

1 please.

2 (Handing document to the Witness.)

3 Can you identify that?

4 A Yes. This is a letter from Senator McCain on May
5 25th, 1989, to me in Miami.

6 Q Would you be kind enough to read that into the
7 record? I apologize for the blotch on that last paragraph
8 but that is Senator McCain's Xeroxing machine.

9 It is throughout many of his documents--or maybe
10 it is Mr. Dowd's Xeroxing machine.

11 Would you read that into the record, please?

12 A Read the whole letter?

13 Q If you would.

14 A Yes.

15 "Dear Mr. Gray:

16 "As you know, there have been many reports in
17 the media recently about the meeting held with
18 five U.S. Senators, including myself, early in
19 1987 regarding Lincoln Savings & Loan.

20 "According to comments attributed to you in
21 the media, you were quite displeased by the
22 meeting. You said you thought the Senators were
23 exerting undue pressure to influence the Home
24 loan Bank Board treatment of Lincoln.

25 "I, for one, tried to make it very clear that

1 I did not want to do anything improper and wanted
2 to be told if our inquiries on Lincoln's behalf
3 would be so considered.

4 "To clarify the circumstances, I would
5 appreciate it if you would, to the best of your
6 recollection, tell me if you think any of my
7 comments or actions in the meeting were improper.
8 As a U.S. Senator I have an obligation to
9 represent my constituents and determine whether
10 or not they receive equitable treatment from the
11 government, and to do everything in my power to
12 ensure that they receive fair and equitable
13 treatment under the law.

14 "That does not mean, however, that I should
15 intervene improperly on their behalf with any
16 government agencies. To do so would be an abuse
17 of my authority and I would like to know if you
18 think"--

19 It must mean "if you think I did so"; it does not say that.

20 Mr. Garment. . Do you have a clean copy of this, Mr.
21 Bennett? All right, well, do the best we can.

22 Mr. Bennett. This is the best copy.

23 The Witness. Maybe he left out a word.

24 Mr. Garment. I know a place that sells a machine that
25 will blotch the whole document if it is incriminating.

1 (Laughter.)

2 The Witness. "To do so would be an abuse of my
3 authority, and I would like to know if you
4 think"--and apparently it meant "I think"--if you
5 think "I did so in"--it must be--"in the meeting
6 in which we discussed Lincoln Savings.

7 "I" blank "that this issue has been an
8 extremely difficult one, Ed, and I respect the
9 manner in which you have handled it. Hopefully
10 we will learn from the mistakes of the past and
11 can prevent our Nation from ever having to face
12 this kind of crisis again.

13 "Sincerely,

14 "John McCain, United States Senator."

15 By Mr. Bennett: (Resuming)

16 Q Now after you got that letter, you responded to
17 that letter, didn't you?

18 A Yes, I did.

19 Q But you also had a telephone call with Senator
20 McCain?

21 A Yes.

22 Q Did the call come before the letter was written,
23 or after the letter was written?

24 A It was after I responded.

25 Q Would you look at Special Counsel Exhibit No. 71?

1 (Handing document to the Witness.)

2 A Oh, well, that's the one we've already seen. Oh,
3 here it is.

4 Yes. Okay.

5 Q Would you look at Exhibit No. 71? Was that your
6 response to him?

7 A Yes. It's a May 30 letter from myself to Senator
8 McCain.

9 Q Could you read that into the record, please.

10 A "May 30th, 1989.

11 "Transmitted by Facsimile. Original by
12 Federal Express.

13 "The Honorable John McCain

14 "United States Senator

15 "Washington, D.C. 20510

16 "Dear Senator McCain:

17 "I am in receipt of your letter of May 25th,
18 1989, and I appreciate the opportunity you have
19 provided to comment.

20 "As you will recall, there were two meetings.
21 The first was held in Senator DeConcini's office
22 and began at 6:00 p.m. I believe the date of
23 this first meeting was April 2nd, 1987.
24 Attending the meeting were myself, you, and
25 Senators DeConcini, Cranston, and Glenn.

