

23 Q All right.
24 Now, my question is, what did you understand to
25 be the meaning of the fact that the Federal Home Loan Bank

.1 Board had made a "criminal referral" with regard to the
2 conduct of any savings and loan institution?

3 Did it mean that somebody was going to be
4 prosecuted?

5 A It had been my experience throughout the years,
6 after having been involved in many of these disputes between
7 regulators and S&Ls, that when they got very heated, the
8 regulators would routinely leak that they had sent a
9 criminal referral, because it was really against the law for
10 them to admit that.

11 And it was a mechanism they used to try to scare
12 people off, not only members of Congress but attorneys from
13 taking the case of the thrift, because they would never be
14 able to verify whether this criminal referral actually
15 existed.

16 And even if they made it, everyone knew that very
17 few criminal referrals ever led to any type of prosecution.
18 That was generally well-known.

19 Q It was generally well-known what?

20 A At least by the Staff that criminal referrals
21 rarely ever led to prosecution.

22 Q Did you ever hear any more about the criminal
23 referral with regard to Lincoln?

24 A I don't believe so, after that time.

25 Q Until the current unpleasantness?

1 A No.

2 Q Did you have a conversation with Senator Cranston
3 in which you expressed your views to him about the
4 importance of a criminal referral at that time or at some
5 other time?

6 A I believe in some of the other disputes that we
7 have been involved in, he was aware of what the meaning of a
8 criminal referral was, of what importance you attach to it.

9 Q My question to you is --

10 A And that I had discussed that with him.

11 Q -- whether he was aware?

12 A In the particular case, but not just in a
13 microcosm, but in the particular case, I've commented to him
14 that this is something that they routinely do, and it's not
15 something that should stop the process.

16 Because the issues that they are arguing over are
17 going to have to be resolved. It does not stop the Bank
18 Board from proceeding and entering into a negotiation to
19 final resolution with them over the very issues they send
20 the criminal referral over.

21 So that doesn't mean that the process is going to
22 stop, simply because a criminal referral is going to be
23 made.