[]

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X 6) [] MEMBER OF THE [] WHICH CONSIDERED THE
DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND
FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW EMPLOYED BY THE
LAW FIRM OF []

X 7) [] OTS EMPLOYEE WHO ATTENDED THE []
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS
ASSOCIATES.

X 8) [] OTS EMPLOYEE WHO ATTENDED THE []
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS
ASSOCIATES.

X 9) [] OTS EMPLOYEE WHO ATTENDED THE []
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS
ASSOCIATES.

10 [] OTS EMPLOYEE WHO ATTENDED THE [] MEETINGS

PAGE FOUR DE FBIPX 0001 UNCLAS

AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

11) [REDACTED] TO SENATOR DENNIS DE
CONCINI.

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12) [REDACTED] SENATOR DENNIS DE CONCINI.

X 13) [REDACTED] SENATOR JOHN MC CAIN.

X 14) [REDACTED] TO
SENATOR JOHN MC CAIN.

X 15) [REDACTED] TO SENATOR JOHN
MC CAIN.

X 16) [REDACTED] TO SENATOR JOHN MC
CAIN.

^ 17) [REDACTED] TO SENATOR DONALD
W. RIEGLE.

^ 18) [REDACTED] 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] ON THE NON-FEDERAL ACCOUNT

PAGE FIVE DE FBIPX 0001 UNCLAS

WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY
KEATING.

22)



ON THE NON-FEDERAL ACCOUNT

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WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY
KEATING.

BT

#0001

NNNN



U.S. Department of Justice

Federal Bureau of Investigation

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

Special Agent:

Subject.

Allegations Concerning United
States Senators Alan Cranston,
Et Al

201 East Indianola, Suite 400
Phoenix, Arizona 85012
October 24, 1990

b6
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Honorable Linda A. Akers
United States Attorney
District of Arizona
230 North First Avenue
Phoenix, Arizona 85025

Re: ALLEGATIONS CONCERNING UNITED
STATES SENATORS ALAN CRANSTON,
ET AL;
CHARLES H. KEATING, JR.,
DOING BUSINESS AS
LINCOLN SAVINGS AND LOAN ASSOCIATION
AND AMERICAN CONTINENTAL CORPORATION;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
LEGISLATIVE

Dear Ms. Akers:

Reference is made to our letterhead memorandum (LHM)
captioned as above and dated August 7, 1990.

Enclosed herewith is one copy of page 184 which has
been amended and should be inserted into the above-referenced
LHM.

A correction was made in paragraph 1, line 7, changing
the name [redacted] to read [redacted]

Sincerely yours,

James F. Ahearn
Special Agent in Charge

Bv:

Supervisory Special Agent

1 - Addressee
2 - Phoenix (58C-PX-41605) (P)
(3)

Enclosure (1)

58C-PX-41605-42
Searched [redacted]
Serialized [redacted]
Indexed [redacted]
Filed [redacted]

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SubD
-43

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 2/20/91

DRAFT

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT, SSA

b6
b7C

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

DURING THE PAST TWO WEEKS, PHOENIX AND LOS ANGELES HAVE BEEN REVIEWING DEPOSITIONS, EXHIBITS, AND TRANSCRIPTS GENERATED FROM THE RECENT SENATE ETHICS COMMITTEE HEARINGS. THIS RECORD REVIEW EXCLUDES TESTIMONY AND ANY DOCUMENTS

b6
b7C
b7D

rc *SSA* *Return to SA* *2/20/91*
+PX [unclear] regarding captioned matter - 2/20/91,

Approved

Original filename:

Time Required

Teletype filename:

MRJULIAN DATE:

IN: 008

FOR DATE & TIME OF ACCEPTANCE:

054/0341

58C PX 41605-44

Transmit attached by Facsimile

PRECEDENCE:

- ☒ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

To: FBIHQ

From: SAC, PHOENIX

Date 2/21/91

Subject: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET AL;
OO: PX/LA

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

Special handling instructions:

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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 3/6/91

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630:0004//

PASS: PUBLIC CORRUPTION UNIT, SSA

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

RE PHOENIX TELETYPE TO THE BUREAU, 2/20/91.

b6
b7C

DURING THE WEEK OF 2/25-28/91, THE FOLLOWING INTERVIEWS
 WERE CONDUCTED IN WASHINGTON, DC:

FORMER U.S. SENATOR WILLIAM PROXMIRE STATED HE COULD NOT
 RECALL THE DETAILS CONCERNING HIS AMENDMENT LIMITING DIRECT



Approved



Original filename:

Time Recd

0540

Telprep filename:

SEARCHED	INDEXED
SERIALIZED	FILED
6	
FBI - PHOENIX	
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0251.065	
00252.065	

MRI/JULIAN DATE: 450-451 / 066 ISN: 012 / 013FOX DATE & TIME OF ACCEPTANCE: 0544 / 0545

58C-PX-41605-Sub D-46

^PAGE 2 PHOENIX 58C-PX-41605 UNCLAS

INVESTMENTS OF THRIFTS. PROXMIRE, HOWEVER, RECALLED THAT SENATOR ALAN CRANSTON AND OTHER U.S. SENATORS EXPRESSED CONCERN ABOUT THE DIRECT INVESTMENT ISSUE. PROXMIRE STATED IN MARCH 1987 SOMEONE UNRECALLED (POSSIBLY COULD HAVE BEEN

[REDACTED] AID OF SENATOR CRANSTON) CONTACTED HIM ASKING THAT HE WITHDRAW THE LANGUAGE ^{amendment} ~~REGARDING~~ ^{SENATOR CRANSTON} THE FEDERAL HOME LOAN BANK BOARD'S (FHLBB) AUTHORITY TO REGULATE STATE CHARTERED SAVINGS AND LOANS.

[REDACTED] [REDACTED] STATED [REDACTED] TO SENATOR CRANSTON) WAS ACTIVELY INVOLVED IN THE NOMINATION OF [REDACTED] POSITION. [REDACTED] FURTHER STATED [REDACTED]

b6
b7C
b7D

[REDACTED]

[REDACTED] FORMER LOBBYIST FOR ACC, PROVIDED THE FBI COPIES OF BANK RECORDS WHICH HE ~~STATED WOULD~~ SHOW THAT THE \$500,000 RECEIVED FROM LSL WAS NOT A CONDUIT CONTRIBUTION, BUT ~~WAS~~ "COMPENSATION" FOR PAST SERVICES IN REGARDS TO THE GULF BROADCASTING TRANSACTION. [REDACTED] FURTHER STATED ~~THAT~~ HE DID NOT RECEIVE ANY ADVANCE COPIES OF THE LEE HENKEL PROPOSAL AND FIRST SAW IT WHEN IT HAD BEEN MADE PUBLIC.

b6
b7C
b7D

SENATOR ROBERT BYRD OF WEST VIRGINIA DID NOT RECALL ANY DETAILS CONCERNING A HOLD PLACED ON A FSLIC RECAPITALIZATION LEGISLATION IN OCTOBER 1986. BYRD COULD NOT IDENTIFY ANY U.S. SENATOR WHO WOULD HAVE PLACED SUCH A HOLD. SENATOR BYRD FURTHER COULD NOT ASSIST IN IDENTIFYING ANY SENATE RECORD WHICH WOULD ENABLE THE FBI TO IDENTIFY THE SENATORS WHO PLACED THIS HOLD.

[REDACTED] AN ATTORNEY AND LOBBYIST FOR ACC, STATED

b6
b7C

^PAGE 7 PHOENIX 58C-PX-41605 UNCLAS

SHE DID NOT LOBBY ON BEHALF OF THE HENKEL APPOINTMENT TO THE
FHLBB ^{but} AND MERELY ASSISTED HENKEL IN FILLING OUT THE NECESSARY
FORMS FOR THE GOVERNMENT ETHICS OFFICE AND THE WHITE HOUSE.

[] SAID SHE RECEIVED A TELEPHONE CALL FROM LEE HENKEL ON
12/18/86 ASKING HER TO TYPE HIS HANDWRITTEN PROPOSAL WHICH WAS
TO BE PRESENTED TO THE BOARD THE SAME DAY. HENKEL TOLD []

THAT HE DID NOT TRUST ANYONE IN THE FHLBB AND WAS CONCERNED

HIS PROPOSAL WOULD BE LEAKED. [] SAID SHE CALLED []

[] AFTER SHE RECEIVED THE HANDWRITTEN COPY AND ~~HE~~

INSTRUCTED HER TO SEND COPIES TO []

[] SAID SHE BELIEVES SOME CHANGES WERE MADE TO
THIS PROPOSAL BUT COULD NOT RECALL WHAT THE CHANGES WERE.

[] STATED SHE HAD NO INFORMATION WHATSOEVER CONCERNING THE
SALE OF THE CONTINENTAL SOUTHERN STOCK OR HOW THE PRICE WAS

ESTABLISHED. [] SAID IN REGARDS TO HER LETTER OF 5/10/88

TO CHARLES H. KEATING, JR., WHERE SHE INDICATED PRESSURE HAD
BEEN APPLIED ON [] DID NOT RELATE TO

POLITICAL PRESSURE BUT THE PRESSURE OF NEGOTIATION. []

SAID SHE HAD NEVER MET WITH [] AND HAD NO CONTACT WITH
ANY OF THE FIVE SENATORS OR THEIR STAFF REGARDING LSL.

b6
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b6
b7C

what proposal?

^PAGE 8 PHOENIX 58C-PX-41605 UNCLAS

BT

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 4/30/91

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630:0004//

PASS: PUBLIC CORRUPTION UNIT, ATTN: SSA [REDACTED] ATTN:
 SANTA ANA RA.

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.

b6
 b7C

A MEETING WAS HELD ON 4/15/91 IN THE OFFICE OF THE U.S.
 ATTORNEY IN LOS ANGELES. ALSO PRESENT WAS DEPARTMENTAL
 ATTORNEY [REDACTED] AND AUSA [REDACTED]

AFTER REVIEW OF EVIDENCE REGARDING SUBJECTS, REQUESTED THE

Searched [REDACTED]
 Serialized [REDACTED]
 Indexed [REDACTED]
 Filed [REDACTED]

Approved [REDACTED]

Original filename: [REDACTED]

Time Rec [REDACTED]

Telprep filename: [REDACTED]

MRI/JULIAN DATE: 1404/120ISN: 005FOX DATE & TIME OF ACCEPTANCE: 1847/CLW

58C-PX-41605 subO-47

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 6/12/91

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

TO DIRECTOR FBI/ROUTINE/

BT

UNCLAS

CITE: //3630:0004//

PASS: PUBLIC CORRUPTION UNIT, ATTN: b6
b7C

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

RE TELCALL OF SSA TO PHOENIX SA 6/12/91.

ON 4/15/91, A MEETING WAS HELD IN LOS ANGELES AT THE
 OFFICE OF THE U.S. ATTORNEY. AUSA AND
 DEPARTMENTAL ATTORNEY ATTENDED. DURING THIS
 MEETING, EVIDENCE WAS REVIEWED AND IT WAS DETERMINED THAT A

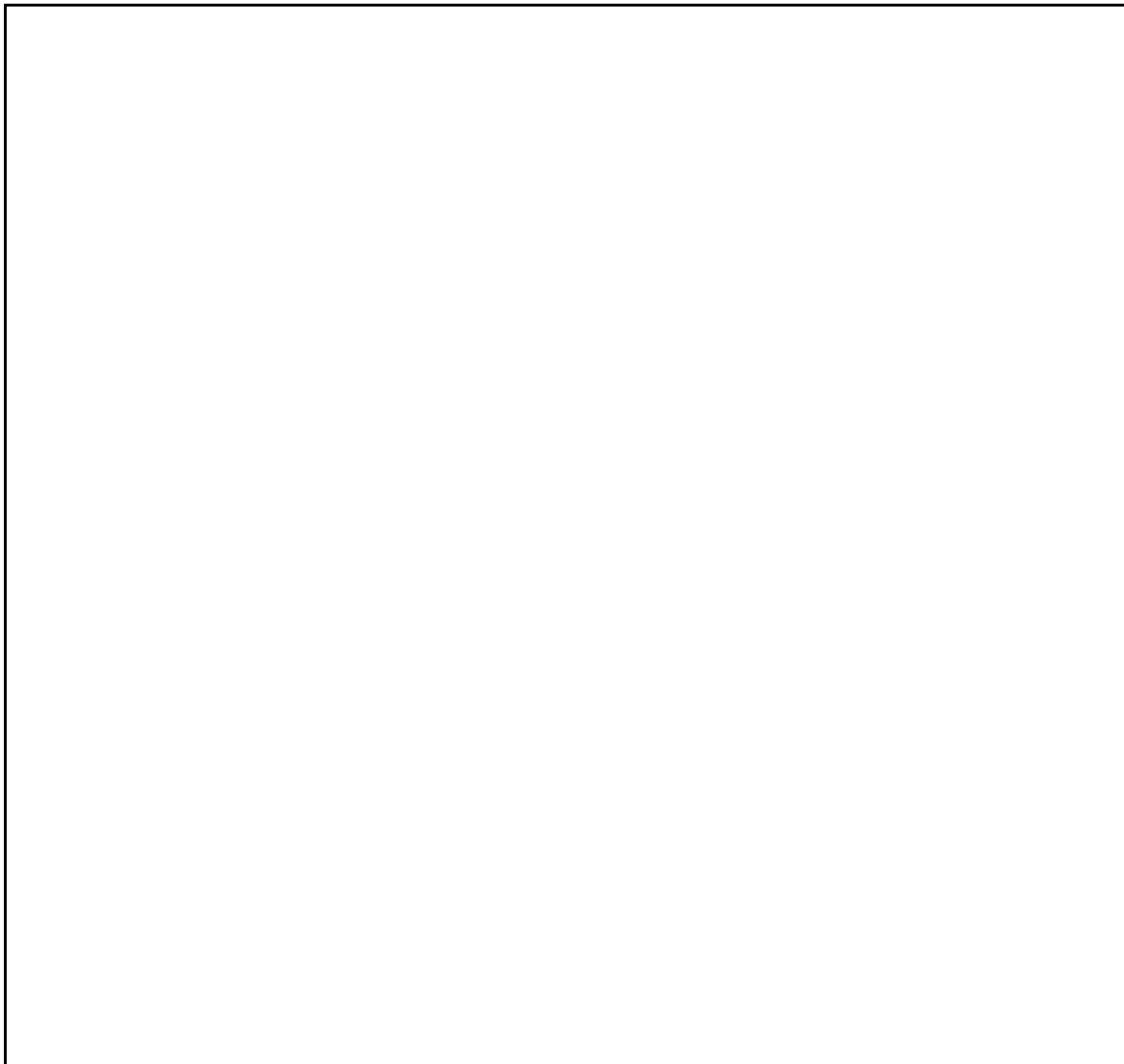
b5
b6
b7C

Searched.
 Serialized
 Indexed
 Filed

Approve Original filename: 002 W. 163Time R Telprep filename: 00251.163
0252.163MRI/JULIAN DATE: 1362 / 164ISN: 008,009FOX DATE & TIME OF ACCEPTANCE: 1363 / 1639 , 1642

58C-PX-41605-Sub D-49

^PAGE 3 PX 58C-PX-41605 UNCLAS



b6
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b7D

AUSA [REDACTED] AND DOJ ATTORNEY [REDACTED] REQUESTED THE
FBI TO INTERVIEW DE CONCINI [REDACTED]

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^PAGE 4 PX 58C-PX-41605 UNCLAS

AFTER INITIALLY AGREEING TO SUBMIT TO AN INTERVIEW, CONTACTED THE FBI AND SAID HE WANTED TO BE INTERVIEWED IN THE PRESENCE OF HIS ATTORNEY, [REDACTED] UPON ARRIVAL AT THE ATTORNEY'S OFFICE, IT WAS DETERMINED THAT [REDACTED] WOULD DECLINE TO BE INTERVIEWED. HE BLAMED THIS ON THE ILL TREATMENT HE HAD RECEIVED FROM THE SENATE ETHICS COMMITTEE. [REDACTED] SAID HE WOULD NOT ALLOW [REDACTED] TO BE INTERVIEWED UNLESS THE QUESTIONS WERE PREPARED AND SUBMITTED IN ADVANCE. [REDACTED] WAS DEPOSED BY [REDACTED] SENATE ETHICS COMMITTEE. IN THIS DEPOSITION, [REDACTED] STATED HE AND SENATOR DE CONCINI WERE INVOLVED FINANCIALLY IN TWO PARCELS OF LAND AND IDENTIFIED THE PROPERTY. REVIEW OF RECORDS AVAILABLE FAILED TO REVEAL ANY KEATING ENTITY INVOLVEMENT.

AUSA [REDACTED] AND DOJ ATTORNEY [REDACTED] ALSO REQUESTED THE FBI TO OBTAIN INFORMATION REGARDING CHARITABLE SOLICITATIONS MADE BY SUSAN DE CONCINI FROM CHARLES KEATING. DE CONCINI'S [REDACTED] HAS PROVIDED THE FBI WITH THIS INFORMATION AND FROM THE INFORMATION SUBMITTED, SUSAN DE CONCINI ONLY SOLICITED TWO CONTRIBUTIONS FROM KEATING AS FOLLOWS: IN 1985, MRS. DE CONCINI SOLICITED \$50,000 FROM

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^PAGE 5 PX 58C-PX-41605 UNCLAS

KEATING FOR CONTRIBUTION TO THE PHOENIX MEMORIAL HOSPITAL INTERGENERATIONAL CHILD CARE CENTER, LATER KNOWN AS "YOUNG COMPANY". MRS. DE CONCINI'S RECOLLECTION IS THAT SHE DOES NOT KNOW IF KEATING CONTRIBUTED THE FULL AMOUNT. IN 1987 OR 1988, MRS. KEATING, BY TELEPHONE, SOLICITED A CONTRIBUTION FROM KEATING FOR THE CONSTRUCTION OF A GYMNASIUM AS THE SETON CATHOLIC HIGH SCHOOL IN CHANDLER, ARIZONA. KEATING, HOWEVER, TOLD MRS. DE CONCINI, HE WOULD NOT BE ABLE TO CONTRIBUTE BECAUSE MONEY WAS NOT AVAILABLE.

ALSO IDENTIFIED OTHER CHARITIES THAT MRS. DE CONCINI WAS INVOLVED IN FROM 1975 TO 1990. THESE CHARITIES WERE COMPARED WITH DOCUMENTS OF AMERICAN CONTINENTAL CORPORATION'S (ACC) AND LSL RECORDS OF CHARITABLE CONTRIBUTIONS. IT WAS DETERMINED FROM THE LIST THAT SUSAN DE CONCINI SUPPLIED, KEATING AND/OR HIS COMPANIES CONTRIBUTED ONLY TO THE PHOENIX MEMORIAL HOSPITAL IN 1986 AND 1987 IN THE AMOUNT OF \$77,500 AND ST. MARY'S HIGH SCHOOL AND ST. MARY'S CHURCH OF \$20,000 IN 1985 AND 1986.

SENATOR DON RIEGLE, IN MARCH 1987, RECEIVED \$95,150 RAISED BY A KEATING FUND RAISER IN DETROIT. OF THIS AMOUNT,

b6
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^PAGE 6 PX 58C-PX-41605 UNCLAS

\$78,250 WAS CONTRIBUTED TO RIEGLE BY KEATING, KEATING'S FAMILY OR EMPLOYEES. AT LEAST \$25,000 OF THE \$78,250 CONTRIBUTED BY KEATING, FRIENDS AND ASSOCIATES WERE COLLECTED BY ACC [REDACTED]

b6
b7c

[REDACTED] IN LATE FEBRUARY OR EARLY MARCH

1978 AND GIVEN TO DE CONCINI FOR DELIVERY TO RIEGLE BY [REDACTED]

[REDACTED] (WHO HAS DECLINED TO BE INTERVIEWED). RIEGLE AND HIS

[REDACTED] MET WITH KEATING IN EARLY MARCH PRIOR TO THE FUND RAISING IN DETROIT. RIEGLE ADMITS HE MET WITH [REDACTED]

[REDACTED] OF THE FEDERAL HOME LOAN BANK BOARD, ON 3/6/87, SUGGESTING TO [REDACTED] HE SHOULD MEET WITH ARIZONA SENATORS

REGARDING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). RIEGLE THEN ATTENDED A FOLLOW-UP MEETING WITH THE FEDERAL HOME LOAN BANK BOARD OF SAN FRANCISCO REGULATORS WITH THE OTHER SENATORS ON 4/9/87. ON 2/28/88, KEATING AGREED TO SPONSOR ANOTHER FUND RAISING EVENT FOR RIEGLE TO BE HELD IN NEW YORK ON 5/10 OR 5/11/88 WITH A GOAL OF RAISING \$100,000 FOR RIEGLE'S CAMPAIGN. SHORTLY AFTER THIS DATE, A NEWSPAPER REPORTED THAT RIEGLE HAD RECEIVED THE BULK OF THE FUNDS RAISED AT THE 1987 HOTEL PONTCHARTRAIN EVENT WERE FROM KEATING, HIS FAMILY AND ACC/LSL EMPLOYEES. ON 3/11/88, RIEGLE RETURNED THE CONTRIBUTIONS MADE

^PAGE 7 PX 58C-PX-41605 UNCLAS

BY KEATING, HIS FAMILY AND ASSOCIATES. RIEGLE TESTIFIED UNDER OATH BEFORE THE SENATE ETHICS COMMITTEE THAT HE DID NOT KNOW THE MAGNITUDE OF THE KEATING FAMILY AND ASSOCIATES CONTRIBUTIONS UNTIL HE READ THE NEWSPAPER ARTICLE. IN AN EFFORT TO DETERMINE IF RIEGLE PERJURED HIMSELF, LEADS HAVE BEEN SET TO INTERVIEW [REDACTED]

b6
b7c

[REDACTED]
[REDACTED] THE RIEGLE FOR SENATE COMMITTEE IN 1987.

[REDACTED] PREPARED A MEMO DATED 2/22/88 CONCERNING THE FUND RAISING EVENT WHERE SHE STATED, "WE KNOW KEATING CAN PRODUCE" THE \$100,000. [REDACTED] SIGNED THE REPORT THAT THE RIEGLE COMMITTEE SUBMITTED TO THE FEC FOR THE FIRST SIX MONTHS OF 1987. IN THIS REPORT, THE CONTRIBUTIONS RAISED IN CONNECTION WITH THE HOTEL PONTCHARTRAIN EVENT (IN 1987) WERE LISTED BY CONTRIBUTORS NAME, ADDRESS, AND EMPLOYER.

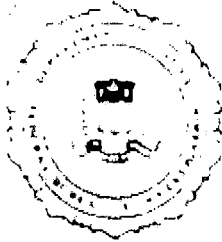
THE NEXT SCHEDULED MEETING WITH AUSA [REDACTED] AND DOJ ATTORNEY [REDACTED] IS SCHEDULED 7/9/91 IN LOS ANGELES. THE BUREAU WILL BE APPRISED OF THE RESULTS OF THIS MEETING AND INVESTIGATIVE EFFORTS.

BT

58CDX41605-50

SEARCHED...	☐	INDEXED...	☐
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FBI - PHO		☐	

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FBI FACSIMILE
COVERSHEET

CLASSIFICATION

PRECEDENCE

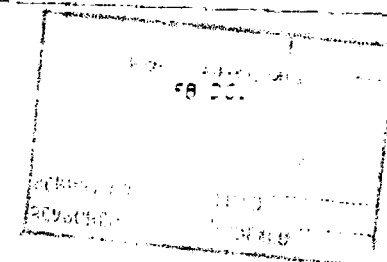
☐ Immediate☒ Priority☒ Routine☐ Top Secret☐ Secret☐ Confidential☐ Sensitive☒ Unclassified

Time Transmitted _____

Sender's Initials _____

Number of Pages 8To FBI PhoenixDate 5/30/91Facsimile number 602/279-5511Attn: b6
b7CFrom FBI Los AngelesSubject: Allegations ConcerningBT AL;DO: PhoenixUS Senator Alan Cranston;

Special Handling Instructions _____

Originator's Name: SA Telephone (714) 542-8825Originator's Facsimile Number (714) 542-8825Approved: 

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

Date 7/12/91

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

TO DIRECTOR FBI/ROUTINE

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630:0012//

PASS: PUBLIC CORRUPTION UNIT, ATTN: [REDACTED]

b6
b7C

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

RE PHOENIX TELETYPE TO THE BUREAU, 6/13/91.

ON 7/9/91, A MEETING WAS HELD IN THE LOS ANGELES OFFICE
 OF THE U.S. ATTORNEY, CENTRAL DISTRICT OF CALIFORNIA. AUSA

[REDACTED] AND DEPARTMENTAL ATTORNEY [REDACTED]

b6
b7C

ATTENDED. DURING THIS MEETING, INVESTIGATION THAT HAD BEEN
 PREVIOUSLY REQUESTED BY ATTORNEYS [REDACTED] AND [REDACTED] WAS

58C-PX-41605-Sub-51

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 Serialized [REDACTED]
 Indexed... [REDACTED]
 Filed... [REDACTED]

Approved: [REDACTED]

Original filename: [REDACTED]

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Time Received: 2236

Telprep filename: [REDACTED]

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MRI/JULIAN DATE: 2299193ISN: 070FOX DATE & TIME OF ACCEPTANCE: 22471CW

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1259813-001

Total Deleted Page(s) = 83

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 1/4/89

TO : SAC, SAN ANTONIO (58C-537) (P)
 FROM : SAC, LOS ANGELES (56C-LA-101615) (WCC-4/SARA) (P)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
 ALAN CRANSTON, DENNIS D. DECONCINI,
 JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
 CHARLES H. KEATING, JR., dba AMERICAN
 CONTINENTAL CORPORATION,
 Phoenix, Arizona, and
 LINCOLN SAVINGS AND LOAN ASSOCIATION,
 Irvine, California;
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
 LEGISLATIVE;
 OO: Phoenix/Los Angeles (56C-PX-41605)

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)

DUNDEAL;
 OO: San Antonio (58C-SA-537)

Re San Antonio teletype to Director dated 12/26/89, and
 telcal between San Antonio Special Agents (SA) [redacted] and
 [redacted] and Santa Ana SA [redacted] on 1/2/90.

- 2 - San Antonio (Encl. 15)
 ② - Phoenix (58C-41605) — 1 CC 7056C-LA-101615
 4 - Los Angeles (58C-PX-41605)
 (2 - 56C-LA-101615)

(6)

58C-41605-SUB E-3

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Approved

Transmitted

(Number) (Time)

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FBI - PHOENIX	

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58 PX 41605E -

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FILED _____
FEB 22 1990
[Redacted Box]

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S8C PX 41605E-6

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 2/15/90

TO : SAC, LOS ANGELES

FROM : SAC, MILWAUKEE (56C-PX-41605) (RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
 ALAN CRANSTON, DENNIS D. DECONCINI,
 JOHN GLENN, JOHN MC CAIN, DONALD REIGLE,
 CHARLES H. KEATING, JR., dba
 ET AL;
 CORRUPTION OF FEDERAL PUBLIC
 OFFICIALS - LEGISLATIVE BRANCH
 OO: PHOENIX / LOS ANGELES

Re Phoenix FD-448 to Milwaukee, dated 2/12/90.

