

-- Working Papers --

CHRONOLOGY

Dillon Read & the Aristocracy of Prison Profits Draft as of November 2005

DISCLAIMER: The following chronology was prepared as a background research tool for the drafting of “Dillon Read & the Aristocracy of Prison Profits.” The purpose was to provide background research only. This chronology is not inclusive of all relevant dates during the period. It includes source materials believed to be reliable as well as useful. It also includes additional materials which may or many not be reliable as well as materials which are not useful for the story at hand. The reader should treat this information as preliminary and subject to change. The reader is advised not to rely on any information herein -- to independently confirm any information before using or relying on it. Comments, corrections or recommended edits and additions may be posted here: (Link to forum at the Solari Action Network)

Special thanks to the following sources:

The Life and Times of Dillon Read, Robert Sobel, The Penguin Group, May 1991

Barbarians at the Gate - The Fall of RJR Nabisco, by Byran Burrough and John Helyar, Harper & Row 1990

Barry & ‘the boys’: The CIA, the Mob and America’s Secret History by Daniel Hopsicker, Mad Cow Press

Friends in High Places: The Bechtel Story – The Most Secret Corporation and How It Engineered the World by Laton McCartney, Ballentine Books, 1988

The Iron Triangle, by Dan Briody, 2003, John Wiley & Sons, Inc.

Jail Breaks – Economic Development Subsidies Given to Private Prison by Good Jobs First, available at www.soros.org -- Good Jobs first is an initiative of the Institute on Taxation and Economic Policy. The report is authored by Philip Mattera and Mafruz Khan with Greg LeRoy and Kate Davis and is dated October 2001

Rockefeller Foundation – website chronology

Solari website – various articles and litigation section, including litigation timelines at www.solari.com/gideon

1882 Clarence Dillon is born Clarence Lapowski in Texas. Dillon's father was Samuel Lapowski, a Polish Jewish immigrant who arrived in America in 1968 and moved to San Antonio, Texas where he opened a dry goods store. There were other members of Samuel's family that settled in America – a brother became a doctor and settled in New York City. Around 19880, Samuel Lapowski met Bertha Steenbach, a Lutheran, the daughter of Swedish immigrants, whose family owned and operated several silver mines and owned land in Colorado and Texas. Bertha and Samuel also had two daughters, Jeanie and Evelyn. All of their children were raised as Protestants. Lapowski's business thrived, and he branched out into different areas, including banking, a natural expansion of the dry goods business. He would advance fund to ranchers and farmers to tide them over until they sold their cattle or crops, and he used part of the earnings from this activity to speculate in land in nearby Abilene, Texas, on which oil was discovered. To escape the brutally hot San Antonio summers, the Lapowskis would vacation in New Hampshire or Maine. (The Life and Times of Dillon Read)

1882 The Office of Naval Intelligence (ONI) is founded to seek and report on technological advancements that would ensure that the US Navy is a world-class navy. ONI develops a close association with the new founded Naval War College in Newport Rhode Island. Lt. B.M. Mason is the first Director of Naval Intelligence.

1889 Joseph Willits is born into a Quaker family in Ward, Pennsylvania, Chester County. His father is a successful farmer (dairy, mushrooms, flowers) who organizes the Pennsylvania Dairy Association and becomes Secretary of Agriculture in Pennsylvania

1889 JP Morgan holds a meeting at his 5th Avenue mansion in NY. The purpose is to reach a consensus whereby the owners of America's railroads merge their competing interests. This was no mere group of transportation executives agreeing to fix prices. The railroads also controlled the nation's coalfields and oil supplies and were tightly bound to the nation's largest banks. The creation of the Federal Reserve in 1914 completed this process of consolidation. In effect, Congress ceded control of the US currency system and the federal credit to the banks, thereby officially recognizing the cartel. This placed a relatively small number of men in a position to set prices across the economy with a degree of control heretofore unknown in US History (The Negative Return on Investment Economy)

1897 As a result of a serious drought in Texas this was a very bad year for business. Nevertheless, the Lapowski's sent Clarence to Worcester Academy and funded weekend trips for Clarence to New York to visit his uncle. Lapowski had earlier taken Clarence with him on buying trips to New York. Clarence did not do well in school. He filed the Latin portion of the Harvard entrance examination and because of this entered the scientific school, where Latin was not required. At the end of the first year, he retook the examination, failing once again. Even so, he was permitted to transfer to the college. Sometime in this period, Samuel Lapowski decided to alter his surname to Dillon, which had been his

mother's maiden name. His children also took this name. (The Life and Times of Dillon Read)

1905 Clarence graduates from Harvard. At Harvard, Clarence was not an outstanding student. While transparently intelligent, he demonstrated scant interest in his studies, although significantly he showed skills at and a liking for mathematics. Those who knew him then say Dillon spent considerable time and won substantial sums at cards. One of Dillon's closest friends at Harvard was Armin A. Schlesinger whose father, Ferdinand, had come to America from Germany and settled in Milwaukee, where he became a manufacturer of mill machinery. From there Schlesinger expanded into iron mining and was president of several companies in that industry. During a visit to Cambridge the elder Schlesinger urged Dillon to relocate to Milwaukee, offering to help him find employment there, perhaps a new business in partnership with his son. Dillon accepted, and during the next three years the two men were associated at one of the Schlesinger companies, Newport Mining Co. and its subsidiary, the Milwaukee Coke and Coal Co. Through Schlesinger's new wife, Dillon was introduced to Anne McEldin Douglass. Her parents were George and Susan Dun Douglass. Her uncle had founded the credit-reporting firm, RG Dun at which her father worked. Clarence and Ann were married on February 4, 1908. In 1907, Dillon has a bad accident. For the rest of his life he would occasionally suffer from an inner ear malady caused by the accident, which subjected him to occasional bouts of vertigo and may have contributed to his volatile temperament. After the railroad settled the case for \$8,000, the Dillons go to Geneva and Paris for an extended convalescence. (The Life and Times of Dillon Read)

1909 C. Douglas Dillon is born in Geneva Switzerland on August 21

1910 The Dillons returned to Milwaukee where Clarence purchases a half interest in his brother in law's company, the Milwaukee Machine Tool Company. The partners sell it in 1913 when it runs into trouble fulfilling orders at the price quoted.

1912 Joseph Willits earns a bachelor and masters degrees from Swarthmore College and joins the University of Pennsylvania faculty as an instructor in Geography and Industrial Economics at the Wharton School of Finance and Economics. He marries Ruth Sharp Brown, his classmate at Swarthmore and graduate at the Friends Central School. On their honeymoon, they buy Hayes Farm in Jackson, New Hampshire in the White Mountains where they and their family summer. He earns his PHD in Economics in 1916 from Penn. Drafted into WWI, he served as an employment supervisor at the US Naval Aircraft Factory in Philadelphia.

1913 Federal Reserve System created; Clarence Dillon joins William A. Read as bond salesmen in the Chicago office

1914 The first drugs outlawed in US

1915 William T. Fitts Jr. is born in Jackson Tennessee.

1916 Clarence Dillon becomes a partner in William A. Read, becoming head after Read's death; James V. Forrestal joins.

1919 Returning to Wharton at the end of WWI, Dr. Willits is named Chairman of the Department of Geography and Industry to which he applies his expertise to a new field of labor management. As director of the Department of Industrial Economics he sets up Wharton's Industrial Research Department.

January 16, 1920

Prohibition begins, legislated by the Volstead Act and the Eighteenth Amendment ratification in 1919.

1920's R.J.Reynolds creates a Class A stock—known locally as anticipation stock---designed to put all voting power in the hands of the workers. It paid an extraordinary rich dividend – 10% of all profits in excess of \$2.2 MM. Workers clamored for the new issue, and many used their salaries to buy all the Class A they could. The annual dividend payment became a kind of local holiday, a time local car dealers and luxury purveyors eagerly awaited. The story was told of a Winston Salem tyke who received a horde of presents on Christmas morning, only to begin weeping uncontrollably. He said he'd had his heart set on Class A stock. From the early 1920's until the IRS disallowed the Class A in the 1950's, Reynolds employees controlled the majority of the company stock.

1921 William Read & Co.'s name is changed to Dillon Read & Co. According to a story of the period, Clarence Dillon rose at a partners meeting and said "Gentlemen, I have brought in 85 per cent of the business here and henceforth the name of the firm shall be Dillon, Read & Company. Those who do not like the arrangement can withdraw."

1921 Council on Foreign Relations is formed.

1924 Dillon Read issues first post war closed end investment trust

1925 Dillon rescues the faltering Goodyear Tire & Rubber Company, engineering a buyout - marking a long history of Dillon Read in the buyout business.

1926 Dillon Read organizes the largest public offering ever -- \$55 million for National Cash Register

1928 By 1928, Kaiser and Bechtel have already built major pipelines for Standard Oil and Continental Gas—in 1928, Kaiser accepts a \$20MM contract to build roads in Cuba

1928 Dillon engineers the sale of Dodge to Chrysler

1929 After Mussolini comes to power, the Lateran treaty or Concordant is enacted between the Italian government and the Catholic Church. The government formally recognized the sovereignty of the Vatican state, official declared Roman Catholicism the state religion, nominally called for the papacy to remain neutral in international affairs, and made financial

compensation for claims arising from the confiscation of papal lands. In addition, the church was granted control of various properties outside of Vatican City and these holdings were declared tax-exempt. During the way, all Vatican investments in Italy were likewise given tax exemption. (Through the Looking Glass)

1930-31 Dr. Willits served on President Herbert Hoover's Emergency Committee for Employment. Years before the New Deal, he called for a system of unemployment insurances, control over the expansion of credit and greater controls over business and industry.

1930's Willits family goes on sabbatical to Europe where his daughter Barbara Kinsey Willits attends a Swiss boarding school for girls.

April 11, 1930

Nicholas F. Brady is born in New York City

1931 C. Douglas Dillon graduates from Harvard – his father buys him a seat on the NYSE

1931 Kaiser & Bechtel become part of a consortium to build the Boulder Dam – Bechtel and their various partners build many New Deal sponsored projects. the Moffat Tunnel in Colorado, Grays Harbor in Washington and the Grand Coulee, Parker and Bonneville Dams.the Bay Bridge linking Oakland and San Francisco.

1932 Rockefeller Foundation grants are used to establish full-time departments of psychiatry in teaching hospitals and medical schools, including Chicago, Duke, Harvard, McGill, St. Louis, Tulane, Yale and Washington. (RF website chronology)

1933 Dr. Joseph Willits is named Dean of the Wharton School and President of the Bureau of Economic Research, where he serves as executive director from 1936 to 1939

July 3, 1933

Standard Oil of California wins exclusive 50-year right to search for oil across 395,000 square miles of Saudi Arabia.

1933-53 Rockefeller Foundation expends \$1.5MM in identifying and assisting 300 scientists and scholars from Nazi Germany to settle in friendly locations, many relocate to US universities. (RF website chronology)

1933 Prohibition ends when the Eighteenth Amendment is repealed with ratification of the 21st Amendment. Prohibition had a notable effect on the brewing industry in the US. When Prohibition ended, only half the number of breweries reopened as had existed before. Many small breweries were out of business for good, because mainly the largest breweries had survived.

1934 The Federal Bureau of Prisons is created by Federal statute in 1934. It operates as a wholly owned, self-sustaining Government corporation now marketed under the trade name UNICOR. UNICOR markets federal prison labor to federal agencies.

1934 The Exchange Stabilization Fund is created as a non-accountable, non-transparent fund that can tap the federal credit. It is managed by the NY Fed on behalf of the Secretary of the Treasury.

1934 The Federal Housing Administration is created.

1935 Public Utilities Holding Company Act becomes law.

1936 Douglas Dillon becomes a Vice President and Director of Dillon Read

May 1937 Steve Bechtel and John McCone (later head of the CIA) start the Bechtel-McCone Corporation in Los Angeles. Their first contract is a refinery for So Cal. By 1939, Bechtel-McCone had mushroomed into an organization with more than 10,000 employees and building refineries, chemical plants and pipelines from Montana to Venezuela.

1939 Joseph Willits becomes Dean of Social Sciences of the Rockefeller Foundation

1940 William T. Fitts Jr. graduates from the University of Pennsylvania Medical School where he was first in his class. He was then drafted into the Marine Corp as a Lieutenant during WWII. Rising to the rank of Captain, he served as a surgical ward officer with the 20th General Hospital of the US Army, a Penn-affiliated hospital in the China-Burma-India Theatre

1940 The Boston Symphony receives a Rockefeller Foundation grant of \$60,000 to establish the Berkshire Music Center at Tanglewood.

1941 Douglas Dillon helps set up the OSS with Donovan During the War he sees active service in the US Navy and spends the last few months in the Pacific where his ship survives several attacks by Japanese suicide bombers.

1941 The War Powers Act authorizes the US Treasury's Exchange Stabilization Fund (ESF) to serve as a holding pool for captured Nazi loot, thus creating a significant slush fund for later covert operations, including the rigging of the Italian elections in 1947-48 at the request of the Vatican. (Christopher Simpson's Blowback.)

1942 Bechtel-McCone receives a contract through entity Cal Ship from Maritime Commission to build ships for the Navy. Within little more than a year Cal ship was employing 42,000 workers and building as many as three dozen Liberty ships. By October 1944 Cal ship was producing 20 ships a month. At the direction of the War Department, Bechtel was building pipelines and refineries in Mexico, Venezuela and Bahrain, off the coast of Saudi Arabian. During the War, Bechtel worked on an Alaska pipeline involving black budget funding and involving a large work corp of blacks from the South provided by the

Army Corp of Engineers. Secret funding issues turned into a scandal. (FIHP page 63-65) Bechtel-McCone for the Army's Willow Run Aircraft Modification Plant in Alabama come up with a cost plus contract that turns into a scandal involving Bechtel's padding of contracts (p. 66-68). Incredible story in the history of the destructive power of cost plus contracting.

1942 The Institute for Religious Works, or Istituto per le Opere de Religioni, IOR was reconstituted from another agency, Administration for Religious Works, which had been established in 1887. Pius XII places it under the control of financial wizard named Bernardino Nogara who begins investing Vatican monies in banks, real estate holding companies and corporations. IOR begins to establish ties with the leading financial institutions of the world including Morgan Guaranty, Credit Suisse, Chase Manhattan and Continental Illinois. The Vatican buys a 15% interest in the giant real estate holding and construction company known as Immobiliare that gives IOR a piece of the action in everything from the Watergate Hotel in Washington to resorts in Mexico to apartment complexes in Montreal. Working through Chase Manhattan, the Vatican also begins purchasing stock in General Motors, Gulf Oil, Bethlehem Steel, TWA, IBM and other major companies. Nogara retired in 1954 and during his lifetime had pyramided the money given to the Vatican by Mussolini (said to be \$85MM) to nearly \$1 billion. Larry Gurwin wrote "IOR helped many Italians to protect their wealth from confiscation by the Germans, taking advantage of Vatican City's status as a sovereign state." (Through the Looking Glass).

