

1 (Handing document to the Witness.)

2 A Yes, sir.

3 Q Would you look at the first page and please, on
4 the date on the first page, the business purpose of the trip
5 to Washington?

6 A Yes, sir.

7 I have the exhibit before me. The business
8 purpose says:

9 "Regarding FHLB and regulatory matters and
10 Lincoln Savings, relationship with Chairman Ed
11 Gray, Chairman Ed Gray stepping down in June '87.
12 Review plans for Ponchartrain Hotel, Tower II."
13 For clarity, this is, I am certain, a summary of
14 the daily agendas that I was talking about. This would be
15 an accounting agenda that was put together by someone who
16 summarized the daily agenda.

17 So the business purpose really does not tell me
18 much.

19 Q Would you look into the third page of that
20 exhibit, and look at Wednesday, January 28th at 3:00 p.m.
21 Would you read that entry, please.

22 A "CHK, Carol Kassick"--

23 Q Who is Carol Kassick, by the way?

24 A She is Mr. Keating's secretary.

25 "Senator Riegle, 105 Dirksen."

1 Q You mentioned yourself, didn't you?

2 A Yes, sir.

3 Q Okay. Would you look at Special Counsel Exhibit
4 No. 89, please?

5 A May I add just one point?

6 Q Yes. Sure. You can add anything.

7 A In reading that "business purpose" on the
8 Ponchartrain Hotel, Tower II, it refreshes my recollection.
9 And again I don't have a specific recollection of dates and
10 substance in meetings, but I do recall Mr. Keating and I at
11 some time having a meeting with Senator Riegle where Mr.
12 Keating talked about the fact that he was considering making
13 an additional investment in Detroit, and that was the
14 Ponchartrain Hotel Tower I.

15 We had already bought and invested several
16 millions of dollars in Detroit with the Hotel.

17 He was considering another tower. And I do not
18 know if it was that meeting, because you had asked me if
19 other things were discussed, but I do recall at "a" meeting
20 with Senator Riegle Mr. Keating discussed the Ponchartrain
21 Hotel.

22 Senator Riegle was very interested in that. He
23 was very interested in the thought that Mr. Keating was
24 investing money in downtown Detroit.

25 Q Is there any doubt in your mind--while you don't

1 recollect maybe the specific words as you have indicated--is
2 there any doubt in your mind that Senator Riegle agreed to
3 arrange the meeting with the Senators?

4 A No, sir.

5 Q All right. Now in fairness to Senator Riegle,
6 let me refer you to his deposition, Exhibit E, page 73, and
7 let me just read to you a few lines.

8 "Q Does that in any way refresh your
9 recollection as to whether or not it was you who
10 arranged this meeting on April 2nd?

11 "A Well, first of all, I've seen this. I
12 did not arrange the meeting on April 2nd, and I
13 don't accept this description, and that is laid
14 out here on this page. That was prepared I take
15 it sometime in December of '89" and I will refer
16 you to that in a minute.

17 "Q Did you arrange the April 9th meeting?

18 "A No, I didn't arrange either meeting."

19 Now it is your recollection that he agreed to
20 arrange the meetings? Is that right?

21 A In Phoenix, Senator Riegle agreed to talk to Ed
22 Gray. I got the message from Mr. Keating that Senator
23 Riegle had talked to Ed Gray, and that Gray had agreed to
24 meet with other Senators. And I went and talked to Senator
25 Riegle about that, and he asked me to talk to the other

1 Senators and have them invite him to this meeting.

2 Q Looking at Exhibit No. 89, which is an excerpt
3 from a pleading that was filed in the bankruptcy court in
4 Phoenix, if you would, go to the third page. It is Bates-
5 stamped 237.

6 A Exhibit 89 of?

7 Q Special Counsel Exhibit No. 89.

8 (Handing document to the Witness.)

9 I will represent to you that this is a portion of
10 the pleading that was filed by American Continental in the
11 Bankruptcy Court. I would ask you to go down to the--do you
12 see where it says "66"?

13 A Yes, sir.

14 Q Bates Stamped 237. Would you be kind enough to
15 read the bottom paragraph starting with "ACC and Lincoln
16 Management" through the next page? It is about one, two,
17 three, four, five, six, seven lines up from the bottom. See
18 where it says "ACC and Lincoln management"?