1 "The second meeting was held I believe on
2 April 9, 1987, in Senator DeConcini's office as
3 was attended I believe by you, Senators
4 DeConcini, Cranston, Glenn, Riegle, and by four
5 representatives of the 11th District Federal Home
6 Loan Bank Board, including Principal Supervisory
7 Agent James Cirona, Agency Functions Director
8 Michael Patriarca; Supervisory Agent Sanchez; and
9 General Counsel William Black. I did not attend
10 the second meeting, which was requested by
11 Senator DeConcini.

12 "I remember well the first meeting. Senator
13 DeConcini, presumably acting for you and for
14 Senators Glenn and Cranston, because Senator
15 DeConcini who was the host of the meeting used
16 the term 'we' when he began the discussion,
17 presented me with what I considered to be a quid
18 pro quo at the outset of the meeting.

19 "He said, first, that 'we' want to discuss
20 with you (Chairman Gray) some concerns we have
21 about Lincoln Savings. He said, 'we' wanted the
22 meeting because 'our friend' at Lincoln Savings
23 had relayed these concerns to us."

24 Mr. Bennett. Excuse me.

25 Mr. Chairman, there is quite a bit of noise coming from

1 the back.

2 I am wondering if the Sergeant at Arms could--we
3 are hearing a lot of noise up here.

4 Thank you, Officer.

5 Chairman Heflin. See if you can--

6 The Witness. I will read that again.

7 "He said, 'we' wanted the meeting because our
8 friend at Lincoln Savings had relayed these
9 concerns to 'us'. Senator DeConcini and you said
10 you (Chairman Gray) recently put a regulation
11 into effect and that 'we' are concerned the
12 regulation may be unconstitutional.

13 "Senator DeConcini attributed to 'our friend'
14 knowledge of the Constitutional issue. Senator
15 DeConcini said 'we' would be very concerned that
16 a regulation might be unconstitutional (and
17 therefore illegal). Senator DeConcini asked me
18 if it wouldn't be possible to withdraw or at
19 least put a moratorium on the regulation (the
20 'Equity Risk Regulation' which had been adopted a
21 few weeks earlier by the Bank Board).

22 "If I could do this, he said, 'we' would help
23 you (Chairman Gray) with a problem with Senator
24 DeConcini said I had with Lincoln Savings:
25 namely, my (alleged) concern that Lincoln wasn't

1 making enough home loans."

2 By Mr. Bennett: (Resuming)

3 Q Let me just ask you a question. Why don't you
4 just read it without the quotes and parens.

5 The document is in evidence, and people can read
6 it for themselves.

7 A Fine. That's fine.

8 "I do not know the source of this alleged
9 concern of mine that Lincoln was not making
10 enough home loans. I did not bring up this
11 allegation. Perhaps the allegation emerged from
12 discussions Senator DeConcini had with the
13 friend. At no time in my meeting with you and
14 your three Senatorial colleagues was Charles
15 Keating's name mentioned by any of you.

16 "References were made to Lincoln, and once I
17 recall to American Continental. Senator
18 DeConcini proposed to withdraw the placement of a
19 moratorium which would have had the same
20 practical effect on the Equity Risk Regulation,
21 while we determine whether it is Constitutional.

22 "He said, we wouldn't want a regulation on the
23 books which isn't Constitutional. Lincoln
24 Savings had earlier--had several weeks earlier
25 sued the Federal Home Loan Bank Board in Federal

1 District Court on the grounds that this same
2 regulation was unconstitutional.

3 "I replied to Senator DeConcini's quid pro quo
4 that I was curious as to how we might possibly
5 determine the constitutionality of the regulation
6 if it were withdrawn, since Constitutional
7 questions require adjudication of the courts.

8 "Further, I went into a long discussion of the
9 history of the direct investment regulation,
10 forerunner of the Equity Risk Regulation, how the
11 Bank Board had proposed and then adopted the
12 first such regulation in 1984-85, and how it had
13 been adopted again in '87, and how the subsequent
14 stronger Equity Risk Regulation had been adopted
15 only recently.