Early '40's – Bechtel builds several "heavy water" storage plants at Hanford Washington as part of the Manhattan Project – the program that developed the atomic bomb. Later, after the bomb had proved its destructive potential at Hiroshima, Bechtel had been one of several contractors and utilities that had built the Doomsday Town in the middle of the Nevada Desert. For Bechtel, the Doomsday study was one of a series of early projects the company carried out for the AEC in conjunction with a number of its energy-minded customers like PG&E. It was work that in the coming years would do much to define the emerging nuclear industry. Not coincidentally, it would also establish the Bechtel Corporation as the world's largest purveyor of nuclear power.

1940 William T. Fitts Jr. graduates from the University of Pennsylvania Medical School where he is first in his class. He is then drafted into the Marine Corp as a Lieutenant during WWII. Rising to the rank of Captain, he served as a surgical ward officer with the 20th General Hospital of the US Army, a Penn-affiliated hospital in the China-Burma-India Theatre

1941 Douglas Dillon helps set up the OSS with Donovan who on July 11, 1941 is appointed by President Roosevelt as "Coordinator of Information." Donovan was a prominent Wall Street attorney who won the Congressional Medal of Honor as an Army colonel during World War I. During the War Dillon sees active service in the US Navy and spends the last few months in the Pacific where his ship survives several attacks by Japanese suicide bombers.

WWII The Office of Naval Intelligence creates a partnership with the Italian mafia to ensure that they have the critical intelligence and support for the European invasion.

1944 John Simpson joins Bechtel after a successful career at J. Henry Schroeder where he worked closely with John Foster & Allen Dulles at Sullivan & Cromwell. During WWII while Allen Dulles was organizing OSS networks from Switzerland, Simpson took time off from the bank to become chief financial advisor for the US Army in Europe. ...Reference on P. 77 in FIHP related to James B. Black, chairman of Pacific Gas & Electric arranging for Steve Bechtel to become a member of the board of JP Morgan and a member of the Business Council, a Washington based organization composed of the leading businessmen in the country.

1945 Dr. William T. Fitts, Jr. returns to Penn to become an assistant instructor in surgery at the School of Medicine, a Rockefeller Fellow and a full professor in 1956. His wife, Barbara Kinsey Willits Fitts, has a master's degree in economics from the University of Pennsylvania and has been working at the Philadelphia Federal Reserve Bank.

End of WWII, C. Douglas Dillon becomes chairman of Dillon Read. As a member of the Republican Party, he is a major contributor to the campaign of Dwight Eisenhower.

October 1, 1945

President Harry Truman's Executive Order 9621 abolishes the OSS and transfers its functions to the State and War Departments.

January 22, 1946

President Truman signs a Presidential Directive establishing the Central Intelligence Group to operate under the direction of the National Intelligence Authority. Truman names the first Director, Rear Admiral Sidney W. Souers.

September 18, 1947

The National Security Act of 1947 establishes the National Security Council and the CIA to replace the National Intelligence Authority and the Central Intelligence Group.

1946 For tax reasons Bechtel-McCone is liquidated. A new Bechtel Corporation soon snaps up contracts to build 200 miles portion of the Texas-California gas line, a \$7MM oil refinery for So Cal in Salt Lake City and several factories for Owens-Corning Fiberglass... Page 78 refers to Bechtel commissioning a study from the Stanford Research Institute of Paul Alto (SRI) and that Bechtel had been one of SRI's principal founders and had bankrolled its operations heavily. P. 97 describes McCone has being a director. A meeting Bechtel arranged at the Links Club where the plans are developed for the Transmountain Pipeline Company of Canada. The project was finished in 1954.

1946 Dr. Albert Kinsey receives his first support for studies of sexuality from Rockefeller Foundation and publishes his first book in 1948 (RF website chronology).

Rockefeller Foundation's divisions of social sciences, health and natural sciences combine to fund the first effort to comprehensively survey socioeconomic conditions in developing countries. The work is carried out on the island of Crete.

1947 McCone becomes member of the President's Air Policy Commission. Impressed with McCone's work on the Commission, James Forrestal asked McCone to raw up the budget for the newly formed Department of the Air Forces...Page 98. McCone joins Simpson at a dinner with Allen Dulles at his town house in NY to celebrate Dewey's expected victory.

1947 FIHP -- Bechtel approves the assignment by the Navy of several nonuniformed officers to the Bechtel-built Saudi Arabian refinery at Ras Tanura. The officer's...mission was gathering intelligence. This was the early years of significant relationship between Bechtel and the CIA and US intelligence worldwide. In the 1950's a former Aramco executive stated that the only effective intelligence gathering in Saudi Arabia was a large private company. That the time, the only such company in Saudi Arabia was International Bechtel Incorporated. FIHP has a chapter on Bechtel's' relationship with the CIA -- "The Company and the Company" At the invitation of Allen Dulles, Steve Bechtel served as the agency's liaison with the Business Council. He and many of the Council members were debriefed after trips abroad. Describes senior Bechtel folks who worked for both Bechtel and the CIA -- Snodgrass Page 121.

1947 Dillon Read privatizes the Texas Eastern pipelines, lead by August Belmont, returned from service in the Navy where he had risen to Lieutenant Commander. The deal clinches Dillon's reputation as a leader in the oil industry -- with many clients in utilities, gas and oil.

Peter Flanigan, son of Manufacturer's Hanover Trust Chairman Horace Flanigan and of Anheuser-Busch heiress, arrives at Dillon Read after Princeton and service in the Navy during WWII.

1947-48 The Dulles Brothers working from Sullivan & Cromwell and using slush funds from the ESF captured from the Nazis orchestrate the rigging of the Italian elections at the request of the Vatican. (Christopher Simpson's Blowback)

1948 Standard Oil of California, which had brought in Texas Oil (Texaco) brings in Standard Oil of NJ and Mobil into its Saudi Arabia deal to create the Arabian American Oil Company ---Aramco. P.83—After WWII, Ickes orders Aramco to develop its Saudi fields post haste. Shortly, thereafter Aramco calls Steve Bechtel.....P.95 FIHP --during the late 1940's and '50's Bechtel's operations were rapidly expanding beyond Saudi Arabia....Bechtel crews moved into Yemen, Kuwait, Lebanon, Iraq and Iran, with the K

May 22 1949, James Forrestal, former Secretary of the Navy, former Secretary of Defense, and former Dillon Read partner is suicided out of a Walter Read Hospital Window

June 20, 1949

The Central Intelligence Agency Act of 1949 provides special administrative authorities and responsibilities for the Agency and the Director. The Act creates provisions that permit the

CIA to claw monies from other agencies for the benefit of the intelligence communities, creating the legal mechanism to finance a black budget.

October 1949 The AEC temporarily put off building the hydrogen bomb, but award's Lawrence, a Berkeley scientist who had worked on the Manhattan Project, and his colleagues at Berkeley a contract to build a top secret project with the cover name "Materials Testing Accelerator."

December 1949 AEC asks Bechtel to build an experimental breeder reactor and chemical processing plant at the agency's Nuclear Reactor Test Station - Idaho Falls, Idaho. EBR-1 as it was called was to test whether nuclear energy could be converted to electric power.... the adventure proved successful, giving Bechtel an important head start in what would soon be a headlong, high stakes race to convert America to nuclear energy. Kuwait Oil Company the first to seek out Bechtel's services.

1950. John Foster Dulles becomes Chairman of the Board of the Rockefeller Foundation and serves until 1952.

June 1950 McCone becomes Deputy Secretary of the Air Force...his friend Thomas Finletter is now Secretary of the Air Force. In his new role, McCone also revamped the entire Air Force, approving the development of a new generation of jet fighters and bombers and providing the principal inspiration for the creation of the Strategic Air Command, whose nuclear-laden bombers remained constantly ready to strike the Russian homeland. – As part of the build up Truman authorizes the tripling of capacity at the principal weapons plant at Oak Ridge and the building of ancillary gaseous diffusion plants at Portsmouth Ohio and Paducah, Kentucky. Eisenhower later makes McCone Chairman of the Atomic Energy Commission (AEC). Under McCone's leadership, the nation would begin gearing up for the age of unexpectedly cheap and trouble free nuclear power.

December 24, 1950

Catherine Austin Fitts is born in Philadelphia, Pa.

1952 John D. Rockefeller becomes chair of the Board of the Rockefeller Foundation and serves until 1971; the Foundation makes a \$112,000 grant to Dorothy Thomas (U of Penn; friend of Fitts and Willits) and Simon Kuznets to undertake the first analysis of US population change, capital formation and economic activity.

1952 Nicholas F. Brady graduates from Yale, his classmates include George Herbert Walker III and William Donaldson. John P. Birkelund graduates from Princeton.

1952 German-born Frederic Brandt becomes chairman of Dillon Read. He is to serve until 1971.

February 1953 Eisenhower appoints C. Douglas Dillon Ambassador to France. The Dillon family owned the Haut-Brion vineyards in Bordeaux.

1954 Joe Willits is forced out of the Rockefeller Foundation by Dulles while John D. Rockefeller is chair. He returns to the University of Pennsylvania to direct a team of outside consultants and inside committees to produce the Educational Survey of the University of Pennsylvania. During the late '40's and early '50's, he also does a study for the Dupont family that recommends that they convert Winterthur to a museum.

1954 Nick Brady graduates from Harvard Business School and joins Dillon Read. According to August Belmont, Clarence Dillon had originally thought that employing Brady would be a mistake. In the summer of 1954, Belmont visited Dillon at his winter home in Jamaica and told him of the firm's new associates. You should have hired Brady, Dillon complained, because Brady will never stay there, he's got too much money. You're never going to be able to hang on to him. James Brady, Brady's father, was close to Paul Mellon, patriarch of Pittsburgh's most distinguished families, and Ogden Phipps, whose fortune arose from the Carnegie interests and whose family controlled Bessemer Securities. (The Life and Times of Dillon Read)

October 1953 Business Council meets at The Homestead in Hot Springs, Va. Steve Bechtel, Tom Watson of IBM and Tom Watson, Jr. are included in the group/meeting. Bechtel forges a relationship with GE Chairman, Ralph H. Cordiner. GE and Westinghouse were leading reactor builders.

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1954 Joe Willits forced out of the Rockefeller Foundation by Dulles. He returns to the University of Pennsylvania to direct a team of outside consultants and inside committees to produce the Educational Survey of the University of Pennsylvania.

1954 Atomic Energy Act of 1954 authorizes AEC to be able to issue licenses to private companies to build and operate nuclear power stations.

1954 Bechtel and six utilities form the National Power Group based in Chicago.

1954 Bechtel builds the Joppa steam plant for the AEC's \$830MM weapons-manufacturing installation at Paducah, Kentucky.

1954 Eisenhower has McCone serve on a committee to restructure the US Foreign Service after it was decimated by McCarthy purges and appoints Steve Bechtel to serve on the National Highway Committee; chairman was General Lucius Clay who later joined Bechtel in several business ventures.

1954 George. H. W. Bush becomes president of the Zapata Offshore Company.

1955 Eisenhower sends McCone as his personal representative for the observance of the birthday of Pope Pius XII.

1955 Arkansas Governor Orval Faubus appoints Winthrop Rockefeller as Chairman of the Arkansas Industrial Development Commission

1956 Eisenhower appointed Steve Bechtel and John Simpson as a number of business executives to work with Under Secretary of State Douglas Dillon in drafting a report that would determine policy for distribution of foreign aid and development loans – many to countries which would use them to employ Bechtel.

1957 Steve Bechtel Jr. is named by his father to head the Pipeline Division.

1957 Stanley Sporkin graduates from Yale Law School. He grew up in Philadelphia and attended Penn State University. He then clerks for the presiding justice in US District Court, in Delaware.

1957 (Approximate) Barbara Kinsey Willits Fitts leaves working part time at the Federal Reserve of Philadelphia to spend full time with her children.

1957 The Treaty of Rome is signed.

1958 Steve Bechtel Jr. is named head of the International Department after the head is murdered by an Iraqi mob. He is also appointed as chair of a newly formed member executive committee.

1958 Dillon Read brings to market the American South African Investment Company, the first post World War II closed end trust specializing in the securities of a single country and a single industry (mining).

May 1958 McCone is asked by Eisenhower to serve as Chairman of AEC. McCone begins funding for private utilities for the construction of prototypes. He proposed subsidies to support private industry development and began spreading US nuclear technology overseas, providing foreign aid in the form of experimental reactors.

Summer 1958 From FIHP -- McCone was equally zealous in his support of US nuclear arms development, but here Eisenhower finally drew the line in late summer 1958, when he told his staff that the joint efforts by the AEC and DOD to build up America's nuclear arsenal had gotten out of hand. He was, said the president, firmly committed to imposing a ban on all nuclear-arms testing. The ban was bitterly opposed by McCone, who was keen on firing a nuclear missile in the general direction of Cuba, and the idea lay dormant until the Kennedy Administration. Eisenhower, though, was able to have his way with one McCone sponsored project: providing private companies like Bechtel with small nuclear explosives to help them extract oil from deep underground and to blast tunnels through mountains. McCone was positively rabid about the notion. Think, he asked, of the things a Bechtel or a So Cal could do with a few atomic bombs in its toolbox! Eisenhower killed the plan with a one-word response: "No."

1959 After six years as Ambassador to France, Dillon is appointed Under Secretary of State for Economic Affairs where he was responsible for the economic policies and programs of the Department of State, for coordinating the Mutual Security Program and founding the Inter-American Development Bank.

1959 Stephen Yates the man assumed to become Bechtel Chairman when Steve Sr. retired contracts polio and retires. This makes the way for Steve Jr. in his mid-30's to become his father's successor the following year—was appointed President.

1959 The Rockefeller Foundation receives a bequest of the Villa Serbelloni on Lake Como, Italy. The villa becomes RF's Bellagio Study and Conference Center, hosting scholars-in-residence and international conferences.

1960 Bechtel Sr. was not pleased when Nixon lost election, but the pain was lessened when the new president appointed another old friend, C. Douglas Dillon, secretary of the Treasury, on January 1961 and, later, (after firing Dulles) an even older and better one, John McCone, as director of the CIA. General Clay was dispatched as the President's special representative to Berlin. From FRIHP – “Still, the presence of all those Democrats in Washington seemed to make Bechtel uneasy, and during the Kennedy years he spent more and more time in New York, where, in his suite at the Carlyle, he regularly gathered for dinner with corporate cronies like...Morgan Bank chairman and former Defense secretary Thomas Gates

1960 Stanley Sporkin leaves his law clerk position in Delaware and joins the Securities and Exchange Commission.

January 17, 1961

President Eisenhower used his farewell speech to warn Americans that the military-industrial complex had gained a dangerous level of influence over our political system and its defense policies. In Eisenhower's words, “in the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist...We should take nothing for granted.

