

investment syndicate had not been rigging the right laws and regulations and pushing regulator "indifference" or "incompetence" throughout. The developers and S&L CEOs and management were the small time fraudsters or patsies. It was the quiet guys who made the big money behind the scenes who were the real bad guys. They got away scot free. As far as I'm concerned that is why Enron happened. The folks who made money on Iran/Contra were able to rise to and consolidate control of the investment community, media and government.

Unfortunately, part of the reason this happens is that honest government enforcement career staff are put in the position of landing on Normandy Beach with water pistols. As an example, the SEC during the last administration fought vigorously against "The Street" on any number of accounting issues, and any number of "new financial structures" that obfuscated financial transactions. The underfunding of these efforts and the lack of serious political support play a significant part in allowing these kinds of fraud to happen.

DA: You link the S&L crisis with Iran/Contra. Are you saying it's the same network of people — or using that word again, the same 'syndicate' that perpetrated Iran/Contra also perpetrated the S&L meltdown?

CAF: Go back to the books and articles I mentioned earlier. The S&L crisis was simply part of Iran/Contra — an intentional systemic fraud. Our banking governance and regulatory structure did not work for a reason. The people in charge did not want them to — everyone involved made a lot of money, both in ripping off the S&Ls or HUD or the banks. Then they made money buying up the assets cheap after the crash. It was a pump and dump of the real estate market, with the S&Ls as the primary financial patsy that had to be refinanced by the taxpayers. Very few got held responsible. The message was "crime pays." Both the Clinton and Bush groups were Iran/Contra winners.

DA: Clinton too? Is that why Clinton never brought up Iran/Contra during the 1992 election?

CAF: Can you spell Mena Arkansas?

DA: I'm sorry, Catherine, I just don't want to believe this.

CAF: No one does. That's how they got away with it.

The seventh step in a legitimate investigation is: You cancel federal government contracts, particularly sensitive ones, and seize payables and other assets available where criminal behavior at the top of the organization indicates that the organization is a criminal enterprise.

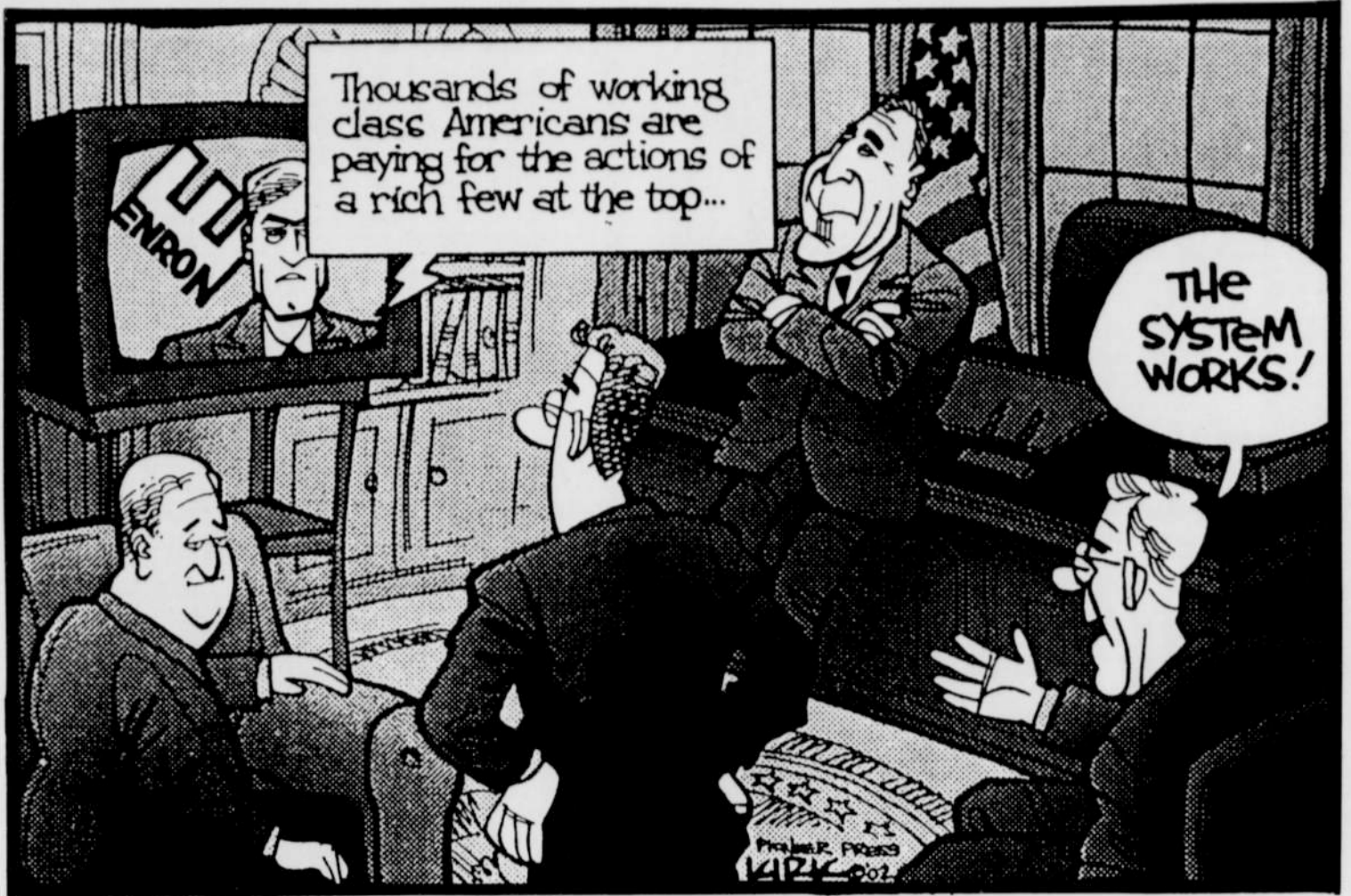
So I would ask: If Enron and Arthur Andersen by their own admission are guilty of criminal violations of destroying evidence, of cooking the books, and you have Enron board members saying that Arthur Andersen and the management lied, then on what basis should they not be immediately disbarred from doing business with the federal government?