19 A Would it be all right if I read the paragraph
20 before it to just set the context?

21 Q Oh, yes. Read whatever you want.

22 A Just so that the Committee understands, this is a
23 pleading that was presented in the bankruptcy court which is
24 a review of American Continental's management's perspective
25 on the events that led up to the bankruptcy.

1 "With the 1986 examination moving into its
2 13th month, ACC and Lincoln management became
3 frustrated with the apparent disorganization and
4 indecision of the examiners, and with the FHLBB's
5 unlawful public disclosures of confidential and
6 misleading examination information.

7 "Substantially all of ACC's and Lincoln's
8 transactional documents and corporate records
9 representing millions of pages had been
10 repeatedly made available to and copied by the
11 FHLBB. Exit interviews had been scheduled and
12 cancelled. And the examination appeared to have
13 no prospect for conclusion.

14 "ACC had tried on several occasions to meet
15 with James Cirona, Lincoln's Supervisory Agent,
16 at the FHLB-SF, to address the unexplained and
17 extraordinary length of the examination, only to
18 have the scheduled meeting cancelled by Cirona.

19 " ACC and Lincoln became increasingly
20 concerned about the disabling effect of the
21 examination process, and unlawful disclosures on
22 Lincoln's operations. The mere length of what
23 was to be a routine examination, led to
24 inferences of Lincoln's wrong doing drawn by
25 those with whom Lincoln did business, resulting

1 in strained and irretrievably damaged
2 relationships.

3 "The presence of the examiners demanded
4 extraordinary time and attention by management,
5 and ordinary business operations were greatly
6 disrupted. In light of the obvious damage to
7 Lincoln's operations, resulting from the
8 examination, and with no end in sight, and after
9 Cirona's refusals to meet with Lincoln, ACC and
10 Lincoln saw only two alternatives available.

11 "The could have filed a lawsuit and incurred
12 the additional expense, disruption and
13 uncertainty associated with any litigation, and
14 exacerbated an already hostile relationship with
15 the powerful regulators who governed Lincoln.

16 "With litigation an obviously undesirable
17 alternative, ACC and Lincoln concluded that their
18 only real option was to turn to their elected
19 representatives for help. In particular, ACC and
20 Lincoln sought assistance to ascertain the
21 motives and justification for the prolonged
22 examination and if, as ACC and Lincoln perceived,
23 the examination was the product of undue
24 regulatory zeal, to bring perspective to the
25 process by suggesting that the FHLBB either

1 charge violations or complete and conclude the
2 examination.

3 "ACC and Lincoln Management had been visiting
4 members of Congress since 1984 to urge rejection
5 of the re-regulation of the savings and loan
6 industry represented by the Direct Investment
7 Regulation.

8 "Senator Donald W. Riegle (D-Mich), listened
9 to ACC's story, conducted his own inquiry, and
10 agreed to contact FHLBB Chairman, Edwin Gray, to
11 arrange for the Chairman to meet in April, 1987,
12 with a bipartisan group of Senators, who
13 represented ACC's state or organization, Ohio,
14 Senator John Glenn (D-Ohio), ACC's principal
15 place of business, Arizona, Senator Dennis
16 DeConcini (D-Arizona), and Senator John McCain
17 (R-Arizona), and Lincoln's place of charter and
18 principal place of business, California, Senator
19 Alan Cranston (D-Calif.)"

20 Q All right. Now, you testified just a few moments
21 ago about fundraising, doing a fundraising event.

22 A Yes, sir.

23 Q Is it a fair statement to say that Mr. Keating
24 had never before, to your knowledge, made contributions to
25 Senator Riegle or any of his campaign activities?

1 A Mr. Keating had been a very active political
2 campaigner and fundraiser long before I came to American
3 Continental Corporation.

4 He actively raised money for charitable
5 organizations and also for political organizations. And I
6 simply don't know --

7 Q So your answer is, you don't know?

8 A Prior to my coming, I don't know.

9 But from the time that I was at the company,
10 until now, I was not aware of any fundraising for Senator
11 Riegle.

12 Q In the January-February '87 time frame, and you
13 had a lot of direct dealings with Mr. Keating, didn't you?

14 A Mr. Bennett, I had a significant amount of direct
15 dealings with Mr. Keating about the events here. But there
16 were many many times when Mr. Keating spoke on the phone
17 with elected officials or met with elected officials, and
18 there are many conversations, meetings, etcetera, that he is
19 the person who knows what happened.