16 "I dwelled in my conversation on how the Bank
17 Board had gone through the full regulatory
18 process along the way, including the use of
19 public comment periods, public hearings, and even
20 lengthy Congressional inquiry and oversight.
21 hearings for more than three years, all relating
22 specifically to the direct investment and equity
23 risk regulations.

24 "I said to Senator DeConcini that I would not
25 withdraw or place a moratorium on the regulation;

1 that I couldn't do so even if I had wanted to do
2 so, which I didn't, because the Bank Board, not
3 just its Chairman, was solely empowered to do so
4 and that the proper place to determine questions
5 of Constitutionality was in the courts.

6 "Incidentally, after my term expired as a
7 Member of the Bank Board, the Federal District
8 Court ruled that the Equity Risk Regulation was
9 and is indeed Constitutional. The regulation
10 remains in effect.

11 "This approximately hour-long meeting in
12 Senator DeConcini's office also took up concerns
13 raised by the Senators in the meeting about the
14 length of time the examination of Lincoln was
15 taking" and then there was in parens here
16 "(examination by regulators in the 11th Federal
17 Home Loan Bank Board District) about appraisal
18 standards which the Senators understood,
19 presumably from the friend, were allegedly harsh
20 and unfairly applied on Lincoln by the 11th
21 District Regulators; about the financial
22 condition of Lincoln, I was unable to provide
23 information on this; and concerns that I did not
24 know the financial condition of Lincoln or about
25 why the examination was taking so long, or about

1 the application of appraisal standards on
2 Lincoln.

3 "I pointed out I could not provide answers to
4 the questions you and your colleagues were
5 raising about the regulation of Lincoln because
6 this was in what I described as the very capable
7 hands of the people at the San Francisco Bank,
8 Federal Home Loan Bank of San Francisco, 11th
9 District, Federal Home Loan Bank Board, and that
10 these regulators were among the very best, if not
11 the best, in the Federal Home Loan Bank system.

12 "I told you and your colleagues that I
13 believed it would be unseemly for me to have a
14 peculiar interest in Lincoln and know the
15 particulars of Lincoln--i.e., its financial
16 condition and regulatory characteristics--when I
17 was the chief regulator of some 3000 FSLIC-
18 insured savings institutions.

19 "I was a policy-maker and the head of a
20 federal agency, I said, and with the very capable
21 supervisory and examination staff in the 11th
22 District, San Francisco, I had no need to know
23 the particulars in question, particularly in
24 regard to Lincoln.

25 "I went on to tell you and your colleagues

1 that your friend had accused me personally many
2 times of having a vendetta against Lincoln and
3 that, under the circumstances, it would be
4 particularly unseemly of me I felt to have an
5 unusual interest in the supervision and
6 examination of Lincoln.

7 "I told you and your colleagues that I was
8 satisfied that the first-rate team from San
9 Francisco Bank was regulating Lincoln properly.

10 "Senator Glenn I recall was particularly
11 unhappy that I didn't know more about the
12 regulation of Lincoln, given the fact that I was
13 the chief regulator, and that the people in San
14 Francisco might be running wild.

15 "I repeated I was satisfied and pointed out
16 that I had recruited Michael Patriarca to the
17 first-level agency functions regulatory job in
18 San Francisco. I noted that he had come from the
19 Office of the Comptroller of the Currency in
20 Washington as Deputy Comptroller of Multinational
21 Banks.

22 "In any event, I told you and your colleagues
23 that if my life depended on it I could not tell
24 you about the financial condition or regulation
25 of Lincoln because I don't know and I don't

1 believe I need to know these things.

2 "The regulation of Lincoln was in the most
3 capable regulatory hands in the Federal Home Loan
4 Bank system, I repeated to you and your
5 colleagues, in Senator DeConcini's office. I
6 told you and your colleagues you therefore would
7 have to talk with the regulators in San
8 Francisco.

9 "I said I would call them and arrange for them
10 to meet with you and your colleagues, if you
11 wished.