DA: On March 15 last year the General Services Administration did prohibit new contracts with Enron for 12 months and with Arthur Andersen for the duration of the present indictment.

CAF: Almost four months after Enron declared bankruptcy. Those contracts could have been canceled within the space of 24 hours — as soon as there was any evidence of wrongdoing. And cash that was owed under those contracts could also have been seized as an offset for a variety of things whenever probable fraud is evident. Why should Enron be rewarded with government contracts after causing the fraudulent energy billing of Americans in the billions? Would you continue to hire and use a person or company who has just stolen your money? Of course not. It is interesting to note that Arthur Andersen spin-off Accenture has been hired by the Pentagon through IBM to sort out the Defense Department's missing trillions of dollars.

DA: While, in the case of Hamilton Securities, you experienced the Clinton administration DOJ acting to this very purpose — canceling contracts and seizing moneys. In fact, HUD still owes you somewhere between \$2 million and \$3 million for work completed on contracts you had with them.

CAF: The Hamilton Securities case proves indisputably that when there is a will, federal investigators can quickly and aggressively assert control over records of an investigative



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target. They can do so even when their own investigators take the position there has been no wrongdoing. They can do so when they have strong assurances as to subpoena compliance and protection of documents, and they know that their combined actions will shut down the company, smear the reputations of its founders, management and investors, and cause employees to lose their jobs and the value of their company stock.

DA: But the DOJ dropped their investigation of Hamilton Securities and you were proven innocent of the allegations made by Ervin & Associates. How in the world did you win your battle?

CAF: There were many reasons. I think the principle reason was the extraordinary support of literally hundreds of decent men and women throughout government and among the many people who had worked with me and the people who stayed on to help. This group tried to do the right thing or to support us in whatever ways they could — as did my family and friends. We did not have the support of the rich and powerful, but we had the support of the "little people." When the "little people" work together we are far more powerful than we know. As the support of the "little people" allowed the truth to come out, numerous former colleagues and associates returned to support after they realized that very prestigious and powerful sources had misled or lied to them. There is an old saying, "truth comes together and lies fall apart." That is what happened. The full story of our success is a story of miracles big and small. I believe our freedom comes to us from divine authority, and my story provides a concrete example. One of the miracles was that our attorneys included a few fighting Irishmen who stuck with it when the going got tough.