Enclosed for Los Angeles are the following:

1. Original FGJ subpoena served on [redacted]
2. Letter from [redacted]

Enclosed for Phoenix are the following:

1. Copy of FGJ subpoena served on [redacted]
2. Copy of letter from [redacted]

Inasmuch as no further investigation remains at Milwaukee Division, this matter is considered RUC.

- 2 - Los Angeles (56C-PX-41605) (Enc. 2)
 2 - Phoenix (56C-PX-41605) (Enc. 2)
 1 - Milwaukee (56C-PX-41605)

(5)

Approved: _____

Transmitted _____

(Number)

(Time)

58C-PX-41605-Sub E-7

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FEB 22 1990	
Per [redacted]	

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*Returned by [redacted] (+ copy of letter)
 direct mail 2/22/90*

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

AIRTEL

DATE: 2/28/90

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

FROM *JMH/vcs* ADIC, NEW YORK (58C-PX-41605) (RUC)(C-14)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS,
ALAN CRANSTON, DENNIS D. DECONCINI, JOHN GLENN,
JOHN MCCAIN, DONALD REIGLE;
CHARLES H. KEATING, JR., DBA,
ETAL;
CORRUPTION OF FEDERAL PUBLIC,
OFFICIALS - LEGISLATIVE;
(OO: PX/LS)

RePXfacsimile to New York 2/12/90, enclosed for Phoenix
is one executed Federal Grand Jury Subpoena.

On [] a Federal Grand Jury Subpoena, United States
District Court, Central District of California was served on

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b7C

[] advised he will personally forward the requested
materials to the United States District Court, Central District
of California.

As no further investigation remains, New York considers
this matter RUC'd.

Subpoena Sent to AUSA

3/15/90

② Phoenix
1-New York

(4)

58C-PX-41605-Sub E-82

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SERIALIZED	FILED
MAR 08 1990	

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 4/2/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM *RPM* SAC, SPRINGFIELD (58C-PX-41605) (RUC)
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
 ALAN CRANSTON, DENNIS D. DE CONCINI,
 JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
 CHARLES H. KEATING, JR., dba
 Lincoln Savings And Loan Association
 Of California (LSL) And American
 Continental Corporation (ACC),
 Phoenix, Arizona
 CORRUPTION OF FEDERAL PUBLIC
 OFFICIALS - LEGISLATIVE

OO: PX/LA

Re PX airtel to the Bureau, 3/21/90.

Due to the complexity of captioned matter, re airtel is
 enclosed for the St. Louis Division.

On 3/29/90, it was determined that [redacted] is
 assigned to, but not physically located at, the Office of THRIFT
 SUPERVISION, 3 North Old State Capitol Plaza, Springfield,
 Illinois 62701, telephone [redacted]. Contact with [redacted]
 (LAST NAME UNKNOWN), revealed that [redacted] is currently involved
 in an examination of GERMANIA BANK, 701 Market Street, Suite 201,
 Gateway One, The Mall, St. Louis, Missouri, telephone [redacted]

- (2) - Phoenix (58C-PX-41605)
 2 - Los Angeles
 2 - St. Louis (Enc. 1)
 1 - Springfield (58C-PX-41605)

(7)

- 1 -

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 APR 6 1990

Approved: _____

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SI 58C-PX-41605

[redacted] extension [redacted] is expected to be involved in an examination of that bank through mid-April. It was further revealed that [redacted] resides somewhere in [redacted]

b6
b7c

Springfield Division check of indices negative

LEADS

ST. LOUIS DIVISION

AT ST. LOUIS, MISSOURI

Interview [redacted] re his participation in July, 1988 examination of LSL and ACC. Enclosed airtel contains background information with specific questions for [redacted] on page four.

SA [redacted]
St. Louis FBI advised te
Rec 4/16/88 [redacted]

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 3/27/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM : SAC, ATLANTA (58C-PX-41605) (RUC) (MACRA)
 SUBJECT: UNSUB(S);
 ALLEGATIONS AGAINST UNITED STATES SENATORS,
 ALAN CRANSTON; DENNIS W. DECONCINI;
 JOHN GLENN;
 ET AL;
 CPO - LEGISLATIVE BRANCH
 OO: PHOENIX

Re Atlanta teletype to Phoenix and Los Angeles, dated
 12/4/89.

For information of Phoenix Division, the Atlanta
 Division, Thomasville Resident Agency received information
 regarding the above-captioned matter. This information was
 disseminated to both the Los Angeles Division and Phoenix
 Division on 12/4/89. [redacted] has stated that he/she can
 obtain more information regarding the above matter but unless
 otherwise directed, the Atlanta Division will consider this
 matter RUC'd.

2 - Los Angeles (29A-LA-102009)
 ② - Phoenix (58C-PX-41605)
 2 - Atlanta
 1 - (58C-PX-41605)
 1 - [redacted]

(6)

1*

58C-PX-41605-46 Sub E-13

SEARCH	INDEX
SERIAL	FILED
APR 04 1990	
FBI - PHO	

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

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 b7E

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 4/25/90

TO : DIRECTOR, FBI
 (ATTN: SSA [REDACTED] PUBLIC CORRUPTION UNIT)

FROM : SAC, CINCINNATI (29D-LA-102009) (RUC) (CRA)

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

Re Phoenix airtel to Director, 3/21/90.

For information of receiving offices, on 4/23/90,
 microfilm records at the SECRETARY OF STATE'S OFFICE, 30 East
 Broad Street, Columbus, Ohio, were examined concerning National
 Council on Public Policy (NCPD)

The Secretary of State's records indicated the NCPD was
 incorporated on 2/10/83, under Charter Number 608614 as a
 not-for-profit corporation. The principle place of business was
 shown as Columbus, Ohio, and the trustees listed are as follows:

2 - Bureau
 2 - Los Angeles (SARA)
 ② - Phoenix (58C-PX-41605)
 2 - WMFO
 2 - Cincinnati

(10)

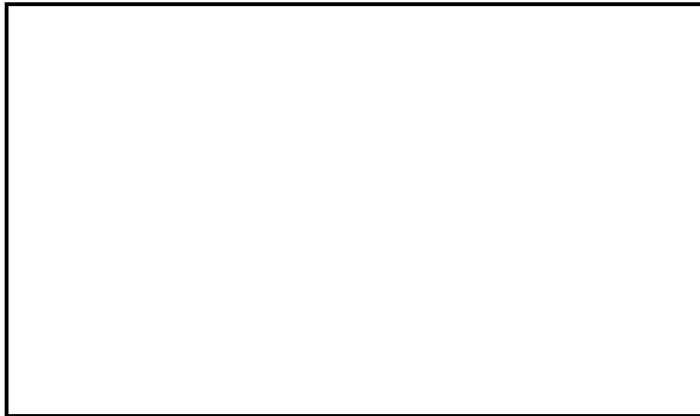
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Approved: _____ Transmitted _____
 (Number) (Time)

Per

58C-PX-41605-Sub E
 15

CI 29D-LA-102009



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(It should be noted that 52 East Gay Street is the business address of the Columbus, Ohio, law firm VORYS, SATER, SEYMOUR and PEASE.)

The statutory agent was shown as STATUTORY AGENT CORPORATION, 52 East Gay Street, Columbus, Ohio.

On 2/6/85, the NCPP merged with the National Council on Public Policy, a Washington, D.C., not-for-profit corporation. According to the documents filed with the Secretary of State at Columbus, Ohio, the signature appearing on the merger certificates as [redacted] of both corporations appeared to be [redacted]

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A review of the merger document indicated the following were directors and officers of the continuing entity known as the NCPP, a not-for-profit corporation incorporated to the laws of Washington, D.C:



CI 29D-LA-102009



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An examination of the last Political Action Committee finance report received at the SECRETARY OF STATE'S OFFICE for the NCPP was received at that office on 12/21/83. The [redacted] at that time was shown as [redacted] P.O. Box [redacted]
[redacted]

This report also contained copies of several checks that were written against the account, with the account shown as being at the NS&T, NA, Washington, D.C. 20005, under account number [redacted]

Copies of the above documents on microfilm from the SECRETARY OF STATE'S OFFICE is available and will be furnished upon request by any office.

AIRTEL

5/15/90

Director, FBI

SACs Los Angeles (29D-LA-102009) (SARA)
Phoenix (29D-LA-102009)
Miami (2-29D-New) (2-196A-MM-50288)

DESERT GEM;
MAJOR CASE 24;
BF&E;
OO: LOS ANGELES

[REDACTED]
CENTRUST SAVINGS BANK;
ET AL;
FBW; MF;
OO: MIAMI

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Re Los Angeles airtel to Bureau dated 4/10/90.

Enclosed for receiving offices is a copy of the opening statements of all participants in the 3/26/90 hearing before the House Committee on Banking, Finance, and Urban Affairs (HCBFUA).

Re Airtel requested Congressional Affairs Office (CAO), to monitor the hearings on 3/26/90, 5/2/90, 5/3/90. The hearings originally scheduled for 5/2/90 and 5/3/90 have been indefinitely postponed.

Enclosure

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29D-LA-102009 Sub-L

58C-PY-41605-SubE
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SEARCHED	INDEXED
SERIALIZED	FILED
MAY 1990	
FBI - PHOENIX	

[REDACTED]

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OPENING STATEMENT OF HENRY B. GONZALEZ, CHAIRMAN
HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

HEARING ON CENTRUST SAVINGS AND LOAN ASSOCIATION
March 26, 1990

This morning the Committee resumes its autopsy of the savings and loan industry in an attempt to find out what went wrong and to develop a strategy to prevent more costly disasters from being visited on the American taxpayers.

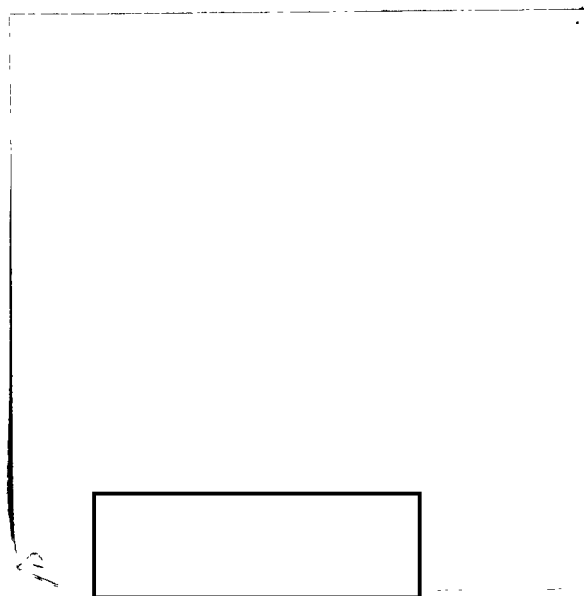
The focus this morning is on a Miami-based thrift, Centrust, a 10 billion dollar institution and the largest thrift in the Southeast.

With its mammoth yacht, its towering office building, its fabulous and expensive art, its Trump-style parties, Centrust is an exciting story. It is also a dreary story of one more savings and loan wreck -- a wreck that might well have been prevented had the enforcement officials applied the safety restraints earlier and more forcefully.

In December of 1988 -- with savings and loan deals falling on Washington like the winter snow -- most of us credited M. Danny Wall with copyrighting a new regulatory game show -- "Let's Make a Bad Deal." As we examine Centrust, we may have to concede that the original copyright should have gone to one of his predecessors -- Richard Pratt, President Reagan's first appointee as Chairman of the Federal Home Loan Bank Board.

Dick Pratt's Bank Board worked out a deal with David Paul, a Connecticut real estate operator, to purchase an ailing 1.9 billion dollar institution then known as Dade Savings and later to be renamed Centrust. In the process, Pratt shut out other bidders, sweetened the deal with forbearances on capital maintenance, growth and liquidity and threw in a half-billion dollars of "supervisory goodwill."

In return, Mr. Paul promised to contribute real estate assets of 32 million dollars to the savings and loan. By the time he reached the table,



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16 million dollars of the assets were headed for bankruptcy. But, an anxious Chairman Pratt didn't blink an eye and let the deal fly. Ultimately, 7 million dollars of capital was invested in a 95-foot yacht -- "floating capital" that luckily didn't sink to the bottom of the Atlantic Ocean.

Mr. Paul's high-flying excesses have been documented many places, but in his defense he made no secret of his plans to convert the savings and loan into a free-wheeling investment banking operation. Before it was over, he was to place between one and two billion dollars of the institution's assets in high-risk junk bonds. Drexel Burnham Lambert was right there standing alongside Paul, promoting one junk bond deal after another -- financed with Federally-insured funds.

From almost the moment the ink dried on the Pratt-Paul deal, the on-the-job examiners and supervisors operating out of the Atlanta Federal Home Loan Bank were concerned about the operations at Dade-Centrust. As early as January 1986, the Atlanta team wanted a cease and desist order issued to curb some of the riskier ventures. The requests for the order were dropped on Rosemary Stewart's desk at the Enforcement Section of the Federal Home Loan Bank Board in Washington.

The requests invariably were returned with demands for stronger evidence. The examiners dutifully went back into the field for more examinations only to be rebuffed again and again by Washington. Along the line, David Paul -- borrowing a chapter from Charles Keating's book -- complained about the examinations and demanded new teams of "objective" examiners. Keating had a habit of placing his examiners and auditors on the Lincoln payroll. Paul went him one or two better -- he ultimately hired Pratt and former Home Loan Bank Board General Counsel Tom Vartanian as consultants to Centrust. Neither Paul nor Keating were slouches when it came to revolving doors.

Centrust has the same sad bottom-line -- Washington could never get up

the courage to act forcefully and support its troops in the field. Finally last year -- after the stench of regulatory failures filled the air throughout the nation -- Danny Wall started action against Centrust -- too late for the insurance funds, the institution or the taxpayers.

Our first witness this morning is William Seidman, Chairman of the Federal Deposit Insurance Corporation who, we understand, is now faced with the task of disposing of nearly a billion dollars of junk bonds from the portfolio of Centrust. He is accompanied by Kurt Wiershem, Managing Agent, Centrust Bank, and Sandra A. Waldrop, Deputy Regional Director, Resolutions/Operations, Resolution Trust Corporation.

STATEMENT OF HONORABLE CHALMERS P. WYLIE
CENTRUST HEARING
MARCH 26, 1990

Thank you Mr. Chairman.

I am pleased that we are continuing the Committee's investigation of the savings and loan debacle today. I applaud you for selecting CenTrust as the subject of our investigation. Much like Lincoln, CenTrust is a comprehensive case study in what went wrong with thrift industry regulation. There are several items concerning CenTrust that are of interest to me and that I hope to explore today.

Initially, I would like to know why was David Paul ever allowed to purchase CenTrust? The Federal Home Loan Bank Board twice turned down Paul's change in control application under Chairman Richard Pratt. Why did newly appointed Chairman Edwin Gray approve the transaction?

Next, what was CenTrust's relationship with Drexel Burnham, Michael Milken and other Drexel clients such as Lincoln. CenTrust had extensive dealings with Milken and Drexel. David Paul had virtually daily contact with Drexel representatives. Drexel Burnham seems to be a common thread that is showing up in the Committee's investigation of the savings and loan crises and I look forward to exploring this link both today and at other hearings.

Third, why did the Washington Bank Board twice reject the Federal Home Loan Bank of Atlanta's recommendation for enforcement actions again CenTrust. This appears to be a repeat of the Lincoln situation where the regional office is taking a much tougher regulatory stance than Washington. We must assure ourselves that changes in law due to FIRREA ensure that this does not happen in the future.

Fourth, did David Paul have improper contacts with state and Federal regulators? Paul had several ex parte meetings with former Bank Board Chairman Wall. I am concerned that there is at least an appearance from these meetings that Paul may have been able to improperly influence the Washington regulators. In addition, Centrust's Board of Director minutes indicate that the thrift far preferred the relaxed regulatory style of the State of Florida as opposed to tougher Atlanta Home Loan Bank personnel. Were the State regulators doing their jobs?

Fifth, I am stunned by the excessive misuse of Federally insured CenTrust funds by Mr. Paul in purchasing luxury boats, expensive artwork, chauffeured limousines and countless other items for his personal use. David Paul lived a life of luxury on the backs of Federally insured depositors. Moreover, I am interested in the purchase of these luxury items through funds that were transferred out of Centrust to foreign institutions.

Finally, I am concerned about David Paul's political ties. Former Bank Board Chairman Ed Gray called David Paul "the most politically well connected savings and loan executive I know of." We have already seen the political influence Charles Keating attempted to use regarding Lincoln. I am concerned that David Paul could have far outreached Charlie Keating in exercising political ties. I have had my staff prepare a list of political contacts made by Paul compiled from his desk calendars for 1987 and 1988, limousine records and other sources. This list runs several pages and is truly astounding. David Paul appears to have had virtually unlimited access to former Presidents, Senators and Congressmen. Despite denials, it appears clear that at certain times this influence was exercised by Paul on behalf of CenTrust. Additionally, it appears certain from internal Bank Board memoranda that the fear of pressure from Paul's political friends clearly existed.

I look forward to exploring all of the issues today, Mr. Chairman, and I again commend you for holding these hearings. Investigations like this will insure that the savings and loan crisis will truly never happen again.

Thank you.

Statement of
The Honorable Charles E. Schumer (D-N.Y.)
Hearing on Centrust Savings and Loan Association
March 26, 1990

We are here today to look into another example of the collapse of the savings and loan system. Centrust is not a pretty sight.

Centrust is a microcosm of the thrift crisis. It abused the privilege of deposit insurance by consuming massive amounts of brokered deposits and investing them in the riskiest possible way. It abused the trust of its shareholders by wasting hundreds of millions on art (some of it fake), boats and executive perks. Finally, it took advantage of an incompetent regulatory system, hiding its problems behind accounting gimmickry.

Is this a thrift? Is this the type of industry we as taxpayers want to shelter at a cost of more than \$200 billion?

The symbols on the charts on the wall are like roadsigns, internationally recognized as indicators of the thrift crisis. The fine china, limos, pleasure yacht and unbelievably excessive salaries are tangible evidence of this debacle.

But there is an abstract idea behind this scandal, a concept underlying these abuses. Deregulation. Deregulation allowed a bevy of swindlers, frauds, and cheats to drink at the federal trough. Today, we add David Paul's name to deregulation's Rogue's Gallery, a group headed by Charlie Keating. But we must not ignore what truly went wrong.

How could the regulators have let this happen, not just in Centrust but in the industry as a whole? How could they have possibly missed the roadsigns, the yacht and the salary? Where were the Reagan Administration's regulators?

FIRREA was touted by the Administration as the way to ensure that a deposit insurance crisis never occurs again. While FIRREA accomplished a great deal -- and President Bush deserves credit for those accomplishments -- it most certainly did not "solve" the problems in our financial institutions industry.

The Centrust case highlights some of what still must be done:

- o Insured deposits must not be allowed to fund risky, new ventures. If banks and thrifts are to get new powers they must get money from the markets not the taxpayers.
- o We must reduce not expand the scope of deposit insurance. For instance, brokered deposits and pass-through insurance must be severely restricted.

- o Even tougher capital standards must be imposed and, more important, accurate accounting systems such as market value accounting must be adopted to ensure that real capital protects the taxpayer
- o We must intervene in weak institutions much sooner when the cost of resolution is lower and the opportunity for abuse smaller.
- o Finally, we must not shrink from closing banks. As the Drexel failure demonstrated, even large financial institutions with deep interrelationships can fail without causing chaos.

OPENING STATEMENT OF HONORABLE FRANK ANNUNZIO
CENTRUST SAVINGS BANK HEARINGS
MONDAY, MARCH 26, 1990

I want to commend you, Mr. Chairman, for holding these hearings and for so dramatically bringing out the facts about an unhealthy segment of the savings and loan industry. Without your hearings, we might never have learned how negligent the Nation's top savings and loan regulators were in doing their jobs.

One thing has been brought home to me after more than a year of close analysis of the savings and loan scandals. The blame for the problem lies totally and completely with the regulators and the Administration that appointed those regulators.

Who knew what was going on in the savings and loan industry and looked the other way? Only the regulators. Congress can't close a savings and loan or issue cease and desist orders. Congress can't remove savings and loan boards of directors or assess fines when rules are broken. Only the regulators can do that.

But now, because of regulators who couldn't, or wouldn't, do their jobs, the American taxpayers are going to have to pay perhaps as much as \$200 billion.

Today we will hear testimony, not only about regulators who would not step in to stop a \$1 billion loss to the taxpayers, but we will also hear about the regulator who allowed David Paul to get control of Centrust, even though the regulator's staff was opposed. Why did the regulators allow Mr. Paul to take over an insolvent institution by putting up some highly overrated real estate? That real estate turned out to have a value of only about one-tenth of its purported market price.

And when some regulators tried to reign in the high flying Mr. Paul, he hired other former regulators to argue his case. I hope, Mr. Chairman, we will have all of the former regulators who were involved in the Centrust case before this Committee.. It is my understanding that Mr. Gray's predecessor, Richard Pratt, was hired by Mr. Paul to defend Centrust from audits by State and Federal S&L examiners.

I am not exactly certain what Centrust was. Mr. Paul was paid \$16 million by Centrust from 1984 to 1989. He had a \$1.6 million mortgage from Centrust to build a mansion which housed a \$29 million art collection paid for by Centrust. He had a \$7 million yacht paid for by Centrust; a \$1.4 million leased jet paid for by Centrust; and a sail boat worth \$233,000. Mr. Paul had expenses of \$122,000 for dinner parties, plus \$107,000 for crystal and linens, and \$104,000 in limousine expenses. Everything was paid for by Centrust. I don't think the institution should have been called C E N T R U S T. It should have been called SinTrust-- S I N T R U S T.

In the face of it all, Mr. Chairman, I can only ask, not
"Where's the Beef?," but rather "Where's the Regulators?"

HENRY B. GONZALEZ, TEXAS, CHAIRMAN
FRANK ANNUNZIO, ILLINOIS
WALTER E. FAUNTROY, DISTRICT OF COLUMBIA
STEPHEN L. NEAL, NORTH CAROLINA
CARROLL HUBBARD, JR., KENTUCKY
JOHN J. LAFALCE, NEW YORK
MARY ROSE OAKAR, OHIO
BRUCE F. VENTO, MINNESOTA
DOUG BARNARD, JR., GEORGIA
ROBERT GARCIA, NEW YORK
CHARLES E. SCHUMER, NEW YORK
BARNEY FRANK, MASSACHUSETTS
RICHARD H. LEHMAN, CALIFORNIA
BRUCE A. MORRISON, CONNECTICUT
MARCY KAPTUR, OHIO
BEN ERDREICH, ALABAMA
THOMAS R. CARPER, DELAWARE
ESTEBAN EDWARD TORRES, CALIFORNIA
GERALD D. KLECZKA, WISCONSIN
BILL NELSON, FLORIDA
PAUL E. KANJORSKI, PENNSYLVANIA
ELIZABETH J. PATTERSON, SOUTH CAROLINA
THOMAS McMILLEN, MARYLAND
JOSEPH P. KENNEDY II, MASSACHUSETTS
FLOYD H. FLAKE, NEW YORK
KWEISI MFUME, MARYLAND
DAVID E. PRICE, NORTH CAROLINA
NANCY PELOSI, CALIFORNIA
JIM McDERMOTT, WASHINGTON
PETER HOAGLAND, NEBRASKA
RICHARD E. NEAL, MASSACHUSETTS

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED FIRST CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

March 13, 1990

CHALMERS P. WYLLIE, OHIO
JIM LEACH, IOWA
NORMAN D. SHUMWAY, CALIFORNIA
STAN PARRIS, VIRGINIA
BILL McCOLLUM, FLORIDA
MARGE ROUKEMA, NEW JERSEY
DOUG BEREUTER, NEBRASKA
DAVID DREIER, CALIFORNIA
JOHN HILER, INDIANA
THOMAS J. RIDGE, PENNSYLVANIA
STEVE BARTLETT, TEXAS
TOBY ROTH, WISCONSIN
AL McCANDLESS, CALIFORNIA
JAMES SAXTON, NEW JERSEY
PATRICIA SAIKI, HAWAII
JIM BUNNING, KENTUCKY
RICHARD H. BAKER, LOUISIANA
CLIFF STEARNS, FLORIDA
PAUL GILLMOR, OHIO
BILL PAXON, NEW YORK

(202) 225-4247

COMMITTEE NOTICE

TO: All Members, Committee on Banking, Finance and Urban Affairs
FROM: Henry B. Gonzalez, Chairman
SUBJECT: Hearing on CenTrust Savings and Loan Association

On Monday, March 26, 1990, at 10:00 a.m. in Room 2128 Rayburn, the Committee will hear testimony on issues related to the closing of CenTrust Bank, A State Savings Bank, Miami, Florida.

The hearing will focus on issues related to the investment banking activities of CenTrust, regulatory approaches to controlling these activities, coordination efforts of Federal and Florida state thrift regulators, and role of auditors and consultants.

10:00 a.m.
Monday
March 26
2128 RHOB

Panel 1

[redacted] Federal Deposit
Corporation
[redacted] - CenTrust Bank, ASSB
[redacted]
Resolutions, / Operations - Resolution Trust Corporation

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Panel 2

[redacted] - Atlanta Office of
Thrift Supervision
[redacted] of Supervision
Operations - Atlanta Office of Thrift Supervision
[redacted]
State of Florida
[redacted] - State of
Florida

Panel 3

[redacted] - CenTrust Bank

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4

SUPERVISORY HISTORY OF CENTRUST BANK, A STATE SAVINGS BANK

Centrust Bank, headquartered in Miami, was owned and controlled by David L. Paul. In 1983 David Paul, in a supervisory conversion approved by the Federal Home Loan Bank Board and the Florida Department of Banking and Finance, acquired the failing Dade Federal Savings and Loan Association (Dade). Dade was organized in 1934 as a Federal mutual savings and loan association and was converted to a Florida mutual savings and loan association in 1979. On November 3, 1983, with the acquisition by David Paul, Dade was converted from a Florida mutual to a Florida stock savings and loan association. In 1984 David Paul changed the name of Dade to Centrust

- Oct. 1, 1982 David L. Paul, then Chairman of the Westport Corporation, a Connecticut-based real estate company, submits a contract to purchase Dade Federal. Paul agrees to contribute (in a Trust) Westport's assets valued at \$32 million as a non-cash infusion of capital to Dade Federal.
- January, 1983 Federal Home Loan Bank of Atlanta (Atlanta) sends a memorandum to the Federal Home Loan Bank Board (now the Office of Thrift Supervision -- OTS) expressing a negative view of Mr. Paul's business plan. Atlanta concludes that the business plan was unrealistically optimistic, the value of Westport's assets were overstated, and the proposed new management lacked sufficient financial institution experience. The staff of the Office of Examination and Supervision (OES) at the Bank Board recommend denial of David Paul's application.
- February, 1983 Before the Bank Board renders a formal decision on the acquisition, David Paul becomes involved in the day-to-day affairs of Dade Federal.
- Mar. 10, 1983 OES staff again recommend denial of David Paul's application, indicating a need for a greater infusion of capital.
- Sept. 28, 1983 After a year of consideration, where only Westport's offer was reviewed, the Bank Board approves the sale of Dade to David Paul. Dade's assets of \$1.9 billion are marked down resulting in the creation of \$526 million in goodwill.

