

S&L depositors tell of losses in Keating trial



LOS ANGELES (AP) — The final prosecution witness against Charles Keating Jr. was a replay of the first: an elderly Lincoln Savings customer who related meekly Thursday how a "safe" investment turned out to be a worthless junk bond.

In a voice that quavered at times, 77-year-old Bertha Rettig told jurors she and her husband went to a Lincoln branch to renew a \$30,000 certificate of deposit.

Instead, the teller sent her to office next door, where a man had an investment to offer with a higher interest rate, 10 percent: bonds from Lincoln's parent company, Keating's American Continental Corp. in Phoenix, Ariz.

She couldn't remember if he mentioned showing her a map of ACC's development projects in Arizona and an impressive brochure about Keating's sumptuous Phoenician Hotel, Bertha Rettig said.

"It sounded very interesting and it sounded safe," she said, so she doubled the amount she had thought she might invest, to \$10,000.

She and her husband received one half-month interest payment, \$61.25, before learning that American Continental had collapsed into bankruptcy and Lincoln had been seized in the costliest savings-and-loan failure in history.

Bertha Rettig bought the bond on Feb. 10, 1989 — four days before Lincoln's president shut down the bond sales and two months before regulators shut down Lincoln.

Regulators later said rash investments and dubious deals, funded with money from Lincoln depositors and American Continental bondholders, cost taxpayers \$2.6 billion. Thousands of small investors lost \$250 million on bonds.

During the trial, prosecutors have tried to prove the Rettigs and 19 other Lincoln investors lost money because Keating never adequately revealed his company's shaky financial position.

On Thursday, the defense countered that the government's two-month fraud prosecution hasn't shown that Keating knew about, encouraged or aided in any deceptions of people like Bertha Rettig.

Her testimony came two months after Leon Bonan, 80, took the stand to testify how he and his wife lost \$101,000 under similar circumstances.

After that, prosecutors called a parade of bond buyers, bond sellers, banking regulators, U.S. Sen. John McCain, R-Ariz., and two top Lincoln managers. The managers pleaded guilty in hopes of receiving light sentences.

Cross-examining prosecution witnesses, defense attorney Stephen C. Neal tried to build a wall between Keating and the bonds. He drew a portrait of a bond program designed by top lawyers and accountants.

Those professionals, he said, ensured that the good as well as the bad side of Keating's companies were described in government filings and in information describing the risks.

Discords flare in Mideast parley



MADRID, Spain (AP) — Arab delegates Spurned an invitation Thursday from Israeli Prime Minister Yitzhak Shamir to go to Israel to negotiate, dramatizing a growing dispute over where the Mideast peace conference is heading.

In their first exchanges on the floor of the historic conference, Arab and Israeli leaders traded recriminations and clung to familiar positions. The Arabs demanded all the land they lost in the 1967 war. Israel demanded recognition before it would even consider yielding territory.

Although the day was devoted to formal speeches, the atmosphere was more confrontational than in Wednesday's opening session. Shamir called it a "garden of thorns."

The Arabs argued that peace was conditional on Israeli willingness to give up the captured territories. "Every inch," insisted Syria's foreign minister, Farouk al-Sharaa.

"The issue is not territory but our existence," Shamir said. "We appeal to you to renounce

the 'jihad' (holy war) against Israel."

But the speeches also carried elements of the conciliatory language the world was hoping to hear from this unprecedented gathering of Israelis, Palestinians, Jordanians, Syrians, Lebanese and Egyptians.

"Blessed are the peacemakers," said Jordanian Foreign Minister Kamel Abu-Jaber.

"We are willing to live side by side on the land," said Haidar Abdul-Shafi, representing the Palestinians. Shamir began his speech with a simple "Shalom."

Although the Arab and Israeli delegation heads did not applaud each other's speeches, Thursday's session was a milestone. It marked the first time Palestinians and Israelis have addressed each other in a formal negotiating format.

But while the conference itself kept to the format scripted by its architect, Secretary of State James A. Baker III, questions arose over how it will develop when the ceremonies end and the real face-to-face bargaining begins.

In inviting the Arabs to start

negotiations in Israel and rotate them to the Arab states, Shamir was in effect challenging them to prove they recognize Israel.

"There is no better way to make peace than to talk in each other's home. Avoiding such talks is a denial of the purpose of the negotiations," he said.

The Arabs want to talk on neutral ground, at least until Israel proves willing to consider their demand for territorial concessions, Palestinian rights and an end to building Jewish settlements in the occupied territories.

"The momentum in Madrid is good, the spirit in Madrid is here?" said Jordan's foreign minister, Kamel Abu Jaber. He said an argument over venue posed a "danger of disrupting the whole momentum of the conference."

The first round of face-to-face negotiations is to begin in Madrid on Sunday, Israeli officials said. But it will deal only with procedural matters. Still in question is where the substantive bilateral talks will take

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Sheik jailed for anti-government stances

MANAMA, Bahrain (AP) — Sheik Mohammed al-Fassi, a millionaire who organized protests against the Saudi royal family, has been arrested in Jordan and taken to Saudi Arabia to stand trial for treason, his American lawyer said.

Al-Fassi, a Saudi citizen, was arrested about a month ago by Jordanian security agents at the Intercontinental Hotel in Amman and taken to Saudi Arabia, diplomatic sources in Riyadh said.

The sources, who spoke on condition of anonymity, said al-Fassi has been trying to organize public gatherings to protest Saudi policy.

Al-Fassi, in his early 40s, is best known outside the Mideast for his multi-million dollar divorce settlement from an Italian wife and for angering his Beverly Hills, Calif. neighbors with nude statues outside his residence. He has homes in Europe and the United States.

Al-Fassi's American lawyer, F. Lee Bailey, said Tuesday in New York he was appealing to President Bush to intervene on behalf of al-Fassi. Bailey said his client could face beheading.

Al-Fassi was in Baghdad after the invasion of Kuwait, where he said publicly that the chances for peace in the Middle East would be en-

hanced if dictatorships and monarchies would be replaced by democracy, Bailey said.

In a telephone conversation with The Associated Press in Bahrain on Wednesday, Bailey said al-Fassi had been permitted by his captors to make a telephone call to his sister in Florida.

He told her he was "held in inhumane conditions and ridiculed," Bailey said.

"We don't know where he is, and we don't believe he's been charged with anything," Bailey said. "He's just an outspoken young man."

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