DA: Are you still hounded by the DOJ?

CAF: Managing the liquidation of Hamilton Securities remains a full time job.

DA: What do you mean?

CAF: The DOJ has not moved to dismiss the *qui tam** against us, nor as you mentioned, have we been paid moneys owed to Hamilton Securities.

We are in litigation between Hamilton Securities, DOJ and Ervin & Associates with two cases in discovery now and scheduled for trial in September and one case not yet scheduled despite years of effort. I think the absence of any DOJ action to

pay us versus generous settlements and sole source contracts unnecessarily awarded to Ervin & Associates speak for themselves. I anticipate I will spend years in litigation defending Hamilton Securities against Ervin, holding both Ervin & Associates and John Ervin personally accountable, and collecting moneys owed by the government to Hamilton over DOJ's objection. My estimate is that the federal enforcement establishment may have spent more to target me over the last six years in this litigation than they spent to get Osama bin Laden before 9/11. The fact they have provided generous inside deals to Ervin which helped drive honest people out of government and ensure that billions of dollars were lost by government is particularly disturbing.

DA: What does this mean to you? That is, compare the treatment you received and the treatment presently being given to Enron?

CAF: Congress did all this screaming and ranting and raving that really makes it seem like they are doing something significant. Now what's happening? I'm sitting there, watching this unfold — then nothing. It's "déjà vu all over again," as far as I'm concerned. They are covering Enron up, exactly the way they covered up the S&L stuff which was a very similar situation. A bunch of guys from Houston and New York Fed member banks and Wall Street who got together and stole a couple of hundred billion dollars. It's the same private syndicate — so here we go again — and Congress is playing the same coverup game again. So, basically, the comparison becomes an out and out contradiction of values. Hamilton Securities was wrongfully accused and its assets were destroyed. Enron is getting kid-glove treatment, while the stolen money is getting away.

DA: Okay, Catherine, you've laid out your argument. You've seen this from the inside. You've seen this from the outside. At the very least, the Congressional investigation has been lax, inefficient, and disturbingly slow. Mistakes and omissions have occurred. But you keep calling it a coverup. You've said Enron management provided the fall guys and that the big winners are really outside the company, the second and third party Enron investors and banks that were able to get huge sums of money out before the collapse. These are the real inside traders. You've also mentioned Enron and the S&L crisis in the same breath as though Enron was to some extent an intentional play from the outside—not just endemic greed in a few members of Enron management. You've even suggested that some of the players were involved across the span of S&L fraud, BCCI/Iran-Contra and Enron. I struggle here. I think most of us want to reject this idea of systemic syndicated crime — especially at the level you're talking. But you are one of the few people in the entire world who has seen all of this up close as an inside investigator. Now, it could be said that because of what the DOJ and HUD did to you, you're just slinging mud at the U.S. government and certain HUD contractors. From talking to you many times over several months, I have to say, however, I don't get that feeling from you at all. This is simply my opinion. In the end, I don't like what you're telling me but your argument is compelling. So let's have it. You mentioned a "bunch of guys from Houston and the New York Fed and Wall Street." Clarify this as best you can. Who or what is at the bottom of Enron? In your opinion. What is the Real Deal?

CAF: My recommendation is to start studying Herbert 'Pug' Winokur, who, I mentioned earlier, chaired the finance committee of Enron's board. He is the top guy responsible on the board to know how the money works and to make sure it is working in the way that it is supposed to. Pug was a member of the Powers Investigation, the committee set up to investigate the financial operation that Pug himself oversaw. He was a board member of Harvard, overseeing the Harvard Endowment that invested heavily in Enron, as well as co-investor active with Harvard. He is also on the board as the former chairman, lead outside investor and current chairman of the Compensation Committee of DynCorp. It is important to ask the question as to why our Congressmen and Senators, when they have had Winokur in front of them and he was saying yah-yah, they let him get away with it?

DA: I heard your comments on Winokur in your interview with KPFA's Dennis Bernstein. The DynCorp connection is big. With DynCorp providing information via PROMIS — including the U.S. Attorney's office, the FBI and the SEC, Winokur presumably

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BUSH & ENRON

Did George W. Bush once have a financial relationship with Enron? In 1986, according to publicly available records, the two drilled for oil together at a time when Bush was a not too successful oilman in Texas and his oil venture was in dire need of help.