June 26, 1984 Examination commenced. Examiners identify that CentTrust has \$100 million in high risk poorly underwritten junk bonds.

March 1985 CentTrust's investments in junk bonds is now \$700 million or 16 percent of assets. The Supervisory Agent directs CentTrust to cease purchasing such securities in a letter dated May 21, 1985.

July 26, 1985 Special limited examination commenced. The purpose of the examination was to review CentTrust's junk bond portfolio. Nine of 21 bonds reviewed were considered substandard.

Aug. 2, 1985 Special limited examination commenced. The purpose of the examination was to review the Paul Properties Guaranty and CentTrust Trust. The examination report indicates that as of June 30, 1985 the value of David Paul's contributed assets had declined to \$6.7 million.

Aug. 6, 1985 Supervisory Agent directs CentTrust to reduce its level of junk bonds to no more than 10 percent of assets by October 31, 1985.

Sept. 27, 1985 Special limited examination commenced. This examination was performed due to the extraordinary amounts of securities transactions. Sales totaling \$972.1 million occurred during the eleven month review period, resulting in profits of \$25.7 million.

Jan. 6, 1986 CentTrust fails to comply with the August 6, 1985 Supervisory Agent directive. This prompts Atlanta to recommend that Washington issue a cease and desist order.

July 11, 1986 Examination commenced. CentTrust was rated a "4" on a scale of 1 to 5, the best rating being a 1. Numerous deficiencies were noted concerning the operation and condition of CentTrust. The examiner noted continued operating losses, increasing levels of non-earning assets, increasing levels of general and administrative expenses, and negative effects of interest rate swaps entered into by the institution. Examiners were most concerned with the institution's high level of junk bonds.

Sept. 24, 1986 Atlanta follows up its January 6, 1986 recommendation by again requesting that Washington issue a C&D. The Office of Enforcement determines

there is not sufficient legal grounds.

July 1987

The Federal Home Loan Bank of Atlanta initiates a voluntary supervisory agreement with CentTrust. However, unsuccessful efforts to negotiate voluntary agreement were dropped in favor of a new examination, commenced January 11, 1988.

Jan 11, 1988

Examination commenced. Mr. Paul claims undue bias on the part of the previous 1986 examination and supervisory staff. A new team of examiners is organized to begin an unbiased review of CentTrust's operations. The examination focused on asset quality, operations, risk management and legal compliance. Examiners gave CentTrust an overall rating of "4." The report disclosed that CentTrust's asset quality, operations and risk management exhibited areas of material weaknesses which exposed the institution to potential future losses. The examination also revealed that, despite certain improvements in CentTrust's operating results, its sale of its most marketable securities leaves the institution with a portfolio of low quality hard to sell assets, effectively weakening the institution due to a shortage of performing assets.

Mar. 15, 1989

The Report of Examination and a Supervisory Letter is transmitted to CentTrust. The letter addresses the problems noted in the examination and directs CentTrust, among other things to: cease growing, suspend payment of common stock dividends, discontinue purchasing high yield bonds, stop purchasing expensive works of art and develop a plan to dispose of the \$30 million art collection (Florida State directed CentTrust to sell the art collection by October 1989).

May 31, 1989

Examination commenced. Numerous and significant items of supervisory concern, many of which indicate that the institution has not complied with the supervisory directives issued in the March 15, 1989 Supervisory Letter, are uncovered. A number of inappropriate expense items relating to Mr. Paul are also revealed.

July 17, 1989

In a meeting held in Atlanta, David Paul presented the OTS with a proposal to sell 63 of CentTrust's 71 branches to Great Western Savings. According to the agreement, if the regulators do not approve the transaction by March 31, 1990 either party may terminate the agreement.

- Nov. 17, 1989 A meeting is held in Atlanta with representatives from the FDIC, the RTC, the State of Florida, Washington OTS, and the Atlanta OTS. Everyone in attendance agree that CenTrust can not be viewed as a "going concern" and that action should be taken to bring the institution under supervisory control as soon as possible.
- Dec. 8, 1989 A temporary cease and desist order is issued by the OTS. The order requires the institution to: lower its exorbitant and unnecessary expenditures, to recognize losses on defaulted securities, prepare and maintain accurate financial statements and records, and provide OTS personnel with access to pertinent documents and financial records.
- Dec. 20, 1989 State of Florida issues an order to remove David Paul as Chairman and Chief Executive Officer of CenTrust. The complaint discusses many of the excessive expenditures by Paul and his misuse of institution funds.
- Feb. 2, 1990 CenTrust is placed into Conservatorship by the Office of Thrift Supervision for being in unsafe and unsound condition and for having insufficient capital.
- Mar. 9, 1990 CenTrust is placed into Receivership by the Office of Thrift Supervision. The RTC is appointed receiver.

OVERVIEW OF CENTRUST BANK, A STATE SAVINGS BANK

CentTrust Bank, headquartered in Miami, was owned and controlled by David L. Paul. In 1983 David Paul in a supervisory conversion approved by the Federal Home Loan Bank Board and the Florida Department of Banking and Finance acquired the failing Dade Federal Savings and Loan Association (Dade). Dade was organized in 1934 as a Federal mutual savings and loan association and was converted to a Florida mutual savings and loan association in 1979. On November 3, 1983, with the acquisition by David Paul, Dade was converted from a Florida mutual to a Florida stock savings and loan association. In 1984 David Paul changed the name of Dade to CentTrust

BACKGROUND ON DAVID L. PAUL

As reported, David L. Paul, 50, former Chairman of CentTrust Bank, was brought up in the affluent neighborhoods of Miami and Manhattan. In 1961, Mr. Paul earned a degree in economics at the University of Pennsylvania's Wharton School. Subsequently, he enrolled in Columbia University's law school. Although he attended Columbia's law school from 1961 to 1965, he did not receive his J.D. degree until April 7, 1969. In 1970, Mr. Paul began a career as a real estate contractor\developer by taking over several failing apartment projects in New Jersey. He later moved on to other apartment projects, shopping centers and high-rise office buildings. In 1981, David Paul acquired the Westport Corp., a Connecticut-based real estate investment trust. Westport barely survived the real estate crash of the late 1970's, salvaging only \$32 million of its \$140 million in real estate assets, consisting of properties located primarily in Chicago and the Northeast.

Mr. Paul has stated that in 1982 he shifted his emphasis from real estate development for the "intellectual stimulation" of banking. Through Peter Moser, a friend on the Board of Directors of Dade Federal Savings and Loan Association, Mr. Paul

learned that Dade was having financial problems and was looking for a buyer. In 1982, David Paul enters into a contract to acquire all of Dade's outstanding stock in a government supervised merger by contributing Westport's assets as capital. In 1984, Mr. Paul renamed Dade Federal CentTrust Bank, A State Savings Bank, and in April 1985 took CentTrust public. By 1988, through brokered deposits and substantial investments in junk bonds, Mr. Paul turned the failing thrift with \$1.9 billion in assets into the largest thrift in Florida and the Southeast, eventually amassing \$10 billion in assets.

EXCESSIVE LIFESTYLE

According to regulators, Mr. Paul lived a lavish and flamboyant lifestyle, using CentTrust as his personal expense account. From 1984 to 1989, Mr. Paul's compensation, including salary, bonuses and dividends, totaled over \$16 million. In fiscal year 1989, Mr. Paul received \$1.75 million in total compensation (about \$2 million less than the \$3.7 million received in Fiscal Year 1988). This decrease in compensation was a direct result of a supervisory directive that mandated CentTrust discontinue dividend payments because it was accruing substantial losses.

In addition to receiving millions in compensation from CentTrust, David Paul received \$6.1 million in mortgages to purchase, improve and renovate three adjoining properties located on La Gorce Island. It should be noted that from November 1988 to March 1989 when CentTrust was realizing substantial losses, it extended Mr. Paul an additional \$3.1 million in mortgages, bringing the grand total to \$6.1 million. Another \$400,000 was paid by CentTrust for various security services maintained at Mr. Paul's residence. Other extravagances enjoyed by Mr. Paul at CentTrust's expense, include: (1) \$29 million for a collection of Old Masters paintings, including a \$13.2 million Rubens which Mr.

Paul placed on display at his personal residence, (2) \$7 million for a 95 foot custom made yacht christened the "Grand Cru," (3) \$1.4 million a year to lease a corporate jet, (4) \$260,000 for 2 board meetings\retreats in 1988 and 1989, (5) \$232,500 for the "Bodacious" corporate sailboat, (6) \$122,000 for Mr. Paul's famous "French Chefs" party, (7) \$107,000 for Baccarat crystal and French linens for the executive dining room, and (8) \$104,000 in limousine expenses.

SUPERVISORY CONCERNS

Regulators report that, once in control of CenTrust, Mr. Paul embarked upon a fast-growth high-risk management strategy based on substantial investments in junk bonds funded with brokered deposits. Immediately after taking CenTrust public in 1985, Mr. Paul established a Capital Markets Group to handle investments in junk bonds and other corporate securities, and raise funding through brokered deposits. In fact, a staggering 80% of deposits taken by CenTrust from 1986 to 1988 were brokered deposits. By June 30, 1988, \$2.5 billion or 43% of CenTrust's total deposits were brokered CD's. This increase in brokered deposits was paralleled by a corresponding increase in investment securities transactions. At one point CenTrust held about \$1.4 billion in junk bonds. CenTrust was looking more like an investment bank, relying on profits from the sale of investment securities rather than from traditional thrift operations.

Florida State regulators became concerned about CenTrust's investment activities as early as 1985, ordering Mr. Paul to reduce CenTrust's holdings of the below-investment-grade "junk" bonds. In a separate episode, regulators ordered CenTrust to sell a large block of stock it had accumulated in MassMutual, a Massachusetts real estate investment trust. And in 1987, Paul was questioned by SEC investigators in New York over CenTrust's purchase and quick sale, in November 1986, of 457,300 shares of

stock in Staley Continental Inc., a Chicago food processor. In 1986, the Federal Home Loan Bank of Atlanta advised CentTrust it had "significant supervisory concerns about aspects of CentTrust's operations," and rejected CentTrust's application to take over Freedom Savings and Broward Federal, both troubled institutions.

Since David Paul's acquisition in 1983 to fiscal year end 1988, CentTrust was reporting profits. All income generated by CentTrust during this time period came as a direct result of the thrift's investment banking activities. CentTrust was never able to generate income solely from operations. However, by the third quarter of 1988 this situation change and CentTrust began to realize significant losses also in its investment banking activities and other non-lending activities. In March 1989, CentTrust's Supervisory Agent at the Federal Home Loan Bank of Atlanta designated CentTrust a "troubled institution" and issues numerous supervisory directives.

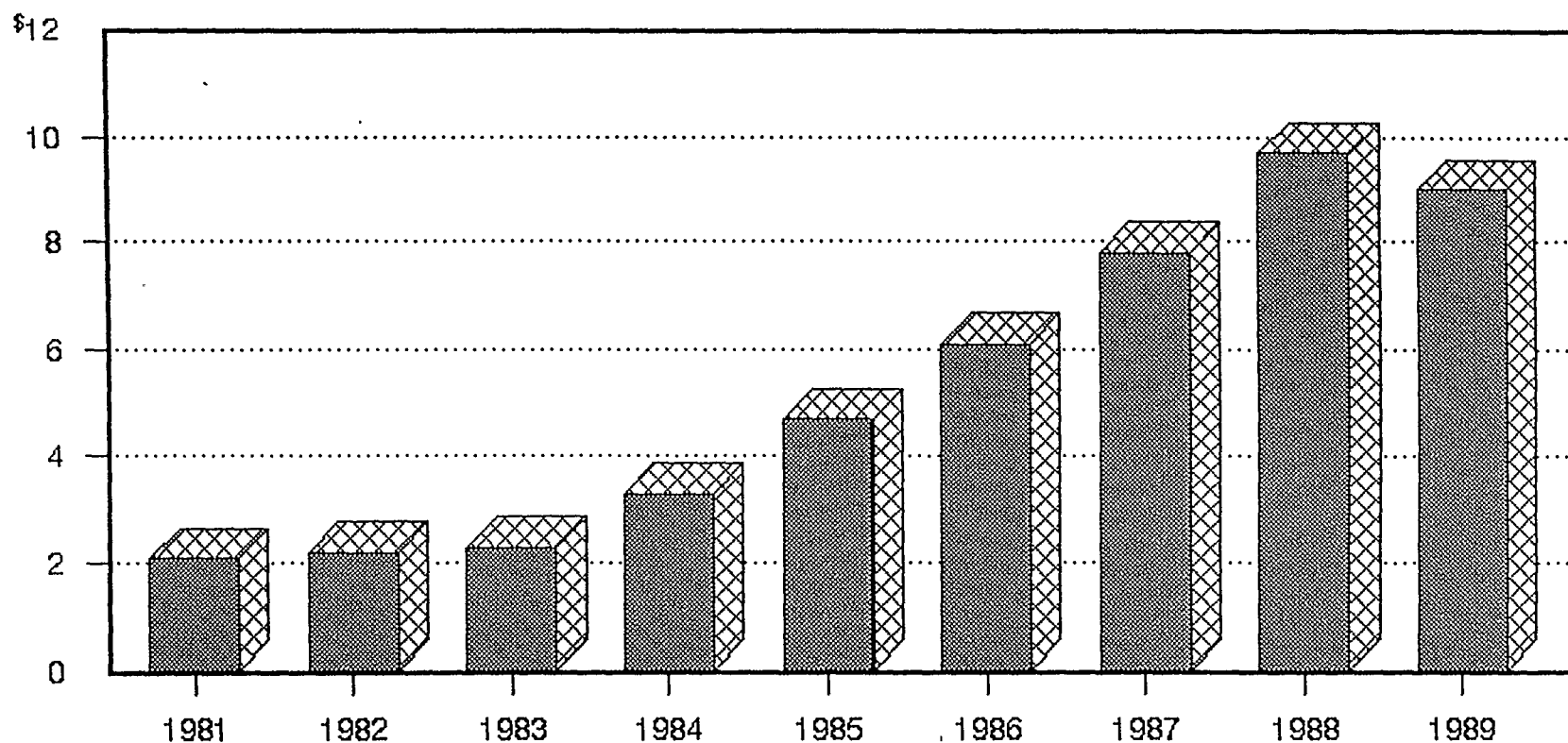
In addition, FIRREA imposes further restrictions on thrifts' investment activities and participation in brokered deposits. CentTrust was required to mark to market its portfolio of junk bonds maturing after July 1, 1994. Moreover, CentTrust could no longer rely on brokered deposits, its primary source of deposits, unless it met certain minimal capital requirements mandated by FIRREA. By the end of its fiscal year 1989, CentTrust was reporting total losses of \$120 million and had tangible capital of negative \$245,470,000, failing to meet capital requirements by \$374,185,000.

On February 2, 1990, CentTrust was placed into conservatorship, regulators declaring CentTrust was in unsafe and unsound condition and had insufficient capital. Finally, on March 9, 1990, CentTrust was placed into receivership by the Office of Thrift Supervision which appointed the Resolution Trust Corporation receiver.

CENTRUST SAVINGS BANK

Total Assets

Billions of Dollars

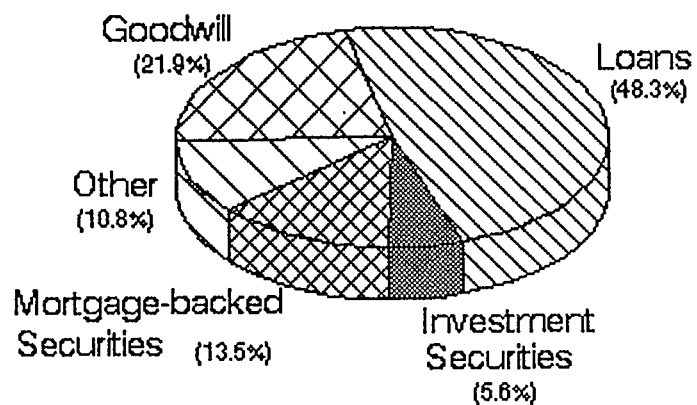


Mr. Paul Took Over CenTrust in 1983
Source: CenTrust 10Ks

CENTRUST'S ASSETS

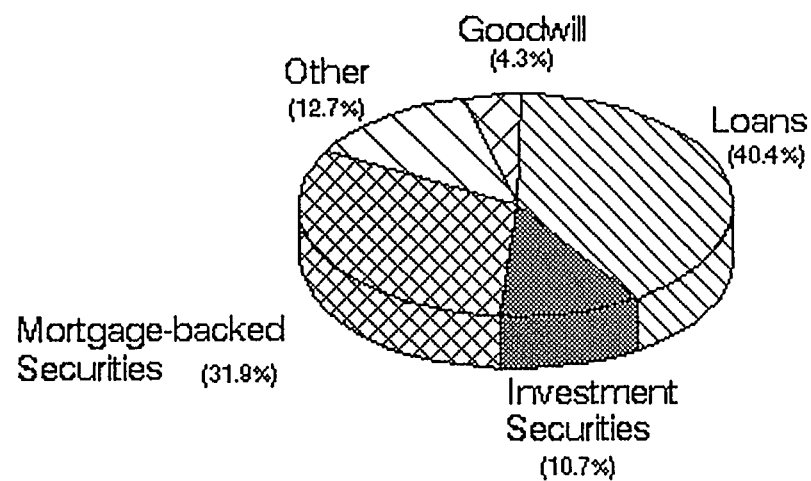
1983

\$2.3 Billion



1988

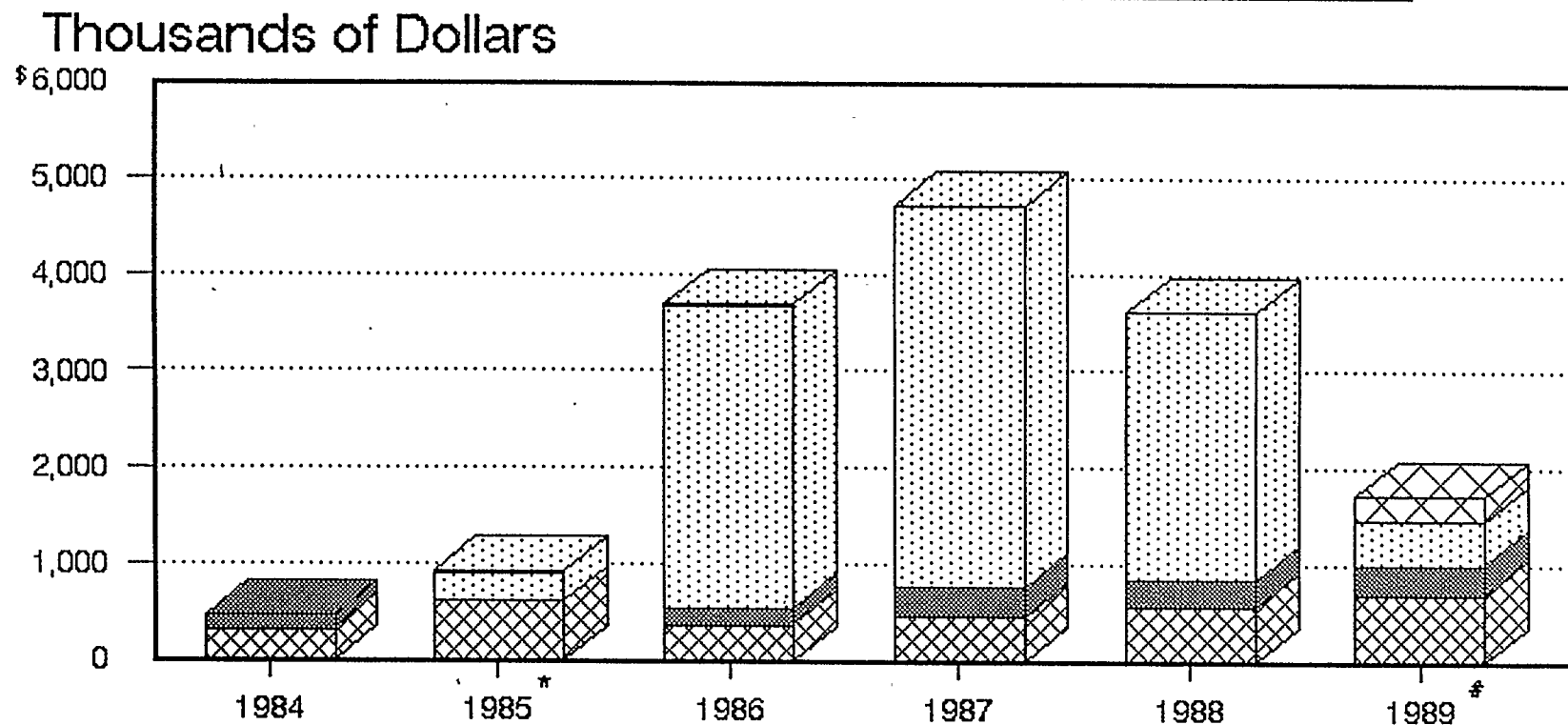
\$9.7 Billion



Mr. Paul Took Over CenTrust in 1983

Source: CenTrust Annual Reports

DAVID L. PAUL'S COMPENSATION

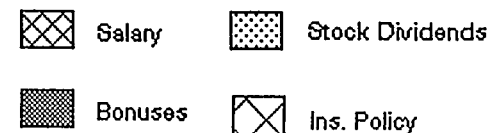


Mr. Paul's Annual Salary was \$550,000 in Fiscal 1988; \$700,000 in Fiscal Year 1989 and \$950,000 in Fiscal 1990.

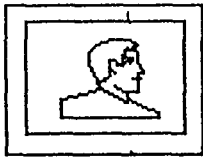
* Information Not Broken Out in Offering Circular

Dividends Halted per a Supervisory Directive

Source: Office of Thrift Supervision



DAVID PAUL'S EXCESSIVE LIFESTYLE



\$29 Million Old Masters Art Collection



\$7 Million Custom Made "Grand Cru" Yacht
\$232,500 for the "Bodacious" Corporate Sailboat



\$6.1 Million Mortgage for 3 Adjoining Properties



\$1.4 Million\Year to Lease a Corporate Jet



\$260,000 1988\1989 Board Meeting\Retreat

DAVID PAUL'S EXCESSIVE LIFESTYLE



\$257,784\Year for \$6 Million in Life Insurance



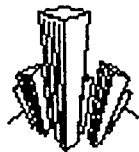
\$122,000 Dinner Party Catered by 6 Famous French Chefs



\$107,000 for Baccarat Crystal and French Linens
for the Executive Dining Room



\$104,000 in Limousine Expenses



\$47,000 for 35 Nights at the Stanhope Hotel

CENTRUST

David L. Paul
Total Compensation
(9\30\84 - (9\30\89)

DATE	SALARY*	BONUSES	DIVIDENDS	TOTAL
Sept. 30, 1984	\$320,860	\$140,000	\$ 0	\$460,860
Sept. 30, 1985	605,667 **	0	299,960	905,627
Sept. 30, 1986	371,600	176,000	3,138,059	3,685,659
Sept. 30, 1987	471,000	290,625	3,969,981	4,731,606
Sept. 30, 1988	552,073	300,000	3,920,632	4,772,705
Sept. 30, 1989	700,000	310,000 #	445,212	1,455,212
TOTAL				\$16,011,669

* David Paul's salary in Fiscal Year 1990
was increased to \$950,000.

** Information on salary and bonuses was
not broken out separately in the Offering
Circular.

Paid in October 1989.

Source: Office of Thrift Supervision

NEAL & HARWELL

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(615) 244-1713

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(615) 726-0573

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ROBERT L. SULLIVAN
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ALBERT F. MOORE
PHILIP N. ELBERT
JAMES G. THOMAS
WILLIAM T. RAMSEY
DELTA ANNE DAVIS
PHILIP D. IRWIN
SUSAN McDONALD
GEORGE H. CATE III
EDMUND L. CAREY, JR.
SUSAN DUVIER BASS

March 20, 1990

VIA TELECOPIER AND FEDERAL EXPRESS

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance
and Urban Affairs
U. S. House of Representatives
2129 Rayburn House Office Building
Washington, D. C. 20515

RECEIVED

MAR 21 1990

COMMITTEE ON BANKING
FINANCE, AND URBAN AFFAIRS

Re: David L. Paul

Dear Chairman Gonzalez:

I had a telephone conversation yesterday with Gary Bowser of your staff regarding the March 15, 1990 letter from you to David L. Paul, wherein Mr. Paul's appearance was requested before your Committee on March 26, 1990. Mr. Bowser suggested that I communicate directly to you my thoughts regarding your request.

I am currently out of the State and do not anticipate being back in my office until March 26, 1990; it appears that it will be at least then, if not later, before I will be able to see Mr. Paul. While I have talked to Mr. Paul on several occasions, there has been no ultimate decision made concerning my representing him, although, it appears likely at this time that I will become his counsel. However, until that decision is made, I am concerned about making commitments at this time for Mr. Paul.

Notwithstanding the fact that I do not currently represent Mr. Paul, there are, nonetheless, some observations I wish to convey to you. Certainly, it would be easy for Mr. Paul to exercise his constitutional rights to decline respectfully to testify before your Committee. However, I do see some significant benefit regarding Mr. Paul's possibly waiving his Fifth Amendment privilege and providing testimony before your Committee. However, a decision of this magnitude cannot be made without some indepth analysis and significant face-to-face

The Honorable Henry B. Gonzalez
March 20, 1990
Page 2

conversations between Mr. Paul and his attorney. Therefore, as I told Mr. Bowser, it would be my hope that the Committee would postpone the scheduled time for the appearance of Mr. Paul so as to allow him an opportunity to retain counsel, confer with that counsel, analyze the situation, and make a meaningful judgment regarding your request. If this proves to be impossible, Mr. Paul would have no alternative at this time but to decline respectfully your request that he appear on March 26, 1990.

Sincerely,

Aubrey B. Harwell, Jr. /g
Aubrey B. Harwell, Jr.