1961 The Defense Intelligence Agency is established by McNamara.

1961-65 Douglas Dillon as Secretary of the Treasury is the US spokesman for the Kennedy Administration's program of aid for the economic development of Latin America under the Alliance for Progress Program in 1961.

January 22, 1963

Barry Seal's picture is taken in a Mexico City nightclub with members of the CIA's super-secret assassination squad Operation 40, including CIA agent Felix Rodriguez, who assassinated Che Guevara, Watergate burglar Frank Sturgis and William Houston Seymour, the New Orleans representative of the Double-Chek Corporation, a CIA front used to recruit pilots...like Seal.

1963 JFK is assassinated – Douglas Dillon is Secretary of Treasury at the time; Kennedy fires Dulles over the Bay of Pigs – Operation Zapata. Same name as Bush's company. Replaces him with McCone. President Johnson reverses Kennedy's orders to withdraw from Viet Nam. Escalation generates significant contracts and weapons orders.

On the day Kennedy is assassinated, Sigmund Warburg, after failing at Kuhn Loeb, has lunch with J. Richardson Dilworth, who now managed the Rockefeller family money, and George Love, chairman of Chrysler and Consolidation Coal. Warburg proposes a potential business union of American and European talent. “He dreamed of taking pools of transatlantic money, leveraging them, and taking stakes in companies. The corporate executives would contribute “financial engineering” to revamp the laggard companies. The three men agreed on an action plan. Dilworth would approach David Rockefeller, Love would pursue the Mellon and Hanna families, and Sigmund would scour Europe for investors...Five years later Sigmund’s inspiration was realized in a venture called American European Associates, funded with Rockefeller, DuPont and Harriman money, and operated by SG Warburg and Laird & Co. “ Warburg pulled his money out early along with Rockefeller money in a fight with the manager Carl Hess. After he pulls out, AES does smashingly, with shares reaching \$150” by the last 1980’s “as it evolved into a billion-dollar club for retired Fortune 500 CEOs who invested their money to restructure companies.

1964/65 Dillon becomes chair of the Council of Foreign Relations

Winthrop Rockefeller resigns his position as Chairman of the Arkansas Industrial Development Commission and runs for Governor unsuccessfully.

1964 Bechtel building a 90 mile pipeline for Texaco that run from the Delaware River through Woodbridge NJ.

1964 Luther Terry, Surgeon General, issues his landmark report linking cigarette smoke with cancer. Cigarette sales, which had risen an average of 5 percent a year, fall sharply.

December 1, 1964

President Lyndon B. Johnson receives the first President’s Daily Brief (PDB) from the CIA.

1965 Bechtel, Jr. becomes Chairman of Bechtel

1966 Bechtel begins work on BART – which is dedicated in September 1972.

Winthrop Rockefeller runs successfully for Governor in Arkansas; he runs again successfully in 1968; he loses to Dale Bumpers in 1970

1967-6 Pug Winokur works in the Office of the Secretary at the Department of Defense. McNamara and Clark Clifford were the two Secretary of Defense.

1968 – 1971 Ken Lay, future Enron CEO works for the United States Navy – Ensign; Lieutenant Junior Grade; Lieutenant; Deputy Director, (Research), Department of Defense Special Study Group on Defense Contractor Constructive Delivery (Accrual Accounting Implementation), Special Assistant to the Navy Comptroller and Financial Analyst, Office of Assistant Secretary of the Navy (Financial Management), Department of the Navy, the Pentagon. Received Navy Commendation Medal and National Defense Service Medal.

1968 Bechtel makes deal to help Armand Hammer/Occidental build in Libya. “We made Hammer’s fortune for him in Libya.” Boasted Bechtel’s pipeline chief John L. “Jack” Lynch.

April 1968 Dillon Read draws up plan for PEFECO—Private Export Finance Corporation--- which is endorsed by Nixon and the Export Import bank PEFECO really gets going in 1971 with an initial round of equity financing. In the next 18 years it made export loans of more than \$5 billion with Dillon Read as a lead underwriter.

1968 Kerner Commission

1968 Douglas Dillon serves as President of the Board of Overseers (is this of the College or Harvard Corporation?) from 1968-1972. He also served two terms on the board.

1968-70 Catherine at Bennett College

Summer 1969 Catherine at Harvard Summer School

1969 Nixon appoints Henry Kissinger as National Security Advisor—Kissinger is a Rockefeller advisor and a Harvard professor.

1969 At the suggestion of a former Winston-Salem businessman named Malcolm McLean, Galloway bought Sea-Land, a shipping company McLean owned. Given a seat on the Reynolds board, McLean next suggested that Galloway (head of RJR) buy a small oil company named Aminoil, which Reynolds acquired the next year. The idea was that Aminoil’s oil would be transported aboard Sea-Land’s tankers. The next year Galloway in a move to reflect the company’s diversification, changed the company’s name to RJ Reynolds Industries and over the next decade poured more than \$2 billion into Aminoil and Sea-Land, building the latter into the world’s largest private shipping line. (Barbarians at the Gate - The Fall of RJR Nabisco, by Burrough and Helyar)

August 1969 A Bechtel electrician named John McGuire went to Libyan under-secretary-with various charges against Bechtel including that Occidental with Bechtel’s complicity was moving unmetered oil out of the country—in effect stealing from Libya.

1968 FIHP describes Bechtel’s unhappiness with LBJ – LBJ preferred Texas Brown & Root who got the lead on the Houston Space Center and infrastructure for the Vietnam War. Richard Nixon’s victory was good news. Nixon would prove a good friend. Six weeks after Nixon wins, the President’s former law partner, Attorney General John Mitchell announced that the Justice Department was dropping its eight year long prosecution of the El Paso Natural Gas on antitrust charges. El Paso was defended by Nixon’s and Mitchell’s former firm, Mudge Rose. This clears the way for several big projects with El Paso for Bechtel. Additional projects were the Alaska Pipeline, the Washington Metro to a raft of power plants. Steve Jr. got a membership on the Treasury Department’s Labor-Management Advisory Committee and an appointment on the US Export Import Bank, where Nixon had appointed Henry Kearns, a former car salesman to be head. Kearns and Nixon increase loan originations by many multiples...from FIHP:"Never had the company enjoyed such free access to no-risk, low interest capital as Kearns was offering now. Bechtel helped fill up the advisory board with Bechtel friends and customers. Nixon appoints George Shultz, former

dean of the University of Chicago business school to Labor Secretary (then Secretary of Treasury) and Caspar Weinberger to OMB (the Secretary of HEW)

1968 Martin Luther King and Bobby Kennedy are assassinated.

1969 Peter Flanigan goes into Nixon Administration where he serves as assistant to the President until 1972, then serves as director of the Council on International Economic Policy, and then returns to Dillon in 1975.

1969, Bechtel working in concert with Union Carbide, had persuaded Nixon to reverse two decades plus of US policy by allowing commercial concerns to produce and sell enriched nuclear fuel, including plutonium, which could be used to power nuclear power plants and build H-bombs as well. It was a historic- - and according to its critics, profoundly dangerous – decision; but at the time, the announcement did not receive much notice.

Summer 1970 Catherine at Stanford Summer School.

1970-1 Frederick Brandi becomes CEO of the American-South African Investment Co. replacing the fabled Charles Engelhard, August Belmont IV and the Dillons decide upon Brady as the next CEO; September 1971 Douglas Dillon assumes Chairmanship of Dillon to facilitate transition. Nicholas Brady becomes CEO. His #2 is Arthur B Treman, Jr. who serves until 1981 when he is replaced by John Birkelund as Brady's #2. The Life and Times of Dillon Read quotes a colleague describing Brady – Anthony Nicholas Brady had caught the electricity curve and James Cox Brady had caught the automobile curve. Nick's father, James Brady, Sr. was a prominent figure in racing circles and associated in ventures with the Rockefellers, Duponts, and Mellons. He headed a family firm known as Brady Securities & Realty, which made investments in several companies. He also controlled and was chairman of Purolator, the New Jersey based leading independent manufacturer of oil filters. The Brady clan was one of New Jersey's private landowners and quite wealthy. Their private estate, Hamilton Farm, was near the Dillon's in New Jersey.

Brady also becomes Chairman of Purolator and continues to provide significant leadership at the Jockey Club. During his tenure, Brady was to chair or serve on seven presidential commissions, which dealt with issues ranging from Central American politics to government pay scales to management of the defense program.

1970 Ivan Selin as Chairman and Charles O. Rossotti, as director, found American Management System (AMS) to build financial software. AMS later becomes one of the largest providers of financial software to the US federal government.

1970-71 Catherine lives in Hong Kong and attends the Chinese University of Hong Kong, Yale-in-China language institute.

June 1971 Nixon declares War on Heroin. Hopsicker in Barry & the Boys says “the remarkable shift” from Marseilles to Southeast Asian and Mexican (mafia) heroin in the United States, agreed Henrik Kruger in “the Great Heroin Coup,” was a deliberate move to reconstruct and redirect the heroin trade...not to eliminate it.

1971 Catherine goes to University of Pennsylvania

1971 Douglas Dillon becomes Chair of the Rockefeller Foundation and serves until 1975

1972 Dr. William T. Fitts becomes Chairman of the Department of Surgery at the University of Pennsylvania until 1975. During the 1970's Dr Fitts serves as a member of the Executive Committee of the Campus Committee for the "Program for the Eighties" fundraising campaign, becoming Chairman in 1978.

1972 RJ Reynolds executives in Central America assisted Barry Seal in smuggling contraband into the US, as well as in the CIA's panned "move" against Castro in 1972. The Appendix in Barry & 'the boys' by Daniel Hopsicker lists the RJ Reynolds contacts, including Martin T. Bronson in Bogotá Columbia.

November 1972 With presidential elections over ...Nixon gave Bechtel and Union Carbide – and their Japanese partners – tentative approval to build the world's first privately owned nuclear plant, a \$5.7 billion facility at Dothan, Alabama. Financing for the plant, which was to be operated by Carbide and a specially created Bechtel subsidiary, Uranium Enrichment Associates (UEA) was to come largely from the federal government. When, the following June, Nixon provided Bechtel and six other members of the nuclear fraternity with access to the previously classified secrets of uranium-enrichment technology, the Wall Street Journal hailed the beginning of "what may be the largest commercial undertaking in history. Bechtel was no less enthusiastic. Once the Dothan plant was built and private uranium enrichment a reality, the company could function as a veritable one-stop supermarket for the nuclear industry – not to mention the emerging countries that wanted one.

1972 George Schultz becomes Secretary of Treasury

1973 Nixon dismisses Richard Helms in 1973; James Schlesinger becomes head and makes Colby head of clandestine services and then on September 4 becomes DCIA. (when Schlesinger moves over to Defense?)

1973 The "Rockefeller laws" go into effect. Nelson Rockefeller as Governor of NY secured these laws. They were extremely strict laws against the possession and/or sale of drugs. They are still on the books and rank among the toughest laws in the US. The mere possession of four ounces or more of such drugs as heroin and cocaine or the sale of two ounces of such drugs carries the same penalties as those imposed for second-degree murder.

September 23, 1973

Henry Kissinger becomes Secretary of State and maintains post as National Security Advisor.

October 10, 1973

Ford is nominated as Vice president, confirmed on November 11

1970's Alfred McCoy documents the involvement of the CIA and the military in heroin and opium trafficking in Southeast Asia.

1973 Stanley Sporkin becomes director of the SEC enforcement division.

UC Berkeley professor Peter Dale Scott publishes his article "From Dallas to Watergate: The Longest Cover-Up" Excerpt" I believe that a full exposure of the Watergate conspiracy will help us to understand what happened in Dallas and also to understand the covert forces which later mired America in a covert war in Southeast Asia. What links the scandal of Watergate to the assassination in Dallas is the increasingly ominous symbiosis between US intelligence networks and the forces of organized crime." It is, Scott wrote, no coincidence that most of Watergate's shadow players dwelt in the same conspiratorial world that led to the Bay of Pigs, the assassination plots against Castro involving CIA-mob teamwork, and the gun-and-drug running syndicates formed in pre-revolutionary Cuba and later transplanted to Miami...that had led to, in other words, the JFK assassination. (From Barry and the Boys by Daniel Hopsicker)

Trilateral Commission is created.

Roe v. Wade legalizes abortion.

May 18, 1974

Indian government using plutonium produced by the Tarapur reactor (built by Bechtel) and heavy water provided by the Nixon Administration, detonated an atomic bomb...triggering significant fears of nuclear chaos. By the end of the year, US utilities had cancelled or deferred 60% of the nuclear capacity they had ordered only 12 months before.

May 1974 Schultz leaves Secretary of Treasury Post in the Nixon Administration to become Bechtel Executive Vice President. He lives on Stanford's campus and shows himself a keen learner of the ways of Mining and Metals, the division of which he had been put in charge. Shultz was soon serving on an array of prestigious corporate boards, including General Motors, Sears Roebuck; Dillon Read, Morgan Guaranty and SRI International. Schultz was also asked to join the Morgan International Council and the Business Roundtable. Cap Weinberger joins Bechtel six weeks after Schultz.

June 29, 1974

A mistrial in the C4 case is declared – Barry Seal is free of charges related to his arrest less than two weeks after the bungled Watergate burglary by CIA Cubans like Frank Sturgis with 13,500 pounds of plastic C4 explosives destined for anti-Castro Cubans in Mexico. Barry Seal then began working for the CIA, traveling back and forth from the US to Latin America, working as a DEA operative for the Special Operations Group. Unable to block Nixon's reorganization plan to move drug intelligence from the CIA, the CIA filled the DEA with CIA trained people.

July 1974

William Richardson, who won his case on appeal, loses his case before the Supreme Court that he has – as a private citizen -- a right to see the CIA budget.

August 5, 1974

White House officials, including Bush, spent the morning of Monday, August 5 absorbing the impact of the just quoted “smoking gun” tape...in which Nixon ordered the CIA to stop the FBI from investigating how various sums of money found their way from Texas and Minnesota via Mexico city to the coffers of the Committee to Re-Elect and then into pockets of the Plumbers’ arrested in the Democratic Party headquarters in the Watergate. When Nixon had talked about “the Texans” and “some Texas people” he was referring to Bush, Liedtke and Mosbacher.

August 9, 1974

Ford becomes President of the United States after Nixon’s resignation

December 1974 New York Times publishes report by Seymour Hirsch on CIA illegal domestic activities, including experiments on US citizens during the 1960’s. The Administration’s response is to form the Rockefeller Commission lead by the new Vice President Nelson Rockefeller and Congress has the Church Committee, started in 1973, which responds and publishes 14 reports in 1975 and 1976.

December 19, 1974

Nelson Aldrich Rockefeller becomes Vice President by appointment in the Ford Administration and serves until January 20, 1977 William Simon becomes Secretary of Treasury in 1974 and serves through 1977.

