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 JUSTICE

FOR IMMEDIATE RELEASE

Senator Alan Cranston (D., Calif) announced today that he will introduce legislation after he returns to Washington this week that would allow some 23,000 Californians who bought now worthless bonds at Lincoln Savings & Loan to sue the federal government to recover their losses.

"Documents I have received from the Office of Thrift Supervision in Washington and the General Accounting Office (GAO) are clearly enough evidence on which to bring a case of negligence against the government," Cranston said.

"My legislation will give the bondholders the opportunity to recover their losses if they are unsuccessful in recovering from Lincoln Savings, American Continental Corporation, and Charles Keating," Cranston said.

Cranston also made public today a letter to Attorney General Richard Thornburgh, urging the Justice Department to take several steps to help the bondholders recapture an estimated \$200 million in losses.

Cranston told Thornburgh that "Although the Department of Justice has the responsibility and obligation to pursue vigorously the possibility of criminal conduct in the Keating/Lincoln/American Continental case, I would urge that an equal effort be made to determine what steps could appropriately be taken to assist the bond holders who are among the primary innocent victims in this case."

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Cranston urged the Justice Department to support a one-time waiver of sovereign immunity which precludes suits against the government, and to take three other specific actions to help the bondholders.

One, to make the assets obtained by the Justice Department in any criminal proceedings in the case of American Continental or Lincoln Savings "available to reimburse the bondholders."

Two, to ask the federal courts to extend Federal Savings and Loan Insurance Corporation (FSLIC) coverage to the bondholders if they cannot recover their losses from the assets obtained in civil or criminal proceedings. Cranston cited a legal case which provided federal deposit insurance funds to people who believed they had purchased bonds that were insured, when they were not.

Three, to use its powers under U.S. treaty rights with other countries to assist bondholders in locating any assets that defendants in the Lincoln Savings case might have overseas.

He also asked the Justice Department to assist bondholders "in obtaining access to pertinent financial records abroad."

In a separate statement Cranston said, "The bondholders are saying they were tricked by Lincoln Savings and its parent company, American Continental Corporation, into buying uninsured bonds that are now apparently worthless. There is no doubt about the fact that intelligent people bought the bonds under circumstances that led them to believe they were insured by the U.S. government.

"The federal regulators, headed by Ed Gray, permitted the bond sales, despite information they had that led them to doubt the financial solvency of American Continental. Gray's regulators also failed to monitor the sale, thereby violating Federal Home Loan Bank Board regulations.

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"What has happened to those bondholders is one of the most upsetting things I have ever known in my life. Here you have widows and elderly people losing their life savings in what they now believe was the well-known switch-and-bait.

"If it was a ruse, those responsible ought to pay and pay dearly.

"I intend to do everything in my power to see to it that the bondholders get justice. I have heard in detail from Shirley Lampel, one of the leaders of the bondholders -- and from others among them -- of the tragic conditions now facing many elderly, ill, widowed victims who bought the bonds while believing with good reason that they were backed by the U.S. government. Many of them are now bereft of all their resources. They can't pay their rent. They can't pay for decent food. They can't even afford to heat their homes.

"Some of them are too embarrassed to tell their relatives and friends of their plight, even though they, of course, did nothing wrong and were let down by their own government -- specifically by regulators headed by Ed Gray whose responsibility it was to protect them."

A copy of Cranston's letter to Thornburgh, dated Jan. 16, is attached.

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Attachment

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