ABHJr/jl

c: Mr. Gary Bowser

HENRY B. GONZALEZ, TEXAS, CHAIRMAN
FRANK ANNUNZIO, ILLINOIS
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RICHARD E. NEAL, MASSACHUSETTS

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDRED FIRST CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

March 23, 1990

CHALMERS P. WYLIE, OHIO
JIM LEACH, IOWA
NORMAN D. SHUMWAY, CALIFORNIA
STAN PARRIS, VIRGINIA
BILL MCCOLLUM, FLORIDA
MARGE ROUKEMA, NEW JERSEY
DOUG BENEUTER, NEBRASKA
DAVID DREIER, CALIFORNIA
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TOBY ROTH, WISCONSIN
AL MCCANDLESS, CALIFORNIA
JAMES SAXTON, NEW JERSEY
PATRICIA SAIKI, HAWAII
JIM BUNNING, KENTUCKY
RICHARD H. BAKER, LOUISIANA
CLIFF STEARNS, FLORIDA
PAUL GILLMOR, OHIO
BILL PAXON, NEW YORK

(202) 225-4247

Aubrey B. Harwell, Jr.
Neal and Harwell
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, Tenn. 37219-2417

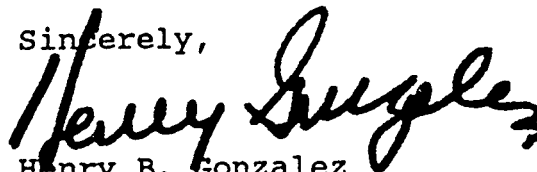
Dear Mr. Harwell:

I am in receipt of your letter dated March 20, 1990 which requests a postponement for the appearance of Mr. David L. Paul before the Committee on Banking, Finance and Urban Affairs. As you know, the Committee is reviewing the supervision, operation, and subsequent closing of CentTrust Bank. As such, the appearance of Mr. Paul is essential to the Committee's inquiry.

Therefore, the Committee wishes to accommodate your request that Mr. Paul be given adequate time to prepare and appear at a later date. A period of two weeks would seem to be adequate. I will await your reply before fixing a specific date for Mr. Paul's appearance.

If you have any questions you may contact Gary Bowser of my staff at (202) 225-2924.

Sincerely,


Henry B. Gonzalez
Chairman

TESTIMONY OF

L. WILLIAM SEIDMAN

CHAIRMAN

RESOLUTION TRUST CORPORATION

WASHINGTON, D.C.

ON

CENTRUST BANK, A STATE SAVINGS BANK

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

10:00 A.M.

MARCH 26, 1990

ROOM 2128, RAYBURN HOUSE OFFICE BUILDING

Good morning, Mr. Chairman and members of the Committee. It is a pleasure to once again appear before you.

You have asked that the FDIC and RTC respond to several questions relating to what we have found since being appointed conservator of CenTrust Bank on February 2nd of this year. Although we always try to be as responsive as possible to the Committee, we have not been involved with the institution long enough to answer all your questions.

Our preliminary analysis thus far indicates that the failure of CenTrust will result in a substantial loss to the RTC, probably in excess of \$2 billion. This loss was a result of prior mismanagement and poor operating procedures within the institution, including the use of risky investments.

With me today are Ms. Sandra Waldrop, and Mr. Kurt Wierschem. Ms. Waldrop is the Deputy Regional Director in the RTC Eastern Region office and is in charge of regional operations relating to conservatorships. Mr. Wierschem is both the RTC Managing Agent and the Chief Executive Officer of CenTrust Bank. They are here today to provide you with testimony and to answer questions about the activities at CenTrust based upon their own observations.

We are pursuing a complete investigation of CenTrust to determine its present status and whether any fraud or other misconduct

occurred. While we believe the potential for fraud exists, our investigation is not complete.

There is no foolproof way of preventing losses to thrifts in the future. We can, however, offer three sound principles of supervision that have worked well in the past. First, the industry must be well capitalized. Second, proper accounting standards, which reveal true financial condition, must be followed. Third, there must be a supervisory staff and program in place that is tough, fair, responsive and free of political pressures.

Mr. Chairman, this completes my written statement. My colleagues and I would be pleased to answer any questions we can.

TESTIMONY OF

KURT W. WIERSCHEM
RTC MANAGING AGENT
AND
CHIEF EXECUTIVE OFFICER
CENTRUST BANK

ON

CENTRUST BANK, A STATE SAVINGS BANK

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

10:00 A.M.
MARCH 26, 1990
ROOM 2128, RAYBURN HOUSE OFFICE BUILDING

Good morning, Mr. Chairman and members of the Committee. I am pleased to be here today to provide information relating to CentTrust Bank. I am the managing agent of the institution for the RTC and my comments are based on the information we have gathered since assuming that role. CentTrust Bank was placed in conservatorship on February 2nd, 1990 by the Office of Thrift Supervision after a finding that it was operating in an unsafe and unsound manner.

The RTC's goals in CentTrust, as in each conservatorship, are to: establish control; maintain customer services; evaluate the institution's condition; identify and account for losses; and recommend viable alternatives for the least costly resolution of the institution.

The RTC has been conservator of CentTrust for less than two months. The RTC employees involved in the intervention are not trained examiners but rather are a mixture of asset managers and employees trained in the various operational areas of financial institutions. Our focus has not been that of a regulator. Rather, we have taken over the daily management of the institution and are proceeding to downsize and prepare the institution for resolution. We have not reviewed the institution's history nor are we approaching the institution as examiners typically would. We do have our investigation unit reviewing the institution's records to determine if suits and claims for insider abuse or professional liability are warranted.

Our observations presented below are preliminary at this time and are often based on interviews with employees of CenTrust.

1. THE FINANCIAL CONDITION OF THE INSTITUTION AT THE TIME THE RTC WAS APPOINTED CONSERVATOR

Upon entering CenTrust, we found that the operation of this institution was similar to that of a private investment banking or trading operation, rather than a traditional savings and loan. The primary focus of the firm apparently was trading. That is reflected in concentrations in financial instruments such as high-yield bonds, high-yield private placement issues, foreign currency futures, collateralized mortgage obligations, non-rated subordinated debentures, interest rate swaps, and swap options. The business focus relied upon market gains from financial transactions to generate income versus generating traditional interest income on the spread between earning assets and the cost of funds.

In accordance with our normal practice, upon being appointed conservator, we reviewed CenTrust's financial statements to adjust them as required by generally accepted accounting principles and to provide appropriate valuation reserves on a going-concern basis. After making the appropriate adjustments, the institution was insolvent.

CentTrust's major problems included: (1) rapid deposit growth which was used to fund poor quality speculative assets; (2) production of portfolio gains at the expense of asset value; (3) investments in illiquid high-yield and privately-placed bonds and equities with significant credit quality risks; and (4) apparent liberal accounting practices.

CentTrust's growth had been accomplished via the wholesale marketplace. Brokered certificates of deposit accounted for 37 percent of total liabilities as of January 31, 1990. With high-cost deposits and borrowings, CentTrust was unable to maintain a net interest margin sufficient to support expenses.

Earnings were further impacted by the practice of producing gains in the portfolio at the expense of asset value. Securities yielding above current market rates were commonly sold to produce profits and income, while those items with below-market yields were kept in the portfolio, further depressing net interest income.

CentTrust classified many of their high-yield private placement issues as commercial loans, which allowed them to maintain these items on the books at cost rather than at market value. Under regulatory policy these securities are to be classified as investments rather than loans and thus have to be marked to market. In doing the proper markdown, as of February 28, 1990,

writedowns of about \$400 million were recorded. Presently, total writedowns on high-yield bonds and equities are over \$500 million, of which about \$80 million is for securities with no ready market.

Accounting practices included enhancing income by deferring as many expenses as possible. As of the date of conservatorship, there were at least \$40 million of deferred costs relating to various electronic data processing installations, equipment purchases, legal fees on a number of major transactions including the pending sale of branches to Great Western and broker commissions paid on certificates of deposit. These deferred costs now have been expensed.

As of January 31, 1990 total equity capital was about \$27 million. Writedowns and reserves summarized above total about \$551 million for a total capital deficit of about \$525 million, before writing off goodwill of \$372 million.

High-Yield Bonds. Upon intervention, the vast majority of the nearly \$1 billion in junk bonds remaining in the portfolio appeared to be of very poor credit quality and were extremely illiquid. It appears that any higher quality issues had been sold prior to the RTC conservatorship.

Based on the volume of activity, holding periods, and timing between trades, the junk bond strategy appeared to have been one of "trading" versus "investment". Gains were often recorded, while issues containing loss were retained.

Mortgage-Backed Securities. Remaining unsold issues have low rate coupons and in this interest rate environment also have built-in losses which will be realized when sold. It was very difficult for us to ascertain which mortgage-backed securities had or had not been pledged as collateral for various obligations. We are only now fairly confident that we have determined which issues are available for sale.

Single-Family Residential Loans. The rather small portfolio (\$2.1 billion) of single-family loans consists of two categories. The first category is those loans originated by CenTrust Mortgage Corporation, a subsidiary, and sold into the secondary market. The mortgage company originated a high quality loan which was easily sold.

However, CenTrust Bank originated a much lower quality loan, both in terms of underwriting and of documentation, which remains in its portfolio. It will take us a great deal of due diligence to ascertain the real value of these loans and the ability of the secondary market to absorb them.

Consumer Loans. As our review of the consumer loan portfolio progressed we found that the loans are over-advanced amounts to borrowers on automobiles. Since the loan paper was generated "indirect" in most cases, a dealer reserve had already been paid up front without a hold-back, so that business could be generated. This leaves a substantial item on the books yet to be resolved. In addition, approximately 12,000 titles and liens had not been recorded or perfected on these assets. The real delinquency on these loans is yet to be determined although we anticipate some delinquency problems. CenTrust was continuing to generate a high dollar volume which has the effect of covering up any real delinquency problems. Additionally, since the loan advance rates on the collateral were high, the impact has yet to be felt.

Leasing. In the auto leasing portfolio, we again found questionable underwriting. To generate a high volume lease business, the bank offered inflated residual values on the collateral and a very favorable consumer interest rate. In about 18 months, approximately 200 contracts per month will come due, with high residual values compared to the anticipated market residual value of the collateral. We therefore believe substantial losses will be taken on this portfolio.

CenTrust Tower. This asset apparently contains significant loss. The most recent contract for sale that CenTrust had was for \$88

million, and we believe there is \$170 million in costs in the building. We are presently obtaining new appraisals on the building.

Business Loans. CenTrust appeared to be a lender of last resort on business-related loans and commercial non-real estate loans. Although this portfolio is rather modest in size, the pricing of the loans does not warrant the risks they contained. Overall loan underwriting appears weak and the documentation and overall packaging of the assets are below market standards.

Real Estate Loans and Investment Loans. CenTrust does not have a large portfolio of commercial real estate loans in comparison to some other troubled S&L's. However, there are some substantial real estate investments, which will require workouts.

Subsidiaries. CenTrust has an extensive network of subsidiaries. However, there are three primary operating subsidiaries: CenTrust Mortgage, Old American Insurance Company, and CenTrust Trust.

CenTrust Mortgage Corporation is a large national mortgage company with over 900 employees. It has a good net worth and reputation, and originates an excellent quality residential product. We are presently trying to market this subsidiary.

The Old American Insurance Company appears to be a properly managed company. We suspect, however, that some of the profits were taken out of the insurance company and funneled upstream to the parent, CenTrust Bank. Also, some of the junk bonds of CenTrust Bank were apparently forced down to the insurance subsidiary, which will have to record the loss.

We are reviewing CenTrust Trust to determine the true business nature of its affairs. CenTrust Trust is in Westport, Connecticut, where Mr. Paul had a residence, and it appears to have been used for business operations that were not approved for CenTrust Bank.

Potential Loss. We will start our formal asset valuation process next week to ascertain the potential loss in the institution. As of September 30, 1989 the asset size of the institution was approximately \$9 billion. At that time prior management was downsizing the institution by selling quality assets and many of the better assets had been sold prior to our intervention. If we take the percent of loss that has been our experience in the Eastern Region conservatorships, we come up with an approximate loss of \$2.0 billion. However, a better documented and definitive loss figure will not be available until the asset valuation is completed.

Branch Sale. Upon entering CenTrust we found that a contract existed to sell 63 of the 71 branches of the institution to Great Western Bank. This proposed sale was designed to support CenTrust's recapitalization plan and may have been pursued to delay intervention by the Office of Thrift Supervision.

2. FDIC'S ASSESSMENT OF THE PRIOR MANAGEMENT OF THE INSTITUTION

The management structure of the company, and the way management functions did not inter-relate with various activities within the firm, resulted in most material decision apparently being made by Chairman Paul. Interviews indicate that functions within the corporation were very compartmentalized in that one department seldom talked to another department. Even the physical structure and security access within the CenTrust Tower building was compartmentalized so that it was not easy for employees to gain access to other areas. It has been reported that if employees were seen visiting another department, they were often subjected to questioning on their actions.

In evaluating the work of the senior level managers, they appear to be capable people, but their compensation was often in excess of market rate. Additionally, many officers of the bank were highly compensated without a commensurate level of responsibility.

3. DISCUSSION OF ANY PRACTICES BY PRIOR MANAGEMENT THAT CONTRIBUTED TO THE INSTITUTION'S FAILURE

The senior managers have consistently indicated to us that there was no device to measure the profitability of an area, nor was there ever an attempt to measure the profitability of an activity or an area. They stated that any time this issue was brought up, the idea was rejected. This is supported since we found no real costing of an operation in a given area. Apparently, there was little concern for deposit costs and/or, on the other side of the ledger, what the yield on assets would be, especially the yield on loans.

Asset/Liability Structure. To obtain funds, the institution consistently paid some of the highest rates in the market. That strategy was carried out on a retail level through the branch network by paying high rates for CD's as well as for large amounts of brokered monies from Wall Street firms. There does not appear to have been any attempt to moderate the cost of retail deposits or to operate the branch network through traditional activities such as cross-selling checking accounts, fee income products, low rate money markets, passbooks, and products of this nature.

The Asset/Liability Committee's responsibility did not exist as normally constituted at a bank or S&L. Rate risk management and

hedging was really not possible in an environment where liquidity was so important. Hedges were left on after the assets associated with them were sold.

There was an unwillingness to cut losses short and get out of a position. Very seldom was there a stop loss instruction. Although the institution maintained a bond research group, their advice was often ignored. In buying the debt and equity kickers of the junk bonds, the institution often took large positions relative to its capital.

CentTrust has very little free collateral or liquidity. The asset/liability structure appears to have developed with little strategic planning. Assets were used for collateral to meet liquidity requirements as soon as they became available. This structure will be difficult to unwind.

The deposit accounting system does not meet the institution's basic needs. For example, the maturing Certificate of Deposit records are not available by week or by day, making the planning for liquidity funding extremely difficult.

Records. Generally speaking, record-keeping in the association is poor. Specifically, the accounting records lack accuracy. CentTrust management apparently never assigned responsibility for the accuracy of records. Little emphasis was placed on the

internal audit function and it did not offer independent opinions to management on the quality of records.

In summary, there was a general disregard of accounting for items. The employees have advised us, for example, that if Mr. Paul made a trade, the broker called the bank and notified it of Mr. Paul's transaction. The bank appears to have accepted the broker's word without a confirmation process.

Other Issues. There are many expense categories that we believe have been abused. We have identified seven that are the most likely targets and from which we are seeking to extract information: a) Board of Directors; b) security; c) entertainment; d) corporate transfers; e) Tower construction; f) political contributions; and g) communications. This will take some time as we sift through the records and identify questionable issues.

It appears that all expenses associated with any activity were to be capitalized to the greatest extent possible. For example, a previous attempt to sell the CenTrust Tower building resulted in \$1.5 million of expenses. These expenses were capitalized and deferred when the sale did not go through. Likewise, when new branches were built, all costs associated with the branch, including the first three months operating expenses, were

capitalized. This means we have unrealized losses that will need to be taken when we sell assets.

4. FDIC'S ANALYSIS OF THE SUPERVISORY HISTORY OF CENTRUST BANK
WITH AN EMPHASIS ON HOW FUTURE SUPERVISORY EFFORTS CAN BE
IMPROVED

As indicated previously, the RTC employees currently in the institution have not analyzed its supervisory history. Rather, our mandate is to control, downsize, and prepare the institution for resolution. With respect to the question of improving future supervisory efforts, we would prefer to leave that question to those who are better qualified in that area.

3/26/90

DAVID PAUL'S CONTACTS WITH ELECTED OFFICIALS

I. Former Presidents

<u>Name</u>	<u>Occasion</u>	<u>Date</u>	<u>Source</u>
Carter	Luncheon	6/23/88	DPCalendar
	Human Rights Prize	12/10/88	DPCalendar

II. Presidential Campaigns

Babbitt	Meeting	5/8/87	DPCalendar
Biden	Paul travels to Wilmington: Announcement of Presidency	6/9/87	Limousine Receipts
	Kick-Off Celebration	6/22/87	DPCalendar
	Fundraiser	7/28/87	DPCalendar
Gephardt	Fundraiser	11/18/87	DPCalendar

III. Senators

Graham	Breakfast	4/9/87	DPCalendar
	Given use of CenTrust Plane	12/20/87	DPCalendar
	Meeting	11/19/87	DPCalendar
	Reception Host	7/18/88	DPCalendar
	Staff meeting	8/17/88	DPCalendar
	Staff meeting	8/19/88	DPCalendar
	Reception	11/10/88	DPCalendar

	Staff joins Centrust in FHLBB meeting	3/12/87	minutes of meeting
Rockefeller	Reception	7/18/88	DPCalendar
Riegle	Meeting	11/19/87	DPCalendar
Chiles	Meeting	11/19/87	DPCalendar
	Reception	11/10/88	DPCalendar
Kennedy	Cocktails w/ Mrs. Paul (possibly cancelled)	2/28/88	DPCalendar
	1988 Senatorial Cape Cod Conference (hosted by Kennedy)	8/5/88	DPCalendar
Sasser	Breakfast	5/27/88	DPCalendar
Conrad	Dinner	7/18/88	DPCalendar
Breaux	Dinner	7/18/88	DPCalendar
	Paul Guest at St. Simon Island -- Georgia	7/23-24/88	DPCalendar
	Cocktail Party (Grand Cru Yacht)	9/19/88	DPCalendar
	Reception (Grand Cru Yacht)	9/20/88	DPCalendar
	DSCC Pacific Leadership Cncl Dinner -- used Paul plane	12/28/88	DPCalendar
	Fly w/ Paul	10/12/88	DPCalendar
Johnston	Cocktail Party (Grand Cru Yacht)	9/19/88	DPCalendar
Kerry	Reception invitation	7/18/88	DPCalendar

	Hosted reception honoring Paul	7/20/88	DPCalendar
	DSCC Pacific Leadership Cncl Dinner -- used Paul plane	12/28/88	DPCalendar
	Fly w/ Paul	10/12/88	DPCalendar
	Dinner scheduled Paul didn't attend	11/1/88	DPCalendar
	flew w/ Paul	11/30/88	DPCalendar
	Paul-hosted party	unkown	Paul guest list
Fowler	Paul Guest at St. Simon Island -- Georgia	7/23-24/88	DPCalendar
	Paul-hosted party	unknown	Paul guest list
Cranston	Attending St. Simon Island Retreat, Georgia	7/23/-24/88	DPCalendar
	Meeting (Riegle also present)	8/10/88	DPCalendar
Biden	Meeting	9/20/88	DPCalendar
Wirth	DSCC Pacific Leadership Cncl Dinner -- used Paul plane	12/28/88	DPCalendar
Leahy	DSCC Pacific Leadership Cncl Dinner	12/28/88	DPCalendar
Nunn	Reception	11/10/88	DPCalendar
	Attending St. Simon Island Retreat, Georgia	7/23/-24/88	DPCalendar
Gore	Reception	10/10/88	DPCalendar

IV. Congressmen

Tip O'Neill	Miami Leadership RdTable	2/2/87	DPCalendar
Claude Pepper	Dinner	5/12/87	DPCalendar
Nelson	Meeting	4/16/87	DPCalendar
	Coffee	4/9/87	DPCalendar
	Meeting	11/19/87	DPCalendar
	Meeting	5/10/88	DPCalendar
	Dinner, including Mrs. Nelson	11/13/88	DPCalendar
	Lunch	11/16/88	DPCalendar
	Mtng w/ political consultant	12/19/88	DPCalendar
St Germain	Meeting	11/19/87	DPCalendar
Fascell	Meeting	11/19/87	DPCalendar
	Dinner	10/20/88	DPCalendar
McCollum	Meeting	11/19/87	DPCalendar
L. Smith (FLORIDA)	Meeting	11/19/87	DPCalendar
	Meeting	10/20/88	DPCalendar
B. Anthony	Meeting	10/20/88	DPCalendar
W. Lehman	Fundraiser	3/6/88	DPCalendar
Rostenkowski	Meeting	10/20/88	DPCalendar

V. Other

Garn Institute	Washington DC meeting	1/12/87	DPCalendar
	Dinner	9/19/87	DPCalendar
	Trustee mtng	2/28/88	DPCalendar
	Dinner	5/17/88	DPCalendar

	Annual mtng	11/14/88	DPCalendar
Len Bickwitt	Breakfast	1/12/87	DPCalendar
Pat Caddell	meeting	2/19/87	DPCalendar
	Dinner	4/10/87	DPCalendar
Fla. Cong. Partnership	Retreat	5/1/87	DPCalendar
Rubin Askew	Fundraiser	3/22/88	DPCalendar
Alliance For Capital Access	Predator's Ball Reception	4/15/88	DPCalendar
Pamela Harriman - Political Fundraiser	Dinner	7/18/88	DPCalendar
Pamela Harriman	Fundraiser for Cuomo (NYC) -- Kerry present	11/30/88	DPCalendar
	Election party	11/8/88	DPCalendar
Dem. Leader- ship Council (Sen. Nunn, Graham, Breaux, Wirth)	Dinner	12/22/88	DPCalendar
Gov. Martinez	Reception	11/21/88	DPCalendar

STATEMENT BY

JOHN E. RYAN, DISTRICT DIRECTOR
and
MARIA I. RICHMOND, DEPUTY DISTRICT DIRECTOR

OFFICE OF THRIFT SUPERVISION
ATLANTA DISTRICT

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

March 26, 1990

OVERVIEW

We are pleased to have the opportunity to help this Committee in its efforts to determine the facts and circumstances surrounding the failure of CentTrust Bank, a State Savings Bank, Miami, Florida ("CentTrust"). CentTrust, with assets of nearly \$9 billion is the largest institution regulated by the Atlanta District of the Office of Thrift Supervision ("OTS"). On February 2, 1990, the OTS turned CentTrust over to the Resolution Trust Corporation ("RTC") which was appointed conservator and on March 2, 1990, CentTrust was declared insolvent and placed into receivership.

The failure of CentTrust was the final chapter in what began in 1983 as an attempt to resolve, without cost, the troubled Dade Savings Bank by selling it to David Paul, a Westport, Connecticut real estate investor.

Let me state at the outset that neither Ms. Richmond nor I were present throughout the entire period of operation of CentTrust. I came to Atlanta in November 1989, and my personal involvement with CentTrust is limited to the three months before it was placed into conservatorship. Ms. Richmond has a longer period of regulatory experience with CentTrust having assumed the role of supervisory agent with responsibility for CentTrust in January 1988. In preparation for this testimony, both Ms. Richmond and I reviewed the extensive files on this institution and had numerous discussions with OTS staff that dealt with CentTrust at various times. Our testimony and answers to the Committee's questions will be based on information that we believe reliable, but not on our first hand knowledge in many instances. Our statement does not attempt to be a complete exposition of every issue, but covers the essential matters that we believe had a material effect on the institution.

The sale of Dade Savings Bank in 1983 occurred in an environment of high interest rates. When the purchase transaction was marked-to-market, CentTrust -- later to be the new name of Dade Savings -- had assets of \$2.3 billion and liabilities of \$2.8 billion. The difference, which amounted to \$525 million, was booked as "Goodwill". This \$525 million non-earning asset had to be supported with high cost liabilities and eventually had to be written off through charges to after-tax earnings over 25 years.

The "goodwill" created a substantial drain on earnings which, coupled with the other problems of Dade Savings, made it highly improbable that operations as a traditional thrift would produce the rate of return needed to maintain a viable institution. CentTrust turned to high risk investments and rapid growth to generate the needed income. While the final results are not yet in, the ultimate loss in disposing of the

now \$9 billion CentTrust may well be substantially greater than the \$525 million loss present in the old Dade Savings in 1983. With the advantages of hindsight, the unassisted sale should probably not have been permitted.

ACQUISITION OF DADE SAVINGS

Not unlike many S&L's in the early 1980's, Dade Savings (a mutual savings bank) was caught in an interest rate squeeze with low-rate, long-term real estate loans being financed with high cost deposits. Its continuing operating losses and other problems had all but eliminated its capital and it was obvious that a solution had to be found.

The firm of Warburg, Pairbas, Becker, which had been retained by Dade Savings to help find an acquirer, brought David Paul and his firm, The Westport Company, to the table. On October 1, 1982, a purchase contract for Dade Savings was signed by Mr. Paul and his company. The Westport Company, headquartered in Westport, Connecticut, was a real estate investment trust organized in 1971 as HNC Mortgage and Realty Investors, that engaged in the development and management of residential and commercial properties in the Eastern United States and Chicago, Illinois. Westport converted from a REIT to an unincorporated business trust in 1976 and was acquired by Mr. Paul and his associates in 1981.

Before the transaction could be consummated, merger/conversion applications had to be approved by the Federal Home Loan Bank Board ("FHLBB") and the State of Florida. The purchase transaction was to be accomplished by the conversion of Dade Savings from mutual to stock form and the exchange of its stock for the stock of The Westport Company. The practical effect of the transaction was the injection of the approximate \$26 million in real estate assets owned by The Westport Company into Dade Savings and the transfer of ownership of Dade Savings to the shareholders of The Westport Company. At the time the transaction was consummated, David Paul, together with trusts for his children, owned 83.8% of the converted thrift.

The proposed acquisition by The Westport Company was pending at the FHLBB for nearly one year before it was finally approved. During this time, considerable discussions and negotiations with David Paul were held, primarily involving the true value of the real estate to be put into Dade Savings, the business plan proposed for the future operations of CentTrust and the need for additional capital. These negotiations were largely conducted in Washington by the FHLBB staff.

In early negotiations, the Federal Home Loan Bank of Atlanta, ("FHLB of Atlanta"), was asked to review the

proposal and, in January 1983, it advised the Board that the value of The Westport Company's real estate was overstated; that there was insufficient capital to ensure the viability of CentTrust; that The Westport Company was delinquent on major real estate loans at New England thrifts; and, that the proposed management lacked thrift experience. Subsequent to this advice, additional negotiations and discussions concerning these matters were conducted and, as we understand it, the FHLBB staff recommended denial of the proposal on at least two occasions.

The final outcome of the negotiations came in September 1983, when the FHLBB approved the transaction with the understanding that additional common equity capital of \$35 to \$40 million would be raised within 90 days of consummation of the acquisition and that the value of the real estate being put into Dade Savings would be guaranteed by Paul Associates, another David Paul company.

As illustrated in Exhibit I, recognition of the value of Dade Savings's assets and liabilities, even after the injection of The Westport Company, left a \$525 million shortfall of assets to meet liabilities. This shortfall set the stage for the rapid growth and high risk operations that were to follow.

IMPLEMENTATION OF THE STRATEGY

As illustrated in Exhibit II, CentTrust doubled in size from \$2.3 billion to \$4.7 billion in the first two years after the Paul acquisition and peaked with nearly \$10 billion in assets at fiscal year-end 1988. CentTrust's growth occurred largely in mortgage-backed securities which had a book value of \$3 billion at fiscal year-end 1988 and in junk bonds which amounted to in excess of \$1 billion in 1988. On the positive side, CentTrust did generate a substantial amount of residential loans some of which were sold and which amounted to \$2.4 billion on the books of CentTrust as of fiscal year-end 1989.