January 4, 1975

President Gerald R. Ford signs Executive Order 11828 creating the Commission on CIA Activities within the United States. Chaired by Vice President Nelson Rockefeller, the Commission submitted its report on CIA domestic to the President on June 6, 1975.

January 27, 1975

The Senate establishes its Select Committee to Study Governmental Operations with Respect to Intelligence Activities under the Chairmanship of Senator Frank Church (D-ID). The Church Committee investigated the nation’s intelligence activities for 15 months and was disestablished under submission of its final report to the public on April 26, 1976.

The Church committee recommends that the CIA’s aggregate budget be disclosed to the Congress and the public. This recommendation is not implemented when George Bush successfully persuaded the Senate Select Committee on Intelligence to hold off and so the recommendation was never brought to the floor for a decision.

February 19, 1975

The House establishes its Select Committee on Intelligence to investigate allegations of “illegal or improper” activities of federal intelligence agencies. Its first chairman, Representative Lucien Nedzi (D-Mi) was later replaced by Representative Otis G. Pike (D-NY). On January 29th, 1976 two days before the Committee was scheduled to conclude its activities, the House voted to withhold public dissemination of the Committee’s final report.

September 22, 1975 Ford, emerging from the St. Francis Hotel in NY after a meeting with Cap Weinberger, is nearly assassinated by Sarah Jane Moore, a deranged 45-year-old member of a local prisoner’s rights group. If the assassination attempt (the second that month) had been successful, Nelson Rockefeller would have become President.

October 30, 1975

New York Post headline “Ford to City: Drop Dead”

November 3, 1975 Brent Scowcroft, Kissinger’s deputy is appointed National Security Advisor, ending the period when Kissinger is both the NSA and Secretary of State. At or about this time, Rumsfeld leaves his position as White House Chief of Staff to become Secretary of Defense and Cheney, Rumsfeld’s deputy, becomes Chief of Staff.

December 1975 Apparently as a result of the urging of Henry Kissinger, President Ford nominates George H. W. Bush as director of the CIA after firing of Colby for sharing too much information with Congress during the Church Committee hearings. Dick Cheney is Chief of Staff. Rumsfeld moves from Chief of Staff to Secretary of Defense.

1975 Carla Hills is appointed Secretary of HUD after running the civil division at Justice. From 1959 to 1961 she had served as an Assistant US Attorney in Los Angeles. From 1962-74, she was a partner of Munger, Tolles, Hills and Rickershauser of Los Angeles. In 1972, she was an adjunct professor at UCLA. She was born and grew up in Beverly Hills. Her father, a self-made millionaire, ran a building supply business. Hills is considered an authority on federal practice and anti-trust law. After leaving HUD, she practiced law with Latham, Watkins and Hills. She served on boards at Chevron, IBM and American Airlines. In 1986, she became a managing partner in the Washington law offices of Weil, Gotshal & Manges. (CAF Note – I believe this was the period when she represented DRG – the most corrupt coinsurance lender believed to be deep into Oliver North Iran Contra fraud). She went to college at Stanford and graduated from Yale law school after attending Oxford for a year.

1975 John D. Hawke, Jr. leaves Arnold & Porter where he headed the Financial Institutions Practice and from 1987 to 1995 served as Chairman of the firm to serve as General Counsel to the Board of Governors of the Federal Reserve System, returning in 1978.

Feb 1975 Vinell Corp, a construction contractor and future Carlyle company, signs a \$77 million contract to train the Saudi Arabian National Guard. The news touches off a controversy that would dog Vinnell and then later Carlyle, to the present day, even after Carlyle sold off Vinnell to TRW in the mid-1990's. (The Iron Triangle)

Feb 1976 the Senate confirms Bush as Director of the CIA. Within days, Barbara Kinsey Fitts is suicided on roof of her home near the University of Pennsylvania campus at 503 S. 48th Street in Philadelphia.

March 1976 Church Committee winds down, with Senator Church seeking a run for the Presidency

1976 Catherine works at Santa Fe National Bank for the summer – Mac Gordon's father is President and on the board of the district/regional Federal Reserve

May 19, 1976

The Senate establishes a permanent Select Committee on Intelligence under the chairmanship of Senator Daniel K. Inouye (D-Hi) to carry out oversight of the nation's intelligence organizations.

Fall 1976 Catherine attends Wharton Business School

November 1976 Bob Dole replaces Rockefeller on the Republican ticket. Ford loses to Carter.

Clinton is elected Attorney General of Arkansas.

1976 Carter's Director, Admiral Stansfield Turner cleans out the agency. This wave of covert operators is said to create a significant infrastructure of private operators, including a group called "The Company" In Barry & "the boys" Daniel Hopsicker writes " After Carter takes over in 1976 and Admiral Stansfield Turner cleans house at the CIA, finding jobs for long time CIA assets like (Barry) Seal became a priority that was often fulfilled by smuggling under color of narcotics interdiction, " stated Hemming. "All these guys had to be placed somewhere after that choirboy Admiral started getting rid of them. The majority of the operators that were contract employees had to be placed somewhere. There had to be money to take care of these guys. Hemming is referring to what "Deadly Secrets" calls Tuners Great Terror when the new CIA Director purged over 800 covert operatives after the Congressional revelations of the CIA's dirty laundry by the Church and Pike Committees investigations. These investigations, which then-CIA Director Bush fought every step of the way, led directly to the election of(Carter). Even...General Manuel Noriega was let go in the purge; it was a sign of the desperation of the times. And it prompted droves of angry CIA cowboys to enlist in the George Bush for President Campaign, where their unofficial campaign slogan must have been "never again."

Headquartered outside of St. Louis (where Bond and Bush's CIA Director William Webster are from), "The Company" launched in 1976 and grew into an enterprise with over 350

employees, with separate executives in charge of buying airports, leasing warehouses and even giving polygraph tests to new employees. There was even a \$2 million fund for bail. In just two years, The Company had acquired 33 airplanes, 3 airports, warehouses in 7 states and profits of \$48 MM. 1976 was the year that Barry Seal's drug smuggling career began according to his wife. Charleston County, South Carolina Deputy Sheriff G. Lloyd Woodbury provided internal security for The Company.

When the DEA busted them "they had secret radio frequencies of federal, state and local authorities," a DEA spokesman said. "They had mechanical programmers and night-viewing devices. They had air-to-ground radios so sophisticated we don't even have them on our airplanes."

Thanksgiving 1976 WT Fitts marries Stella White Frankland at St. Luke's Episcopal Church in Jackson Tenn.

1976 Lansky private placements at Treasury while Bob Gerard, former Wilmer associate is the Assistant Secretary for Domestic Finance.

1976 KKR is founded with Kravis in New York and Roberts in San Francisco. Henry Kravis father was Raymond Kravis, the son of an English tailor who immigrated to Atlantic City at the turn of the century. After working in a Pennsylvania coal mine, Ray Kravis moved to the Southwest where he became wealthy in the roaring stock market in the 20's. He lost everything in the crash of 1929 and, having borrowed heavily on margin, worked for years afterward to pay off his margin calls. After the war, he began a second career as a petroleum engineer, estimated oil reserves for Wall Street firms such as Goldman Sachs and managing to amass a second fortune. (Other sources indicate active with tax shelters) LM's research indicates that he handled oil royalty tax shelters for Joe Kennedy and worked with Brown Brothers Harriman. When Henry was 13 he got to Eaglebrook boarding school in Massachusetts and then to Loomis in Connecticut. He then attends Claremont College. His father arranges summer jobs at Goldman Sachs and a postgraduate internship at The Madison Fund. In the fall of 1967, Kravis enrolls in Columbia Business School while continuing to work at The Madison Fund. His cousin, George Roberts has grown up in Houston. His father and Kravis mother were brother and sister. The grandfather, Kravis and Roberts shared was a Russian Jew who fled to America in the late 1890's rather than fight in the czar's army. After his name was changed, "George Roberts" joined people from his native village in Muncie, Indiana where he eventually owned a dry goods store and the Roberts Hotel. After losing everything in the depression, he entered the oil business in Tulsa and eventually died of a heart attack, alone in an oil field tent. His son, Louis Roberts, grew up to be a freewheeling oilman in Houston, where he made and lost several fortunes in the Texas oil fields. George, his son, attended Culver Military Academy in Indiana and was a year ahead of Kravis in Claremont. When George was 21, Ray Kravis landed him a job at Bear Stearns. After attending law school at the University of California at Hastings he went to work for Kohlberg at Bear Stearns full time. Kohlberg later arranged for Roberts to transfer to Bear's San Francisco office and Roberts nominated Kravis to be his replacement. They start the LBO business within Bear Stearns. (Barbarians at the Gate and other)

November 1976 Catherine Austin Fitts threatens WT Fitts with career destroying disclosure unless he mediates Eleanor Gordon as promised. He does.

December 1976 Eleanor Gordon dies of fast acting liver cancer discovered in the spring of 1976. She is in the University of Pennsylvania hospital in a building named Dulles.

1977 Former CIA director Richard Helms joins Bechtel as an international consultant, From FIHP, “With the assistance of Snodgrass and Helms Bechtel’s operations increasingly mimicked those of the CIA. The company drew up its plans and plotted its business operations with the same devotion to secrecy and clandestine intelligence-gathering as its governmental associate, much of them based on reports furnished by friends at the CIA and the Departments of State, Commerce and Defense. These reports in turn were compiled into confidential weekly summaries, broken into political, military, economic and technological categories. Typical of the intelligence flavor of the documents was an October 1, 1976 report on Africa entitled, “Objective: Develop new and expanded business through the....” Reports like the one on Africa ...partly explained why Bechtel seemed to have such a knack for being in so many places at precisely the right time.

January 20, 1977

Henry Kissinger retires as Secretary of State

Summer 1977 Catherine works at Goldman Sachs as a summer intern – WTF operates on Goldman head of Philadelphia office George Ross’ father; Catherine marries George McDonnell Gordon in Vermont.

July 14, 1977

The House of Representatives establishes a permanent Select Committee on Intelligence. Chaired by Representative Edward P. Boland (D-Mass) it differs from the SSCI in that it has oversight jurisdiction over CIA but shares legislative oversight authority with several other House committees over all other intelligence agencies.

July 1977

Mike Ruppert discovers that his finance is dealing drugs with Brown & Root (a subsidiary of Halliburton since 1962), In The Bush-Cheney Drug Empire, Ruppert describes these events as follows:

THE DARK PAST

In July of 1977 this writer, then a Los Angeles Police officer struggled to make sense of a world gone haywire. In a last ditch effort to salvage a relationship with my fiancZe, Nordica Theodora D'Orsay (Teddy), a CIA contract agent, I had traveled to find her in New Orleans. On a hastily arranged vacation, secured with the blessing of my Commanding Officer, Captain Jesse Brewer of LAPD, I had gone on my own, unofficially, to avoid the scrutiny of LAPD's Organized Crime Intelligence Division (OCID).

Starting in the late spring of 1976 Teddy had wanted me to join her operations from within the ranks of LAPD. I had refused to get involved with drugs in any way and everything she mentioned seemed to involve either heroin or cocaine along with guns that she was always moving out of the country. The Director of the CIA then was George Herbert Walker Bush.

Although officially on staff at the LAPD Academy at the time, I had been unofficially loaned to OCID since January when Teddy, announcing the start of a new operation planned in the fall of 1976 had suddenly disappeared. She left many people, including me, baffled and twisting in the breeze. The OCID detectives had been pressuring me hard for information about her and what I knew of her activities. It was information I could not give them. Hoping against hope that I would find some way to understand her involvement with CIA, LAPD, the royal family of Iran, the Mafia and drugs I set out alone into eight days of Dantean revelations that have determined the course of my life from that day to this.

Arriving in New Orleans in early July, 1977 I found her living in an apartment across the river in Gretna. Equipped with scrambler phones, night vision devices and working from sealed communiqués delivered by naval and air force personnel from nearby Belle Chasse Naval Air Station, Teddy was involved in something truly ugly. She was arranging for large quantities of weapons to be loaded onto ships leaving for Iran. At the same time she was working with Mafia associates of New Orleans Mafia boss Carlos Marcello to coordinate the movement of service boats that were bringing large quantities of heroin into the city. The boats arrived at Marcello controlled docks, unmolested by even the New Orleans police she introduced me to, along with divers, military men, former Green Berets and CIA personnel.

The service boats were retrieving the heroin from oil rigs in the Gulf of Mexico, oil rigs in international waters, oil rigs built and serviced by Brown and Root. The guns that Teddy monitored, apparently Vietnam era surplus AK 47s and M16s, were being loaded onto ships also owned or leased by Brown and Root. And more than once during the eight days I spent in New Orleans I met and ate at restaurants with Brown and Root employees who were boarding those ships and leaving for Iran within days. Once, while leaving a bar and apparently having asked the wrong question, I was shot at in an attempt to scare me off.

Disgusted and heart broken at witnessing my fiancée and my government smuggling drugs, I ended the relationship. Returning home to LA I made a clean breast and reported all the activity I had seen, including the connections to Brown and Root, to LAPD intelligence officers. They promptly told me that I was crazy. Forced out of LAPD under threat of death at the end of 1978, I made complaints to LAPD's Internal Affairs Division and to the LA office of the FBI under the command of FBI SAC Ted Gunderson. I and my attorney wrote to the politicians, the Department of Justice, the CIA and contacted the L.A. Times. The FBI and the LAPD said that I was crazy.

According to a 1981 two-part news story in the "Los Angeles Herald Examiner" it was revealed that The FBI had taken Teddy into custody and then released her before classifying their investigation without further action. Former New Orleans Crime Commissioner Aaron Cohen told reporter Randall Sullivan that he found my description of events perfectly plausible after his thirty years of studying Louisiana's organized crime operations.

To this day a CIA report prepared as a result of my complaint remains classified and exempt from release pursuant to Executive Order of the President in the interests of national security and because it would reveal the identities of CIA agents.

January 4, 1978

The European Union lawsuit filed in US Eastern District Court on November 26, 2002 against RJR Nabisco for cigarette smuggling-laundering states "RJR has been aware of organized crime's involvement in the distribution of its products since at least the 70's. On January 4, 1978, the Tobacco Institute's Committee of Counsel met at the offices of Phillip Morris in New York City. The Committee of Counsel was the high tribunal that set the tobacco industry's legal, political, and public relations strategy for more than three decades. The January 4, 1978 meeting was called to discuss, among other things, published reports concerning organized crime's involvement in the tobacco trade and the tobacco industry's complicity therein. The published reports detailed the role of organized crime in the tobacco trade (including the Colombo crime family in New York) and the illegal trade at the

Canadian border and elsewhere. RJR's general counsel, Max Crohn, attended and participated in the meeting. All of the large cigarette manufacturers were present at the meeting and represented by counsel, such as Phillip Morris (Arnold & Porter, Abe Krash) and Brown & Williamson (Paul Weiss Rifkind Wharton & Garrison, Martin London). The Committee of Counsel took no action to address, investigate, or end the role of organized crime in the tobacco business. Instead, the Committee agreed to formulate a joint plan of action to protect the industry from scrutiny of the US Congress. Notice and the agenda for the meeting and the minutes of the meeting were transmitted through the US mails.