20 I just don't know.

21 Q You do know, don't you, that Mr. Keating was well
22 aware of the fact that Senator Riegle was on the Banking
23 Committee?

24 A Yes, sir.

25 Q Would you be kind enough to look at Special

1 Counsel Exhibit 213, and please read that letter into the
2 record?

3 A Yes, sir.

4 Q Describe the letter, please.

5 A It's a letter on Mr. Keating's personal
6 stationery. It's a two-page document, dated February 18,
7 1987. It's addressed to Mr. Ronald Sova.

8 "Dear Ronald,

9 "I have a very serious task to raise funds for
10 the Honorable Donald Riegle, who is running for
11 reelection as United States Senator for Michigan.
12 Please phone or otherwise contact anyone you know
13 in Michigan who will, a) contribute to Don Riegle
14 for U.S. Senate (contributions must be from
15 individuals and cannot exceed \$2,000; \$500 to
16 \$2000 contributions will be deeply appreciated).

17 "Very important: b) give us names of people
18 we may solicit and who may be invited to the
19 luncheon (see below).

20 "c) Senator Riegle will be the next Chairman
21 of the Senate Banking Committee. Probably for
22 the year 1988. Surely you know those who will
23 help support (from anywhere in the United States)
24 this excellent Senator in his reelection
25 campaign. The luncheon is noon, Monday,

1 March 23, 1987, at the Ponchartrain Hotel in
2 Detroit. If you, yourself, wish to contribute,
3 the Senator and I will be very grateful. Simply
4 make your check out, ("Riegle for Senate"), and
5 return to me as soon as possible.

6 "This is extremely important. I need
7 invitees, I need contributions."

8 "Sincerely, Charles H. Keating, Jr."

9 Q Now, with regard to Senator Riegle's visit to ACC
10 in March of '87, which you've testified about, were you
11 aware that Earl Katz helped arrange it?

12 A I was not aware of that. I saw in the documents
13 that Earl picked the Senator up at the airport and brought
14 him to us. It was not unusual for Earl to have elected
15 officials that he brought over to our company to introduce
16 them to Mr. Keating.

17 Q And who was Earl Katz?

18 A Earl Katz was a prominent, respected businessman
19 in Arizona, very active in Arizona democratic politics and
20 an active fundraiser for a variety of democrats in Arizona.

21 Q What was his relationship with Senator DeConcini,
22 if you know?

23 A He was a fundraiser for Senator DeConcini, and I
24 believe, a good friend.

25 Q Were you aware that on this trip in March, in

1 addition to discussing the fundraising event at the hotel,
2 that funds were collected for Senator Riegle on that trip?

3 A Funds collected from American Continental
4 personnel?

5 Q Yes.

6 A I have no specific recollection of that but,
7 again, that would not have been unusual and it's even
8 possible that I donated funds at that time. But it does not
9 stand out in my mind.

10 Q Would you look at Special Counsel Exhibit 81,
11 please?

12 A Yes, sir. The document is before me.

13 Q Would you read that into the record, please?

14 A It's a letter on the personal stationery of Earl
15 Katz. It's to Senator DeConcini. It's dated March 3, 1987.

16 "Dear Senator DeConcini,

17 "I am very pleased to be able to enclose
18 support checks on behalf of the reelection of
19 Senator Don Riegle of Michigan. This fundraising
20 effort has been initiated and led by Mr. Charles
21 Keating, Jr., Chairman, American Continental
22 Corporation.

23 "Mr. Keating strongly believes in the elective
24 process, and his encouragement has been a source
25 of great inspiration to me. He works very hard

1 to impact the leadership of this community, our
2 State, and our country, with his ideas, questions
3 and concerns. I only wish every citizen
4 participated with his vigor and his knowledge.

5 "Senator Riegle has demonstrated a very broad-
6 based open leadership in the Senate, and has
7 earned the support of the citizens of Michigan,
8 Arizona, and throughout our country. It is a
9 high honor to have worked in Arizona to assist
10 you on behalf of Senator Riegle, your colleague,
11 and friend.

12 "Please pass these support checks along to
13 Senator Riegle as a genuine measure of the high
14 esteem each contributor has for his public
15 service, and with their best wishes for a
16 successful election campaign.

17 "Sincerely, Earl Katz."