CentTrust was unable to generate sufficient core deposit business to fund its growth targets; therefore, it turned to "wholesale" sources such as brokered deposits, reverse repurchase agreements and Eurodollar financing. As a major player in both the mortgage-backed and junk bond markets, CentTrust appeared more as an investment vehicle than as a traditional thrift. Because the strategy was implemented in a period when interest rates were generally tending downward, substantial profits from sales of securities were realized and the strategy appeared to be working. In fact, in its heyday, CentTrust was regarded in some quarters as a model success story. The 47-story, \$100 million CentTrust Tower, initiated by Dade Savings, but finished out in grand style by

David Paul, became a landmark in downtown Miami and served as a symbol of the Company's apparent success.

THE RESULTS DISSECTED

Even though CenTrust reported substantial net income in every year from 1983 through 1988 (see Exhibit III), it was, in our opinion, skimming the profits off the top, leaving substantial risk and future losses embedded in the balance sheet. The following are some examples of how this was done.

First, the substantial gains reported in the early years resulted largely from the sale of the loans that were marked-to-market as a result of the acquisition and that subsequently increased in value with falling interest rates. The profits from these sales were taken to bottom line net income rather than offset against the \$525 million goodwill that was created when they were marked-to-market. In other words, the assets were sold at a book profit with the loss carried as a \$525 million asset to be written off over a 25-year period.

Second, there is considerable evidence of so-called "gains trading" by CenTrust. Gains trading is the device whereby CenTrust commits to take future delivery of securities at a price. If there was a gain on the transaction, CenTrust would take the profit by selling its position. If there was a loss, CenTrust would take delivery of the security and carry it at cost rather than at market value. The practical effect of this practice is the recognition of profit on the winners and deferral of losses on the losers by putting them in portfolio.

Third, it seemed that at every opportunity, junk bonds with market appreciation were sold at a profit while declines in market value were not recognized. Moreover, as later discussed, examiners were unable to determine, with any degree of comfort, the true economic effect of junk bond sales and purchases.

Fourth, CenTrust used every opportunity to front-end income and defer expenses. Examples include the deferral of approximately \$1.3 million in legal fees incurred in connection with an unsuccessful sale and subsequent settlement of a lawsuit involving the CenTrust Tower; capitalization of \$6 million of operating expenses associated with the opening of branches; and the disparate accounting treatment given similar interest rate swap hedges, where positive spreads were immediately recognized while net costs were amortized over the life of the hedge.

Fifth, the income generated from these transactions was not all retained in the institution to offset the risks

created by them, but used to pay excessive salaries, senior management perks and dividends.

THE DREXEL CONNECTION

The approval of the acquisition of Dade Savings by the FHLBB required the infusion of additional capital within 90 days of consummation of the transaction. It was not until almost two years after the acquisition that additional capital was raised and even then it amounted to only \$17 million as opposed to the \$35 to \$40 million required. An additional \$12 million in high cost subordinated debt was also raised at the time. The offering circular for these securities dated May 8, 1985, revealed they were being underwritten by a syndicate of five investment bankers led by Drexel Burnham Lambert. Although there is no clear cause and effect relationship between the capital sale and the junk bond purchases, CentTrust began making significant purchases of junk bonds from Drexel around the time that Drexel was serving as lead underwriter for the securities.

CentTrust purchased substantial amounts of junk bonds and equity securities, primarily from Drexel. These investments reached a high point of \$1.4 billion in 1989. The bonds were typically 8 to 10 year term and many required only interest payments until maturity and, on some of the bonds, interest payments were made in the form of additional debt. Hence, the bonds performed well in the early years. A large portion of CentTrust's bonds were for leveraged buyouts, that were dependent on asset sales for repayment, and normal credit analysis of future cash flows from the business operation was insufficient to determine if the bonds could be serviced in an orderly manner.

CentTrust would frequently sell junk bonds or stocks and warrants back to Drexel at a profit and purchase other securities. The value of the stocks and warrants was difficult to establish because they were often obtained as "sweeteners" to the bond purchases; they were not publicly traded and were typically booked at a nominal amount. Drexel was in the middle of these transactions while at the same time Drexel was establishing market value. Thus, the true economic value of the transactions could not be determined.

In early 1989, information from the examination of Lincoln Savings indicated that Lincoln and CentTrust had sold warrants and other assets to each other, through Drexel, with each recognizing substantial income. CentTrust denied knowledge that Lincoln was the counterparty and stated that it had relied on Drexel's statements of fair value. CentTrust ultimately sold the securities purchased from Lincoln at a profit. Whether there were "corresponding" purchases that returned the profit to Lincoln could not be determined.

LUXURY ITEMS AND MANAGEMENT PERKS

Attached as Exhibit IV is a partial listing of the perks and benefits enjoyed by Mr. Paul during his tenure as Chief Executive Officer. These expenditures have been discussed at length with Mr. Paul who rationalizes nearly every one of them as being necessary to conduct business with investment bankers and to promote the image of CenTrust. He has stated that thrift regulators are offended by these perks, because they are not accustomed to dealing with Wall Street investment bankers with whom he identifies.

The outrageously expensive artwork purchased by CenTrust was, according to Mr. Paul, considered to be an investment similar to a zero coupon bond. He was advised by art experts and, although he once hoped to reap profits from the art purchases, he did readily admit that the purchases were a major tactical blunder. The expensive appointments and furnishings for the CenTrust Tower were rationalized as being expected and necessary in downtown Miami.

Perhaps one of the most publicized events attributed to Paul was the so-called "chefs charity dinner". In 1988, at a charity auction, Mr. Paul was the winning bidder of a prize consisting of a gourmet dinner to be prepared by famous international chefs. The chefs were flown to Miami from Paris where they prepared a dinner for approximately sixty guests at Mr. Paul's home. Although the chefs' services were covered in the prize, their transportation and the cost of the food and beverages at the dinner were not. In the end, the additional cost of the dinner was in excess of \$122,000 and was initially paid for by CenTrust. As I will describe later, this money was ultimately paid back.

REGULATORY RESPONSE

From the beginning, the FHLB of Atlanta regulators had a strained and contentious relationship with CenTrust and its CEO, David Paul. Examinations were conducted under extremely adversarial conditions and the examiners reported being frustrated by inordinate delays in getting information and financial data. When information was eventually supplied, it was often not on point or quite what had been requested. CenTrust operated through a maze of subsidiaries which maintained poor records and it used an internal accounting system that was different from both its consolidated audited statements and the thrift financial reports. All of this tended to obscure the true nature of transactions and made it extremely difficult to examine and analyze the institution's financial condition.

Mr. Paul exhibited disdain for both regulations and the

regulators. He retained a number of noted thrift regulatory lawyers and consultants, was extremely litigious, and challenged the regulators at every turn. Hardly anything of substance could be resolved through mutual agreement.

Exhibit V provides a brief summary of the principal supervisory actions that were taken or recommended. It by no means tells the entire story. Supervisory agents and examiners were in constant communication with the institution. The records on this case, which include massive responses from CentTrust, fill several file cabinets. However, in the final analysis, the principal question has to be why the regulators didn't stop CentTrust sooner. The short answer is that it was not for the lack of trying.

The ability of the FHLB regulators to limit the junk bond purchases at CentTrust must be viewed in the context of the national policies and conventional wisdom at the time. The financial literature and empirical evidence in the mid-1980's seemed to support the position that investments in junk bonds could be accomplished both prudently and safely. Numerous articles and studies were being published similar to one by John J. Curran that appeared in the April 29, 1985 issue of Fortune Magazine which said "...the risks of default on the low-rated securities, new evidence suggests, are slim in relation to the fat yields...".

A study dated April 19, 1985, by the Congressional Research Service of the Library of Congress titled "The Role of High Yield Bonds (Junk Bonds) in Capital Markets and Corporate Takeovers: Public Policy Implications" came to no firm conclusion and did not recommend additional further regulation.

Internal studies at the FHLBB explored alternative regulatory approaches to junk bond investments. One study concluded in part: "...the empirical evidence generally supports the hypothesis that the return on high yield bonds more than offsets the additional risk...". Moreover, the study cautions "...that precluding the holding of junk bonds on the grounds of safety and soundness could be deemed arbitrary in the absence of data to substantiate the assertion of excessive risk...". In fairness, many of these papers on junk bonds contained disclaimers about the lack of historical data on the market given the rapid expansion of the use of low-rated securities.

Regulations applicable to federally-chartered S&L's -- until the passage of FIRREA -- essentially permitted investment in junk bonds up to an amount equal to 11% of total assets. Because CentTrust was a state-chartered institution, Florida law governed CentTrust's investment authority. Early in the implementation of the junk bond

strategy, the Florida Comptroller's office took the position that state-chartered institutions were limited to the purchase of investment grade securities. Undeterred, CentTrust continued to buy junk bonds by exploiting a provision in Florida law that allowed the purchase of unrated securities provided a credit file as to the quality of the investment was maintained and by citing a Florida law that allowed the purchase of corporate securities up to 25% of assets. In any event, CentTrust purchased junk bonds in amounts well in excess of the 11% of assets limit permitted for a federally chartered thrift.

Notwithstanding the foregoing, the FHLB regulators became increasingly concerned about the level and quality of junk bonds being purchased by CentTrust. Examination reports criticized the underwriting standards being used as well as the overall level of investment. On May 21, 1985, in a supervisory letter, CentTrust was directed to cease purchasing junk bonds and again on August 6, 1985, CentTrust was directed to reduce its junk bond portfolio to no more than 10% of total assets. CentTrust did not comply with these supervisory letters and on January 6, 1986, the FHLB of Atlanta regulators recommended to the FHLBB the issuance of a cease and desist order against CentTrust which, among other provisions, would have limited CentTrust to holding no more than 10% of its assets in junk bonds and would require specific improvements in its underwriting practices.

The Atlanta regulatory staff was informed by Office of Enforcement lawyers that given national policy at the time, they felt they would be unable to get the FHLBB to issue an order limiting CentTrust's investment in junk bonds. However, the Enforcement staff was willing to change the focus of the order to the unsafe and unsound manner in which CentTrust invested in junk bonds based upon CentTrust's underwriting standards, policies and procedures. They requested the examiners to gather further information and engage experts to assist in the matter. The requested information was gathered during the on-going exam and reports from two different experts were sent in January, 1987. Requests from Enforcement for clarification and additional information continued for numerous months.

Inasmuch as a cease and desist order was apparently not available in the desired form, the FHLB of Atlanta regulators were encouraged to attempt to negotiate a written agreement with CentTrust. CentTrust declined to enter into an acceptable agreement, and a decision was made to update the information through further examination efforts in late 1987.

In 1988, the examiners criticized, in an exam report, some \$400 million of junk bonds, citing the poor credit quality of individual issues. This analysis supported a

directive to CentTrust in 1989 to cease purchasing junk bonds and establish substantial reserves. CentTrust substantially complied with this directive.

Another principal problem that we believe left major losses embedded in CentTrust's balance sheet was the extensive trading activities in mortgage-back securities and other investments. Generally accepted accounting principles normally permit thrifts to carry investment securities on their balance sheet at their historical cost (adjusted with amortization and accretion requirements) on the theory that the securities were purchased with the intent that they would be held to maturity. Under these circumstances, changes in the market value of the securities that occur over the holding period would not result in any adjustment to the carrying value of the security because the holder is expected to receive par value at maturity. Conversely, the accounting rules provide that securities purchased with the intent of buying and selling them in the market be treated as a trading account which would require that the securities be marked-to-market. The dispute occurs when there is a disagreement about the intent of the holder. Accounting literature and regulatory bulletins are far from clear on this issue even today.

As previously mentioned, examiners were of the opinion that CentTrust was trading securities and as such should have recognized the market loss on the securities held in its portfolio. We believe that the pattern of activity over time sustains this finding. For example, in fiscal 1987, CentTrust entered into 427 purchase commitments for mortgage-backed securities, totaling \$14.4 billion. 344 of those commitments totaling, \$11.9 billion, were "paired-off" at a profit to CentTrust of \$60.6 million. On the remaining 83 commitments of \$2.5 billion, CentTrust took delivery or funded the securities. In all but three instances, the securities which were funded were purchased at a higher cost than current market. The net "unrealized" loss on those securities was \$81.6 million. (Two of three securities which were funded with gains were sold within 10 days.)

Despite repeated attempts by the regulators to force recognition of the market loss in its securities, CentTrust has never done so. On several occasions, the examiners referred the facts to Atlanta District accountants who, in turn, had discussions with FHLBB staff accountants in Washington and at various times they all agreed that the weight of evidence would support a finding that CentTrust was actively trading its securities portfolio. CentTrust's outside auditors, however, did not agree that CentTrust's activities were such that would require marking securities to market under GAAP. Consequently, CentTrust received unqualified financial statements (as to this issue) from the

outside auditors. OTS was reluctant to overrule the auditors in view of the controversy surrounding the issue and the lack of a clearly articulated national policy.

In 1988, the firm of Deloitte, Haskins and Sells terminated its engagement with CentTrust and Price Waterhouse conducted the 1989 audit. Neither firm, however, required CentTrust to mark securities to market although a statement as to the effect of such a markdown was contained in the Price Waterhouse opinion letter on the fiscal year-end 1989 results.

In addition to trading versus investment issues, the examiners learned from OTS examiners in Lincoln Savings that some of CentTrust's trades involved transactions with Lincoln. Since there were examiners reviewing records of both institutions simultaneously, it could be determined that Lincoln and CentTrust were selling assets back and forth with each registering profits. Absent the "tip", this would not have been found since the records at CentTrust reflected the trades were made through Drexel. CentTrust's records did not indicate the party or the circumstances of the party on the other side of the transaction. It was obvious that any comprehensive review of these transactions would have to be undertaken on a coordinated basis which required access to the records of Drexel in addition to Lincoln and CentTrust. OTS-Atlanta was aware that a 407(m)(2) investigation of the Drexel connection at another thrift was being recommended by the Office of Enforcement and requested the investigation be expanded to include CentTrust. That request was granted. OTS-Atlanta has been informed that the Office of Enforcement turned the results of that investigation over to the Securities and Exchange Commission.

The regulatory response to the abuses of David Paul date back to the early days of his tenure at CentTrust. Examiners were critical of the level of salary and bonuses taken by Mr. Paul in view of the lack of profitability of the banking business at CentTrust. The 1986 proposed cease and desist order was an early attempt to reduce his compensation. The FHLBB had previously declined to pursue excessive compensation cases involving stock institutions which were then reporting profits because it believed this was a matter more properly decided by shareholders. Supervisory pressure with respect to the personal use of CentTrust's jet resulted in the adoption of policies that required reimbursement for non-business trips. Most trips turned out to be "business-related", however.

The major abuses did not surface until early 1989 when CentTrust moved from its rather spartan headquarters in the old Dade Savings building to its new 47-story tower. The purchase of a \$13 million Rubens at Sotheby's in New York was

reported in the press. A supervisory directive for an accounting of all purchase of artwork costing in excess of \$25,000 was made. As a result of this directive, it was learned that the art purchase totaled \$29,050,484.

In a supervisory letter dated March 15, 1989, requesting a meeting with CentTrust's Board of Directors, the Board was severely criticized for permitting the purchase of the art, directed to cease such purchases, and to develop a plan for sale of the art. The Comptroller for the State of Florida subsequently issued a directive -- which later was converted to a cease and desist order -- requiring sale of the art within six months. The Board agreed to the sale and produced a report which showed most of the art was sold in 1989, but at a loss of \$4 - \$5 million.

The supervisory letter also inquired about the payment for the chef's dinner. Coincidentally, Mr. Paul's personal check reimbursing CentTrust for the dinner was dated simultaneously with receipt of the supervisory letter inquiry some three months after the dinner.

In light of these revelations and past regulatory experience with CentTrust, there was believed to be a strong probability that even more abuses were occurring. Working closely with the Florida Comptroller's Office, a joint comprehensive examination into such expenditures was begun. This turned out to be an arduous task with the examiners receiving no cooperation from management and sifting through reams of expense reports and other documents.

As mentioned earlier, my first-hand knowledge and involvement with this case began with my transfer from Boston to Atlanta, effective November 1, 1989. I, therefore, am only able to speak from first-hand knowledge from that point on. In early December, 1989, I received a draft copy of the special examination on Mr. Paul's expenditures. I must report to the Committee that I was appalled by its contents. In my twenty-five years of regulatory experience, I have not seen anything so egregious as the personal abuses set forth in that report. In view of the probable cost of CentTrust to the U.S. taxpayers, the use of CentTrust to pay for the lavish life style of David Paul can only be regarded as unconscionable.

Mr. Paul, who had also received a draft copy of the special report, phoned me and requested an immediate meeting to explain the expenditures. We met with Mr. Paul, listened to his rationalizations, and told him his actions were indefensible and that we intended to take immediate formal action to stop the abuses and to seek remedies for those abuses. On the next day, December 6, I met with the members of the Enforcement Review Committee and the staff of the

Office of Enforcement, and recommended immediate corrective action in the form of a Temporary Order to Cease and Desist and Notice of Charges for a permanent order to be issued against CentTrust. A temporary cease and desist order addressing those abuses and other problems was issued on December 8, 1989. (See Exhibit VI). The Temporary Order was the most comprehensive one ever issued by the FHLBB or OTS and included a number of provisions made possible by Congress' enactment of FIRREA several months earlier. The Comptroller's Office for the State of Florida, in response to these abuses, instituted action to remove David Paul from CentTrust.

Throughout this period, we worked closely with the other regulatory authorities. On November 17, 1989, OTS-Atlanta arranged a joint meeting with the Florida Comptroller's Office, RTC, and FDIC in attendance. The probable course of regulatory actions and the timing of those actions were discussed at that meeting.

THE FINAL CHAPTER

In 1989, as interest rates rose and the defaults on junk bonds escalated, CentTrust's true financial condition began to become apparent. The lack of operating income could no longer be offset by gains on the sale of loans and securities and losses were mounting. At fiscal year-end 1989, CentTrust reported net losses of \$119 million wiping out 41% of the total net income booked over the past five years of operations. Moreover, those losses were likely to continue given the prohibition contained in FIRREA on investment in junk bonds and the need to shrink in size in order to meet the new capital requirements.

The passage of FIRREA prohibited the purchase of additional junk bonds, required the divestiture by 1995 of the junk bonds held in portfolio, and wiped out \$379 million of goodwill which could not be counted as part of CentTrust's tangible capital base. As of September 30, 1989, CentTrust was \$402 million short of meeting its 1.5% tangible capital requirement and it was losing money. CentTrust's back was against the wall.

In an effort to improve its tangible capital position and as a first step in a three-part restructuring plan, CentTrust entered into an agreement to sell 63 branches representing \$2.4 billion of deposits -- the majority of its core business -- to Great Western Savings Bank, a large thrift located in California. The branch sale would have produced a premium of 4% or about \$100 million. The premium would be used to partially offset a \$180 million write-off of goodwill left over from the Dade Savings acquisition. This transaction would have improved the tangible capital position

of CenTrust but, even after the sale, CenTrust would have been far short of the capital requirements and it was doubtful it could become a profitable and viable institution.

Exhibit VII reflects the basic elements of the restructuring plan. Essentially, CenTrust proposed to continue to shrink in size after the branch sale by liquidating much of its mortgage-backed securities portfolio and other assets and by repaying or placing with others brokered deposits, borrowings, and other non-core liabilities. CenTrust estimated that this shrinkage strategy would take about a year to implement if losses from the liquidation of assets were to be minimized.

The final step contemplated the merger of the "good assets" and deposit liabilities into a newly chartered thrift leaving the junk bonds and goodwill in existing CenTrust. Existing CenTrust would then give up its deposit insurance and become a non-insured holding company. David Paul would resign his official position at the thrift and would bring in management acceptable to the regulators. The end result was a "clean thrift" without David Paul, an appealing prospect. At one point, a merger with Ensign Bank which included the possibility of fresh capital was proposed; however, the proposal fell through on January 11, 1990.

The restructuring proposals were closely and thoroughly analyzed but, in the end, they were determined to be unworkable. Moreover, CenTrust was considered to be in an unsafe and unsound condition and to have substantially inadequate capital, a determination that was made possible only with the passage of FIRREA (See Exhibit VIII). OTS, therefore, turned CenTrust over to the RTC on February 2, 1990.

FINANCIAL GROWTH

(in millions)

	1983	1984	1985	1986	1987	1988	1989
<u>Assets</u>							
1-4 mtgs.	1,263	298	715	1,471	1,424	1,977	2,350
MBS	311	847	1,120	1,057	2,443	3,097	1,442
Corporate Bonds	-0-	-0-	610*	629*	882	1,173	922
All Others	228	1,631	1,802	2,543	2,589	3,101	3,866
Goodwill	<u>505</u>	<u>484</u>	<u>464</u>	<u>442</u>	<u>434</u>	<u>417</u>	<u>395</u>
TOTAL ASSETS	<u>2,307</u> =====	<u>3,260</u> =====	<u>4,711</u> =====	<u>6,142</u> =====	<u>7,772</u> =====	<u>9,765</u> =====	<u>8,975</u> =====
<u>Liabilities</u>							
Core Deposits	1,969	2,125	2,677	2,881	3,144	3,364	3,225
Brokered Deposits	*	-0-	45	519	1,533	2,821	3,051
Borrowings	247	818	1,613	2,088	2,203	2,645	1,983
Other Liabilities	<u>75</u>	<u>212</u>	<u>219</u>	<u>357</u>	<u>493</u>	<u>557</u>	<u>481</u>
TOTAL LIABILITIES	<u>2,291</u>	<u>3,155</u>	<u>4,554</u>	<u>5,845</u>	<u>7,373</u>	<u>9,387</u>	<u>8,740</u>
CAPITAL	<u>16</u>	<u>105</u>	<u>157</u>	<u>297</u>	<u>399</u>	<u>378</u>	<u>235</u>
TOTAL LIABILITIES AND CAPITAL	<u>2,307</u> =====	<u>3,260</u> =====	<u>4,711</u> =====	<u>6,142</u> =====	<u>7,772</u> =====	<u>9,765</u> =====	<u>8,975</u> =====

* Corporate debt total did not include all junk bonds at these dates

GAINS ON SALES AS A PERCENT OF NET INCOME

(Figures are in thousands)

	1983	1984	1985	1986	1987	1988	1989
REPORT NET INCOME (LOSS)	<u>(9,532)</u>	<u>93,260</u>	<u>36,636</u>	<u>55,906</u>	<u>61,506</u>	<u>50,059</u>	<u>(119,484)</u>
LESS							
Gains on Loans and Loan servicing	-0-	127,499	91,387	134,506	103,791	44,255	25,864
Gains on Sale of Investments	<u>3,326</u>	<u>14,169</u>	<u>36,475</u>	<u>27,432</u>	<u>27,746</u>	<u>43,047</u>	<u>14,568</u>
INCOME (LOSS) BEFORE GAINS ON SALES OF ASSETS	(12,858)	(48,408)	(91,226)	(106,032)	(70,031)	(37,243)	(159,916)

Exhibit III

MANAGEMENT PERKS AND LUXURY ITEMS

Attached is a sample of the excessive expenditures made by CentTrust, which were determined during the examination which began in May 1989. Many of these expenditures accrued to the direct benefit of David Paul.

I. Salary and partial list of benefits to David Paul in 1989

o Salary	\$700,000
o Bonus	310,000
o Life Insurance on Paul, payable to wife	257,783
o Car allowance - cash	6,000
o Chauffeured Mercedes Limousine - lease	26,000
o Guard Service at residence (annualized)	142,947
o Security system at residence (annualized)	78,289
o Phone Service in residence and autos (annualized)	33,082
o Corporate jet - Cost of lease, hangar pilot salary (Does not include fuel, insurance, pilot's expenses, catering) Jet was primarily used by David Paul	1,364,616
o Out of town Limousine Service (annualized)	<u>16,992</u>
	\$2,935,709

II. CentTrust Property housed at David Paul's Residence

o 2-Dehumidifiers	275
o 1 Deep fryer	419
o 1 Refrigerator	468
o 4 12 button phones	1,268
o 4 smoke alarms	759
o Various office equipment	10,943
o Intercom system	3,238
o Security Equipment	<u>132,718</u>

Depreciated book value \$150,088

III. CentTrust Loans to David Paul

o Mortgage loan on adjoining residences in Miami - Initial amount was \$800,000 in 1984.	6,100,000
o Loan on Bentley (Rolls Royce) granted 12-13-88	<u>109,050</u>
Outstanding 6-30-89	\$6,209,050 =====

IV. Examples of Other Luxury Expenditures by CentTrust

o Collection of "Old Master" and other art.	\$29,050,484
o Four Persian rugs, two of which were delivered to Paul's residence and later moved.	208,000
o Table linens for Corporate Dining room	22,427
o Baccarat crystal for Corporate Dining room	84,240
o Bills from Tiffany's for gifts, stationary, etc. over 2 year period. Some items ordered by Mrs. Paul	35,662
o Sailboat - 40 ft. sloop	232,500

V. Miscellaneous Expenditures

o Supplemental Retirement plan - Plan was in addition to regular pension. Prior to 9/89 there were only 4 participants, including Paul. On 9/89, 6 participants, were added Contribution 1983 - 1990	\$4,894,000
o Billings from Stanhope hotel in 1988 35 nights	47,000
o 1988 Annual Board Retreat	147,000

SUMMARY OF SIGNIFICANT SUPERVISORY ACTIONS CONCERNING
DADE/CENTRUST

OCTOBER 19, 1982	DAVID PAUL FILES APPLICATION FOR THE SUPERVISORY CONVERSION AND ACQUISITION OF DADE SAVINGS.
JANUARY 11, 1983	BANK BOARD STAFF RECOMMENDS DENIAL OF THE SUPERVISORY CONVERSION.
JANUARY 26, 1983	ATLANTA RECOMMENDS DENIAL OF THE APPLICATION.
MARCH 10, 1983	BANK BOARD STAFF RECOMMENDS DENIAL OF THE SUPERVISORY CONVERSION.
JULY 1, 1983	BANK BOARD STAFF RECOMMENDS DENIAL OF THE SUPERVISORY CONVERSION.
SEPTEMBER 28, 1983	BANK BOARD APPROVES DAVID PAUL'S APPLICATION CONDITIONED ON SALE OF ADDITIONAL STOCK.
AUGUST 13, 1984	ATLANTA ADVISES CENTRUST THAT IT IS SUBSTANTIALLY DEVIATING FROM ITS APPROVED BUSINESS PLAN AND REQUESTS NEW PLAN.
JANUARY 22, 1985	ATLANTA DIRECTS DAVID PAUL TO CEASE PURCHASING MASSMUTUAL STOCK IN VIOLATION OF BANK BOARD CONDITIONS.
MID 1985	CENTRUST ENTERS INTO CONSENT ORDERS WITH SEC RELATING TO INADEQUATE DISCLOSURE CONCERNING ITS PURCHASE OF MASSMUTUAL STOCK.
MAY 9, 1985	CENTRUST SELLS APPROXIMATELY \$30 MILLION OF COMMON STOCK AND SUBORDINATED DEBT. DREXEL, BURNHAM, LAMBERT IS THE PRINCIPAL UNDERWRITER.
MAY 21, 1985	ATLANTA DIRECTS CENTRUST TO CEASE PURCHASING JUNK BONDS.
AUGUST 6, 1985	ATLANTA DIRECTS CENTRUST TO REDUCE JUNK BOND PORTFOLIO TO NO MORE THAN 10% OF TOTAL ASSETS BY OCTOBER 31, 1985.