12 "A few days later I received a telephone call
13 from Senator DeConcini who I believe was calling
14 from Arizona requesting to meet with the
15 regulators from the 11th District.

16 "I immediately returned to my office at the
17 Bank Board, told my colleagues on the staff,
18 including Chief of Staff Shannon Fairbanks,
19 Senior Special Assistant Mary Ellen Taylor, and
20 Acting Deputy Director of the FSLIC William
21 Black, what happened and what was said in my
22 meeting with you and your three Senatorial
23 colleagues in Senator DeConcini's office a few
24 minutes before.

25 "You, Senator McCain, are free to call them to

1 verify what I have related in this story as I
2 related it to them at the time.

3 "I am aware, of course, Senator, that your
4 colleagues in the meeting in question, which I've
5 related above, have denied that the quid pro quo
6 made to me by Senator DeConcini occurred.
7 Nevertheless, I have described Senator
8 DeConcini's proposal precisely and accurately.
9 Perhaps this is the reason why your colleagues
10 have denied it so vehemently.

11 "In light of current events relating to
12 Lincoln, as well as the so-called S&L crisis
13 which will cost American taxpayers hundreds of
14 billions of dollars, it truly must be
15 embarrassing that details of this discussion in
16 this meeting have been disclosed publicly.

17 "Frankly, Senator, I was taken aback by the
18 brazenness of the proposal made by Senator
19 DeConcini made on behalf of a 'friend.' I
20 believe he also was referred to as a constituent
21 once in the meeting.

22 "I had never been asked until this meeting
23 with you and your colleagues by any United States
24 Senator to withdraw a regulation for any reason,
25 particularly on behalf of a friend, and

1 especially in the privacy of a Senatorial office.

2 "Senator Cranston had publicly expressed
3 unhappiness with me at a hearing of the Senate
4 Banking Committee in the spring of 1984 for my
5 vigorous espousal of a proposed brokered funds
6 regulation, apparently on behalf of constituents,
7 or perhaps even friends, but never had such a
8 bold proposal been made to me directly on behalf
9 of a particular institution by even one Senator,
10 not to mention four Senators.

11 "I have to assume, because I have never been
12 told otherwise, that Senator DeConcini was
13 speaking on behalf of the other Senators in his
14 office attending this meeting with me, including
15 yourself.

16 "Senator McCain, I do believe that Senator
17 DeConcini's proposal was certainly an abuse of
18 Senatorial authority, to answer your question
19 specifically. If he truly was speaking on your
20 behalf, which I don't know for sure was the case,
21 then, yes, it was an abuse of Senatorial
22 authority again, and certainly it was tantamount
23 to an attempt to subvert the very regulatory
24 process that previous Congress' had written into
25 the law as appropriate public policy.

1 "While it is of course possible that you
2 somehow did not realize this at the time, or at
3 least did not fully realize the implications of
4 the discussion, I certainly did as regulator, and
5 I could not help but be continually amazed during
6 the meeting that all of you as I recall asked
7 repeatedly whether there was anything improper in
8 what was being discussed.

9 "I always responded, and I recall doing so
10 deliberately, that as United States Senators it
11 was not improper to ask questions. It was of
12 course imminently improper to propose the
13 withdrawal of a regulation for any reason, and
14 particularly because a friend apparently wanted
15 it done--a constituent who operated a thrift
16 institution under my jurisdiction as head of a
17 United States Government agency.

18 "Having seen you on television expressing
19 regret that you were involved in these meetings
20 is something I appreciate, particularly in
21 retrospect, because the meetings were and are an
22 embarrassment. Denying that any of this took
23 place in the discussion and suggesting that the
24 only subject to come up was somehow a cursory
25 expression of concern about the length of time

1 the examination of Lincoln was consuming is
2 simply inaccurate and untruthful.

3 "It is simply an inaccurate and untruthful
4 exposition of the meeting which, as you will
5 surely recall, went on for an hour without any
6 interruption.