18 And it shows blind copies to Kevin Gottlieb, myself, and
19 Charles Keating, Jr.

20 Q Now, why, given your understanding of Mr. Keating
21 and ACC's fundraising practices, why would money have been
22 given not directly to Senator Riegle by your or Mr. Keating,
23 why would you go through Senator DeConcini?

24 A It appears to me that we went through Earl Katz,
25 which would have been very normal. Because Earl was a very

1 active fundraiser, and if he was organizing a fundraiser,
2 and he was the contact with Mr. Keating, Earl would be the
3 person to whom the checks would be given.

4 Mr. Bennett. Mr. Chairman, there's an Exhibit 87
5 which I would like to read into the record at this time, it
6 is in evidence, which relates to this general subject
7 matter.

8 This is Special Counsel Exhibit 87. It's a
9 memorandum to Don, Laurie, and Jim Arbery, from Kevin, and
10 it's dated February 18, 1987, Subject: DeConcini Reciprocity
11 for Katz Help to Don in Arizona.

12 And it reads as follows:

13 "Today, I met with Earl Katz regarding your
14 upcoming trip to Arizona. The amounts appear to
15 be as follows:

16 "\$10,000 - American Continental 3\8."

17 I'll skip the rest.

18 "Earl will be directly responsible for about

19 --

20 Mr. Green. Could Mr. Bennett read the entire, if
21 he's going to read the memo --

22 Vice Chairman Rudman. Please read the entire
23 memo.

24 Mr. Bennett. All right, I'll read it all. I was
25 just trying to save time.

1 Vice Chairman Rudman. Thank you.

2 "\$2500 - AIPIC - Katz Jewish PAC 3\8

3 "\$7500 - AIPIC - follow up by Katz, April

4 "\$7500 - New England Life event, 3\7If

5 "\$27,500 - total

6 "Earl will be directly responsible for about
7 \$20,000. Some time in the Spring, Earl will be
8 arranging a mid-west weekend swing for Senator
9 DeConcini. One stop will be in the Detroit area.
10 I have told him you would prefer to do a Sunday
11 evening event. For example, 6:00 to 8:00 p.m. I
12 told him you will need about two months advance
13 notice and full materials on DeConcini's Israel
14 record. Earl will take care of everything. I
15 think we would have to raise \$15,000. You will
16 want to call Emery Klein to ask him to do the
17 event. When you speak in Arizona to his Jewish
18 group (Sunday afternoon), he recommends that you
19 not try to prove how pro-Israel you are, but
20 rather, talk about:

21 "1. American support for Israel is in the
22 best interests of American

23 "2. How Israel helps the U.S. in the Middle
24 East, etc., and

25 "3. How AIPIC performs an educational

1 function for Congressional Staff, etcetera.

2 "Earl will explain what a strong supporter you
3 have been of Israel. Then, in addition to the
4 PAC check and money you receive on Sunday, he
5 will collect the remainder from the people at the
6 Sunday afternoon session.

7 "I have asked Jim to ask the Staff to prepare
8 briefings on Banking, Israel, and Insurance.

9 "Finally, if you have not done so already, you
10 will want to put on your schedule, the May 18th
11 AIPIC dinner in Washington, and the May 19th
12 AIPIC reception here in town."

13 By Mr. Bennett:

14 Q Did Mr. Keating or Senator Riegle or Mr. Gottlieb
15 or Jim Arbery ever discuss with you any reciprocal
16 fundraising arrangements between Senator DeConcini and
17 Senator Riegle as it may relate to the trip of Senator
18 Riegle to Phoenix?

19 A No, sir.

20 Q Would you look at Special Counsel Exhibit 90?

21 A Yes, sir.

22 Q Can you please read that into the record and tell
23 us what this means to you?

24 A It appears to be a Xerox of two separate
25 documents.

1 One is a handwritten note on a U.S. Senate
2 Memorandum note pad.

3 And the other is a "While-You-Were-Out" phone
4 message.

5 The U.S. Senate note pad reads, as best as I can
6 decipher: "KG - I set up meeting on --

7 Q Who is "KG," do you know?

8 A Kevin Gottlieb, in this context.

9 "I set up meeting on Thursday 2-5 at 2:30 for
10 Senator McCain, Jim Grogan of Charles Keating's
11 office, and Robert Kielty, same office. Harris
12 will be there and they want you, too. It is my
13 understanding that DWR requested this be done
14 last week."