PAGE TWO

JANUARY 6, 1986	ATLANTA RECOMMENDS CEASE AND DESIST ORDER AGAINST CENTRUST TO CONTROL JUNK BONDS.
MARCH 17, 1986	ATLANTA DIRECTS CENTRUST TO MARK JUNK BONDS AND SECURITIES TO MARKET BECAUSE OF TRADING ACTIVITY.
JULY 2, 1987	ATLANTA REQUESTS CENTRUST, IN LIEU OF A CEASE AND DESIST ORDER, TO EXECUTE A SUPERVISORY AGREEMENT RELATING TO JUNK BONDS, UNDERWRITING INVESTMENTS AND LIMITING GROWTH. CENTRUST DECLINES.
FEBRUARY 17, 1989	ATLANTA RECOMMENDS THAT CENTRUST AND CERTAIN OTHER THRIFTS BE ADDED TO AN EXISTING 407 (M)(2) INVESTIGATION REGARDING THE DREXEL LAMBERT THRIFT CONNECTION.
MARCH 15, 1989	ATLANTA DIRECTS CENTRUST TO LIMIT GROWTH, CEASE PURCHASING JUNK BONDS, CEASE PAYING COMMON STOCK DIVIDENDS, INCREASE GENERAL LOSS RESERVES AND SELL ART WORK.
MAY 5, 1989	ATLANTA REQUESTS 407 (M)(2) INVESTIGATION INTO USE OF CENTRUST ASSETS FOR DAVID PAUL'S PERSONAL BENEFIT.
SEPTEMBER 6, 1989	ATLANTA DIRECTS CENTRUST TO CEASE PURCHASING ITS OWN PREFERRED STOCK AND SUBORDINATED DEBT.
OCTOBER 5, 1989	ATLANTA DIRECTS CENTRUST TO CEASE PAYING PREFERRED STOCK DIVIDENDS.
DECEMBER 8, 1989	OTS ISSUES TEMPORARY CEASE AND DESIST ORDER TO STOP DISSIPATION OF ASSETS AND SET UP A RESERVE FOR MARKET LOSS ON DEFAULTED SECURITIES.
FEBRUARY 2, 1990	OTS APPOINTS RTC CONSERVATOR FOR CENTRUST.

CEASE AND DESIST ORDER FACT SHEET

DECEMBER 8, 1989

The temporary cease and desist order immediately requires
CentTrust:

- 1) not to issue or sell any subordinated debt without prior OTS approval;
- 2) to make all of its books and records available for immediate inspection by OTS examiners;
- 3) to cease funding its Supplemental Executive Retirement Plan or any similar benefit plans without prior approval of OTS;
- 4) to halt any increases in executive compensation until CentTrust has three consecutive fiscal quarters of operating profit and receives prior approval of OTS, roll back executive compensation to no more than that in effect as of September 1, 1989, and require the return of any bonuses paid to any executive officer after September 30, 1989;
- 5) to cease payments of dividends on any of its outstanding stock until it complies with its fully phased in capital requirements pursuant to OTS regulations and receives prior OTS approval;
- 6) to make loans and investments only as permitted by the Home Owners Loan Act, and cease making investments in non-interest earning speculative assets, such as artwork, oriental rugs and crystal stemware or other luxury decorative items;
- 7) to cease purchasing any additional fixed assets or furniture, fixtures and equipment in excess of \$5,000 without prior OTS approval, submit a policy acceptable to OTS for such future purchases, and adhere to this policy;
- 8) to submit a plan acceptable to OTS for the disposition of all property, including artwork, oriental rugs, crystal stemware, and other property designated by OTS as excessive and unnecessary;
- 9) to cease payment or reimbursement, and order and

require repayment of personal, non-business related expenses of any officer, director or employee, and require the return of all CentTrust property kept by any officer, director or employee at their residences or away from CentTrust's premises which is non-essential for CentTrust's business;

10) to establish and adhere to appropriate guidelines and internal controls acceptable to OTS regarding proper documentation and approval for repayment of only prudent, appropriate, reasonable and necessary travel and entertainment expenses;

11) to cease payment for any expenses relating to the operation of any yachts or other boats not owned by CentTrust, or any security services for the residences of any officer, director or employee;

12) to submit a plan within 15 days which is acceptable to OTS to terminate, rescind or otherwise dispose of property, contracts, leases or other agreements relating to corporate jet aircraft and hanger facilities, limousines located in the New York - Connecticut area, limousine services, sailboats, and vendor or art services relating to design or consultant contracts, and to carry out such plan within 90 days;

13) to submit for prior approval to OTS a budget for its annual meeting if in excess of \$20,000 and not exceed such budget; and

14) to establish specific reserves in an amount equal to the market losses on all defaulted securities held in its portfolio, and report such reserves on its September 30, 1989 financial statements.

RESTRUCTURING PROPOSAL

Bifurcation

	<u>9/30/89</u>	<u>Post Branch Sale</u>	<u>Post 12 Months Shrinkage</u>	<u>Holding Company</u>	<u>Bank</u>
<u>Assets</u>					
Junk Bonds	755	593	513	388	125
Goodwill	380	197	197	177	20
All Other Assets	<u>7,851</u>	<u>5,592</u>	<u>2,239</u>	<u>445</u>	<u>1,794</u>
Total Assets	8,986	6,382	2,949	1,010	1,939
<u>Liabilities</u>					
Core Deposits	2,535	627	627	0	627
Brokered Deposits	3,051	2,606	827	0	827
Other Deposits	663	217	155	0	155
Other Liabilities	2,386	2,667	942	670	272
Shareholders Equity	<u>351</u>	<u>265</u>	<u>398*</u>	<u>340</u>	<u>58</u>
	8,986	6,382	2,949	1,010	1,939

* Assumes earnings in the bank and the holding company and a gain on the sale of an asset.

Data From CenTrust's Thrift Financial Reports Showing Capital Compliance
Before and After FIRREA

	9/84	9/85	9/86	9/87	9/88	9/89	9/89 Post- FIRREA
Total Assets	3,121,775	4,722,077	6,084,448	7,670,436	9,680,923	8,875,904	8,875,904
Goodwill	484,167	463,161	442,092	421,040	400,701	379,487	379,487
Regulatory Capital							
Sub Debt	-0-	-0-	-0-	-0-	150,000	2,341	*
General Reserves	-0-	-0-	-0-	7,396	40,543	55,242	*
Preferred Stock	-0-	-0-	-0-	60	146,694	123,996	*
Common Stock	25,713	44,186	137,343	208,385	66,446	66,446	66,446
Retained Earnings	<u>87,399</u>	<u>112,273</u>	<u>159,428</u>	<u>191,047</u>	<u>193,105</u>	<u>43,676</u>	<u>43,676</u>
TOTAL	113,112	156,459	296,771	406,888	596,788	291,701	110,122
							-379,487 Less Goodwill (269,365)
Reg. Capital Requirement	N/A	<u>133,492</u>	<u>197,650</u>	<u>212,246</u>	<u>277,625</u>	<u>255,108</u>	<u>133,139</u> (Tangible requirement)
Amount over (short)		22,967	99,121	194,642	319,163	36,593	(402,504)

*The accounts no longer qualified for the tangible capital test.

MEMORANDUM

0000024

To: Rosemary Stewart, Director, Enforcement Division, OGC
From: Park T. Zimmerman, Supervisory Agent
Date: January 6, 1986
Subject: CentTrust Savings Bank
Miami, Florida FHLBB No. 2745
Recommendation for Cease and Desist Order

Asset Size	\$4.6 Billion as of October 31, 1985
Control	David L. Paul
Type of Institution	State Stock
Other Remarks	Subject of a Supervisory Conversion/ Acquisition 1983

Violations: The primary reason for requesting a cease and desist order is the institution's unsafe and unsound asset deployment. CentTrust had \$692 million or 15 percent of its total assets at December 20, 1985, invested in "junk bonds", that is bonds rated below the top four grades or not rated. Junk bond investments were cited in a recent examination report as representing unsafe and unsound investments due to CentTrust's unusually large investment in them, because a substantial amount of the bonds were substandard and because of concentrations within the portfolio which violated the loans to one borrower limitations contained in Section 563.9-3(b) (2) of the Insurance Regulations. Also, in certain instances the institution failed to adequately underwrite the investment, its investment policy was inadequate in certain respects, and its investment in junk bonds had many speculative aspects. Certain bond issuers were also companies which engaged in corporate raiding, which is not an appropriate purpose for bonds held by an insured institution.

The large investment exceeded 10 percent of assets, which was the level that CentTrust was not supposed to exceed after October 31, 1985. This limit was mandated in a supervisory directive contained in a letter dated August 6, 1985, with which CentTrust had promised to comply. CentTrust's holding of junk bonds has instead steadily increased from 13 percent of assets at October 31, 1985 to 15 percent of assets at December 20, 1985.

The junk bond investments are not part of an approved business plan. The business plan requirement, dated December 27, 1984, arose from CentTrust's supervisory conversion and subsequent stock offering. Although CentTrust submitted a "business plan" on October 22, 1985, the plan has been deemed unacceptable by the Supervisory Agent because: (1) it is not totally self-contained; (2) it does not, in CentTrust's words, "...supercede the approved business plan...negotiated (with) ... the Federal Home Loan Bank Board, ..." and (3) years two and three of the plan were not approved by the board of directors. Thus, the business plan requirement remains unsatisfied.

In addition, the institution has been chronically late in filing regulatory reports in violation of Section 563.18(a). A meeting was held on this subject with President Paul and his reporting staff and the violations continued. A letter has been sent to the institution stating that the failure to file reports in a timely manner might result in a recommendation for regulatory enforcement action.

The institution's liabilities grew at a rate of 25.36 percent during the period between March 31 and September 30, 1985. This is a violation of Section 563.13-1(a) (1) of the Insurance Regulations.

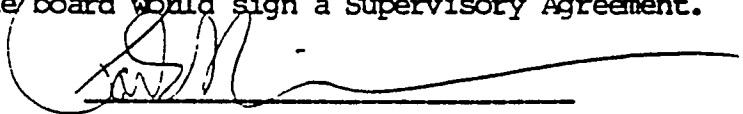
Actions to be stopped or actions to be required by issuance of the cease and desist order: The institution should be required to divest junk bonds that exceed 10 percent of assets. The divestiture should be required to occur within one month of the date of the cease and desist order. Also, CenTrust should be required to submit a business plan acceptable to the Supervisory Agent within one month of the date of the cease and desist order. The business plan is to contain a limitation on junk bonds of 10 percent of assets. CenTrust will be required to cease investing in bonds that are substandard, and to submit an investment policy for junk bonds that provides for minimum underwriting standards and which meets the approval of the Supervisory Agent. The policy is to include language indicating that all investments will comply with regulatory limitations and requirements for investment in bonds, and to specify that investment in bonds of companies that engage in corporate raiding are not permitted.

CenTrust will be required to submit all regulatory reports to the appropriate parties within the time limits specified by the report form instructions; e.g. by the 10th of the following month for monthly reports, by the 20th of the following month for quarterly reports.

Lastly, the order will contain language mandating compliance with the growth limitations of Section 563.13-1(a) (1) of the Insurance Regulations.

Attached you will find copies of documents that support our request for issuance of the cease and desist order.

A cease and desist order, rather than a Supervisory Agreement, has been requested because of CenTrust's failure to comply with supervisory directives in the past and because of the large potential cost to the Federal Savings and Loan Insurance Corporation if this institution fails. Also, David Paul completely controls the board of directors. It is very doubtful that the board would sign a Supervisory Agreement.

A handwritten signature, likely of David Paul, is written over a horizontal line. The signature is cursive and somewhat stylized.

Attachments

TESTIMONY OF

ASH WILLIAMS, JR.
ASSISTANT COMPTROLLER
STATE OF FLORIDA

AND

LAWRENCE FUCHS
DEPUTY COMPTROLLER
STATE OF FLORIDA

ON

CENTRUST BANK OF MIAMI, FLORIDA

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

March 26, 1990
Room 2128, Rayburn House Office Building

Thank you for providing us the opportunity to discuss our experience with CentTrust Bank.

But before going forward, it may be useful to briefly summarize the regulatory environment that existed in the early 1980s. The Federal Home Loan Bank Board (FHLBB), the federal government's primary thrift regulator, was woefully understaffed in terms of both administrators and examiners. As a result, an agreement was reached between the agency and the State of Florida to provide examination personnel to assist in examinations of state-chartered savings and loans.

In short, our office agreed to provide examiners to assist the federal regulatory agency in fulfilling its responsibility - a procedure which remains essentially intact 10 years later. To this day, all such exams are joint examinations conducted according to schedules prepared by the federal supervisory staff in Atlanta.

The arrangement is in marked contrast from the system employed by both us and our federal banking counterparts in examining commercial banks. In examining state banks, this office conducts independent examinations. So does the Federal Deposit Insurance Corporation (FDIC). The two agencies stagger their exams, and each accepts the finding of the other.

And by way of explanation, an examination, by definition, is an after-the-fact review. The system functions in arrears. Regulators check activities of a financial institution, typically 18 months after the fact, to review compliance with applicable laws and regulations.

Regulators are neither designed nor equipped to manage banks or thrifts. Profits are made, or losses suffered, on the basis of the skills of bank management and market conditions. The role of regulators is limited to determining whether the rules and guidelines governing the institution are being followed.

With that in mind, let us begin.

By 1983, Dade Savings and Loan, CentTrust's predecessor, was imminently insolvent. It got there the old-fashioned way - poor management, no mechanism to compensate for interest-rate swings and an inadequate infrastructure to

achieve profitability. The institution was the epitome of a floundering, hopeless S&L wrought by the vagaries and uncertainties of deregulation.

Arguably, the federal government should have closed the institution. Unfortunately, the insurance fund was inadequate to the task. This was due, at least in part, to the Garn-St. Germain Act of 1982, which raised insurance on deposits from \$40,000 to \$100,000 without a commensurate increase in premiums to cover the added exposure. Consequently, the ailing thrift lingered, continuing its burden on the regulatory system and increasing the probability of eventual taxpayer burden.

Faced with the dilemma, the federal government and our office were forced to seek an external source of capital. Given the long odds of rehabilitating the institution, we probably need not add that few Rockefellers or Morgans came forward. Indeed, the situation itself had created an adverse selection pool.

Enter David L. Paul, an entrepreneur and real estate developer from New York who approached both us and our federal counterparts with a plan to inject new capital into the S&L. It was to come by means of a transfer of the assets of a business (the Westport Company) he controlled to the association. And it was done without any taxpayer assistance.

Mr. Paul's business plan was predicated on sound banking principles: a conventional operation relying on home mortgages, consumer loans, some commercial loans and student loans - primarily funded with low-cost core deposits. The plan was reasonable and with the benefit of additional capital, there appeared to be a reasonable prospect of success. And in the absence of an adequate insurance fund, there was really no viable alternative.

Based on Mr. Paul's projections that it would take time before operating profits would be generated, he proposed to supplement earnings with sales of loans and certain mortgage-backed securities.

And on Nov. 3, 1983, he assumed control of Dade Savings. In 1984, he changed its name to CentTrust.

Mr. Paul's plan seemed to work. The initial years of his ownership were actually profitable. In fact, "Forbes Magazine" highlighted the institution as among the most profitable companies in America. In truth, many of these

profits were the result of liberal accounting principles. Moreover, when Mr. Paul took over the thrift, he marked the institution's loans and mortgage-backed securities down to reflect their actual value. And the difference became the "goodwill", which he amortized at \$21 million a year.

In the mid 1980s, interest rates were generally falling. And as they fell, the actual value of the loans and securities in CentTrust's portfolio increased. The thrift carefully sold off these loans and securities, netting a profit on the transactions. This activity provided the primary source of income during the early years.

At the same time, Mr. Paul brought in the best and brightest talent money could buy. He brought in top managers and administrators from around the country. CentTrust's board of directors read like a Who's Who of business and government. Among its members: Sir Edward D.G. Davies, a leading authority on investments; Barry Schwartz, chairman of Calvin Klein Industries; Author Richard Goodwin, an architect of President Lyndon Johnson's Great Society programs; and Lewis Ranieri, a man known as the father of the mortgage-backed security.

By late 1987, interest rates had ceased their decline. CentTrust, still unable to achieve operating profits on its core banking business, turned to what is known as "gains trading in forward commitments" in mortgage-backed securities. This is an activity in which an institution commits to purchase a security in the future and often can earn a profit by selling the option before the funding date.

Despite its profitability, it was clear that there was an over reliance on non-operating income. Our concerns were expressed in a March 26, 1984 examination letter.

" ... on a net operating income basis, the association is still operating at a deficit. The directorate should continue to explore further opportunities which would insure Dade Savings long-term viability."

That same year, we became aware of CentTrust's holdings of what are now known as "junk bonds." While Mr. Paul, then as now, referred to them as

commercial loans with bond characteristics, we felt they were prohibited by our investment statute.

As a result of the junk bond issue, previous concerns over deviations from its initial business plan and the employment of liberal accounting principles, we concluded in 1984 that CentTrust would have to be scrutinized exceedingly closely.

During a meeting that summer with Mr. Paul, we took the position that investments in below investment-grade bonds by a thrift were prohibited by statute. Mr. Paul disagreed and sued our agency over our interpretation of the statute. While the suit was pending, the Florida Legislature enacted a law expressly prohibiting a thrift from acquiring junk bonds - an action which rendered the challenge moot.

As a result, our office instructed CentTrust to divest itself of its junk without suffering any financial losses.

In the latter part of 1986, senior members of our staff went to Atlanta to meet with FHLBB officials to discuss some of our supervisory concerns about Florida thrifts generally. We requested that efforts be initiated to relieve our regulatory agency of the burden of insolvent and impaired savings institutions. We offered to recommend receiverships/conservatorships and any other assistance that we could provide. We were advised, in essence, that the resources of the insurance fund were too constrained to consider resolving any Florida thrifts. We were told that the problems facing the savings and loan industry in the oil patch greatly exceeded those in Florida and that the insurance fund was stretched as far as possible.

To say the least, we found the situation alarming. It prompted Florida Comptroller Gerald Lewis to come to Washington to meet with officials here. As you recall, in 1986 and 1987, Congress recognized the dilemma facing the insurance fund. While in Washington, Comptroller Lewis met with Florida's representatives in the House and Senate, as well as the chairmen of both FDIC and FSLIC. In these meeting, Mr. Lewis expressed his strong support for the adequate recapitalization of the insurance fund.

In our meeting with the acting director of the FSLIC, Thurmond Connell, we requested federal assistance and an explanation for the absence of federal

involvement in several situations that showed little promise of being resolved. Mr. Connell reiterated what we had been told previously - that funds to accomplish what needed to be done in Florida were not available.

In an effort to find a solution, Mr. Lewis, who is a trustee of Florida's pension fund and a member of the Council of Institutional Investors, traveled to Washington again in 1988 to meet with then-FHIBB Chairman Danny Wall. At that meeting, Mr. Lewis offered to try to organize a consortium of state pension funds to assist in the recapitalization of the insurance fund provided assurances were made that the proposed investment was adequately secured by the federal government.

When the savings and loan bill that was enacted last summer was first proposed, Comptroller Lewis was among its most ardent supporters as it represented a means of addressing the lingering problems of both failed and troubled thrifts.

But to get back to CenTrust, our examiners and those of our federal counterparts concluded another examination in the summer of 1986 which uncovered continuing problems at the institution. While we might point out that CenTrust remained profitable at this point, the exam showed that the thrift continued to maintain an unacceptably large number of junk bonds, high operating expenses and still relied almost exclusively on non-operating income.

We wrote a letter to CenTrust outlining our concerns and objections, and, as was generally the case, the institution took exception to nearly every conclusion we reached. The exam was criticized as being overly subjective. Mr. Paul criticized our examiners as inexperienced and incapable of meeting the task. While we obviously disagreed, we determined that the next examination would be conducted by the best state and federal examiners.

In 1988, the next examination went forward and identified more problems than ever before. The nature of the problems was much as before: junk bonds, lack of tangible capital and an over reliance on trading income.

At about the time we concluded our report the following January, we became aware that CenTrust had purchased a \$13 million painting through Sotheby's in New York. We quickly found out that the painting in question was part of an approximately \$30 million collection assembled by Mr. Paul to adorn

the institution's new building in Miami. At the risk of understatement, this information exacerbated our concerns regarding the conduct of the institution's management and its Board of Directors. The art purchases represented the beginning of the end for CenTrust. In fact, Mr. Paul, himself, characterized the ill-advised transactions as the biggest mistake of his life.

Occurring as they did in the third-quarter of 1988 - a period in which interest rates were rising, thus effectively wiping out "gains trading" which had enabled CenTrust to turn a profit - the art purchases were made during a period in which CenTrust lost money. Such a purchase by a thrift under any circumstances would have been alarming. To do so while it was operating in the red was simply unacceptable.

In April of 1989, we directed Mr. Paul to liquidate the institution's art collection within six months. Although sensitive to the implications of a fire sale, we felt that we had to act to protect the institution's depositors. To no one's surprise, the directive was largely ignored. So in November of last year, we issued a formal cease-and-desist order requiring the institution to turn the art over to an independent third party for its ultimate sale. Instead, Mr. Paul chose to liquidate a large portion of the art himself, sustaining a multi-million dollar loss in the process.

At about this time, CenTrust began experiencing upheavals in its management. The chief operating officer resigned in May of 1989. Six weeks later, its president quit. In addition to all of this, we began in May of last year what was to be our final examination of CenTrust.

The critical first phase of the joint exam focused on the operations and expenses of the association. It identified abuses that were previously unknown. Mr. Paul, who knew better than anyone what we would find, continued his concerted effort to impede the examination's progress. Examiners were forced to make written requests for even nominal data; they had to make appointments to see certain CenTrust employees; and they were denied access to certain areas of the CenTrust building and Mr. Paul's lavish home, where some assets of the thrift were kept.

The examiners dealt with these obstacles on a daily basis. During this period, the certified public accounting firm employed by CenTrust to prepare

its quarterly reports - Deloitte, Haskins and Sells - notified regulators of its intention to resign. Although Mr. Paul claimed that there was no substantive dispute, the accounting firm indicated otherwise. Apparently there were several disagreements over the proper accounting of transactions. The dispute was serious enough to prompt the accountants to terminate their profitable relationship with a large client.

Last summer, several CentTrust shareholders sued Mr. Paul and the Board of Directors, alleging breach of fiduciary duty and waste of corporate assets.

Last fall, we received a preliminary copy of the examination. Along with the deficiencies previously documented, it found that Mr. Paul had inappropriately spent about \$40 million of the institution's funds on such extravagances as the artwork, a corporate jet, yachts, limousines and lavish entertaining.

Around Thanksgiving of last year, senior members of our staff met with Office of Thrift Supervision officials and FDIC personnel in Atlanta to map out our strategy for dealing with the problems we uncovered. Following the meeting, Comptroller Lewis wrote to both FDIC Chairman William Seidman and then-Director of the OTS, Danny Wall, suggesting that each take a personal interest in the case.

Our examination report, plus the support provided by the freshly-enacted Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), allowed us to move forward. By early December, OTS issued a cease-and-desist order which ordered a halt to the inappropriate expenditures on the part of CentTrust. Twelve days later, our office filed an enforcement action seeking the removal of Mr. Paul from the institution.

We might add that despite the headlines generated by the disclosure that CentTrust had allegedly squandered up to \$40 million in depositors' funds, the fundamental flaw with CentTrust was its inability to generate profits from its core banking operations and its fatal reliance on gains trading and poor quality junk bonds. Let us put it another way: Under FIRREA, with its new capital requirements and its insistence that generally accepted accounting principles - and not the gimmicky method used in the past by S&L's - be employed, CentTrust was doomed.

And so on February 2 of this year, Comptroller Lewis authorized OTS to place CentTrust into conservatorship after examiners confirmed that under the standards imposed by FIRREA, CentTrust was unsalvageable.

Thank you for the opportunity to present this summary, and we look forward to answering any questions you may have when the committee meets next week.