7 "You say in your letter, Senator, that you
8 respect the manner in which I have handled this
9 extremely difficult issue. I am not sure I quite
10 understand what you mean by this, Senator. The
11 fact is I tried to be a good regulator. I tried
12 to do everything I could during my tenure to
13 avert the disastrous thrift crisis we all face
14 today.

15 "I saw my efforts which were, as you will
16 recall, immensely unpopular with many I regulated
17 including the friend, as necessary nonetheless.
18 I will let history be the judge of my
19 stewardship.

20 "I saw my job as a regulator as that of
21 safeguarding the health of our country's
22 financial system and, more particularly, as that
23 of protecting the Federal Deposit Insurance
24 System which, as we all now well know, is fully
25 underwritten by every federal taxpayer in

1 America.

2 "In short, my job as I saw it was to protect
3 the FSLIC and the taxpayers, which is the sole
4 reason for our Federal Deposit Insurance System.
5 I did not see my responsibility as protecting
6 savings and loan operators and investors. This
7 was not my role as overseer of the Thrift Deposit
8 Insurance Fund nor, frankly, should it be the
9 role of any Member of Congress since it is, or
10 ought to be, Congress' responsibility to protect
11 the very Deposit Insurance System it created in
12 the first place and, without compromise.

13 "I respect you for having written your letter
14 and not merely resorted to name-calling, as
15 several of your Senatorial colleagues have done.
16 You seem to sincerely regret your involvement in
17 the unfortunate event I have described.

18 "As you say in your letter, Senator McCain,
19 hopefully we will learn from the mistakes of the
20 past and can prevent our Nation from ever having
21 to face this kind of thrift crisis again. I
22 would add, however, that the regulatory process
23 for federally insured financial institutions was
24 established by the Congress and the President as
25 a means of trying to safeguard the safety and

1 strength of the Nation's financial system.

2 "Exhibiting respect for the integrity of the
3 regulatory process and supporting it against
4 those who would subvert it and subvert it for any
5 reason whatsoever ought to be the proper
6 response, especially in the now-glaring light of
7 this incident which occurred in the darker
8 privacy of a Senatorial office.

9 "Thank you again, Senator McCain, for writing.
10 Don't hesitate to call me if I can be of further
11 assistance.

12 "Sincerely,

13 "Ed."

14 Q Now if you felt so strongly as that letter
15 obviously suggests you did, why did you wait until May of
16 1989, some two years later, to make these statements?

17 (Counsel conferring with Witness.)

18 A You know, I had a meeting with four other people.
19 There were no witnesses except them.

20 There was no paper trail, only what I had told my
21 staff.

22 Q Keep your voice up. I can't--

23 A Only what I had told my staff.

24 I frankly had mentioned this to some reporters
25 and some others, not in hopes a story would be written, just

1 as a matter of fact.

2 Nobody decided to write anything about it, and
3 that didn't bother me, but I did get a call in the week
4 before May 21st, 1989, from a reporter whose name was John
5 Dougherty, a reporter for the Dayton Daily News.

6 Now this reporter had apparently worked for a
7 newspaper in Arizona.

8 I think it was the Arizona Republic. And he was
9 familiar with the Senators in Arizona and things in Arizona,
10 and Lincoln, and he also was now working in Ohio where--this
11 is where Lincoln--where American Continental is chartered,
12 and also where one of the Senators was, Senator Glenn.

13 So he wanted to write a story.

14 And in the course of this conversation--and he
15 already knew about the April 9th meeting--in the course of
16 the conversation, he asked me why the April 9th meeting
17 happened and I told him, well, you know there was a meeting
18 a week before, which he was not aware of.

19 And I told him about the meeting, and he wrote
20 this story in the Dayton Daily News of May 21st, 1989.

21 Q Well, I guess what I still don't--that just
22 doesn't answer my question.

23 A That's the best answer I can give.

24 Q Well, let me repeat it and maybe rephrase it a
25 little differently.

1 This letter you have just read and wrote to
2 Senator McCain is, you know, everybody who hears it can
3 characterize it themselves, but it is a very strong letter.