15 And the phone message "While-You-Were-Out":

16 "Jim Grogan of Phoenix -- none of the boxes are
17 checked and it says 15 M -- I cannot read that
18 word, if you can help me, Mr. Bennett -- Senator
19 McCain, Thursday, 10:45, February 5th, one-half
20 hour, Robert Kielty for Charles Keating."

21 Q Amy can read it better than I. She thinks it
22 means 15 minutes, but --.

23 Did you ask Senator Riegle, at any time, to
24 contact Senator McCain?

25 A Could I clarify these notes?

1 Q Oh, yes, sure.

2 A I have no recollection of this meeting ever
3 taking place. I do not recall at any time Bob Kielty,
4 myself and Senator McCain ever meeting with Senator Riegle.

5 Q Did you ever ask Senator Riegle to contact
6 Senator McCain regarding Lincoln's complaints about Gray?

7 A Senator Riegle asked me to contact Senator
8 McCain, because, in the context of setting up this meeting
9 with Ed Gray, Senator Riegle asked me to have Senator McCain
10 and Senator DeConcini invite Senator Riegle to the meeting
11 as an expert in banking and regulatory issues, because of
12 his expertise on the Banking Committee.

13 I have a specific recollection of meeting with
14 Senator McCain, and telling Senator McCain, first of all,
15 that this meeting was being planned between various Senators
16 who understood our problems with the regulators.

17 And I told him that Senator Riegle had asked me
18 if Senator McCain would invite Senator Riegle to that
19 meeting. Senator McCain reacted very negatively to that
20 suggestion. And he told me, no. He told me that he would
21 not invite Senator Riegle to the meeting, and he was unhappy
22 about that concept.

23 However, --

24 Q Let me ask you this, before you go on.

25 Did Senator Riegle ever tell you why he wanted

1 you to ask Senator McCain to ask Senator Riegle to come to
2 the meeting?

3 A It was apparent to me, and I can't recall a
4 specific explanation from Senator Riegle, but it was
5 apparent to me that Senator Riegle knew, as a shrewd
6 politician, that this was a potentially politically
7 explosive situation because there was tremendous media at
8 the time about Mr. Keating and Mr. Gray and the regulators,
9 and all the fighting.

10 And Senator Riegle expressed to me that he
11 thought it would be appropriate for him to be involved in
12 this meeting, if he were invited by the constituent Senators
13 who were the most knowledgeable of Lincoln's problems.

14 And it was clear to me that he felt that he would
15 be much more comfortable attending the meeting if the
16 specific Senators from our state invited him to the meeting.

17 So when Senator McCain told me that he would not
18 invite Senator Riegle, I asked him if he would at least just
19 talk to Senator Riegle about the meeting.

20 Q Go ahead.

21 A Well, Senator McCain said, yes, that he would.
22 In fact, he said, I have to go to a Committee hearing right
23 now. Let's go. And he was off out of his office, and I was
24 following Senator McCain.

25 We went to Senator Riegle's office, in the

1 Dirksen Building. I stayed in the hall. Senator McCain
2 went in. Very short meeting, a couple minutes at most.

3 Senator McCain came out, said, that's done,
4 that's taken care of. And he left.

5 One fact that I think is relevant is that when I
6 was talking to Senator McCain about this meeting and would
7 he go to the meeting and would he invite Senator Riegle, he
8 was very adamant that he was politically concerned about the
9 meeting and that he knew Ed Gray. And he was very clear in
10 the way he expressed this to me, that he knew Ed Gray to be
11 someone who could turn this meeting into something negative,
12 as far as publicity goes.

13 And the politician in him told him it was a very
14 dangerous meeting, and he did not commit to me at that time
15 that he'd either go to the meeting or not. All he committed
16 to me at that time was that he'd talk to Senator Riegle
17 about it.

18 Q Did Senator McCain express, at that time, any
19 concerns about the propriety of going to such a meeting?

20 A No, sir.

21 Q Do you recall meeting with Senator Riegle, Mr.
22 Gottlieb, and Jack Atchison on or about February 26, 1987?

23 Do you remember?

24 A I definitely remember the meeting.

25 The specific date is not something I can tie the

1 meeting to. And I know why and how the meeting was set up.

2 Q Let me just show you two exhibits.

3 Would you look at Special Counsel Exhibit 550.

4 A Yes, sir.

5 Q I apologize for the faint print, but it's the
6 best we could do.

7 I'll represent to you that these are Senator
8 Riegle's calendars for February 26, 1987, and would you look
9 at the 3:45 p.m. entry?