CENTRUST POLITICAL CONTRIBUTIONS

NAME	STATE	YEAR							TOTAL
		1984	1985	1986	1987	1988	1989	1990	
FEDERAL PAC									
SENATE									
Lloyd Bentsen	Texas				1,000.00				1,000.00
George Mitchell	Maine				1,000.00				1,000.00
Howard Metzenbaum	Ohio				1,000.00				1,000.00
Edward Kennedy	Massachusetts					1,000.00			1,000.00
Jack Gordon	Florida					1,000.00			1,000.00
Reuben Askew	Florida					10,000.00			10,000.00
Jim Sasser	Tennessee					5,000.00			5,000.00
Bill Gunter	Florida					15,000.00			15,000.00
The Lautenberg Committee	New Jersey					5,000.00			5,000.00
Richard Licht	Rhode Island					5,000.00			5,000.00
Kenneth "Buddy" McKay	Florida					15,000.00			15,000.00
Terry Sanford	North Carolina						1,000.00		1,000.00
Joseph Biden	Delaware						10,000.00		10,000.00
Hawkin for Senate	Iowa						5,000.00		5,000.00
CONGRESS									
Tony Coello	California				1,500.00				1,500.00
Larry Smith	Florida				2,000.00	5,000.00	5,000.00		12,000.00
Bill Nelson	Florida				1,000.00				1,000.00
William Lehman	Florida					500.00			500.00
Ferdinand St. Germaine	Rhode Island					2,000.00			2,000.00
Claude Pepper	Florida					1,000.00			1,000.00
Rosario Kennedy	Florida						1,000.00		1,000.00
PRESIDENCY									
Robert Dole					1,000.00				1,000.00
Richard Gephardt					1,000.00	4,000.00			5,000.00
OTHER									

CENTRUST POLITICAL CONTRIBUTIONS

NAME	STATE	YEAR							TOTAL
		1984	1985	1986	1987	1988	1989	1990	
House Leadership Committee						1,000.00			1,000.00
Democratic Senatorial Campaign Committee						15,000.00	15,000.00		30,000.00
Democratic Congressional Campaign Committee						5,000.00			5,000.00
The Republican Party of Florida							2,500.00		2,500.00
Victory Fund '89							500.00		500.00
TOTAL Federal PAC		0.00	0.00	0.00	9,500.00	90,500.00	40,000.00	0.00	140,000.00
FLORIDA PAC									
Bob Butterworth	attorney general			1,000.00					1,000.00
George Stuart				1,000.00					1,000.00
Bill Gunter	insurance commissioner			1,000.00					1,000.00
Alex Daoud	mayor-Miami Beach				1,000.00		1,000.00		2,000.00
Beverly Phillips	commissioner-Metro				1,000.00	1,000.00			2,000.00
Clara Oesterle	commissioner-Metro				1,000.00				1,000.00
Xaxier Suarez	mayor-Miami				1,000.00				1,000.00
Maurice Ferre	mayor-Miami				1,000.00				1,000.00
Joe Carollo	commissioner-Miami				1,000.00				1,000.00
Howard Forman	state legislature				500.00				500.00
Steven P. Clark	mayor-Metro				1,000.00				1,000.00
William Markham	tax assessor					100.00			100.00
Susan Gruber	representative					100.00			100.00
William Cresswell	county commissioner					250.00			250.00
Jim Smith	governor					3,000.00			3,000.00
Jack D. Gordon	senate-state					1,000.00			1,000.00
Ken Jenne	state treasurer					8,000.00			8,000.00
Bill Nelson	governor						3,000.00		3,000.00
Stanley Arkin	municipal office-Miami Beach						1,000.00		1,000.00
Sidney Weisburd	municipal office-Miami Beach						1,000.00		1,000.00
Ben Grenald	municipal office-Miami Beach						1,000.00		1,000.00
Abe Resnick	municipal office-Miami Beach						1,000.00		1,000.00

CENTRUST POLITICAL CONTRIBUTIONS

NAME	STATE	YEAR							TOTAL
		1984	1985	1986	1987	1988	1989	1990	
Bruce Singer	municipal office-Miami Beach						1,000.00		1,000.00
William Shockett	municipal office-Miami Beach						1,000.00		1,000.00
Gerald Lewis	cabinet						1,000.00		1,000.00
Betsy Castor	cabinet						500.00		500.00
Bob Crawford	commissioner						2,500.00		2,500.00
Miller Dawkins	commissioner-Miami						1,000.00		1,000.00
Sherwin Winn	county commissioner						1,000.00		1,000.00
OTHER									
Congregation Shaaray Tefilah	charitable			300.00					300.00
Committee to Re-elect Congressman Don Mica					250.00				250.00
Florida Elections Commission					4,150.00		150.00		4,300.00
Leadership '88						5,000.00			5,000.00
Bunning the Florist-7 individuals							428.43		428.43
TOTAL FLORIDA PAC		0.00	0.00	3,300.00	11,900.00	18,450.00	16,578.43	0.00	50,228.43
DIRECT CONTRIBUTIONS BY COMPANIES									
CentTrust Savings Bank									
Jered Anton Campaign Fund				1,000.00					1,000.00
Democratic Congressional					9,000.00				9,000.00
Campaign Acct. of Dan Samuel					200.00				200.00
The Democratic Leadership					2,500.00				2,500.00
Democratic Congregational Dinner Committee						5,000.00			5,000.00
Alliance for Capital Access	junk bond lobby group			25,000.00		25,000.00			50,000.00
Ken Jenne Campaign	state treasurer					3,000.00			3,000.00
Democrats For The 80's						10,000.00			10,000.00
Democratic Presidential Campaign Convention						50,000.00			50,000.00

CENTRUST POLITICAL CONTRIBUTIONS

NAME	STATE	YEAR							TOTAL
		1984	1985	1986	1987	1988	1989	1990	
Commissioner Clara Oesterle	county commissioner					1,000.00			1,000.00
TOTAL		0.00	0.00	26,000.00	11,700.00	94,000.00	0.00	0.00	131,700.00
Centrust Mortgage Company									
Pacjik Campaign Fund	governor			3,000.00					3,000.00
Ken Jenne Campaign Fund						3,000.00			3,000.00
TOTAL		0.00	0.00	3,000.00	0.00	3,000.00	0.00	0.00	6,000.00
Old American Insurance									
Citizens for Webster					100.00				100.00
Senator T. Wilson							200.00		200.00
Life Insurance Assoc. of Missouri PAC							300.00		300.00
TOTAL		0.00	0.00	0.00	100.00	0.00	500.00	0.00	600.00
Total Contributions by Companies		0.00	0.00	29,000.00	11,800.00	97,000.00	500.00	0.00	138,300.00
TOTAL CONTRIBUTIONS MADE		0.00	0.00	32,300.00	33,200.00	205,950.00	57,078.43	0.00	328,528.43

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Transmit attached by Facsimile

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION

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

To: **FBI Phoenix**

From: **FBI Los Angeles (68C-PX-44605) (SARA-1) (P)**

Subject: **Allegations concerning U.S. Senators Alan Cranston, Dennis D. Conrad, John Glenn, John McCain, Donald Riegle, Charles H. Keating, Jr., pba Lincoln Savings and Loan Association etc. Corruption of Federal Public Officials - Legislative, out: Phoenix/LA**

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

Special handling instructions:

Approve _____



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PRECEDENCE:

☐ Immediate
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☐ Routine

CLASSIFICATION:

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

Date 5/30/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM : SAC, CHARLOTTE (68C-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
 (00: PX-LA)

Re Atlanta teletype to Charlotte and Phoenix dated
 5/21/90.

Enclosed for Phoenix are the original and two copies of
 an FD-302 setting forth the results of an interview with [redacted]
 [redacted] on 5/25/90.

2-Phoenix (Enc. 3)
 1-Charlotte
 [redacted]

(5)

Approved:

Transmitted

(Number) (Time)

Per

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
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PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 5/23/90

TO : SAC, PHOENIX
 FROM : SAC, OMAHA (58C-PX-41605) (RUC)
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
 ALLEN CRANSTON, DENNIS DECONCINI,
 JOHN GLENN, JOHN MC CAIN,
 DONALD RIGLE;
 CHARLES H. KEATING, JR.,
 DBA LINCOLN SAVINGS AND LOAN
 ASSOCIATION OF CALIFORNIA AND
 AMERICAN CONTINENTAL CORPORATION;
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
 LEGISLATIVE BRANCH;
 OO: PHOENIX

Re Phoenix teletype to Omaha dated May 10, 1990.

Enclosed for the Phoenix Division is the original and
 one copy of an FD-302 detailing interview with [redacted] and
 1-A envelope containing notes of interview.

② - Phoenix (Enc. 3) D58
 1 - Omaha

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 SERIALIZED

JUN 02 1990

Approved: _____

Transmitted _____

(Number) (Time)

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 6/6/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM : SAC, CHARLOTTE (58C-PX-41605) (RUC)
 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: PHOENIX/LOS ANGELES

Re Atlanta teletype to Charlotte, dated 5/21/90;
 Charlotte teletype to Phoenix, dated 5/24/90.

Enclosed for Phoenix are the original and two copies of
 an FD-302 reflecting interview of [REDACTED]

[REDACTED] on 5/23/90, along with the interview
 notes. Also enclosed for Phoenix are the original interview
 notes of [REDACTED]

(2) - Phoenix (58C-PX-41605) (Encs. 5) *N
 1 - Charlotte (58C-PX-41605)

ORIGINAL DOCUMENT(S) ENCLOSED
 DO NOT BLOCK STAMP

Approve

Transmitted

(Number) (Time)

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TRANSMIT VIA:

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☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 6/28/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM : ACTING SAC, NEWARK (58C-PX-41605) (RUC) (ACRA)
 SUBJECT: ALLEGATIONS CONCERNING
 UNITED STATES SENATORS
 ALAN CRANSTON, DENNIS DECONCINI,
 JOHN GLENN, JOHN MC CAIN,
 DONALD RIEGEL;
 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 AND LOS ANGELES

Re: Newark teletype to Phoenix, 6/18/90.
 Newark telcall of SA [redacted] to
 SA [redacted] of Phoenix Division, 6/25/90.

Enclosed for Phoenix is the original and one copy each of
 two self-explanatory FD-302's reflecting the results of interview
 of FEDERAL HOME LOAN BANK [redacted]
 [redacted] at Somers Point, NJ, on 6/16/90.

Enclosed for Boston Division is one copy each of the
 aforementioned FD-302's. Copies are provided for informational
 purposes should recontact and interview of [redacted]
 by Boston be deemed necessary.

②-Phoenix (Encls. 4)
 2-Boston (Encls. 2) (Info.)
 1-Newark
 [redacted]

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Approved: _____ Transmitted _____
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NK 58C-PX-41605

During the interview of [REDACTED] it became quite apparent that both individuals were very conversant concerning [REDACTED]

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In view of the foregoing, Newark limited the scope of the initial interview of [REDACTED]. It is recommended that an in depth interview of [REDACTED] be conducted when [REDACTED]

Pursuant to referenced telcall, no further active investigation is contemplated by Newark Division in this matter. Accordingly, this matter is being considered RUC'd.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 7/2/90

TO : SAC, PHOENIX (58C-PX-41605)
 FROM : SAC, ATLANTA (58C-PX-41605) (RUC) (SQ 10)
 SUBJECT: ALLEGATIONS CONCERNING
 UNITED STATES SENATOR ALAN CRANSTON;
 ET AL;
 CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE;
 OO: PHOENIX

Reference Atlanta teletype to Phoenix, 5/25/90.

Enclosed for Phoenix are the original and two copies of
 an FD-302 for [redacted] on 5/24/90, along with original
 interview notes. Also enclosed are [redacted] notes and one copy of
 his testimony before House Committee on 10/31/89.

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② Phoenix (Enc. 6) *KSM*
 1-Atlanta

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Approved: [redacted]

Transmitted

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Per

58C PX-41605-E-29

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PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

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

To: FBI Phoenix

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

Subject: Allegations Concerning U.S. Senators;
 Charles H. Keating;
 Corruption of Federal Public Officials - Legislative

Date 5/14/90

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

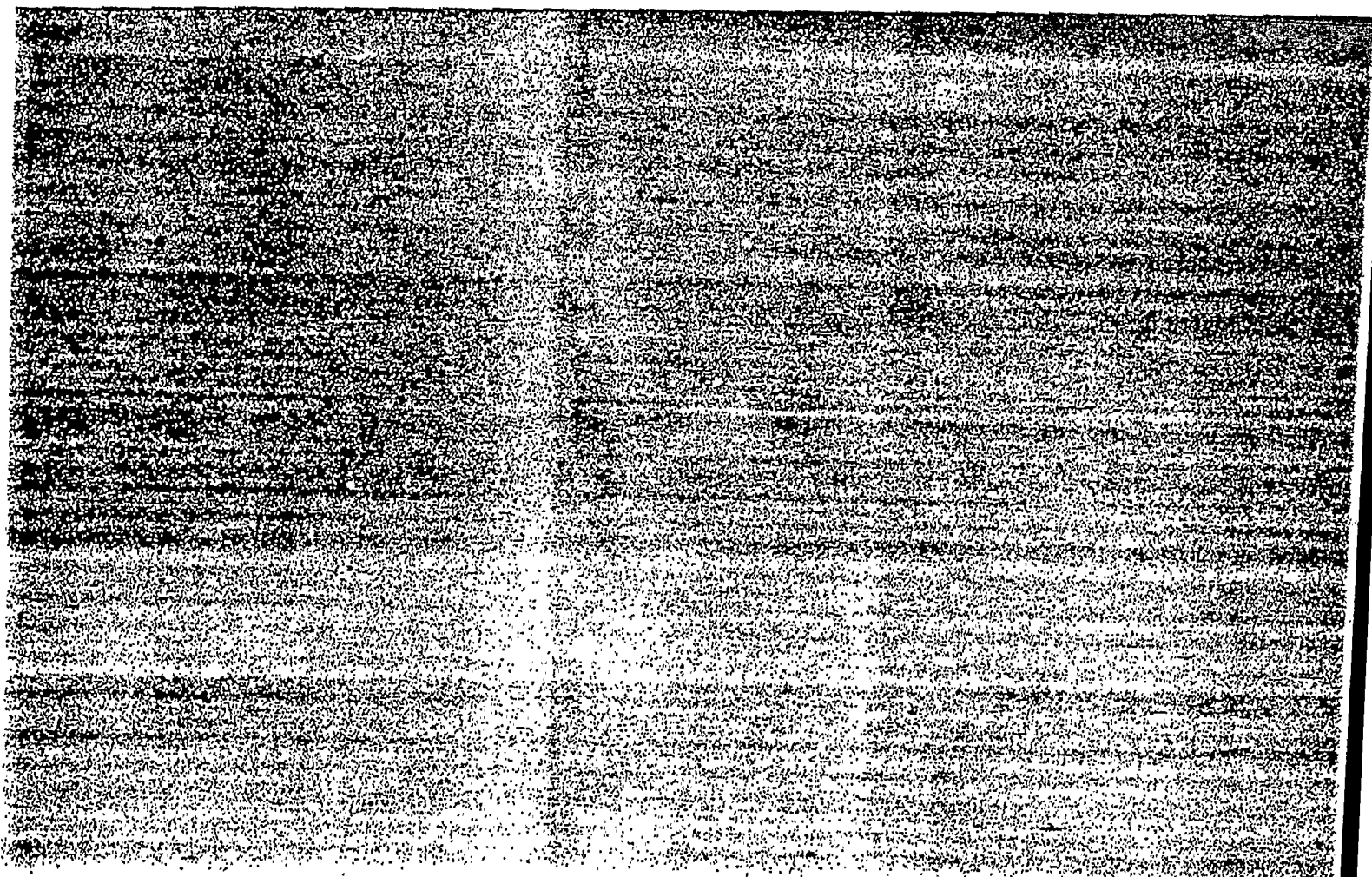
- ☐ Artists Conception ☒ Teletype

☐ Other _____

Special handling Instructions:

Approved: _____

FBI/DOJ



TRANSMIT VIA: AIRTEL

CLASSIFICATION: _____

DATE: 8/23/90

FROM: Director, FBI

TO: SAC, Phoenix (58C-PX-41605) (P)
SAC, Los Angeles (29D-LA-102009) (P)

DESERT GEM;
MAJOR CASE 24;
OO: LOS ANGELES

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

Re Phoenix airtel to the Bureau dated 3/1/90, Buairtel to Phoenix dated 4/18/90, and butelcal from Visual Investigative Analysis (VIA) Analyst [redacted] to SA [redacted] Phoenix Division, 8/15/90.

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A VIA application has been approved for the captioned matter. VIA Analyst [redacted] will travel to Los Angeles on 9/5/90 to attend a one-day DESERT GEM conference in Los Angeles on 9/6/90, and on 9/7/90 will confer with appropriate investigative personnel from the Phoenix and Los Angeles Divisions to discuss what VIA assistance can be provided, and to identify information necessary for the VIA application. All information identified as pertinent during the analyst's visit should be copied and forwarded to FBIHQ, Attn: [redacted] Room 1B036.

Travel and lodging arrangements will be confirmed telephonically.

58C-PX-41605 SubE-30

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FBI - PHOENIX	

[redacted]

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLASSIFIED
☐ UNCLAS

Date 1/23/90

TO: SAC, PHEONIX (29D-LA-102009)
FROM: SAC, WMFO (29D-LA-102009) (C-5) (RUC)

DESERT GEM;
MAJOR CASE 24;
OO: LOS ANGELES

Reference Pheonix teletype to New York dated 12/9/89.

Enclosed for Pheonix are unofficial copies of the 1985, 1984 and 1980 passport applications for CHARLES KEATING, Jr.

On 12/10/89, a routine request was submitted to the U.S. DEPARTMENT OF STATE (USDS), Office of Passport Services, Research and Liaison Branch, Washington, D.C., concerning CHARLES KEATING, Jr.

On 1/19/90, Passport Services, USDS, provided unofficial copies of the 1985, 1984 and 1980 passport applications for KEATING. A brief narrative of that information is as follows:

CHARLES KEATING, Jr., was issued U.S. Passport #F 1015360, on 10/21/85, at Houston, Texas. This passport is valid for ten (10) years travel to all countries except, Libya and Lebanon, to which travel is restricted by U.S. citizens. This passport expires 10/20/95.

②-Pheonix (Encl. 3) *PD*
1-WMFO

1cc 1-58C-PX-41605

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Approved: _____ Transmitted _____
(Number) (Time)

58C-PX-41605-SUB E31

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JAN 29 1990	
FBI - PHOENIX	

29D-LA-1020092

He was previously issued U.S. Passport #011564995, on 6/6/84, at Washington, D.C. This passport was also issued with ten (10) years validity; which expires 6/5/94.

Prior to that, KEATING was issued U.S. Passport #A 0479432, on 3/7/80, at Los Angeles, California. This passport was issued with only five (5) years validity; which expired 3/7/85.

On 1/23/90, the Office of Citizenship Appeals and Legal Assistance, USDS, advised that that office is not in receipt of any information concerning CHARLES KEATING, Jr. Mr. KEATING's passports are valid and no restrictive measures have been taken against them.

Inasmuch as no further investigation remains at WMFO, this case is being placed in RUC status.

DON'T PUT IT OFF
APPLY NOW

AVOID THE LAST
MINUTE RUSH

DEPARTMENT OF STATE APPLICATION FOR PASSPORT BY MAIL				PASSPORT OFFICE (USE ONLY)	
Your most recent passport issued within the past eight years, two signed photographs and the fee of \$10 MUST accompany this application.				Endorsement	
(First name)		(Middle name)		(Last name)	
CHARLES		H.		KEATING, JR.	
a citizen of the United States, do hereby apply to the Department of State for a passport.					
MAIL PASSPORT TO:					
IN CARE OF (If applicable)					
STREET 6326 North 38th Street					
CITY Paradise Valley		STATE Arizona		ZIP CODE 85253	
PHONE NOS. Area Code: 602		Home: 263-8790		Business: 957-7170	
SEX	BIRTHPLACE (City, State or Province, Country)		BIRTH DATE		
☒ Male	OHIO, U.S.A.		Month Day Year		
☐ Female			12 4 23		
HEIGHT	COLOR OF HAIR (Spell out)	COLOR OF EYES (Spell out)	OCCUPATION		
6 FT. 4 IN.	BLOND	BLUE	CHAIRMAN		
DATE OF DEPARTURE 8/80		VISIBLE DISTINGUISHING MARKS			
MOST RECENT PASSPORT ISSUED WITHIN PAST 8 YEARS MUST BE ATTACHED				SOCIAL SECURITY NUMBER (Not Mandatory)	
No. F 306035		Issue Date 2/25/75			
PERMANENT RESIDENCE (Street Address, City, State, ZIP Code)			COUNTY OF RESIDENCE (Not Mandatory)	IF YOU WERE BORN ABROAD, WERE YOUR PARENTS U.S. CITIZENS AT THE TIME OF YOUR BIRTH?	
6326 North 38th Street Paradise Valley, Arizona 85253			Maricopa	Father: ☐ Yes ☐ No Mother: ☐ Yes ☐ No	
IN THE EVENT OF ACCIDENT OR DEATH NOTIFY (Not Mandatory) (Do not show name of person who will travel with you)					
Name in full:			Relationship:		
Address:			Phone No.:		
PROPOSED TRAVEL PLANS (For Statistical Reporting Purposes - Not Mandatory)					
PURPOSE OF TRIP	MEANS OF TRANSPORTATION			COUNTRIES TO BE VISITED	
	Sea Air Other				
PROPOSED LENGTH OF STAY	Departure Return				
	☐ ☐ ☐				
NO. OF PREVIOUS TRIPS ABROAD WITHIN LAST 12 MONTHS	DO YOU EXPECT TO TAKE ANOTHER TRIP ABROAD?				
	☐ Yes ☐ No IF SO, WITHIN ☐ 1 year ☐ 2 years ☐ 5 years				
(If any of the below-mentioned acts or conditions have been performed by or apply to the applicant, the portion which applies should be struck out, and a supplementary explanatory statement should be attached, signed and made a part of this application.)					
I have not since acquiring United States citizenship, been naturalized as a citizen of a foreign state; taken an oath, or made an affirmation or other formal declaration of allegiance to a foreign state; entered or served in the armed forces of a foreign state; accepted or performed the duties of any office, post, or employment under the Government of a foreign state or political subdivision thereof; made a formal renunciation of nationality either in the United States or before a diplomatic or consular officer of the United States in a foreign state; or been convicted by a court or court martial of competent jurisdiction of committing any act of treason against, or attempting by force to overthrow, or bearing arms against the United States, or conspiring to overthrow, put down or to destroy by force the Government of the United States.					
WARNING: False statements made knowingly and willfully in passport applications or affidavits or other supporting documents are punishable by fine and/or imprisonment, under the provisions of 18 USC 1001 and/or 18 USC 1542. The alteration or mutilation of a passport issued pursuant to this application is punishable by fine and/or imprisonment under 18 USC 1543. The use of a passport in violation of the restrictions therein is punishable by fine and/or imprisonment under 18 USC 1544.					
DECLARATION: I declare that the statements made in this application are true and complete to the best of my knowledge and belief, that the attached photographs are a true likeness of me, and that I have not been issued or included in a passport issued subsequent to the one submitted herein.					
			2/19/80 (Date)		
			(Signature of applicant)		
(PASSPORT OFFICE USE ONLY)					
80014MA .00					
1 AMI 10.00					

FORM D&P-82
7-79

Please type or print clearly in ink (pencil is not acceptable). Please recheck the application and enclosures before mailing. Incomplete or improperly prepared applications will cause delay in the issuance of your passport.

Form Approved:
OMB NO. 47-R0172

DEPARTMENT OF STATE
APPLICATION FOR PASSPORT BY MAIL

M G M K 1453

(SEE INSTRUCTIONS ON REVERSE)
TYPE OR PRINT IN INK IN WHITE AREAS ONLY

IDENTIFYING INFORMATION

FIRST/MIDDLE CHARLES H

LAST KEATING, JR.

MAILING ADDRESS (In Care Of If applicable, Street, City, State, ZIP code)

6326 N. 38TH STREET

PARADISE VALLEY, AZ 85253

USA

SEX

X

Male Female

CINCINNATI, OHIO

City, State or Province, Country

HEIGHT

Feet Inches

COLOR OF HAIR

BLOND

PLACE OF BIRTH

USA

COLOR OF EYES

BLUE

HOME PHONE

6 0 2 2 6 3 8 7 9 0
(Area Code)

SOCIAL SECURITY NUMBER

1 1 1 1 1 1 1
(Not Mandatory)

BUSINESS PHONE

6 0 2 9 5 7 7 1 7 0
(Area Code)

DATE OF BIRTH

1 2 4 2 3
Month Day Year

OCCUPATION

PRESIDENT & CHRMN OF
THE BOARD

DEPARTURE DATE

6/18/84

MOST RECENT PASSPORT
ISSUED WITHIN PAST 8
YEARS MUST BE ATTACHED

PASSPORT NUMBER

821031415151

ISSUE DATE

11 8 81

Month Day Year

PERMANENT ADDRESS (Street, City, State, ZIP Code)

6326 N. 38th STREET, PARADISE VALLEY, ARIZONA 85253 USA

PROPOSED TRAVEL PLANS AND EMERGENCY ADDRESS (Not Mandatory)

LENGTH OF STAY

12 DAYS

COUNTRIES TO BE VISITED

SOUTH AFRICA

PERSON TO NOTIFY IN CASE OF EMERGENCY ABROAD (Not Traveling With You)

NAME IN FULL

ADDRESS

(Street, City, State, ZIP Code)

PHONE NUMBER

RELATIONSHIP



SUBMIT TWO RECENT IDENTICAL
PHOTOS SIGNED ON THE REVERSE

OATH AND SIGNATURE (If any of the below mentioned acts or conditions have been performed by or apply to the applicant, the portion which applies should be lined out, and a supplementary explanatory statement should be attached, signed, and made a part of this application.)
I have not, since acquiring United States citizenship, been naturalized as a citizen of a foreign state, taken an oath, or made an affirmation or other formal declaration of allegiance to a foreign state, entered or served in the armed forces of a foreign state, accepted or performed the duties of any office, post, or employment under the Government of a foreign state or political subdivision thereof, made a formal renunciation of nationality either in the United States or before a diplomatic or consular officer of the United States in a foreign state, or been convicted by a court or court martial of competent jurisdiction of committing any act of treason against, or attempting by force to overthrow, or bearing arms against the United States, or conspiring to overthrow, put down or to destroy by force the Government of the United States.

WARNING: False statements made knowingly and willfully in passport applications or affidavits or other supporting documents are punishable by fine and/or imprisonment under the provisions of 18 USC 1001 and/or 18 USC 1542. The alteration or mutilation of a passport issued pursuant to this application is punishable by fine and/or imprisonment under 18 USC 1543. The use of a passport in violation of the restrictions therein is punishable by fine and/or imprisonment under 18 USC 1544.

DECLARATION: I declare that the statements made in this application are true and complete to the best of my knowledge and belief, that the attached photograph is a true likeness of me, and that I have not been issued or included in a passport issued subsequent to the one submitted herein.

MAY 22, 1984

(Date)

X *Charles H. Keating, Jr.*

Signature of applicant (Must be signed by applicant)

FOR PASSPORT SERVICES USE ONLY RECORD - Type of Document(s), Number, Date Filed, Issued, Court/PLR, Recenter Name or Applicant

☒ Passport

☐ Evidence of Name Change

☐ Other

Recenter Name

APPLICATION APPROVED

No

Issued

5/8/84

Price

14.00

WASHINGTON

APPLICATION APPROVAL

JUN 04 1984

Examiner Name

S.E. MILES

Office Title

UNITED STATES DEPARTMENT OF STATE
PASSPORT APPLICATION
INSTRUCTIONS—TYPE/PRINT IN INK IN WHITE AREAS

NNP 0972

1985

PC 21 F 1015360

PASSPORT AGENCY
HOUSTON, TEXAS

☐ 5 yr. ☒ 10 yr. Issue Date

☒ D ☐ O ☐ DP Endorsement

DATE OF BIRTH 12/4/23 SOCIAL SECURITY NUMBER 2,8,3,1,2,4,0,2,2
Month Day Year (Not Mandatory)

HOME PHONE (Area Code) 6,0,2,2,6,3,8,7,9,0 BUSINESS PHONE (Area Code) 6,0,2,9,5,7,7,1,7,0

OCCUPATION CHRMN. OF THE BOARD DEPARTURE DATE 12-1-85

MAILING ADDRESS (In Care Of if applicable, Street, City, State, ZIP Code)
2735 E. CAMELBACK ROAD,
PHOENIX, ARIZONA 85016

SEX X PLACE OF BIRTH CINCINNATI OHIO U.S.A.
HEIGHT 6 5 COLOR OF HAIR BLOND COLOR OF EYES BLUE

PERMANENT ADDRESS (Street, City, State, ZIP Code)
2735 E. CAMELBACK ROAD, PHOENIX, ARIZONA 85016

FATHER'S FULL NAME CHARLES H. KEATING, SR. FATHER'S BIRTHPLACE AND FATHER'S BIRTH DATE (Mo., Day, Yr.) KENTUCKY 11/07/91 FATHER U.S. CITIZEN? X Yes No

MOTHER'S FULL MAIDEN NAME ADELE KIPP MOTHER'S BIRTHPLACE AND MOTHER'S BIRTH DATE (Mo., Day, Yr.) CINCINNATI, OHIO 01/01/99 MOTHER U.S. CITIZEN? X Yes No

PREVIOUS PASSPORT INFORMATION

HAVE YOU EVER BEEN ISSUED OR INCLUDED IN A U.S. PASSPORT? X Yes No
NAME IN WHICH ISSUED Samuel PASSPORT NUMBER B2036285 ISSUE DATE (Mo., Day, Yr.) 8-13-81 DISPOSITION (Submitted, Lost, etc.) attached in Houston

PROPOSED TRAVEL PLANS AND EMERGENCY ADDRESS (Not Mandatory)

COUNTRIES PERSON TO NOTIFY IN CASE OF EMERGENCY (Not Travelling With You)
FULL NAME DSP 64 attached for 1980/81
ADDRESS PHONE NUMBER RELATIONSHIP

MARRIAGE INFORMATION

DATE OF MOST RECENT MARRIAGE 11/05/49
HAVE YOU EVER BEEN MARRIED? X IF YES:
WIFE'S FULL MAIDEN NAME/HUSBAND'S FULL NAME WIDOWED/DIVORCED? IF YES, GIVE DATE
MARY ELAINE FETTE Yes X No

DO NOT SIGN APPLICATION UNTIL REQUESTED TO DO SO BY ACCEPTANCE AGENT

I have not, since acquiring United States citizenship, performed any of the acts listed under "Acts or Conditions" on the reverse of this application form (unless explanatory statement is attached). I solemnly swear (or affirm) that the statements made on this application are true and the photograph attached is a true likeness of me.