January 24, 1978

President Jimmy Carter signs Executive Order 12036, which reshapes the intelligence structure and provides explicit guidance on all facts of intelligence activities. Carter's Director, Admiral Stansfield Turner cleans out the agency. This wave of covert operators is said to create a significant infrastructure of private operators, including a group called "The Company" In Barry & "the boys" Daniel Hopsicker writes " After Carter takes over in 1976 and Admiral Stansfield Turner cleans house at the CIA, finding jobs for long time CIA assets like (Barry) Seal became a priority that was often fulfilled by smuggling under color of narcotics interdiction, " stated Hemming. "All these guys had to be placed somewhere after that choirboy Admiral started getting rid of them. The majority of the operators that were contract employees had to be placed somewhere. There had to be money to take care of these guys. Hemming is referring to what "Deadly Secrets" calls Tuners Great Terror when the new CIA Director purged over 800 covert operatives after the Congressional revelations of the CIA's dirty laundry by the Church and Pike Committees investigations. These investigations, which then-CIA Director Bush fought every step of the way, led directly to the election of. ...(Carter). Even...General Manuel Noriega was let go in the purge; it was a sign of the desperation of the times. And it prompted droves of angry CIA cowboys to enlist in the George Bush for President Campaign, where their unofficial campaign slogan must have been "never again."

Spring 1978 Catherine graduates from Wharton Business School.

Summer 1978 Catherine rides bike across America from Philadelphia to Santa Fe.

Clinton runs for Governor in Arkansas, winning in November as the youngest governor in the US since 1938.

August 1978 Catherine joins Dillon Read – divorces Mac Gordon

September 29, 1978

Pope John Paul I dies or is murdered right before he cleans house at the IOR, the Vatican Bank.

1979 Clarence Dillon dies.

May 19 1979

Catherine marries Geoffrey K. Hurley at St James Episcopal Church in New York. Hurley's mother works at the Federal Reserve in Washington.

1979 Dillon Read capitalizes DR Government Securities lead by James P. Morgan from Solomon. Morgan has a Rolls Royce with a license plate "Ginnie Mae" —Dillon loses big in the Ginnie Mae market and then withdraws--- bringing in Luis Mendez in June (Mendez left Cuba in 1962).

1979 Weinberger --- deeply unhappy at Bechtel becomes finance chief for Ronald Regan. Bechtel preferred John Connelly. After Regan wins in NH, Regan promises to name a committee headed by former CIA director and one time Bechtel partner John McCone to "investigate the charges of Communism and blatant sexual behavior on the Berkeley campus."

Prisoner labor was largely outlawed until 1979, when Congress authorized states to once again use prisoners in for-profit ventures and sell the products of their labor in interstate commerce...since that time...AT&T uses prisoners to do telemarketing. (The Politics of Prison Labor, by Gordon Lafer, page 121, Prison Nation)

1979 Gary Gensler joins Goldman Sachs M&A group after graduation from Wharton. CAF helps to arrange introductions for him at Goldman.

March 28, 1979

Three Mile Island Nuclear Incident outside of Harrisburg. Thornburg is governor. Catherine Austin Fitts is day to day lead on Dillon Read's role as financial advisor to the Commonwealth of Pennsylvania and is credited with helping to achieve an upgrade for PA's bond/note rating when a downgrade is expected. Bechtel wins the clean up contract.

Spring-Summer 1980 October Surprise – Casey becomes campaign manager. Casey had become a good friend of George Shultz while chairman of the SEC under Nixon and, later, as head of the Export-Import Bank under Ford. Casey asks Shultz to meet with Reagan and persuades Schulz to head a new coordinating committee to advise Reagan on economic matters. Shultz accepted, as did Alan Greenspan, Walter Wriston and Cap Weinberger. Schultz becomes Reagan's most convincing emissary to the business community.

April 1980 Bush wins Pennsylvania primary; then wins Michigan in May – Reagan locks up the delegates for nomination and is nominated at the Republican National Convention in Detroit. Bush goes on the ticket in August as VP. Casey is Regan's campaign manager with Ed Meese, taking over from Sears after the New Hampshire primary.

June 17 1980

Dr. WT Fitts, Jr. dies in Philadelphia under suspicious circumstances. The Vice Chairman of the University Medical Board and a member of the University board later thanks Catherine for the family not bringing a lawsuit.

July 17, 1980

The Cocaine Coup begins in Bolivia as part of Operation Condor – described by Hopsicker’s source: Operation Condor was the result of years of careful planning designed to take over an entire hemisphere,” Gus explained. It was the conquest and then plundering of an entire, nearly virgin, continent, for the benefit of the American intelligence operatives involved in the operation.”...Operation Condor documents describe a secret US plan for the security forces in Brazil, Argentina, Chile, Paraguay, Uruguay and Bolivia to crush left wing political dissent...a situation that would make Latin America safe for the investment of large amounts of US capital.

Summer/Fall 1980 October Surprise

1980 Dillon Read sells part of its equity to Skandinaviska Enskilda Banken (Wallenbergs) Enskilda’s Marcus Wallenberg joined the Dillon board.

November 1980 Reagan Bush wins election. Cap Weinberger is appointed Secretary of Defense. It is widely believed at Dillon Read that Nicholas Brady, Dillon’s chairman, is one of Bush’s closest advisors and friends.

Incumbent Bill Clinton is defeated in the Arkansas election for Governor.

January 1981 Reagan Bush sworn in – Mid-east hostages are released right after the swearing in -- executive orders instituted to outsource secret national security functions to contractors and to put Bush in control of all intelligence, enforcement. This helps usher in the Iran Contra scandal with significant narcotics trafficking and financial fraud, which is fueled by former CIA intelligence operatives, fired by Carter and operations like “The Company.”

1981 When William Casey, former Commissioner of the SEC, goes to run the CIA, Stanley Sporkin joins him as General Counsel.

March 30, 1981

Reagan is shot and wounded; Bush’s role in the Administration grows.

1981 Reagan launches “War on Drugs”

April 29, 1981 Schultz, on behalf of Bechtel, through Sequoia Ventures, a firm that was created to handle the Bechtel family portfolio, announces it has acquired a controlling interest in Dillon Read from the Dillon Trust for \$18 MM and a commitment to pump tens of millions of dollars more into the business—George Shultz, Willis Slusser and Steven White of Bechtel join Wallenberg on the expanded eighteen member Dillon board. At the time, Cordell Hull is Bechtel’s chief financial officer.

May 1981 Brady organizes Fritz Hobbs, Dick Bianco, Bob Gerard, Garrett Kirk and John Mullin to set forth an agenda for the next few years. At the same time, Brady commissioned a study group from Stanford University based SRI International (location of Peter Schwartz,

formerly of the Shell Oil strategic planning group, and other GBN Founders) to explore the firm's options. Before leaving Dillon, a shaken Garrett Kirk advises Fitts on a plane ride from a client meeting to get out.

September 1981 John P. Birkelund joins Dillon as COO. Birkelund had graduated from Princeton in 1952, had served in Naval Intelligence in Berlin after Princeton where he apparently got to meet the Rothschilds, joined Booz Allen in Chicago, then went to work for the Rothschilds at their Amsterdam Overseas Corporation in 1956 which in 1967 spun off its venture capital and corporate finance operations in a new company called New Court Securities Corporation, owned jointly by the Rothschild banks in Paris and London, Pierson Holding Pierson in Amsterdam and New Court's American management---Charles Law was New Court's venture leaders – doing Fed Ex and Cray Computer) co-founder of New Court Securities (Venture Capitalist to Fed Ex).

October 26, 1981 Mike Ruppert reports his experience with CIA drug dealing to his former UCLA classmate, Craig Fuller in the basement of the West Wing of the White House. Fuller went on to become Chief of Staff to Vice President Bush from 1981 to 1985 and part of the transition team in 1988/89 when he helped to place Catherine Austin Fitts at HUD.

1981 Riley Bechtel joins Bechtel after working as a lawyer at Thelan, Mraim. His assignments started into Detroit, moved to Indonesia, then to New Zealand, then London in 1984.

1981 Bobby Ray Inman, former head of DIA and former Director of ONI, becomes Deputy Director of Central Intelligence. He leaves in 1982.

December 14, 1981

From Time Magazine – The Rothschilds are roving. “It’s a little bare now,” apologizes Baron Guy de Rothschild, 72, waving his hand at the empty...walls of his office on the 7th floor at 21 Rue Lafitte in Paris...Reason: the Banque Rothschild is being nationalized by the socialist government of French President Francois Mitterrand, along with the country’s other major banks and holding companies. The Rothschilds, who are stepping out of the bank’s management, have demanded that the government operate the institution without the Rothschild name. Nor has their bitterness at being nationalized been quenched by proposed government compensation payments of \$100MM, a sum they believe is less than the banks worth. But the members of the French Rothschild clan will not lack for things to do with their money. Unaffected by the nationalization are the non bank personal holdings of Baron Guy and Cousins Baron Alain and Baron Elie, including New Court Securities, a US investment firm based in New York City, which will not receive more of the family’s attention and money. And beginning Jan 1. 1982, New Court will change its name to a more golden sounding sobriquet: Rothschild, Inc. Founded with \$2MM in 1967, New Court today manages a portfolio worth more than \$1 billion, including funds from such corporate clients as General Foods, TRW and Hughes Aircraft. New Court’s other owners included NM Rothschild & Sons in London, which represents the English branch of the family and is headed by Evelyn de. Rothschild, 50, and the Rothschild Zurich bank, of which Swiss Cousin Baron Edmond de Rothschild is part owner. New Court is an aggressive venture capital firm that has some \$200 million invested in fledgling American companies (note from

CAF – Federal Express was an important New Court venture investment.) Last year its return on current investment of \$17MM was 35%. In July, its American chairman John P. Birkelund, 51, asked the Rothschilds for more control over the firm. Instead, the family sacked Birkelund, named Guy and Evelyn as co-chairman and installed a new manager, family confidant Gilbert de Botton, 46. The new Rothschild man in New York City had previously directed the family's bank in Zurich, which grew from a paltry \$2.5MM in 1968 to its present capitalization of more than \$35 MM. De Botton is currently investing heavily in sagging stocks of US energy companies, especially those with large domestic reserves of oil and gas. He also plans to strengthen the firm's venture capital thrust. Says he: The US is the prime market in the world for startup, small and medium size companies. That bullishness on America's prospects is shared by Co_Chairman Guy, who has been commuting monthly since last June between Paris and New Court's offices in New York City's Rockefeller Center. Guy will not move permanently to the US and Cousin Ellie's son Nathaniel, 34, a graduate of the Harvard Business School, is a prime candidate to direct US operations eventually. Says Guy: My great-grandfather sent one of his sons, my grandfather Alphonse, to America in 1848. After returning to France, Alphonse pleased with his father that the US was the coming country and that there should be a House of Rothschild there. It's an enormous pity that my grandfather's advice was not heeded. As far as I'm concerned we should have had a Rothschild bank in the US since the middle of the 19th century. Our involvement in America now is really 100 years late in arriving.

1982 Charles O. Rossotti becomes CEO of AMS

1982 An investment group headed by William Simon, a former Treasury Secretary, took private a Cincinnati company, Gibson Greetings, for \$80 million, using only a million dollars of its own money. When Simon took Gibson public 18 months later, it sold for \$290 million. Simon's \$330,000 investment was suddenly worth \$66 million in cash and securities. By 1985, just two years after Gibson Greetings, there were 18 separate LBO's valued at \$1 billion or more. In the five years before Ross Johnson decided to pursue his buyout, LBO activity totaled \$181.9 billion, compared to \$11 billion in the six years before that. A number of factors combined to fan the frenzy. The IRS Code, by making interest but not dividends deductible from taxable income, in effect subsidized the trend. That got LBO's off the ground. What made them soar was junk bonds. (Barbarians)
Indeed, an unanswered question was whether junk bonds was the way for organized crime to buy and control companies silently.

January 1982 Good news for Bechtel when the Energy Department secretly authorized the export to Argentina of a sophisticated computer system needed to operate a "heavy water" plant capable of manufacturing nuclear-weapons-grade materials.

January 28, 1982

As part of the War on Drugs, President Reagan creates the South Florida Task Force under VP Bush's high profile leadership to coordinate the efforts of the various federal agencies into Bush's old family bailiwick. (Tarpley & Chaitkin)

February 11, 1982

The Memorandum of Understanding dated February 11, 1982 is entered into between the Department of Justice and the CIA. This MOU – crafted by William Smith French (When Kenneth Starr was at DOJ) and William Casey (when Stanley Sporkin was general counsel of the CIA) had relieved the CIA of any legal obligation to report information of drug trafficking and drug law violations with respect to CIA agents, assets, non-staff employees and contractors. Presumably, this now meant the CIA was free not to report such violations by agents, assets, non-staff employees and contractor.

April 12, 1982-January 1983

Nick Brady serves as Senator to fill the vacancy created by the resignation of Harrison A. Williams, Jr. – appointed by Tom Kean whose transition team he managed, Birkelund chairs Dillon read in his absence. While in the Senate, Brady serves on the Armed Service and Banking, Housing and Urban Affairs Committees. With Brady going to the Senate, the entire senior management of Brady, Treman and Mendez had gone within months of one another.

June 1982 Reagan fires Alexander Haig and asks Schultz to serve as Secretary of State. With Schultz and Brady gone to Washington, the ties between Bechtel and Dillon Read diminish.

June 18, 1982

Roberto Calvi, Chairman and Managing Director of Banco Ambrosiano in Milan Italy is found dangling from an orange rope underneath Blackfriars Bridge in London, England. The collapse of Calvi's Banco Ambrosiano revealed that high officials within the Vatican and its bank --- the Institute for Religious Works or IOR—had collaborated in building a network of offshore dummy corporations propped up under the Ambrosiano Group's line of credit, into which hundreds of millions of dollars disappeared. Some figures indicate that the Vatican's participation in this scandal exceeded \$1.25 billion dollars. (Through the Looking Glass – Vatican Politics, the Calvi Murder and Beyond by Conrad Goeringer)

1982 An FBI Organized Crime Drug Task Force looks into Dan Lasiter's drug trafficking organization between 1982 and 1986. Gary Webb reported to Dan Hopsicker his research while researching his book, Dark Alliance. "In December 1986," he told us, "the FBI's own report of the investigation began "the Little Rock, Arkansas office of the FBI concluded a 4-year Organized Crime Drug Task Force investigation involving the cocaine trafficking activities of a prominent Little Rock businessman who operated several banking investment firms in Arkansas and Florida. The investigation revealed that the businessman was the main supplier of cocaine to the investment, banking and bond community, the largest bond community in the United States outside of New York City. This task force resulted in the conviction of this businessman and 24 co-defendants to jail sentences ranging from 4 months to 10 years, as well as the seizure of cocaine, marijuana, an automobile and \$77,000." Webb paused, "Now according to the FBI's own annual report, to warrant an FBI Organized Crime Drug Task Force you must be a major regional drug trafficking organizations with the following characteristics: 1. Highly organized, 2 Multi-jurisdictional in operational scope, and 3. Possess national significance and influence.

