

1           Q       Did it ever concern you, as a Congressman, and  
2       don't imply by my question that I think Congressmen and  
3       Senators can't have friends, okay, but did it ever cause you  
4       any concern that you would be vacationing, having fun,  
5       drinking, whatever, with a friend such as Mr. Keating in the  
6       Bahamas, at or around the same time he has a matter of  
7       interest before the Bank Board and asking you for  
8       assistance, even though other people may have also had  
9       interest.

10                    Did that then or now, you know, cause you any  
11       concern?

12                    Because that's kind of one of the issues which I  
13       guess this Committee at some point has got to wrestle with.

14                    You seemed to have the closest personal  
15       relationship, from my investigation, with Mr. Keating, at  
16       least up to the point you had your blow up with him, than  
17       did any of the other Senators. At least on a social basis,  
18       it appeared that way.

19            A       I believe that that's accurate, Mr. Bennett, that  
20       he and I were friends.

21                    No, I did not have any reservations about having  
22       friends, nor do I have reservations about having friends who  
23       contribute to my political campaigns.

24                    I would probably suggest that most of the people  
25       that contribute to my campaigns are friends of mine.

1           Let me point out that the key to this, Mr.  
2 Bennett, is not whether Mr. Keating was a friend of mine, or  
3 not. The key answer to your question is whether or not I  
4 would do anything improper for a friend of mine.

5           And the record clearly indicates that, on March  
6 24th, when I was asked to do something improper by a friend,  
7 I refused to do so.

8           Q       And the thing that you were asked by the friend  
9 that was improper was what?

10          A       To negotiate on his behalf and to intervene in an  
11 improper fashion with a Federal regulator.

12          Q       You know, the thought that has occurred to me  
13 from time to time, and I'd just like your comment on this,  
14 on this case, and admittedly, this is not on all fours, and  
15 it again is one of those questions which I ask to kind of  
16 help the Committee wrestle with some of these issues.

17                 You know, we've heard a lot about constituent  
18 service, and I suppose if some constituent, let's say  
19 somebody who makes something, comes in to you and says, you  
20 know, I don't think I was treated fairly by the Government  
21 contracting officer or whoever awards these, and you say,  
22 why, and they say, well, did you know that the Government  
23 contracting officer and the fellow who got the bid are good  
24 friends, they vacation together. The guy who gets the bid  
25 gives to charities of interest to the contracting officer.

1 I mean, admittedly it's not on all fours, but  
2 wouldn't you, as a Senator, be very worried about that and  
3 be concerned about the appearances of that, that the  
4 Government contracting process should be above all that?

5 A Well first of all, Mr. Bennett, let's make it  
6 clear that the record shows that most of the letters that I  
7 was writing in relation to the direct investment rule were  
8 on behalf of other savings and loan institutions in Arizona,  
9 not necessarily that of Mr. Keating and Lincoln Savings &  
10 Loan.

11 The record is clear there.

12 I have provided the committee with substantiating  
13 documents of letters, requests from the Savings & Loan  
14 League, and memoranda--and including a memorandum of a  
15 meeting that I had with several heads of savings and loans  
16 in Arizona.

17 So let's make that clear that I did not take this  
18 action on behalf of Mr. Keating.

19 Second of all, I do not think that being in  
20 political office precludes me from having friends.

21 Third of all, I do not think it precludes friends  
22 of mine from contributing to my campaign.

23 But I also repeat again, it is abundantly clear  
24 that even if it is a close friend I will not do something  
25 improper in that person's behalf, and the record proves

1 that.

2 Q Why do you think it is improper?

3 A So I can't deal with hypotheticals about some  
4 contractor who may be involved in some charity or other.  
5 All I can do is deal with the specific facts of this case.  
6 My relationship with a friend, which I broke off because I  
7 thought it was improper what I was being asked to do.

8 Q Why did you think it was improper to negotiate  
9 for Mr. Keating? Give me all of the reason why you think it  
10 was--why you say you thought it was improper to negotiate.

11 A Because I do not represent him.

12 I was trying to represent the employees of a  
13 major employer in my state, Mr. Bennett, and I was trying to  
14 see that fairness was being meted out to this savings and  
15 loan and this corporation.

16 By seeing that is by finding out information, not  
17 by negotiating.

18 Q Senator, you testified on direct examination by  
19 Mr. Dowd that you learned that there would be, what, four  
20 Senators? Did you actually hear there would be four, or  
21 just a number of Senators at the April 2nd meeting?

22 A I believe I heard that there would be four.

23 Q And did you have any expectations, or not, as to  
24 whether Senator Riegler would be present at the meeting?

25 A I had no expectation.

1 Q And you expressed on direct examination that you  
2 were somewhat concerned about there being several Senators.  
3 Is that correct?

4 A That's correct.

5 Q And, while I don't think you testified to it on  
6 direct, although you may have, am I correct that you kind of  
7 wanted an aide present, and you asked Ms. van--because of  
8 what you said was your lack of expertise--and you asked Ms.  
9 van Paasschen to check it out?

10 Is that right?

11 A Yes. And I believe I also testified that I  
12 wanted Ms. van Paasschen there because of her knowledge of  
13 the issues, and because of my lack of knowledge of the  
14 issues.

15 If we had been meeting on another issue of which  
16 I am much more familiar, I would have not felt the same  
17 degree of discomfort.

18 Q So there were two reasons why you wanted her  
19 there.

20 Is that what you're saying?

21 A Primarily it was because I needed her knowledge  
22 and expertise.

23 Q All right. Now you told her to check it out? Is  
24 that correct?

25 A Yes, sir.

1 Q And who did she check it out with, if you know?

2 A She called Senator DeConcini's office, she said,  
3 and reported back to me.

4 Q Let me direct your attention to your deposition  
5 of March 12th, 1990, page 56, starting with page 56.

6 This was before the committee on that date,  
7 Senators Rudman and Pryor were present. Line 8:

8 "Q When was it you learned there would be  
9 four Senators at this meeting?

10 "A I think the day before, maybe the day  
11 of.

12 "Q How did you learn that?

13 "A My staff, Ms. van Paasschen.

14 "Q How did you react when you heard that  
15 there would be four Senators?

16 "A That's when I was concerned. That's  
17 when I became concerned.

18 "Q Why were you concerned?

19 "A Because of the impression created. As  
20 I stated before, four Senators or five Senators  
21 on a case?

22 "Q Did you raise that issue with anybody,  
23 why are four or five of us meeting?

24 "A I was aware that all the Senators  
25 mentioned had an interest in Lincoln Savings &

1           Loan for one reason or another. Senator  
2           Cranston, because it was California. DeConcini  
3           and I because of Arizona. I understand Senator  
4           Glenn because it was originally an Ohio  
5           organization. And I understand from Senator  
6           Riegle had some involvement in a project that  
7           Lincoln Savings & Loan did in Michigan.

8           "Q     Did it take four United States Senators  
9           to meet with Mr. Gray and express concern? Let  
10          me ask the question as a layman. Why four heavy-  
11          hitters meeting with Mr. Gray?

12          "A     With the clarity of hindsight?

13          "Q     You were concerned in real time, you  
14          said.

15          "A     Yes, I was. And with the clarity of  
16          hindsight it was inappropriate, not because of  
17          what was said or done--that's a separate  
18          judgment--but because of the impression that was  
19          created."

20          Do you recall giving those answers?

21          A     Yes.

22          Q     And do you stand by them?

23          A     And I'd like to add: "In my view, 'other  
24          Senators may have a different view'" I added in the next  
25          sentence.