

1 campaign. We were in a situation in which one week of
2 television was costing \$1 million, and we had to have that
3 money to the stations on a given day, which was usually a
4 week before the actual advertisements ran. And if you
5 didn't have it to them, if you didn't have it wired to the
6 stations on that day, they wouldn't run your TV ads.

7 So we weren't given much of a window. And what
8 happened during those final weeks is that we would literally
9 empty the bank account to make one week's TV buy, and know
10 that we had to come up with \$1 million by the following week
11 in order to make the next week's television buy.

12 So it seemed only prudent to ensure that we
13 weren't going to fall short on the final week. And so I
14 spoke to Lincoln about, I spoke to Jim Grogan about
15 arranging with Lincoln Savings, a line of credit for the
16 campaign, with the understanding that the only reason we
17 were going to take that line of credit is if we needed it to
18 make the TV buy.

19 And the reason I emphasize that is that, in all
20 my dealings with Jim Grogan on this issue, I wanted to make
21 clear that I was the only person who could say that we were
22 actually going to take, utilize that line of credit. And
23 that if we had enough money in order to make that last round
24 of television, I wanted him to tear up the documents so that
25 no one else could take that loan.

1 And this harkens back to my experience on Senator
2 Cranston's presidential campaign, that we were stuck with a
3 big debt, and I wanted to avoid Senator Cranston being stuck
4 with a big debt, if it wasn't necessary.

5 Q You're anticipating, I guess, some of my
6 questions.

7 You told them to tear up the documents, is that
8 right?

9 A Well, I think my words were that I wanted them
10 torn up so that no one else could take, could call up and
11 say, well, we've thought again about it, and we'd now like
12 to take that line of credit.

13 Q Well, I certainly don't question the need of the
14 campaign for money. But I guess my question to you is, why
15 -- did Senator Cranston know you were going to be asking
16 Lincoln for this?

17 A No. Senator Cranston didn't know. I mean, in
18 the course of arranging for it, he became aware of it, but
19 he did not, I don't remember talking to him before I spoke
20 to Jim Grogan. I don't think it mattered to Senator
21 Cranston where it came from.

22 Q But he had to sign the loan documents, so he knew
23 --?

24 A Well, that's what I'm saying. In the course of
25 working it out, he became aware.

1 Q Let me finish my question.

2 So he had to know that the loan was coming from
3 Lincoln, isn't that correct?

4 A Yes.

5 Q Now, he was on the Banking Committee at this
6 time, wasn't he?

7 A Yes.

8 Q Let me refer you to Special Counsel Exhibit 8,
9 which is the affidavit of Gloria Cardew, and let me read you
10 a few paragraphs.

11 (Handing document to witness.)

12 And then I want to ask you a question about it.

13 Starting with paragraph 6, she says:

14 "With the loan documents in my possession, I flew
15 from Phoenix, Arizona, to Los Angeles,

16 California, where I met two or three of Senator

17 Cranston's aides. I cannot recall the names of

18 these individuals. The aides drove me to the

19 tarmac where Mrs. Cranston and Senator Cranston's

20 attorney were waiting in another car. I do not

21 recall the name of Senator Cranston's attorney.

22 I handed the loan documents to the attorney, and

23 everyone awaited Senator Cranston's arrival.

24 "7. Senator Cranston arrived by commercial

25 airline approximately 45 minutes later, at which

1 time Senator Cranston and I entered the car with
2 Senator Cranston's wife and his attorney. While
3 driving to downtown Los Angeles, the attorney
4 advised Senator Cranston that he had reviewed the
5 loan documents, and recommended that the Senator
6 and his wife sign them. I personally witnessed
7 their signatures and the attorney's notarization
8 of the documents.

9 "8. The signed loan documents were returned to
10 me, and I was dropped off in downtown Los
11 Angeles, returned to the airport, and flew back
12 to Phoenix.

13 "9. A few days later, I recall hearing that the
14 loan had been cancelled. I am not aware of the
15 underlying reasons for the loan's cancellation."

16 And let me just describe her to you. She says that:

17 "I, Gloria Cardew, was employed by Lincoln
18 Savings & Loan Association from 1985 through May
19 of 1989, as a paralegal in the Loan Department.
20 My responsibilities included drafting and
21 processing various types of loan documents."

22 Now, do you know who the aides of Senator
23 Cranston were who she refers to in her affidavit? Were you
24 one of them?

25 A I was not one of them.

1 Q Why would Senator Cranston, a United States
2 Senator from California, have, or through his staff have
3 people from Phoenix fly out to California to give him a line
4 of credit? Why didn't you just get a line of credit from a
5 California Bank?

6 A It's impossible for me to answer the question.
7 Lincoln Savings is a California institution. I have no idea
8 why the things had to be flown out from Arizona.