July 1982 (from Friends in High Places – FIHP—Pages 12-16) – Stephen Bechtel, Jr., Chairman of Bechtel goes to Bohemian Grove – he is in the Mandalay Camp – most esteemed of The Grove’s 127 encampments. It’s membership and guest list included Steve; his father, Stephen D. Bechtel, Sr.; Henry Kissinger; former Bechtel Group President and Secretary of State designate George P. Schultz (who this year was bringing West German Chancellor Helmut Schmidt as his personal guest); former IBM chairman and US Ambassador to the Soviet Union Thomas J. Watson; former CIA director John A. McCone (former Bechtel partner); Attorney General William French Smith (who had just signed the MOU three months earlier relieving the CIA of the need to report drug dealing by its networks); industrialist Edgar F. Kaiser, Jr.; former Nixon political aide Peter M. Flanigan; Pan American World Airways’ onetime boss Najeeb Halaby; Wells Fargo Bank Chairman Richard P. Cooley; former General Electric chairman Philip D. Reed; Southern California Edison chairman J.K. “Jack” Horton; Utah International Chairman Edmund W. Littlefield; Dillon Read’s former boss Nicholas F. Brady, who was serving as an interim senator from New Jersey and, like Peter Flanigan, was Steve junior’s guest; tire and rubber heir Leonard K. Firestone and, not least, Gerald Ford, the former President of the United States. In addition, this year’s encampment would feature such notables as former Secretary of State Alexander Haig, FBI Director William Webster; computer magnate (and former deputy Defense secretary) David Packard; Chief of Naval Operations Thomas Hayward; Eastern Airlines president Frank Borman; Federal Reserve Bank chairman Paul Volker; World Bank president Alden W. Clausen; Union Oil Chairman Fred L. Hartley; Atlantic Richfield Chairman Robert O. Anderson; publishing czar William Randolph Hearst, Jr.; Southern Pacific Railroad president Alan C. Furth; show business personalities Charlton Heston, Art Linkletter and Dennis Day; and including, among various other pooh-bahs, the Presidents of Dean Witter Reynolds the Bank of America and United Airlines.....Page 16 describes problems Bechtel is facing...Confronted with a recession, declining oil prices and stiffer competition abroad.....and how George Schultz, former Bechtel President and now Secretary of State will be at the Grove to help....

1982 Bill Clinton is elected Governor of Arkansas once again. And is re-elected for four consecutive terms. In 1984 he succeeds in amending the governor’s term from 2 to 4 years.

1983 Robert A. Gerard, former Assistant Secretary of Treasury for Domestic Finance under Ford and Dillon Read partner, leaves to go to Morgan Stanley and attempts to bring many clients and employees with him. Catherine and capital market leaders stay at Dillon and with the help of Brady and senior partners are able to preserve much of the business.

1983 Dillon relocates to 54th & Madison

1983 Dillon partners buy the firm back from Bechtel – Sequoia stays in for a piece

1983 Steve Fenster, while a partner of Lehman brothers, becomes a director of AMS

1983 Meyer Lansky dies at 81

1983 Nick Brady serves on the President's Commission on Strategic Forces, the National Bipartisan Commission on Central America and the Commission on Security and Economic Assistance.

Peter A. Leidal joins Dillon Read.

January 29, 1983

Corrections Corporation of America is incorporated by three businessmen – Tom Beasley, Don Hutton and Doctor Crants. According to “Jail Breaks: Economic Development Subsidies Given to Private Prison” by Good Jobs First, “much of the impetus for the industry came from the efforts of Tennessee Republican activist Tom Beasley, who founded CCA in 1983 with backing from venture capitalist Jack Massey, who also helped build Kentucky Fried Chicken and Hospital Corporation of America.... It turns out that some of the venture capital from Massey Burch that launched CCA actually came from an economic development fund created by the Tennessee Valley Authority (which is owned by the federal government) to stimulate employment in its service area. The investment pool, which was established with part of the proceeds from the settlement of an antitrust case TVA had brought against Gulf Oil, was managed by Massey Burch until the fund was liquidated in 1994.

March 23, 1983

VP Bush is placed in charge of the National Narcotics Border Interdiction System, which was supposed to staunch the drug flow overall all US borders. (Tarpley & Chaitkin)

1983 Dillon Read organizes Concord Capital NV to raise capital in Europe and goes on in 1985 to raise Concord Partners Japan for Japanese investors and Concord Partners II, which was designed for corporate pension funds, insurance companies and endowment funds. A small organization based in New York and Palo Alto, California, Concord had only ten persons on the team by 1989. Assembling a fund of \$180 million from investors, by then Concord and the other venture capital operations had interests in more than forty companies. Significant support was provided to a number of companies – one of which was Nac Re formed and financed from its inception by Dillon Read which has become one of the country's larger and more profitable reinsurance companies.

1984 Dillon Read organizes Saratoga Partners to do leverage buyouts. Dillon also organizes Dillon Read Capital with management services for pension funds and other institutional investors. In its first year, DRC has a list of clients which include Johnson and Johnson, Uniroyal, Alcoa and Hughes Aircraft.

1984 Dillon helps RJR buy Nabisco – during 1986 and 1987 Dillon participated in selling off eleven of RJR Nabisco's businesses – active joint with Lehman Brothers – numerous Lehman Brothers partners begin to join Dillon under Birkelund. (Rodger Altman was from Lehman.... many others at Blackstone, BlackRock) (Dillon book says RJR had been a Dillon client since before WWI. After the war Brandi and then Haskell handled the account. Later Mullin and to a lesser extent, Brady, were also involved. With Dillon's assistance Reynolds expanded out of its tobacco base into a wide variety of industries – foodstuffs, marine

transportation, petroleum, packaging, liquor, and soft drinks, going from revenues of \$117MM in 1963 to a 14 billion size in 1983.

Nabisco's Ross Johnson becomes President, COO and heir apparent at RJR Nabisco. This created some problems for Dillon Read. Nabisco had used Lehman Brothers and its successor firms as its investment bank, and Johnson – who was on the board of Shearson Lehman Hutton – felt comfortable with that arrangement. He appreciated the services Dillon Read provided, however, and wanted to maintain a relationship. The result was an ongoing co-managership with Lehman.

After acquiring Nabisco, RJR becomes one of the largest food processors in Central America. In addition, it is one of the world's largest consumer products corporations.

1983-84 Russ Davis, then at Dillon Read, buys with Tony XXX (later at Carlyle Group) a boat that is made for them in Europe. Tony XXX arranges for the boat to be delivered through Sea Land, then an RJR subsidiary, through the RJR CFO – who never charges them for it. They hedge the purchase with a currency future that generates a significant profit – as a result of the hedge and the free shipping they get the boat for free.

1984 President Reagan appoints Nick Brady to chair the President's Commission on Executive, Legislative and Judicial Salaries.

1984 From FIHP – “Contrary to Steve Bechtel's expectations, the world economy headed into deep recession. As oil prices plunged and Third World debt mounted, American construction companies, already burdened by a strong US dollar, which made it possible for foreign competitors to undercut their prices, began to feel the pinch. It grew more painful as the number of cancelled projects multiplied until by 1984, the industry, once seemingly invulnerable, was in its worst economic straits since the Great Depression. Bechtel was hit particularly hard. In January the Zimmer Nuclear plant in Ohio is cancelled. In March, a \$1 billion oil refinery in Saudi Arabia is cancelled...and more. Bechtel downsizes, cuts, assembles a board of special counselors, including Chair of IBM, and leaders from Citibank, Dupont, So Cal. The Counselors advise Steve to unload Dillon Read. Bechtel starts to take on small projects to survive.

1984 Gary Gensler, member of the Goldman Sachs merger group, is put in charge of Goldman's advisory work with media companies

1984 Riley Bechtel in London works on arranging the \$1 billion pipeline project in Iraq. Bechtel uses Bruce Rappoport to help.

1984 Dillon Read starts Saratoga Partners to do LBO's

1984 From The Private Prison Industry, Paul Wright, Prison Nation, p. 137, -- In 1984, private prisons made their reappearance in the United States after a fifty-year hiatus. The private prison industry had been abandoned in the early 1930's when state and local governments removed private administration of prisons and jails because of rampant brutality and corruption.

1984 Wackenhut Corporation starts Wackenhut Corrections as a division of the company. Wackenhut Corrections is based in Coral Gables, Florida.

March, 1984

CCA opens the Houston Processing Center, CCA's first design, build and manage contract for the US Department of justice for INS. The private prison industry is off and running with the support of the Department of Justice.

August 22, 1984

Reagan and Bush are re-nominated at the Republican convention in Dallas.

October 15, 1984

President Regan signs the Central Intelligence Agency Information Act of 1984, which exempts the Agency from the search and review requirements of the Freedom of Information Act with respect to operational and other sensitive files which cannot be released because of operational or security considerations. Stanley Sporkin is the General Counsel of the CIA at this time.

1985 Time frame – DOJ steals PROMIS from Inslaw – gives it to Israelis. DynCorp is one of the firms that the DOJ hires to help manage the PROMIS system. Alltel, an Arkansas firm is one of the firms that are said to have access to it for private use. Alltel later becomes the largest maker of mortgage servicing software in the US.

Nick Brady serves on the Blue Ribbon Commission on Defense Management

1985 Dillon Read (Brady and Hobbs) teams with Goldman Sachs (Stephen Friedman and Peter Sachs) to defend Unocal, parent of Union Oil of California, from Boone Pickens who was backed by Michael Milken.

1985 President Regan nominates Stanley Sporkin to the Federal Bench to serve as a US District Judge. Sporkin remains General Counsel of the CIA until 1986 when he is confirmed.

1985 Persistent allegations that George W. Bush and Jeb Bush were caught on videotape picking up kilos of cocaine at a Florida airport in a DEA sting set up by Barry Seal who was frustrated that Bush and North were not providing air cover for the resulting legal difficulties at Mena as promised.

1985-86 Time frame Bechtel wins the contract from the SEC to use Gaithersburg to process all the SEC documents. Proclaiming the company meaner and leaner, a Bechtel executive told the WSJ, "If there's no project, we" try to find one. If there's no client, we'll try to assemble one. If there's no money, we" get them some." By the end of 1986, when the company reported income of \$6.5 billion, it appeared that the worst for Bechtel was over.

Feb 20, 1985

An attempt is made to assassinate Barry Seal. An attempt a year later succeeds.

July 23 1985

State Department sponsored nuclear cooperation agreement enabling US firms to sell nuclear technology to China clears Congress.

July 1985 Israeli government approaches the Reagan administration with a proposal to get hostages held by Iranian backed terrorists released. In December, Reagan signs a secret presidential finding describing the deal as “arms for hostages.”

Dec 1985/Jan 1986 Fitts becomes managing director and member of the board of directors of Dillon Read

February 19, 1986

Barry Seal is assassinated in Baton Rouge. George H. W. Bush’s personal phone number is in his wallet. Seal is alleged to have brought in \$5 billion of drugs through the Mena Arkansas airport.

On the same day, the CIA repossesses Barry Seal’s Lear Jet. It turns out that it was theirs all along. Seal had signed a series of promissory notes on the Lear jet in 1982 totaling \$1.8MM – twice what the plane was worth. Hopsicker says “this puzzled us until we learned, from former CIA pilot Morgan Hetrick, that this was Standard Operating Procedure, allowing “the boys” to express their displeasure by taking away your toys at will.

Hopsicker describe the attorneys for one of the assassins describing that the assassins alleged that Oliver North arranged the hit. (Barry & “the boys”)

1986 Bechtel sells Dillon Read (check – I thought Bechtel sold the firm to the partners for something like 1X book) and then they sold it to Travelers for 3X book.

April 1986 Catherine joins the Graduate Executive Board of the Wharton School where she serves until (3/89 or 10/94?)

May 1986 Proxy for American Management Systems (AMS) shows Steve Fenster on the board since 1983,. Fenster is currently a consultant to the vice chairman (global banking) of Chase Manhattan Bank and is a director of UK American Properties Inc and New York Public Development Corporation. Ivan Selin is listed as Chairman and Charles O. Rossotti is the President. Walker Lewis, chairman of Strategic Planning Associates has been on the board since 1981, as is Frederic V. Malek, who is listed as a former EVP of Marriott and a member of the board of various Lehman Brothers mutual funds and has been on the board since 1985. Large investors are WL Morgan Growth Fund in Valley Forge, Pa with 9% and Quest Advisory Group in NY with 5%.

Summer 1986 Travelers acquires Dillon Read for \$157.MM and \$67.5MM in employment contracts. Dillon’s equity before the deal was \$75MM and Travelers was \$4.5 billion.

Summer 1986 Fritz Hobbs, Ken Schmidt and other Dillon Partners approach and work with Geoffrey K. Hurley, Fitts' husband, a partner at Skadden Arps and member of numerous clubs with Dillon partners, Union, Piping Rock, to persuade Fitts to sign non-compete agreement and go along with corporate changes after Fitts has meeting with Birkelund in which Birkelund gets upset and tells Hobbs that Fitts resigned. (This was a lie – Birkelund came to Fitts' office and asked her what she thought of the deal. She said that the partners had decided, it was a done deal, and that her opinion was irrelevant – not necessary to talk about it. Birkelund seemed to get upset—insisted that she tell him what she thought. When she did, he had a temper tantrum and stormed out of the office.) Dillon Partners do not realize that Fitts is advising Hurley what to say. Fitts has breakfast with Brady and gives him her word that she will sign non-compete and institutionalize municipal department business during the non-compete period. Ignoring a number of attractive opportunities, Fitts keeps her word.

August 1986 US Officials present to their Mexican counterparts a scheme called Operation Alliance, a new border enforcement initiative that was allegedly to do for the US-Mexican border area what the South Florida Task Force had allegedly already done for the Southeastern states. VP George Bush was appointed chief of Operations Alliance, which involved 20 Federal agencies, 500 additional federal officers and a budget of \$266 million. To crown all these efforts, Bush sought to obtain a cameo role for a brief appearance on the TV series Miami Vice. He was perhaps inspired by his mentor, Kissinger, who had walked through a cameo of his own on Dynasty. But Bush was unable to accomplish his dream. (Tarpley & Chaitkin)

September 1986 Catherine moves out of her East Side Coop to the West Side, separating from Geoffrey K. Hurley

September 1986 Harken saves George W. Bush's oil company. Bush then raises funds from Harvard University.

1986 William Diefenderfer, staff director for Senate Finance Committee, engineers the end of numerous tax shelters in the 1986 overhaul of the tax code.