4 It has a tremendous amount of feeling in it.

5 And I kind of wonder why it took you two years to
6 lay it all out.

7 A Well, I've just told you the reason.

8 Q Are you telling us if this reporter had not
9 happened to call you, that this letter would not have come
10 out and maybe we would not be here?

11 A That is probably right, unless some other
12 reporter had called later and asked the same question and
13 decided to write the story.

14 Absolutely.

15 But you have to remember, there was no witness to
16 this. It was just me and four other Senators.

17 I did not believe then, and of course I had good
18 reason in light of history, I didn't believe then that they
19 would admit to this.

20 I wasn't out to have a fight with Senators. That
21 wasn't my point.

22 I was just trying to be responsive to the
23 reporter.

24 It was a few--several weeks later when apparently
25 the news of this story spread, and then reporters began

1 asking some of the other Senators who vigorously denied it,
2 and called me a liar, or something like that, and I didn't
3 like the fact that they were calling me a liar.

4 One thing I don't like is that, because I don't
5 lie.

6 I mean, I'm sorry I didn't lie about that
7 meeting, and so I responded.

8 That's what happened.

9 Q Well, let me get it clear.

10 Did this letter follow Senatorial statements
11 about you in the meeting?

12 A Yes.

13 Q Or did this letter come first?

14 A No. No, my letter in response to Senator McCain
15 came considerably later, as I recall.

16 Q Well, what was there about certain Senators'
17 reactions to the story you referred to that prompted the
18 letter, if I am understanding you.

19 A Sure. Well, then the story spread and reporters
20 started asking the Senators, they had very unkind things to
21 say, that: Oh, why would you believe that incompetent
22 regulator?

23 Q I can't hear you.

24 A "Why would you believe that incompetent
25 regulator?" You know, "he's trying to deflect attention

1 from his own failure as the head of the Federal Home Loan
2 Bank Board," those kinds of things.

3 They were very derogatory comments about me, and
4 I felt it was wrong simply because I had in fact told the
5 absolute truth.

6 Q All right, now when you wrote that letter did you
7 have knowledge of, or did you have available to you--and
8 I'll give you the numbers, but I will describe them since
9 obviously you don't remember--did you have available to you
10 Special Counsel Exhibit No. 194, which was Ms. Sedlmayr's
11 memorandum of March 19th, '87?

12 A No.

13 Q Did you have available to you Special Counsel
14 Exhibit No. 196, which is Ms. Sedlmayr's memo of April 1st,
15 '87?

16 A I had nothing other--

17 Q Just answer--

18 A I'm answering it. Okay?

19 Q Did you have that exhibit?

20 A No, I did not.

21 I had no--

22 Q What about Special Counsel Exhibit No. 200, which
23 has previously been identified as "Talking Points for the
24 Meeting with Ed Gray"?

25 A What is that again?

1 Q There was a--remember, you looked at Special
2 Counsel Exhibit No. 200.
3 It was "Talking Points for a Meeting with Ed
4 Gray"?
5 A No. As I say, I had nothing.
6 Q Did you have Mr. Black's memorandum--
7 A Yes.
8 Q --of the April 9th meeting?
9 A Oh, sure.
10 Q Did you have anything else?
11 A No. Nothing.
12 Q Now when did Senator McCain call you in reference
13 to this letter you wrote to him of May 30th, 1989?
14 A Was that the date of his letter to me?
15 Q This is the date of your letter to him, May 30,
16 '89.
17 I assumed he called--Did he call you? Or did you
18 call him?
19 A Oh, I think he called me.
20 Q Was that after you sent him this letter?
21 A Let me just look at this, the dates.
22 I don't remember. May 25th--I wrote it on May
23 30th.
24 So that was five days later. What was the
25 question again?