9 Q Well, why did you go to Lincoln instead of some
10 other bank?

11 A Lincoln Savings had been helpful, as I said
12 earlier, in doing two events for us. They had indicated,
13 after the second event, that that was really all they could
14 do in the way of raising contributions, but had said, if
15 there's any other way we can be helpful, which is kind of, I
16 mean, everybody says that. I don't think they had anything
17 specific in mind. And when it came time for us to need this
18 other line of credit, that statement came to mind.

19 Q Well, now, were you aware of any conversations
20 between Senator Cranston's office and Lincoln about this
21 matter?

22 A About the loan?

23 Q Yes.

24 A Was I aware of, between his office and Lincoln
25 Savings about the loan?

1 Q Yes, other than your conversation?

2 A Well, I initiated it. And, frankly, as I said
3 earlier, this was not my choice of the road I wanted to go.
4 Once I got it started, I went back, trying to make sure we
5 had the million dollars, without taking the loan.

6 I don't know who took over at that point in
7 seeing it through. It may have been the Comptroller of the
8 campaign. Obviously, the Senator's attorney had to be
9 involved in it. But I really don't know who took it from
10 that point on.

11 Q At the time you were thinking about this, you and
12 Senator Cranston were making fundraising calls, isn't that
13 correct?

14 A Senator Cranston and I are always making
15 fundraising calls, so --

16 Q Well, let me be more specific then.

17 Let me refer you to your deposition at pages 94
18 and 95, starting with line 7. Do you remember being asked
19 these questions and giving these answers. The question's by
20 me.

21 A I'm sorry, what page?

22 Q 94.

23 "Do you know of the circumstances of Senator
24 Cranston's signing of documents, where it
25 occurred, and --"

1 Then you interrupt me, and you say:

2 "I have a recollection of them being signed in a
3 room in which Senator Cranston and I were making
4 fundraising calls, and that I think it may have
5 been in San Diego or in Fresno. For some reason,
6 that sticks in my mind. But it was just Alan and
7 I that were there. Then, as I recall, we then
8 had to overnight the forms to where Norman and
9 his wife was, because she had to sign them, as
10 well.

11 "Question. Now, why did you borrow the money, or
12 seek to set it up, so that you could borrow the
13 money from Lincoln, rather than going back to
14 Doleville, or going to some other bank?

15 "Answer. Well, I didn't want, I felt that we had
16 already asked Doleville. We had already done
17 this once. I didn't want to go back and ask them
18 again. And it was more, at that point, I didn't
19 realize that Alan or someone had asked Charles
20 Keating for \$85,000 so I figured there was
21 nothing else that they could do to be helpful to
22 us, and this was something that would be helpful.
23 They were people who obviously had, you know,
24 were supportive."

25 Do you remember being asked those questions and

1 giving those answers?

2 A Yes.

3 Q Now, would you be kind enough to turn to Special
4 Counsel Exhibit 154, please?

5 Now, it was your practice with Senator Cranston,
6 wasn't it --

7 A Can I just say one thing, before you turn to
8 which I gather is another subject?

9 It now, in what you've just read to me, it seems
10 that I must have been recalling Alan signing the papers for
11 the first loan, rather than if this woman with Lincoln
12 Savings recollection is correct. As I understand now, the
13 Doleville loan was, I guess, signed much later than I had
14 had a recollection that it had been signed, that Alan had
15 signed those papers much later than what I had thought.

16 So my recollection may be of those papers being
17 signed.

18 Q All right. So you don't disagree with Ms. Cardew
19 that these loan documents were signed in the car on the
20 tarmac at the airport?

21 Is that what you're saying?

22 A It wouldn't have been an unusual -- it was one of
23 the meeting places in a very tight schedule that Senator
24 Cranston had, that we often arranged meetings in his car on
25 the way from the airport to his first stop.

1 Q Was it also a usual practice to tear up loan
2 documents?

3 A Sir, this is the only loan that I have ever been
4 involved in helping to negotiate.

5 My concern, and I think I was very clear at the
6 time with Lincoln, was that I didn't want to see this loan
7 taken by anybody else. I certainly did not instruct them to
8 destroy any documents that they were supposed to keep a
9 record of, according to Federal law. I just wanted to make
10 sure this loan wasn't taken. I think that was very clear
11 with the people I had talked to.

12 Q Now, from time to time, you would keep Senator
13 Cranston advised of your fundraising activities by way of
14 memorandum, is that correct?

15 A Yes.

16 Q Would you be kind enough to turn to Special
17 Counsel Exhibit 154.

18 A Okay.

19 Q Do you have the originals with you? Can you read
20 these?

21 A Yes.

22 Q These are computer runs that you kept, is that
23 correct?

24 A This is my computer and my lousy printer.

25 Q Is this your computer with what he calls --

1 A This is my computer in my office at home.

2 Q Initially, that was dated January 2, 1987, a
3 confidential memorandum, to Alan. I take it, that's Senator
4 Cranston, is that correct?

5 A That's correct.

6 Q From Joy. And that's you, is that correct?

7 A That's correct.

8 Q And the first sentence says:

9 "Welcome back from vacation. Here is a status
10 report on a host of matters we need to discuss in
11 greater detail as soon as time permits."