Spectrum 7, a privately owned oil company chaired by Bush, faced serious trouble in 1986. Two years earlier Bush had merged his failing Bush Exploration Company with the profitable Spectrum 7 and was named its chief executive and director. He was paid \$75,000 a year and given 1.1 million shares, according to *First Son*, Bill Minutaglio's biography of Bush. Under this deal, Bush ended up owning about 15% of Spectrum 7. By the end of 1985, Spectrum's fortunes had reversed. With oil prices falling, the company was losing money and on the verge of collapse.

To save the firm Bush began negotiations to sell Spectrum 7 to Harken Energy, a large Dallas based energy company owned mostly by billionaire George Soros, Saudi businessman Abdullah Taha Baksh and Harvard Management Corporation. The deal took months to work out but by September 1986, Spectrum 7 and Harken announced they had reached an agreement. Under the plan Spectrum 7 shareholders would receive Harken stock. Bush said that Spectrum 7 would continue to operate in Midland, Texas as a wholly owned subsidiary of Harken and that he would become an active member of Harken's board of directors. As Minutaglio noted, the deal would give Bush about \$600,000 in Harken shares and \$50,000 to \$120,000 a year in consultant's fees. It would also provide \$2.25 million in Harken stock for a company with a net value close to \$1.8 million.

As the details of the Spectrum/Harken acquisition — which Bush badly needed — were being finalized, Enron Oil & Gas Company, a subsidiary of Enron Corporation, announced on October 16, 1986, that it had completed a well producing both oil and natural gas in Martin County, Texas. An Enron Oil & Gas press release reported the well was producing 24,000 cubic feet of natural gas and 411 barrels of oil per day in the Belspec Fusselsman Field, fifteen miles northeast of Midland. Enron held 52% interest in the well. According to the company's announcement, 10% belonged to Spectrum 7. At that point, Spectrum 7 was still Bush's company; Harken's completion of the Spectrum 7 acquisition was announced in early November.

To spell it out: George W. Bush and Enron Oil & Gas were in business together in 1986 — when Ken Lay was head

of Enron. (Lay was named Enron chairman in February that year.) How did this deal come about? Was this the only project in which Bush and Enron were partners? A call placed to the White House produced no response. Karen Denne, an Enron spokeswoman, said "I can't tell you anything about that project," explaining Enron sold all its domestic exploration and production assets around 2000 to EOG resources.

After the Enron bankruptcy began generating frontpage headlines, Bush attempted to distance himself from Enron and Ken Lay. In early January 2002, the President claimed he and Lay had not always been close pals. "He was a supporter of (Texas Governor) Ann Richards in my run (against her) in 1994," Bush asserted, noting he did get "to know Ken" and work with him until after that election.

But campaign records show Lay donated three times as much money to Bush as he did to Richards. Moreover, contacts between Lay and the Bush family predated that campaign. Lay chaired the host committee for the 1992 Republican convention in Houston, where Bush's father won his second Presidential nomination. Lay was a sleeperover guest at the White House of President George H. W. Bush.

The Enron/George W. Bush connection goes back further than the President has suggested. But does that mean the relationship between the younger Bush and Lay stretches to the mid-1980s? The deal could have happened without contact between them, but most company heads would be interested to know the son of a sitting Vice President had invested in one of their enterprises. If Lay had been aware of the partnership, that would not prove the two were pals or that Bush and Spectrum 7 had received undue consideration from Enron. But given Enron's penchant to use political ties to win and protect business opportunities, it is tough not to wonder if this Bush/Enron venture involved special arrangements. This is certainly one more Enron partnership that deserves scrutiny — especially since George W. Bush has yet to acknowledge it. The Spectrum/Enron deal is either an odd historical coincidence or an indication there is more to learn about the Bush/Enron association.

~DAVID HORN

This article has been excerpted from *The Nation*.

* An action brought by a person on behalf of a government against a party alleged to have violated a statute, especially against defrauding the government through false claims and that provides for part of a penalty to go to the person bringing the action. Late Latin: who as much, who as well, from the first words of a clause referring to the plaintiff as one who sues as much for the state as for himself or herself. (Dictionary of Law, Miriam Webster)