1 Q When did Senator McCain and you have a
2 conversation? Was it after you sent him this letter, or
3 before?

4 A After I sent him the letter.

5 Q Do you remember how long after?

6 A No, I don't, but it must have been, you know, a
7 week, two, three, four, right in there.

8 Q Within a number of weeks?

9 A Yes. Right.

10 Q Do you remember what the conversation was?

11 A Yes.

12 Q Would you please tell us?

13 A He said he was terribly embarrassed about that
14 meeting--

15 Q I can't hear you, Mr. Gray.

16 A He said he was terribly embarrassed about the
17 meeting.

18 He said that what he had suffered was worse than
19 his worst day in Vietnam.

20 He was very sorry that he ever went to the
21 meeting. And he also said that he didn't consider me to be
22 a liar.

23 He said he just couldn't remember. And I
24 remember I said, which I often say, "I love you, I love
25 you," because he was the first one who hadn't called me a

1 liar.

2 Q Who did?

3 A Senator McCain had not called me a liar.

4 He said he simply couldn't remember. But he also
5 said, almost in the same breath, that, you know, Senator
6 DeConcini did make that proposal in the second meeting.
7 It's right there in Bill Black's notes.

8 Q What else was said at that meeting?

9 A You mean in that telephone call? In the
10 telephone call?

11 Q Yes. I'm sorry, in the telephone call.

12 A It was not a very long call.

13 It was probably just, you know, a few minutes,
14 three, four minutes.

15 Q On page 1 of your letter you used the words "quid
16 pro quo." Were those the precise words used at the meeting?

17 A Oh, absolutely not. That was just my
18 description. You know, a quid pro quo is a trade-off.

19 You know, if you withdraw the regulation, we'll
20 get our friend at Lincoln to make more home loans.

21 Q Is that what you meant by the words "quid pro
22 quo"?

23 A Right. Yes. But that kind of word was not used
24 in the meeting, no.

25 It was just a descriptive way to--it was a way to

1 describe it.

2 Q Would you look at Special Counsel Exhibit No.
3 524. (Handing document to the
4 Witness.)

5 Can you identify that?

6 A This is a letter written to me--

7 Q Keep your voice up, please.

8 A This is a letter written to me on June 2nd, 1989,
9 from Senator Dennis DeConcini.

10 Q Would you please read this letter into the
11 record.

12 A Yes.

13 "Dear Mr. Gray:

14 "Your letter to Senator McCain dated May 30,
15 1989, allegedly describes a April 2, 1987,
16 meeting between you, Senators McCain, Glenn,
17 Cranston, and myself. There is little
18 relationship between the meeting you describe and
19 the one we held.

20 "Your recollection of the meeting is so
21 distorted as to bear no resemblance to fact. I
22 do not plan to get into an item-by-item
23 refutation of the charges in your letter.

24 "However, I clearly recall that our meeting
25 focused primarily on your insistence that you

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knew nothing of Charlie Keating or Lincoln Savings, and that you recommended we meet with your regulators from San Francisco.

"You specifically urged us to meet with the San Francisco regulators and would not discuss any specifics of the case, pleading ignorance.

"Your new allegations of a 'deal' are simply false. I am surprised and disappointed that a former high Administration official would stoop to this kind of duplicity.

"Sincerely,

"Dennis DeConcini."

1 Q Would you look at Special Counsel Exhibit 525?
2 And, by the way, did Senator DeConcini ever call
3 you?

4 A No.

5 Q Have you had a discussion with him since --

6 A No.

7 Q You've got to let me finish my question.

8 A I'm sorry.

9 Q -- since your letter to Senator McCain?

10 A The last time I talked to him was when he called
11 me to tell me that he wanted to meet with the San Francisco
12 regulators.

13 Q Look at 525. Is that your response to Senator
14 DeConcini?

15 A Yes, it is.

16 Q Would you read that into the record?

17 A "June 5, 1989."

18 Q Keep your voice up.

19 A " Senator Dennis DeConcini

20 "Member, United States Senate, Washington, D.C.

21 20510

22 "Dear Senator DeConcini,

23 "I am in receipt of your letter of June 2,

24 1989. Senator, you have understandable chosen to

25 use selective recall of the meeting in your