10 A "Jim Grogan, American Continental, Phoenix."

11 It looks like, in little writing under that, it
12 says, "Jack Atchison, Arthur Young."

13 Q Now, would you look at Special Counsel Exhibit
14 563.

15 A Yes, sir.

16 Q Can you tell us what that is?

17 A It's a business purpose voucher, dated July 21,
18 '87.

19 Q That's a Lincoln form, isn't it?

20 A That's correct, a Lincoln ACC form.

21 Q When I say Lincoln or ACC, you correct me if I
22 should be using one or the other, but we've been using that
23 somewhat synonymously.

24 A I'll do my best.

25 Q Read that form in here, will you?

1 A Date: February 26, '87. Place: Washington, D.C.
2 General Business Purpose: Meetings on Capitol Hill with
3 Jack Atchison, Arthur Young accountant, and Jay Rousellot.

4 Q And it says?

5 A The company is LSLA, Lincoln Savings & Loan, and
6 the approval is my signature.

7 Q You want to tell us about that meeting, if you
8 can remember?

9 A Yes, sir.

10 At some point in my meeting with Senator Riegle,
11 in discussing this concept of having a meeting, Senator
12 Riegle was intent on having whatever documentation that we
13 could provide him that would give him insight into the
14 problems with Lincoln.

15 I do not recall if this is the same meeting, when
16 he asked me to invite the Senators. But I do recall that
17 one of the points that Mr. Keating made aggressively,
18 whenever we met with elected officials, was that the
19 regulators. seriously disagreed with and disliked the
20 California law that was passed by the California
21 Legislatures, that gave Lincoln powers to do a variety of
22 investments. And that the fact that the company utilized
23 that charter successfully and profitably, seemed irrelevant
24 to the regulators.

25 And Mr. Keating was adamant that we had big eight

1 accounting firms who reviewed every income-producing
2 transaction, and profits were booked, based on the advice
3 and the determination of these accounting firms.

4 And Mr. Keating, in all of these meetings, would
5 aggressively say Arthur Young or Arthur Andersen, whichever
6 accountant had done that year's audit, has audited our
7 books. They have separate offices in our buildings.
8 They're with us daily. They're involved in all the
9 transactions. And they tell me when I can book income and
10 when I can't. And I'm running a very profitable company.
11 And my accountants are giving me clean audits that are
12 without qualification.

13 And Senator Riegle whom I know had heard that at
14 one time or another and probably several times from Mr.
15 Keating, asked me, can you get me a letter from your
16 accountants that outlines their perspective on your
17 relationship with the regulators.

18 I relayed that message from Washington, back to
19 Mr. Keating. And Jack Atchison, the then managing partner
20 of Arthur Young in Phoenix, and it was my understanding that
21 he was one of the top executives of Arthur Young nationally
22 and on one of their top committees. He had tremendous
23 experience in the S&L industry, and had been our managing
24 partner on our audits and was very familiar with American
25 Continental's and Lincoln's transactions, wrote a letter to

1 Senator Riegle, and later wrote virtually the same letter to
2 the other Senators involved.

3 Q Would you look at Special Counsel Exhibit 192,
4 please, and tell me if that's the letter that you're talking
5 about?

6 A Yes, sir.

7 Q Would you just read the caption, please? The
8 date and the caption.

9 A It's on Arthur Young Stationery. It's dated
10 March 13, 1987, The Honorable Donald W. Riegle, Jr., United
11 States Senate, 105 Dirksen Senate Building, Washington, D.C.
12 20510.

13 Q And it says, "Dear Senator Riegle" right?

14 A Dear Senator Riegle, yes, sir.

15 Q Now, would you look at Special Counsel Exhibit
16 256.

17 That appears to be the same letter, as to
18 substance, anyway, doesn't it?

19 A I have seen these letters previously, and it's my
20 recollection that they are very substantively the same.

21 Q Looking at Special Counsel Exhibit 256, looking
22 at the caption, would you read the caption, please?

23 I don't mean the Arthur Young part.

24 Who is the letter to?

25 A It appears that the addressee has been whited

1 out. It just says "the Honorable," but it has United States
2 Senate, 105 Dirksen. That is Senator Riegle's office.

