

Exhibit 10
Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20542
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

MEMORANDUM

TO: James Cirone
Principal Supervisory Agent
Eleventh District
Federal Home Loan Bank of
San Francisco

FROM: Edwin J. Gray, Chairman
Federal Home Loan Bank Board

DATE: September 22, 1986

An article in the September 29, 1986 edition of The Washington Post attributes to "officials at Lincoln (Savings, a California state-chartered association)" allegations that "the Bank Board is harassing" the association.

The article says an examination of Lincoln "has lasted seven months, about 5 1/2 months longer than industry executives say is typical in a routine examination of an institution of Lincoln's size." The article goes on to say: "Keating (the CEO of Lincoln Savings) said in a statement issued through his lawyer, Margery Waxman of Sidley and Austin, 'Lincoln attorneys believe that the routine examination has dragged on so long that it may be harassment. There is no evidence from the examiners that they have (found) any problems' during the audit, the statement said."

Because these very serious allegations have been made by Lincoln and its attorneys, as related in The Washington Post article, I would like you and your staff to provide your response to the allegations in a memorandum to the Bank Board.

As you know, the members of the Bank Board itself do not intervene in the conduct of examinations, as a matter of practice. The conduct of examinations is overseen through delegated authority by the Principal Supervisory Agents in the Federal Home Loan Bank Districts.

In your response to the Board, please include the date of commencement of the examination of Lincoln, whether it is, or was, a "routine," that is to say, regular examination, or otherwise, and the reason(s) it has allegedly taken seven months, if this is the case. Include any other information which bears directly on the nature of these allegations by Lincoln which the Board should, at this time, be aware of, in light of The Washington Post article.

EXHIBIT
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