12 Is that correct?

13 A That's correct.

14 Q Now, would you jump down to paragraph 5 or number
15 5, and would you please read that to us?

16 Mr. Bennett. Now let me make clear to the
17 members of the Committee, this entire document is in
18 evidence and is not redacted, but there are a number of
19 other names here, other contributors, and there's no need to
20 go into that at this time, unless you choose to.

21 By Mr. Bennett:

22 Q So I'd like you to read the first part of
23 paragraph 5, and then jump down to Charles Keating, unless
24 you would prefer to read the entire.

25 Mr. Taylor. Mr. Chairman, we have no objection

1 to her reading the entire document. It's been released to
2 the media, and it seems to me there isn't any reason why she
3 shouldn't read it as written.

4 Mr. Bennett. My only concern is if these other
5 people will have a right to come and testify, but that's all
6 right.

7 By Mr. Bennett:

8 Q Read the whole thing. Read paragraph 5 in its
9 entirety, please.

10 A Okay.

11 "Cases\legislation. Now that we are back in the
12 majority, there are a number of individuals who
13 have been very helpful to you, and who have cases
14 or legislative matters pending with our office,
15 who will rightfully expect some kind of
16 resolution. The following is a short list of
17 ones you should be aware of."

18 Now, I'm supposed to read all of them?

19 Okay.

20 "\Rabbi Balkeny. Apparently, you told him that
21 you would speak to Senator Byrd re his doing the
22 invocation at the July 17th meeting of the
23 Continental Congress in Philadelphia. Both
24 Senators Spector and Heinz have sent
25 recommendations on his behalf to Dole and Byrd.

1 The decision will be made by Congress, not the
2 Celebration Committee. Also, Rabbi Balkeny
3 wanted to know what has happened re the Chaplain
4 of the Senate. I told him that you or I would
5 get back to him on both of these matters this
6 week."

7 "\Michael Choppin. We are assisting him in
8 getting a Customs Office located in the Long
9 Beach World Trade Center.

10 "\John Morris. Has a competitive bid on a
11 project with the Navy which he is afraid will not
12 be judged fairly. This bid is an on-going
13 project which accounts for the majority of his
14 company's business. He fears that Litton
15 Industries will get this contract simply because
16 they are a big company which has several other
17 contracts with the Navy.

18 "\Joe Kaempfer has met with Gary Aldridge re your
19 bill to restrict height limits for area
20 construction. He has a building in Rosslyn about
21 to go into construction which your bill would
22 prevent him from completing. He has given
23 legislative language to Gary which appears to
24 meet his needs, while not changing the thrust of
25 your legislation.

1 "\Charles Keating is continuing to have problems
2 with the Bank Board and Ed Gray. Jim Grogan and
3 the Company's legal counsel, Bob Kielty, are
4 coming in to see you on Friday at 1:00 p.m. to
5 get your advice on how to handle the current
6 problem. In addition, Senator Glenn is arranging
7 a dinner in the Capitol the night of the State of
8 the Union, for you, Senator DeConcini, Senator
9 Proxmire, Charles Keating and himself. Jim will
10 bring you up to date on where this stands."

11 Q Do you know whether or not that dinner ever took
12 place?

13 A As far as I know, it did not. I should also say
14 that I have no other -- I mean, this is what Jim Grogan told
15 me. I have no independent knowledge that Senator Glenn was
16 ever trying to arrange such a meeting.

17 Q When you wrote "individuals who have been helpful
18 rightfully expect some kind of resolution," what did you
19 mean by that?

20 A I meant what I think it says. That these are
21 people who rightfully expected some kind of a response from
22 our office.

23 Q Where did you get the information in the memo
24 that "Charles Keating is continuing to have problems with
25 the Bank Board and Ed Gray"?

1 A My recollection is that Jim Grogan called to
2 arrange the meeting that is referenced in this paragraph,
3 and that when I asked him, what is the meeting about, this
4 is what he told me the meeting was to be about.

5 Q Did you schedule -- strike that.

6 What did you mean by, or what difference does it
7 matter, when you say that: "now, that we are back in the
8 majority, there are a number of individuals . . ." etcetera,
9 etcetera?

10 What is, when dealing with constituent service,
11 what has being in the majority or the minority have anything
12 to do with?

13 A Well, being in the majority meant that you
14 couldn't tell a constituent that we don't have the ability
15 to schedule hearings or bring it up on the floor or, you
16 know, whatever. And certainly the first one, what Rabbi
17 Balkeny was looking to do, as I understood it, was a
18 decision of the majority leader, at least that they had
19 input into it.

20 Q Did there come a time when you scheduled a
21 meeting on January 9, 1987, between Senator Cranston and Mr.
22 Grogan and Mr. Kielty?

23 Take a look at Special Counsel Exhibit 468, Bates
24 Number 73 and 74. 468 is a calendar. Is that your
25 calendar?