3 Q Do you know why that is whited out?

4 A I have no idea.

5 Q Did Lincoln send that letter to any other United
6 States Senators or their staffs?

7 A It certainly is possible.

8 But it's my understanding that Arthur Young, Jack
9 Atchison sent very similar, substantially the same letter to
10 all the other Senators.

11 But this was a powerful letter. I suspect it's
12 already been read into the record.

13 Q Many many times.

14 A It's a very powerful letter, and we distributed
15 this letter far and wide.

16 Q How did you know who to send it to?

17 Did Senator Riegle request it?

18 A Yes. I've already testified that Senator Riegle
19 asked me to have our accountant send him a letter.

20 And after we got the letter and distributed it
21 and had it sent to the other Senators, Mr. Keating asked Mr.
22 Atchison if he would mind personally going to Washington,
23 D.C. with me and meeting with various elected officials.
24 And explaining, from his perspective as an independent
25 accountant to had tremendous experience in the S&L industry,

1 his views on what was happening at Lincoln, in relationship
2 to the regulators.

3 Q Just so the record's clear, Mr. Atchison -- and
4 let me make it clear there would be no way that any of the
5 Senators would know this, but Mr. Atchison subsequently went
6 to work for Lincoln, didn't he?

7 A That is a fact.

8 Just for the record, there was absolutely no way
9 that I knew that that was going to happen, or that I ever
10 had any inkling that that was going to happen at this time
11 in real time.

12 Q When did you first learn that Atchison was going
13 to go to work for Lincoln, as best you can recall?

14 A It was maybe two weeks before he actually came to
15 work with us.

16 Q What was his approximate salary, do you know?

17 A I've heard reports that it was approximately
18 \$750,000. But I do not have independent knowledge of that.

19 Q Did Mr. Keating ever discuss with you the hiring
20 of Mr. Atchison?

21 A Yes, he did, Mr. Bennett.

22 That was unfortunately one of our biggest blow-
23 ups, if you will.

24 Q Tell us what that discussion was.

25 A First of all, my boss, Bob Kielty, who was

1 general counsel for the Company, when he heard that Mr.
2 Keating was considering hiring Jack Atchison, was very
3 upset.

4 It was no reflection on Mr. Atchison. Everyone
5 respected him highly as an accountant.

6 But Bob thought that it just looked bad. It
7 looked bad hiring the man who had run your audit during very
8 turbulent times. And Bob was very very aggressive in
9 representing to Mr. Keating his perspective on that.

10 And I recall vividly a meeting that I was in in
11 Judy Wischer's office with Mr. Keating, Judy Wischer, the
12 President of the Company and myself, and Mr. Keating was
13 complaining about Mr. Kielty's view on Atchison.

14 And I shared with Mr. Keating that I agreed with
15 Mr. Kielty, and that from a Washington perspective that I
16 thought that this was a disastrous decision, purely from the
17 public relations viewpoint.

18 And this was right around the time that we were
19 just signing the memorandum of understanding, and we were
20 just settling things with the regulators.

21 And I explained to Mr. Keating that I just
22 thought, regardless of his talents, and I had no personal
23 problems with Jack, I respected his talents, I thought it
24 was a terrible mistake to hire him. And there's been
25 descriptions about the anger shown by Senator McCain in that

1 meeting.

2 Well, that was nothing compared to what I got.
3 Mr. Keating was white hot. He said that spineless lawyers
4 would ruin this company, that he had to have talented
5 accounting people. That lawyers never made a nickel for the
6 company, that all we did was cause problems. And that the
7 accountants and business people were the guts of his company
8 and they made the money for the company. And he made the
9 point to me, he said, "Jack Atchison knows every nickel
10 that's come in and gone out of this company, he knows every
11 deal. I'm honored that he wants to come work for me."

12 And I think it's only fair to tell the Committee
13 that there was tremendous sincerity. I believe that Mr.
14 Atchison's discussions with Mr. Keating, which I had no
15 privy to, really did lead Mr. Keating to believe that Mr.
16 Atchison was leaving Arthur Young no matter what, and that
17 he wanted to come and be a part of our company. And that
18 that definitely was something that Mr. Keating, he was
19 impressed by that and he took great pride in that, that his
20 accountant, who had stood by him in fights with the
21 regulators, but who knew the company, knew its people, knew
22 the business transactions, wanted to come and work at his
23 side.

24 I didn't have any problems with Mr. Atchison as
25 an accountant, and I want to make that very clear.