October 1986 Barry Seal's plane, the Fat Lady, is shot down in Nicaragua with a load of arms destined for the Contras. The sole survivor of the crash, Eugene Hassenfuss confesses to being part of an illegal operation to arm and resupply the Contra forces staged out of the Mena airport. Documents on board and seized by the Sandinistas included logs linking the plane with Area 51 – the nation's top –secret nuclear-weapons and black budget facility at the Nevada Test site. Oliver North then proceeds on a 3-day shredding process, which still leaves files declassified for Congressional committees with over 500 references to drugs.

November 1986 Missouri Governor Kit Bond wins the election for US Senator. Missouri is the HQ for "The Company". Bond rises to become chair of the HUD appropriation subcommittee, head of the Small Business committee and serves on the Senate Select Intelligence Committee.

1986 Mike Eisenson leaves Boston Consulting Group to join Harvard Management where he eventually leads the management of the private equity portfolios for oil and gas and real estate portfolio which invests in Harken and NHP

1986 KKR takes Beatrice, the Chicago food giant, private.

CCA with annual revenues of only \$8 million the year before is able to go public in an offering underwritten by leading investment banks, including Donaldson, Lufkin Jenrette and Prudential Bache Securities. The offering netted CCA about \$18MM (Financing the Private Prison Industry)

In a letter to the DEA, the commander and deputy commander of narcotics for the Louisiana State police say that Barry Seal “was being given apparent free rein to import drugs in conjunction with DEA investigations with so little restraint and control on his actions as to allow him the opportunity to import drugs for himself should he have been so disposed.”

(From the Crimes of Mena, by Sally Denton and Roger Morris. Morris worked for the National Security Council staff at the White house during the Johnson and Nixon Administrations. He has taught at Harvard and has written a series of acclaimed books on foreign policy. Denton is the former head of news agency UPI's special investigative unit and author of The Bluegrass Conspiracy.)

November 1986 A week before Election Day, President Reagan signs the 186 Anti-Drug Abuse Act which established most of the drug-related mandatory sentences in effect as of 2003 (Swept Away, by Nell Bernstein, in Prison Nation, P.87)

December 1986 Frank Carlucci is named national security advisor to President Ronald Reagan, succeeding John Poindexter, who resigned in disgrace following the Iran-Contra scandal. While Waiting to assume his responsibilities as national security advisor, Carlucci is briefly embroiled in an arms scandal of his own, when the Washington Post reports that Sears World Trade was involved in clandestine arms deals while Carlucci was chairman.

January 1987 RJR Nabisco announces their headquarter move to Atlanta.

February 1987 Catherine joins the Board of Overseers of the University of Pennsylvania School of Arts and Sciences. At a joint meeting of university overseers, the Vice Chair of the Medical School Board and member of the full board thanks Catherine and the Fitts family for not suing the University over her father's death.

September 1987 Ross Johnson of RJR Nabisco has dinner with Henry Kravis at Kravis apartment – Kravis pitches an LBO of RJR Nabisco

September 1987 Senator William Proxmire submits a bill aimed at restricting takeovers. Two weeks later, Rep. Rostenkowski of Illinois offers a bill to limit the tax deductibility of the interest on takeover debt. The LBO gang on Wall Street are horrified. The Reagan Bush team would oppose such legislation. In the October 1988 issue of USA Advocate, a monthly newsletter published by the United Shareholders Association, run by T. Boone

Pickens, Bush made clear that he was not worried about leveraged buyouts. Rather, what concerned Bush was the need to prevent corporations from adopting defenses to deter such attempted hostile takeovers. Bush indicated that he wanted to ban poison pill defenses. (A Brief History of PanAmSat – check for accuracy)

October 19, 1987 Stock Market Crashes – Brady later chose by President to head a Presidential Commission on Market Mechanisms– working with Secretary of Treasury Baker and VP Bush

October 1987 KKR finishes raising a \$5.6 billion war chest for LBO's, including permission from investors to accumulate stock in their targets.

1987 Ray Price persuades Nick Brady to nominate Catherine for the Economics Club of NY. She becomes a member as of January 1988

1987-88 Birkelund asks Fitts to join LBO group – is upset when Fitts declines. Birkelund thinks that she can market these deals because she has marketed such unique credits like MTA – she explains that is because she has personally structured them and is sure that the fundamental economics are sound – which is not the case on the LBOS.

August 23, 1987

Police officers allegedly murder two teenage boys because they witnessed a police protected drug drop that was part of a drug smuggling operation at Mena Arkansas. One of the boys is the son of Linda Ives, a Arkansas house wife who does not give up until the truth of the boys death is illuminated – later to be told as a book by award winning journalist Mara Leveritt – Boys on the Track. Bill Clinton is governor of Arkansas. Significant evidence points to the Mena operation being run under the auspices of the National Security Council (NSC) under the leadership of George H. W. Bush, then Vice President.

1987 Steven Fenster becomes Managing Director of Dillon Read

September 1987 After making millions brokering deals that exploited an obscure tax loophole, Stephen Norris and David Rubenstein form the Carlyle Group, named after the posh Carlyle Hotel on New York's Upper East Side. (Iron Triangle)

October 1987 Stock market plunges 508 points.

1987

William Webster, head of the FBI from 1978 to 1987 who engineered the successful coups against the NY mafia families, becomes CIA Director until 1991 when he joined Milbank Tweed. He is a former US Attorney for the Eastern District of Missouri and judge from the Court of Appeals for the 8th Circuit (St Louis?)

November 1987

Frank Carlucci is named Secretary of Defense by President Ronald Reagan. During his short tenure, Carlucci worked extensively on restructuring the Pentagon's procurement system, a system he would later exploit as chairman of the Carlyle Group. (Iron Triangle)

One of the early investors in Carlyle is the investment operation of the Mellon Foundation led by Arthur Miltenberger, then chief investment officer who told Forbes, "I was intrigued by a merchant bank based in Washington DC because foreigners have to come to Washington." Miltenberger's early contributions would get Carlyle on its feet (Iron Triangle)

1986-88 Dillon does study about whether to start a mortgage backed securities department. Richard Leone, the partner in charge, later tells Catherine that the study recommended that Dillon not start such a department. However, the firm leadership chose to start one anyway.

1988 Peter Flanigan nominates Catherine for the Bond Club of New York, proposes to Brady that they nominate Catherine for the Links Club – explains to Fitts that it is not a good idea, not to mention that he had proposed it. Apparently, Brady insists no.

1988

Gary Gensler is elected a partner at Goldman Sachs. He moves to Fixed Income and then heads Fixed Income and Currency in Japan

1988 The 1988 Omnibus Anti-Drug Act is passed, adding mandatory sentences for simple possession of crack cocaine and changing the drug conspiracy penalties so that a co-conspirator faces the same penalties as the person who actually commits the offense. (From Swept Away...Prison Nation, Page 69)...Under mandatory sentencing laws, the only way a person charged with a drug offense can get a sentence reduction is to help prosecutors build a case against someone else. Many women who wind up serving time on conspiracy charges are doing so because of the testimony of boyfriends or husbands who won sentence reductions for themselves on the basis of this testimony. The less involved a woman actually is, the less she has to offer prosecutors – and the more likely she is to do serious time.

1988

President's Commission on Privatization—Privitization: Toward More Effective Government

Feb-88

Catherine joins the Bond Club of New York where she is a member until she resigns from Dillon Read in early 1989.

May 13, 1988

Proxy for AMS shows Steven R. Fenster has moved to Dillon Read and that officers and directors of AMS own 23.5% of AMS stock – there are no visible institutional holders with 5% or more. Price Waterhouse is appointed as auditor, same as 1986.

March 16, 1988

Oliver North and John Poindexter are indicted on multiple charges related to Iran Contra. Both were found guilty and then the convictions were overturned on appeal. The Independent Counsel chose not to retry either.

April 1988

Wackenhut Corrections, a division since 1984, is incorporated as a wholly owned subsidiary of Wackenhut

April 1988

Bill Clinton has acknowledged officially learning about Mena in April 1988 through a state police investigation that has been in progress for several years.

August 1988 US Air Force assigned Bechtel the job of building the highly sensitive NATO weapons storage and security system. Ultimately the project would include construction of 427 secure underground vaults in twenty airbases worldwide, Air Force officials said. At the end of the year, the Department of Energy awarded a Bechtel –led consortium a \$1 billion ten-year contract to operate the departments nuclear-waste management system.

June 30, 1988 Robert Chase Brenizer is born, Christened at St. James December 14, 1988

July 1988

BDM, soon to be a Carlyle Company is accused by rivals of currying favor with the Navy officer in charge of procurement, Melvin Paisley, by hiring his wife. Paisley would go on to become the highest profile conviction of Operation Ill Wind, the yearlong investigation into corruption at the Pentagon. (Iron Triangle)

July 28, September 23,29 and October 5, 1988

Oversight hearings before the Subcommittee on Crime of the Committee on the Judiciary, House of Representatives – Investigation of connections between cocaine smuggler Barry Seal and the Contra resupply network.

August 1988 While crossing the floor as NY alternative delegates at the Republican Convention in New Orleans, Peter Flanigan and Catherine Austin Fitts run into Nick Brady who says “What are you guys doing here?” As they part company, Peter says with unusual frustration, “You know, sometimes Brady can be a real space cadet.” Peter and Catherine have dinner with Len Garment and his wife, and are joined by Max Fisher.

During 1988, Flanigan suggests that Catherine join the Links Club. He proposes to talk to Brady about arranging it. Later – a much-embarrassed Flanigan—informs Catherine that it is not a good idea – please to say nothing of it. This means that Brady has blackballed the idea

in a strong manner. Like the Economics Club effort, Catherine's interpretation is that her rise is over and that for all intents and purposes, she is "out."

During the campaign, Catherine raises money for a team lead by Jonathan Bush, raising much money during a bleak period coming into New Hampshire. She gets a call from Institutional Investor reporter doing a story on Wall Street support by Bush who insists that Henry Kravis is one of if not the biggest Wall Street supporter for Bush. Indeed, Kravis and his San Francisco based partner, George Roberts give generously to Bush and the GOP.

According to Tarpley, Kravis gave over \$80,000 to various senators, congressmen, Republican Political Action Committees and the Republican National Committee. During 1988, Kravis gave \$100,000 to the GOP Team 100 (soft money for Bush) Kravis partner George Roberts gave \$1000,000 for the Republican team 100. In 1989, the first year in which it was owned by KKR, RJR Nabisco also gave \$100,000 to Team 100. During that year Kravis and Roberts gave \$25,000 each to the GOP. During the 1988 primary season, Kravis was the co-chair of a lavish Bush fundraiser at the Vista Hotel in Lower Manhattan that raised \$550,000 for Bush. Kravis was the co-chair of Bush's Inaugural dinner in January 1989. According to Jonathan Bush, Henry Kravis was "very helpful to President Bush in fundraisers." According to Jonathan, Kravis "admired the President. And also, significantly, on a personal level, his father Ray and George Bush were friends from way back. And that meant a lot to Henry. He wanted to be part of that."

According to Tarpley "The 1980's witnessed the triumph of debt over equity, with a tenfold increase in total corporate debt during the decade, which production, productive capacity and unemployment stagnated and declined. One of the principal ways in which this debt was loaded onto a shrinking productive base was through the technique of the hostile, junk-bond assisted leveraged buyout...And important enticement to transform stocks and equity into bonded and other debt was provided by the insanity of the US tax code, which taxed profits distributed to shareholders, but not the debt paid on junk bonds. The ascendancy of the leveraged buyout therefore proceeded *pari passu* with the demolition of the US corporate tax base...contributing in no small way to the growth of federal deficits. All in all, during the years between 1982 and 1988, more than 10,000 merger and acquisition deals were completed within the borders of the USA, for a total capitalization of \$1 trillion. There were in addition 3,500 international mergers and acquisitions for another \$500 billion. The enforcement of antitrust laws atrophied into nothing: as one observer said of the late 1980's, "such concentrations had not been allowed since the early days of antitrust at the beginning of the century."

Tarpley notes that Kravis raised money from – Metropolitan Life Insurance Company of NY (CAF note—wasn't Diefenderfer on the board or a consultant to them?) Prudential, Aetna, and Northwest Mutual, Manufacturers Hanover Trust, Bankers Trust and state funds included Washington, Utah, Minnesota, Michigan, New York, Wisconsin, Illinois, Iowa, Massachusetts, and Montana.

C. Boyden Gray, Bush's White House Counsel, was from the Gray family – a traditional family owning and controlling RJR Nabisco.

August 21, 1988

Ross Johnson throws party at the RJR villa at the Castle Pines Golf Club, 25 miles South of Denver where he discovers that Premier Cigarettes are a bust.

End of August 1988

Right before Labor Day Johnson talks to his board member, Charles Hugel, Chairman of Connecticut based Combustion Engineering. Hugel persuades him that an LBO is a bad idea and to stick with the basics.

September 7, 1988

Ross Johnson's son is seriously injured in a car accident. The car has apparently hit a traffic sign before skidding out of control and flipping on the Saw Mill River Parkway. His son in a coma and his doctors not sure if he will ever regain consciousness, Johnson returns from a trip to Europe and is visited by Jim Robinson of American Express/Shearson Lehman at the hospital later this week who persuades him to get back to work. He refocuses on the LBO idea.

September 1988

Fred Malek resigns as chairman of the Republican National Committee after reports that while a Nixon aide, he compiled figures on the number of Jews working in the Bureau of Labor and Statistics. He immediately signs on with Carlyle Group. (Iron Triangle)

September 1988

Brady leaves Dillon to become Secretary of the Treasury (nominated September 15, 1988; Birkelund becomes Chairman on September 15, 1988) Brady's Treasury resume refers to his board memberships – he has been a board member of the NCR Corporation, the MITRE Corporation, the HJ Heinz Company as well as a Trustee of Rockefeller University, a member of the Board of the Economic Club, a member of the Council on Foreign Relations and a trustee of the Boys Club of Newark. In his capacity as Secretary of Treasury, he serves as the US Governor of the World Bank, International Monetary Fund, Inter-American Development Bank and the European Bank for Reconstruction and Development. During his 4-½ years at Treasury, he design and implemented a strategy to resolve the \$1.3 trillion less developed nation debt crisis. This strategy became known as the Brady Plan and the bonds issued, Brady bonds.

October 19, 1988

Ross Johnson proposes LBO by management for RJR. He is represented by Shearson Lehman (Jim Robinson of American Express is the chair of Shearson's parent. —Johnson is on the board.)

From Barbarians: For a man whose life had been one long party, there was a curious lack of merriment about Johnson in the days leading up to October 19. Andy Sage was struck by the

fact he wasn't getting the buoyant, late-night calls from Johnson that had accompanied all their previous adventures. It struck more than a few amateur psychologists that Johnson might be doing the whole thing to fill the void caused by his son's accident. Bruce Johnson remained in a coma.