Subscribed and sworn to (affirmed) before me this

16 Day of October, 1985

(S) A.)

(To be signed by applicant in presence of acceptance agent)

Postal Employee/
Passport Agent at

PUTY SUPERIOR COURT PHOENIX, ARIZONA
's Identifying Documents)

☒ PASSPORT ☐ CERTIFICATE OF NATURALIZATION OR CITIZENSHIP

☐ DRIVER'S LICENSE

☒ OTHER (Specify) DSP-71

ISSUE DATE 8-13-81
Month Day Year

EXPIRATION DATE 8-12-86

NUMBER B2036285

PLACE OF ISSUE PT/WH

ISSUED IN THE NAME OF App taken in Mr. Keating's office

FOR PASSPORT SERVICES USE ONLY

☐ Birth Cert.

SR

CR

City

☐ Passport

☐ Naturalization/Citizenship Cert

No.:

Filed/Issued:

Place:

Bearer's Name:

☐ Other:

☐ Seen & Returned

UNITED STATES DEPARTMENT OF STATE
APPLICATION FOR PASSPORT BY MAIL

N N P M 0472

IMPORTANT:

- READ INSTRUCTIONS ON BACK OF FORM
- TYPE OR PRINT IN INK IN WHITE AREAS ONLY

IDENTIFYING INFORMATION

NAME

JT/MIDDLE

CHARLES (H)

LAST

KEATING (JR.)

MAILING ADDRESS (In Care Of if applicable, Street, City, State, ZIP Code)

2735 E. CAMELBACK ROAD

PHOENIX, ARIZONA 85016

Issue

Date

R D O DP

Endorsement

SEX

PLACE OF BIRTH

DATE OF BIRTH

SOCIAL SECURITY NUMBER

X
Male Female

CINCINNATI, OHIO U.S.A.

City, State or Province, Country

1 | 2 | 4 | 2 | 3
Month Day Year

2 | 8 | 3 | 1 | 2 | 4 | 0 | 2 | 2
(Not Mandatory)

HEIGHT

COLOR OF HAIR

COLOR OF EYES

HOME PHONE

BUSINESS PHONE

6 | 5
Feet Inches

BLOND

BLUE

6 | 0 | 2 | 2 | 6 | 1 | 3 | 8 | 7 | 9 | 0
(Area Code)

6 | 0 | 12 | 9 | 5 | 1 | 7 | 7 | 1 | 7 | 0
(Area Code)

MOST RECENT PASSPORT
ISSUED WITHIN PAST 8
YEARS MUST BE ATTACHED

PASSPORT NUMBER

ISSUE DATE

OCCUPATION

DEPARTURE DATE

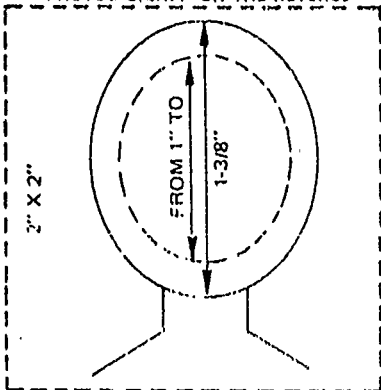
Month Day Year

CHAIRMAN OF BOARD

PERMANENT ADDRESS (Street, City, State, ZIP Code)

2735 E. CAMELBACK ROAD, PHOENIX, ARIZONA 85016

SUBMIT TWO RECENT IDENTICAL
PHOTOS SIGNED ON THE REVERSE



PROPOSED TRAVEL PLANS AND EMERGENCY ADDRESS (Not Mandatory)

LENGTH OF STAY

COUNTRIES TO BE VISITED

PERSON TO NOTIFY IN CASE OF EMERGENCY (Not Traveling With You)

NAME IN FULL

ADDRESS

PHONE NUMBER

RELATIONSHIP

OATH AND SIGNATURE (If any of the before mentioned conditions have been performed by or apply to the applicant, the portion which applies should be lined out, and a supplementary explanatory statement should be attached, signed, and made a part of this application.)

I have not, since acquiring United States citizenship, been naturalized as a citizen of a foreign state; taken an oath, or made an affirmation or other formal declaration of allegiance to a foreign state; entered or served in the armed forces of a foreign state; accepted or performed the duties of any office, post, or employment under the Government of a foreign state or political subdivision thereof; made a formal renunciation of nationality either in the United States or before a diplomatic or consular officer of the United States in a foreign state; or been convicted by a court or court martial of competent jurisdiction of committing any act of treason against, or attempting by force to overthrow, or bearing arms against the United States, or conspiring to overthrow, put down or destroy by force the Government of the United States.

WARNING: False statements made knowingly and willfully in passport applications or affidavits or other supporting documents are punishable by fine and/or imprisonment under the provisions of 18 USC 1001 and/or 18 USC 1543. The alteration or mutilation of a passport issued pursuant to this application is punishable by fine and/or imprisonment under 18 USC 1543. The use of a passport in violation of the restrictions therein is punishable by fine and/or imprisonment under 18 USC 1544.

DECLARATION: I declare that the statements made in this application are true and complete to the best of my knowledge and belief, that the attached photographs are a true likeness of me, and that I have not been issued or included in a passport issued subsequent to the one submitted herein.

SEPTEMBER 25, 1985

(Date)

Signature of applicant (Must be signed by applicant)

FOLLOW INSTRUCTIONS CAREFULLY INCOMPLETE OR UNACCEPTABLE APPLICATIONS WILL DELAY THE ISSUANCE OF YOUR PASSPORT.

FOR PASSPORT SERVICES USE ONLY RECORD Type of Document(s), Number, Date Filed-Issued, Court Place, Boyer's Name as Appropriate

Passport

Evidence of Name Change

Other

Boyer's Name:

No

Issued

Open

Seen & Returned

APPLICATION APPROVED

Signature of Officer

DEPARTMENT OF STATE
AFFIDAVIT OF IDENTIFYING WITNESS

This affidavit is required only when the applicant for a passport is unable to establish his identity to the satisfaction of a person authorized to accept passport applications.

NAME OF PASSPORT APPLICANT CHARLES KEATING, JR.		DATE PASSPORT APPLICATION WAS EXECUTED 10-14-85	
NAME OF IDENTIFYING WITNESS (Print your full name) [Redacted]		RELATIONSHIP TO OR BASIS OF YOUR KNOWLEDGE REGARDING THE APPLICANT BUSINESS ASSOC & FRIEND	
ADDRESS OF IDENTIFYING WITNESS (Number, Street, City, State and ZIP Code) [Redacted]		NUMBER OF YEARS YOU HAVE KNOWN APPLICANT 5 yrs	
HAVE YOU EVER BEEN ISSUED A U.S. PASSPORT? ☒ YES ☐ NO		IF "YES", COMPLETE THIS INFORMATION AS BEST YOU CAN	
		Passport No. ?	Date of Issue 1983
		Place of Issue WASHINGTON, D.C.	

NOTE: A severe penalty is provided in Title 18, Section 1542, United States Code, for the falsification of applications for passports, or of affidavits or other documents to be used in connection therewith.

PRIVACY ACT STATEMENT: The information solicited on this form is authorized by, but not limited to, those statutes codified in Titles 8, 18, and 22, United States Code, and all predecessor statutes whether or not codified, and all regulations issued pursuant to Executive Order 11295 of August 5, 1966. The primary purpose for soliciting the information is to establish citizenship, identity and entitlement to issuance of a United States Passport or related facility, and to properly administer and enforce the laws pertaining thereto.

The information is made available as a routine use on a need-to-know basis to personnel of the Department of State and other government agencies having statutory or other lawful authority to maintain such information in the performance of their official duties; pursuant to a subpoena or court order; and, as set forth in Part 6a, Title 22, Code of Federal Regulations (See Federal Register Volume 40, pages 45755, 45756, 47419 and 47420).

Failure to provide the information requested on this form may result in the denial of a United States Passport, related document or service to the individual seeking such passport, document or service.

I solemnly swear (or affirm) that (1) I know or have read the information furnished by the applicant and believe it to be true and correct; and (2) the above stated information is true and correct to the best of my knowledge and belief.	[Redacted Signature]	Signature of Person Accepting Passport Application

Arizona Drivers License

(Identifying Document Submitted-Type of Document, Date of Issuance or Expiration, Serial Number)

7-29-85 8-30-88 L296592

Subscribed and sworn to (affirmed) before me this **16** day of **October**, 19**85**

(Impression Seal)

☒ Clerk of Court	[Redacted Seal]	Application)
☐ Postal Employee		
☐ Passport Agent at DEPUTY SUPERIOR COURT PHOENIX, ARIZONA		

The passport issuing office will not accept as witness to a passport application a person who has received or expects to receive a fee for his services in connection with executing the application or obtaining the passport (22 CFR 51.30).



**AMERICAN
CONTINENTAL
CORPORATION**

Post Office Box 29099/Phoenix, Arizona 85038/(602) 957 7115

September 25, 1985

[redacted]
Houston Passport Agency
One Allen Center
500 Dallas Street
Houston, Texas 77002

b6
b7c

Dear [redacted]

I have been in contact with [redacted] at
Congressman John McCain's office. Mr. Keating's original
passport was locked in a safe he could not get into;
a new passport was issued and lost; and the original
passport (from the safe) was obtained and is enclosed.

I have also enclosed two recent photos,
the \$35 fee, and an Airborne envelope for return of the
new passport.

Thank you very much for your assistance.

Sincerely,

[redacted]

Upon his return from Europe on July 3, 1985, Mr. Charles H Keating, Jr. processed through Immigration in Phoenix, Arizona aboard a private plane.

His passport had been stolen in Portugal (as explained on attached form). His prior passport was locked in a safe, which he had not been able to get access to prior to his trip to Europe, at which time he applied for and received a new passport.

When he arrived in Phoenix at Immigration he had with him his Voter's Registration, driver's license and birth certificate (everything but a passport).

The Immigration official was familiar with Mr. Keating. Mr. Keating paid duty in the amount of \$2,000 with a personal check with his address printed on it, and was allowed through customs.

DEPARTMENT OF STATE
STATEMENT REGARDING
LOST OR STOLEN PASSPORT

N N P M 0472

INSTRUCTIONS It is necessary to submit a statement with an application for a new passport when a previous valid or potentially valid passport cannot be presented. The statement must be set forth in detail why the previous passport cannot be presented.
TYPE OR PRINT IN INK IN WHITE AREAS ONLY

IDENTIFYING INFORMATION

NAME
FIRST/MIDDLE CHARLES H
LAST KEATING (JR.)
SEX ☒ Male ☐ Female
PLACE OF BIRTH (City, State or Province, Country)
CINCINNATI, OHIO U.S.A.
ADDRESS (Street, City, State, ZIP Code)
2735 E. CAMELBACK ROAD, PHOENIX, AZ 85016

PASSPORT
NUMBER

ISSUE DATE

PLACE
OF ISSUE

DATE OF BIRTH

1 | 2 | 4 | 2 | 3
Month Day Year

DOCUMENT CODE

For Official Use Only

LOST/STOLEN PASSPORT INFORMATION

HOW WAS PASSPORT LOST OR STOLEN? PASSPORT WAS EITHER LOST OR STOLEN IN LOBBY OF HOTEL RITZ IN LISBON, PORTUGAL.

WHEN WAS LOSS DISCOVERED? LOSS WAS DISCOVERED THE FOLLOWING MORNING.

WHERE DID LOSS TAKE PLACE? LOSS TOOK PLACE IN LOBBY OF HOTEL RITZ IN LISBON, PORTUGAL.

IF STOLEN, WERE POLICE AUTHORITIES NOTIFIED? Yes ☒ No ☐ IF YES, STATE WHERE AND WHEN:

WHAT EFFORTS HAVE YOU MADE TO RECOVER THE PASSPORT? WE DID A THOROUGH CHECK WITH HOTEL MANAGER FOR PASSPORT IN ROOMS, LOBBY, CONCIERGE, ETC. APPARENTLY PASSPORT WAS STOLEN FROM CONCIERGE.

HAVE YOU HAD PREVIOUS PASSPORTS LOST OR STOLEN? Yes ☒ No ☐ IF YES, GIVE DATE AND PARTICULARS, INCLUDING NUMBER OF PASSPORTS LOST OR STOLEN.

WARNING False statements made knowingly and willfully in passport applications or in affidavits or other documents submitted with passport applications are punishable by fine and/or imprisonment (18 U.S.C. 1001 and 1542).

VAGRANT STATEMENT The information solicited on this form is authorized by, but not limited to, those statutes codified in Titles 6, 18, and 22, United States Code, and all predecessor statutes whether or not codified, and all regulations issued pursuant to Executive Order 11296 of August 5, 1966. The primary purpose for soliciting the information is to establish citizenship, identity, and entitlement to issuance of a United States passport or related facility, and to properly administer and enforce the laws pertaining thereto.

Information is made available as a routine use on a need-to-know basis to personnel of the Department of State and other government agencies having statutory or other lawful authority to maintain such information in the performance of their official duties; pursuant to a subpoena or court order; and, as set forth in Title 22, Code of Federal Regulations (see Federal Register Volume 40, pages 45755, 45756, 47419, and 47420).

Failure to provide the information requested on this form may result in the denial of a United States passport, related document, or service to the individual seeking such passport, document, or service.

CERTIFICATION I, the undersigned, certify that the information furnished hereon is correct and complete to the best of my knowledge and belief, and that I have not given my passport to another person or disposed of it in an unauthorized manner. If I subsequently find or recover it, I will immediately return it to Passport Services (Attention: Correspondence Branch), Department of State, Washington, D.C. 20524 or to the nearest Passport Agency.

October 16, 1981

Charles H. Keating Jr.

Signature

TRANSMIT VIA: AIRTEL

CLASSIFICATION: _____

DATE: 10/31/90

FROM: Director, FBI

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

DESERT GEM;
MAJOR CASE 24;
OO: LOS ANGELES

ALAN CRANSTON, ET AL;
U.S. SENATORS;
CHARLES KEATING, JR.;
dba LINCOLN SAVINGS AND LOAN ASSOCIATION,
AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS -
LEGISLATIVE;
OO: PHOENIX

Re Buairtel to Phoenix and Los Angeles dated 8/23/90,
and Butelcals to Phoenix Division 10/17/90, and to Los Angeles
(Santa Ana RA) on 10/18/90.

Phoenix and Los Angeles Divisions should be advised
that due to the Visual Investigative Analysis (VIA) Unit's
present workload and due to the limited amount of information
received to date from Phoenix and Los Angeles regarding the
captioned matter, VIA Analyst [REDACTED] who is assigned to
this investigation, has been tasked with an additional case.
These cases will be worked simultaneously, based on their
respective priorities and available information.

b6
b7c

If the information needed for an effective VIA
application, as defined during discussions with investigative
personnel, is not received by COB 11/16/90, the VIA application

58C-PX-41605-Sub E-32

SEARCHED	INDEXED
SERIALIZED	FILED

Airtel from Director, FBI to SACs, Phoenix and Los Angeles
Re: Alan Cranston, Et al; Desert Gem;
OO: Phoenix OO: Los Angeles

regarding the captioned matter will be closed. After the indicated closing date, future VIA assistance for this investigation will require another request from Phoenix or Los Angeles. The request will then be reprioritized with other pending requests when a VIA Analyst is available for a new assignment.



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

Immediate
Priority
☒ Routine

☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: 5:00 pm
Sender's Initials:
Number of Pages: 2

b6
b7c

FBI Phoenix (58C-PX-41605) Date: 1/16/91
(Name of Office)

Facsimile number:

Attn:

(Name)

Room

Telephone No.

FBI Los Angeles - SARA
(Name of Office)

Subject Allegations Concerning U.S. Senators;
dba Lincoln Savings and Loan Association;
OO: PX/LA

Special Handling Instructions:

Originator's Name:

Telephone: -

Originator's Facsimile Number

Approved:

58C-PX-41605-Sub E 33

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 16 1991	
FBI DC	

b6
b7c

Memorandum



To : SAC, PHOENIX

Date 10/11/90

From : SAA [redacted]

Subject: [redacted]

U.S. SENATOR JOHN MCCAIN;
U.S. CONGRESSMAN JAY RHODES;
GRANT WOODS;
U.S. COURT JUDGE STEPHEN M. MCNAMEE

b6
b7C

On 10/10/90, [redacted] Investigations, Resolution Trust Corporation (RTC), Phoenix, Arizona, telephone (602) 224-1753 furnished information in regard to the captioned individuals. RTC has been conducting investigation concerning [redacted] During the RTC investigation information was received from the persons interviewed by RTC, however these persons are afraid of [redacted] and do not want to come forward to the FBI at this time. RTC will continue to contact these persons and convince them to cooperate with the FBI. The information thus far received from these individuals follows:

During the year [redacted] gave a [redacted] check to Jay Rhodes. [redacted] was [redacted] There was concern if there was any effort to verify the funds behind the check, check kiting would be discovered. [redacted] an [redacted] at Western Savings & Loan Association, covered the check with funds so that it would be covered. There was a concern by certain political persons because of what may happen. The individuals named were McCain, Rhodes, McNamee and Grant Woods. Woods was to put pressure on McNamee to close any FBI investigation.

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b7C

[redacted] when Special Agent [redacted] ~~stated~~ appeared at the [redacted] Office, was to have made the statements to the effect well that agent doesn't know how to follow orders. [redacted] was aware of the political differences between the FBI and specific United States Attorneys. [redacted] spoke about political connections with a friendly United States Attorney.

1-29B-PX-3613
1-29D-PX-42115
①-58C-PX-41605
1-Supvr [redacted]
(4)
[redacted]

58C-PX-41605-~~58~~^{SubE}
34

SEARCHED	[redacted]	INDEXED	[redacted]
SERIALIZED	[redacted]	FILED	[redacted]
OCT 11 1990			
FBI - PHOENIX			

[redacted]

During the summer of the year 1987 when Agent [redacted] was at [redacted] made some telephone calls. [redacted] was to have stated that [redacted] was not following orders after the case had been declined or closed by the United States Attorney and Agent [redacted] was out there conducting investigation on his own.

[redacted] was therefore confident that nothing would come of the investigation. McNamee was to have declined or closed the investigation because McNamee owed Grant Woods some favor. Whatever the favor was McNamee couldn't refuse. There was a meeting in regard to this matter between Jay Rhodes, John Rhodes and John McCain.

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FBI - PHOENIX	

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FBI FACSIMILE
COVERSHEET

CLASSIFICATION

PRECEDENCE

☐ Immediate☐ Priority☒ Routine☐ Top Secret☐ Secret☐ Confidential☐ Sensitive☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: 3To FBI Phoenix

Name of Office

Date 3/14/91Facsimile number (602) 279-5511

Attn _____

Name

Room

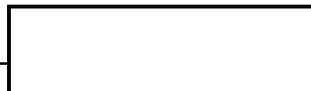
Telephone No.

From FBI Los Angeles (SARA)

Name of Office

Subject Allegations Concerning U.S. Senators Alan Cranston;
ET AL; Corruption of Federal Public Officials-
Legislative; OO: Phoenix/Los Angeles.

Special Handling Instructions: _____

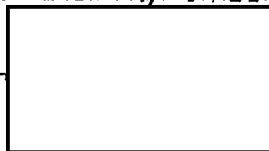
Originator's Name: SATelephone: (714) 542-8825

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Originator's Facsimile Number: (714) 542-8825

Approved: _____



FB DCJ

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/15/911

On March 14, 1991, JENNIFER L. FITZPATRICK, State Compliance Specialist, Federal Election Commission (FEC), 999 E Street, N.W., Washington, D.C., was telephonically contacted at her place of employment, advised of the interviewing Special Agent's (SA's) official identity, and requested to make available FEC disclosure reports, including receipts and expenditures, filed by Committee For A Democratic Consensus, for the years 1986-1990. On March 15, 1991, at FEC, FITZPATRICK furnished to the interviewing SA the following items:

(1) A one-page cover memo dated March 15, 1991, itemizing the documents furnished, with two attached sheets containing information about FEC records;

(three groups of documents regarding Committee For A Democratic Consensus, each with a related computer printout, as follows)

(2) FEC "1985-1986 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pages of photocopied FEC records;

(3) FEC "1987-1988 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pages of photocopied FEC records;

(4) FEC "1989-1990 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pages of photocopied FEC records.

Investigation on 3/14-15/91 at Washington, D.C. File # 58C-PX-41605 - 182

by SA

Date dictated 3/15/91

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

DATE: 3/15/91

TO:

[Redacted address box]

FROM: JENNIFER L FITZPATRICK

Enclosed are the following materials that you have requested from the Office of Public Records:

- 1985-1990 C INDICIES FOR COMMITTEE FOR A DEMOCRATIC CONSENSUS
- ALL RECORDS LISTED ON THE C INDICIES
- C INDEX INFORMATION SHEET
- PUBLIC RECORDS INFORMATION SHEET

IF YOU HAVE ANY QUESTIONS OR NEED ADDITIONAL INFORMATION PLEASE FEEL FREE TO CONTACT ME AT MY TOLL FREE NUMBER WHICH IS LISTED BELOW

Please note the restrictions concerning the use of these materials (2 USC 438(a)(4)) on the enclosed Public Records Information Sheet. If the Commission can be of further assistance, please contact the Office of Public Records at the above address or by telephoning toll free (800)424-9530.

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

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

Date 3/15/91

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

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

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

Re LA telcall of SA [] to WMFO SA []
 [] on 3/12/91 and LA 3/14/91 teletype (via
 facsimile) to WMFO.

Re telcall and teletype requested that WMFO
 obtain Federal Election Commission (FEC) disclosure forms,
 with receipts and expenditures, filed by Committee For A
 Democratic Consensus, for the years 1986-1990.

Enclosed for Los Angeles are the following:

(1) The original and two copies of the FD-302 of
 JENNIFER L. FITZPATRICK, State Compliance Specialist, FEC,
 Washington, D.C, with attached FITZPATRICK memo to []
 [] dated March 15, 1991.

2 cc in package PBU-M1

(3)-Los Angeles (encls. 7) 01 rec 1455

2-Phoenix (encls. 2)

2-WMFO

(7)

58C-PX-41605-183

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SERIALIZED	FILED
MAR 27 1991	

Approved: _____

Transmitted _____

(Number) (Time)

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b7c

58C-PX-41605

(2) envelope containing FEC "1985-1986 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pertinent pages of photocopied FEC records;

(3) envelope containing FEC "1987-1988 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pertinent pages of photocopied FEC records;

(4) envelope containing FEC "1989-1990 COMMITTEE INDEX OF DISCLOSURE DOCUMENTS," with attached pertinent pages of photocopied FEC records.

(5) two sheets containing information about FEC records;

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

WMFO maintains this case in pending status, in view of anticipated additional investigation.

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RR RUCNEB FBILA

TELETYPE ROOM

DE FBIPX #0008 0952032

ZNR UUUUU

R 052025Z APR 91

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

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES (SARA)/ROUTINE/

BT

UNCLAS

CITE: //3630:0004//

PASS: FBIHQ, PUBLIC CORRUPTION UNIT, SSA [REDACTED] SANTA

ANA RA, SA [REDACTED]

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

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

THE FOLLOWING INVESTIGATION HAS BEEN CONDUCTED BY THE FBI
SINCE REFERENCED TELETYPE AS FOLLOWS: THE FEDERAL ELECTION

**SARA
TELETYPE**

FACSIMILE

REQ.	DATE TIME
SENT	4/5/91
INT.	DATE TIME

58C-PX-41605/88

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SERIALIZED	FILED
APR 05 1991	
[REDACTED]	

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PAGE TWO DE FBIPX 0008 UNCLAS

COMMISSION (FEC) HAS PROVIDED DISCLOSURE FORMS WITH RECEIPTS
AND EXPENDITURES FILED BY COMMITTEE FOR A DEMOCRATIC CONSENSUS
(CDC) FOR THE YEARS 1986-1990. REVIEW AND ANALYSIS OF THESE
DOCUMENTS AND OTHER DOCUMENTS IS ONGOING.

FACT SHEETS REGARDING U.S. SENATORS ARE BEING PREPARED
FOR A MEETING THAT WILL OCCUR ON 4/15/91 IN LOS ANGELES. AT
THIS MEETING, FINAL PROSECUTIVE DECISIONS WILL BE MADE BY AUSA

[REDACTED] AND DEPARTMENTAL ATTORNEY [REDACTED]

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BT

#0008

NNNN



U.S. Department of Justice

Federal Bureau of Investigation

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

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

Mr. Kent Cooper
Assistant Staff Director
Public Records Office
Federal Election Commission
999 E Street, Northwest
Washington, D.C. 20463

Dear Mr. Cooper:

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

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

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

Thank you for your assistance.

Sincerely yours,

LAWRENCE G. LAWLER
Special Agent in Charge

BY: [redacted]
[redacted]
Supervisory Special Agent

58C-PX-41605-193
SEARCHED

INDEXED
SERIALIZE
FILED

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

[redacted]
(3)

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Universal File Case Number

58C-PX-41605-1A55

Field Office Acquiring Evidence

WMFO

Serial # of Originating Document

Date Received

3/15/91

From

Jennifer Fitzpatrick, FEC

(Name of Contributor)

999 E St., NW

(Address of Contributor)

Wash., DC

By

(Name of Special Agent)

To Be Returned ☐ Yes ☒ NoReceipt Given ☐ Yes ☒ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e)

Federal Rules of Criminal Procedure

☐ Yes ☒ No

Title:

Allegations Concerning U.S. Senators
ALAN CRANSTON, ET AL;
CPD-Logis.; 00: PX/LA

Reference:

(Communication Enclosing Material)

Description: ☐ Original notes re interview of

COS FEC filings 1985-1990.

Committee for a Democratic Congress

See ser 183

9/3-28-91

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58C-PX-41605-1A55



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

DATE: 3/15/91

TO:

[Redacted box]

FROM: JENNIFER L FITZPATRICK

Enclosed are the following materials that you have requested from the Office of Public Records:

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- ALL RECORDS LISTED ON THE C INDICIES
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