

**AFFIDAVIT**

I, SHANNON FAIRBANKS, being duly sworn, do depose and state as follows:

1. I am the Executive Vice President of the American Real Estate Group. My office address is 1133 Connecticut Avenue, N.W., Washington, D.C. From 1984 to July 1987, I was the Chief of Staff and Executive Director of the Federal Home Loan Bank Board ("FHLBB"). Prior to that position, I served on the Domestic Policy Staff at the White House for three and one-half years.

2. Although I did not attend FHLBB Chairman Edwin Gray's meeting on March 6, 1987 with Senator Donald Riegle, I learned that it was during this meeting that Senator Riegle proposed that the Chairman meet with Members of the Senate on April 2, 1987. At some time prior the April 2 meeting, I learned that the meeting would address the matter of Lincoln Savings and Loan Association ("Lincoln"). However, the Chairman and I concluded that the meeting provided an opportunity to discuss FSLIC recapitalization, an issue of primary importance to Chairman Gray and the FHLBB at that time.

3. If Chairman Gray was aware of which Senators were to be in attendance at the April 2, 1987 meeting, he did not share this information with me. Sometime between the Chairman's March 6, 1987 meeting with Senator Riegle and the April 2 meeting, Chairman Gray informed me that he was directed to attend the meeting without any staff members. Chairman Gray was upset and irritated that he was required to attend the April 2 meeting alone.

4. Chairman Gray asked FHLBB staff members William Black, Mary Ellen Taylor and myself to remain in the office until he returned from his April 2, 1987 meeting for a debriefing. Upon returning from the meeting, Chairman Gray was very angry and frustrated. He explained that the meeting was not arranged to hear his views, but instead was an attempt at intimidation which he characterized as inappropriate. Chairman Gray stated that the meeting involved some of the most powerful Senators regarding banking matters and that he was unaware until the meeting that they had such an interest in Lincoln.

5. During the debriefing, Chairman Gray further explained that the Direct Investment Rule ("the Rule") was the focus of the discussion. The Chairman commented that it appeared that Senators Dennis DeConcini

and Alan Cranston acted as principals during the meeting. Chairman Gray stated that Senator DeConcini took the lead in attempting to have the Board modify or withdraw the Rule with regard to Lincoln. Chairman Gray expressed his outrage that Senator DeConcini had proposed withdrawal of the Rule for Lincoln's benefit. He also expressed his concern that he felt that he had lost ground on FSLIC recapitalization.

6. Before M. Danny Wall became FHLBB Chairman in July 1987, Chairman Gray met with Mr. Wall in the office of Senator Jake Garn, then the Chairman of the Senate Banking Committee. At approximately the time of this meeting, Chairman Gray informed me that he had told Mr. Wall about the April 2 and April 9, 1987 meetings with a group of Senators regarding Lincoln. Chairman Gray also told me that he advised Mr. Wall that the Lincoln matter was ripe for Board action. I recall briefing Mr. Wall's Chief of Staff, James Boland, Jr., several times regarding Lincoln. In addition, I prepared memoranda for Mr. Boland on the subject.

7. In 1986, I recall contacting the White House Director of Personnel, Bob Tuttle, to inquire about the status of the nomination of Roger Martin to the FHLBB. Mr. Tuttle informed me that the process was moving forward. I then learned that after Mr. Martin had been approved by the committee that meets weekly at the

White House to consider such appointments, Lee Henkel was proposed for the Board position instead.

Shannon Fairbanks  
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Subscribed and sworn before me this 24<sup>th</sup> day of October, 1990.

Charlotte P. Trumbach  
Notary Public

My commission expires  
on SEPTEMBER 30, 1995.

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