Charles Hugel runs the Special Committee and invites John Macomber to serve on it. Peter Atkins from Skadden Arps is hired to serve as the Committee's counsel.

October 23, 1988

Ross Johnson learns that Kohlberg Kravis Roberts plans to make a bid for RJR. Richard Beattie from Simpson Thatcher is KKR's counsel. Beattie is a former Marine fighter pilot who held positions in the Carter Administration and is a fixture in NY Democratic circles. Simpson Thatcher had represented Lehman Brothers for some 40 years.

October 27, 1988

Kravis and Roberts meet with Hugel and are assured that they could promptly begin due diligence.

1988

Democratic Congressman Glenn English concludes that Bush's "war on drugs" had been fought with "little more than lip service and press releases." (Tarpley & Chaitkin)

November 7, 1988

RJR Nabisco board members meet. Disclosure by the New York Times of Johnson's and the top management's management agreement had shocked them.

On consecutive days in mid-November, two major insurance companies, Metropolitan Life Insurance and ITT Corporation's Hartford Insurance sued RJR Nabisco. The value of both firm's RJR Bonds had plunged as the stock had risen.

November 1988

Catherine joins the Board of Bank Street College where Joe Shenker has become President and Bud Treman is/was on the board. She resigns when she joins the Administration.

November 1988 Bush is elected, Bechtel is close to numerous officials including Dick Thornburg, now appointed Attorney General.

November 17th+, 1988

In next round of bidding, KKR bids \$94 per share, Johnson's group bids \$100, and First Boston bids \$105-118 with an unusual tax structure and backing from The Pritzker family in

Chicago. The FOB bid, as things turn out, saves the KKR group from losing by forcing another bidding round. Indeed, was FOB in to simply save KKR?

November 30, 1988

KKR wins bid. At one point KKR is ready to walk out. Beattie persuades them to stay – as if he knows they are destined to win?

The Special Committee who engineers the bid to KKR away from a higher bidding Johnson group does well. Hugel's company is bought out by a Swedish firm the next year. John Macomber is named chairman of the US Export Import bank.

Johnson's son eventually emerges from a coma but remained in a trauma clinic, unable to speak. He began to communicate through spelling and by the summer of 1990, Johnson said that he was "quite encouraged."

December 1988

Senate Foreign Relations Committee report on Iran Contra reports that national security was used to quash investigations into Barry Seal – "cases were dropped. The apparent reason was that the prosecution might have revealed national-security information, even though all of the crimes which were the focus of the investigation occurred before Seal became a government informant.

Tax records show that, having assessed Seal posthumously for some \$86 million in back taxes on his earnings from Mena and elsewhere between 1981 and 1983, even the IRS forgave the taxes on hundreds of millions in known drug and gun profits over the ensuing two year period when Seal was officially admitted to be employed by the government.

Court documents show that Seal worked for the CIA and DEA during 1984 and 1985. New evidence suggests that he may also have been working on the DIA during the period.

(The Crimes of Mena, Sally Denton and Roger Morris)

1988

Pug Winokur is named Chairman of the Board of DynCorp, an IT government contractor, after his investment company buys 35-40% of the stock. Given Winokur's role with Harvard, there are serious questions as to whether Harvard is the lead investor in DynCorp through Winokur's investment group as a front.

During this same time frame, Harvard buys a 50% stake in NHP, one of the largest HUD property managers, from Warren Buffet. The NHP Chairman, Rod Heller, later tells Catherine that Buffet was worried about having his name being associated with HUD related housing.

1988

Lehman Brothers (the Shearson Lehman) participates in joint venture with American Correctional Systems, Bechtel and Daewoo to develop \$40 million medium security private prison in Colorado.

December 1988 Fitts divorce is final; Fitts has birthday party for 125 at Rainbow Room. Jonathan Bush and his wife sit next to Carl McCall and his wife (Jesse Jackson's campaign fundraiser in NY and later Treasurer of the State of New York) and have a great time.

Late 1988/early 1989

Federated Campeau Deal – First Boston was the leader in the loan. Dillon had brought Travelers in to participate. Total consideration was \$6 billion.

In a meeting in late 1988/early 1989, Catherine Austin Fitts questioned Steve Fenster during his presentation to promote Dillon's taking the 2nd position behind First Boston in the Federated Campeau deal. Fenster presented a sources and uses of funds in which "productivity improvements" of \$150 million would help to fund \$220 million of fees for golden parachutes for senior management, lawyers and investment bankers. The productivity improvements are the increased profits to be generated by middle management over the next decade – all without partaking of the \$220 million food fests enjoyed up front by senior management and Wall Street. Fitts points out that the middle managers can read the proxy and "walk with their feet." Her implication is that the deal will not work because the fundamental economics are there. Dillon will be participating by helping to finance the deal with Travelers funded bridge line, which will be taken out by securities underwritings. Fenster in disgust points out that "we will be out in December" meaning if the deal tanks it will be someone else's problem. Fitts retorts, "Steve, our bond buyers won't be." – meaning that Dillon will be selling the securities to capital markets customers who will then take the losses. Dillon anticipated approximately \$18 MM in fees. Fitts – believing that under Birkelund and the Lehman newcomers with Brady gone to Washington – has lost sight of the line between financial engineering and financial fraud – and leaves the meeting, goes directly to Russ Davis' office and asks him if he would like to go to Washington. He asks why. Fitts predicts that market corruption is out of control and that there will be a crash – and much to clean up. Fitts is later told that Dick Bianco, head of Capital Markets, who believes that the Federated Deal is not a good one, is able to cut Dillon's position, ultimately protecting the firm from massive losses.

When Campeau declared bankruptcy on January 15, 1990, Dillon Read and Travelers were left holding some \$48 million of Campeau's badly discounted securities.

Late 1988/early 1989

In a meeting of the Bush transition team with Brady, Baker, Darmen and other key Bush leaders present, the group vetoes all women on the "A list" for a cabinet position. Craig Fuller, co-chair of the staffing effort expresses his frustration, and is then asked by Brady who is on the B list. Craig tells him that #1 on the B list is his partner at Dillon Read, Catherine Austin Fitts. Brady asks in surprise how Fuller knows about Fitts. Fuller explains that Fitts has worked in the campaign and is well known. Brady then stiffens and says

“Austin Fitts may not work in a Bush Administration.” Fitts gets a call from Peter Terpeluk, whose wife works for Fuller, to tell her that Brady has blackballed her. Fitts calls Brady, who is serving as Secretary of Treasury, and demands to know why he has blackballed her. He explains that he promised the Chairman of Travelers that he would not recruit Dillon people to Washington (Traveler non compete contracts were up in the end of 1988 making it feasible for many to leave at this time.) Fitts explains that she has an offer to go to another Wall Street firm with a large sign up bonus and if she does not come to Washington, the chances are that there will be a switch in business to Dillon whereas this is less likely if she goes to Washington. Brady asks why she can’t stay at Dillon. Fitts explains that the life expectancy of most Brady people under Birkelund will not be good – she does not have the option to stay. Brady says “Oh shit, what am I going to do?” Catherine says, “nothing—Chicken Little will fix it herself—just don’t mess it up.” She then calls Craig Fuller and asks who hates Brady in the Cabinet. He says “Jack Kemp.” Fitts says, “Call Kemp and tell him that Brady has blackballed me, and that you would like him to interview me.” Fuller does. Kemp interviews Fitts and after Kemp’s candidate for FHA Commissioner becomes untenable as a result of the brewing HUD scandal, Fitts becomes the dark horse candidate for FHA Commissioner. When Fitts tells Brady she wants his support, Brady insists that Fitts should not go to HUD – that HUD is a sewer. Hollis McLaughlin, Nick’s chief of staff and who holds various positions at Treasury and Darby, calls Fitts with a low level Deputy position at Treasury, explaining that everything is filled. As things turn out, Sununu is staying at a former Dillon Reader’s house as he becomes chief of staff and weigh in on Fitts behalf. Fitts becomes Assistant Secretary of Housing.

January 1989

Six days after his term as Secretary of Defense ended, Frank Carlucci joins the Carlyle Group (Iron Triangle)

A Note from our Founder on Iran-Contra by Chris Sanders in The Myth of the Rule of Law:

In the mid 1980’s two covert operations of the American government overseen by the National Security Council of the Reagan Administration and sanctioned by the highest levels of political authority were exposed. These were the illegal sales of weapons to Iran and the provision of covert aid to the Contra insurgency in Nicaragua in violation of a Congressional vote banning such aid. An independent counsel was appointed to investigate the matter. The investigation resulted in no fewer than 14 individuals being indicted or convicted of crimes. These included senior members of the National Security Council, the Secretary of Defense, the head of covert operations of the CIA and others. After George Bush was elected President in 1988, he pardoned six of these men. The independent counsel’s investigation concluded that a systematic cover up had been orchestrated to protect the President and the Vice President...During the course of the independent counsel’s investigation, persistent rumours arose that the administration had sanctioned drug trafficking as well as a source of operational funding. These charges were successfully deflected with respect to the independent counsel’s investigation, but did not go away. They were examined separately by a Congressional committee chaired by Senator John Kerry which established that the Contras had indeed been involved in drug trafficking and that elements of the US government had been aware of it.

It was not until Gary Webb's Dark Alliance expose originally published in the San Jose Mercury News (August 1996) that the government's likes to drug trafficking in the US became established beyond a reasonable doubt.

February 1989 Charles O. Rossotti becomes Chairman of the Board of AMS

February 1989

The American Bar Association study, Report to the House Delegates, concludes that delegating operating authority to private (prison) entities posed "grave constitutional and policy problems."

1989 Ivan Selin, founding Chairman of AMS and later chairman of Enumerate, becomes Undersecretary of State for Management – managing US foreign policy resources.

March 1989 With George Bush in the White House and Nick Brady at the US Treasury, Mike Milken is indicted

March 9, 1989

Jim Robinson, Chairman of American Express, gets a call from Louis Gerstner, a dynamic executive who has been his long time #2. Gerstner has to see him immediately. The next morning Gerstner informs him that he is going to work for KKR as the next CEO of RJR Nabisco. If the allegations made by the European Union Lawsuit filed in 2002 are true, Gerstner is to preside over an explosion of money laundering by RJR Nabisco to finance the debt load created by the largest LBO in history to date.

Gerstner had been at American Express for 11 years, serving as President of the parent company and Chairman and CEO of American Express Travel Services. Prior to that time he was with McKinsey, which he joined in 1965 after graduating from Harvard Business School. He graduated from Dartmouth in 1963.

April 1989 Fitts is nominated as Assistant Secretary of Housing
Max Warburg guy comes to Fitts's swearing in Party; he has been working with the team at Treasury on the legislation to create the RTC; Cleans up Bickford's Coinsurance Deals/Relationship with Benton raised by Abbe Lowell in deposition

May 12, 1989

Proxy for AMS reflects that Charles Rosotti was elected Chairman in February 1989. Steve Fenster continues on the board as a managing director of Dillon Read. His additional boards are UK-Capital, Bloomberg LP, DTH Media, Inc and Dallas Time Herald Printing Co. Still on the board, Malek is now a senior advisor to Carlyle Group. And Walker Lewis remains chairman of SPA. All officers and directors own 13.8% (Selin and his 9% are now no longer internal to the company) and there are no visible institutional holders with investment of 5% or more.

1989 John Ervin leaves NHP; starts Ervin & Associates, begins consulting on acquisitions for Volunteers of America working with Shel Schreiber, Pepper, Hamilton & Sheetz, a Philadelphia law firm. VOA uses Bank United of Texas for RTC acquisitions. Ervin begins consulting with HUD—loss mitigation on single family properties (when Ron Rosenfeld was DAS for SF) and the servicing the coinsurance portfolio (when Ron Rosenfeld was DAS for MF and General Deputy). Rosenfeld told Fitts that he hired Ervin.

1989

Dillon Read establishes a Tokyo office, hoping to re-create the kind of business it had attracted both before and immediately after WWII.

June 16, 1989

William Duncan, the former Special Operations Coordinator for the Southeast Region of the Criminal Investigation Division, Internal Revenue Service, US Treasury is fired for his success at investigating money laundering in connection with the Mena, Arkansas operation. In 1991, Duncan gives a deposition to a joint investigation conducted by William Alexander and the Arkansas Attorney General's office. This deposition is one of the many damning pieces of evidence that proves the Mena, Arkansas operation once and for all time and the extraordinariness of the cover up involved. The US Treasury tries to get Duncan to dilute or cover up his testimony to Congress. When he will not, Treasury fires him. **NICK BRADY IS THE SECRETARY OF TREASURY in 1989 and 1991 when Duncan also provides testimony to Congress.** Duncan in 1991 is Chief Investigator, Office of Attorney General, State of Arkansas. Winston Bryant is the Attorney General of Arkansas. Bill Clinton is the Governor.

June 29, 1989

The Washington Times publishes a front page story by Paul Rodriguez and George Archibald "Homosexual prostitution inquiry ensnares VIPs with Reagan, Bush: Call Boys took midnight tour of White House." Describes federal and district investigations into a prostitution network. John DeCamp, a Nebraska legislator, later publishes The Franklin Cover Up on a pedophilia network during the Reagan Bush period. During this period, one of Catherine's deputy's warns Catherine —without using the word pedophile—that Kemp is caught up in such a problem and to be careful in dealing in a situation where it appears Kemp is being blackmailed to provide a HUD grant to one of Andrew Cuomo's project in NY.

July 1989

Marriott Corp. sells its In-Flite Services catering business to Marriott's upper management. Carlyle invests in the deal, renames the company Caterair and loses millions when the airline catering business evaporates in the early 1990's. (Iron Triangle)

July 24-27, 1989

Hearings before the Commerce Consumer and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, July 25-27 – Congressional hearings discover that IRS employee problems (William Duncan, IRS CID investigator) are due to employees investigating money laundering of cocaine through Arkansas

1989

Subcommittee on Terrorism, Narcotics and International Operations, Committee on Foreign Relations, US Senate, 1989, Chaired by Sen. John Kerry of Massachusetts, the subcommittee hears abundant testimony by drug dealers and pilots about CIA connections to the smuggling.

September 1989

In his first formally scheduled prime time presidential television address to the nation, George H. W. Bush, devotes his address to announcing his plans for measures to combat illegal narcotics. (Tarpley & Chaitkin)

Fall 1989 Robert Campeau's retail sales empire of Allied and Federated stores blew up in the fall of 1989, bringing down almost \$10 billion of LBO debt. At the same time other LBO's start to collapse, filing for bankruptcy. In a meeting in late 1988/early 1989, Catherine Austin Fitts questioned Steve Fenster during his presentation to promote Dillon's taking the 2nd position behind First Boston in the Federated Campeau deal. Fenster presented a sources and uses of funds in which "productivity improvements" of \$150 million would help to fund \$220 million of fees for golden parachutes for senior management, lawyers and investment bankers. The productivity improvements are the increased profits to be generated by middle management over the next decade – all without partaking of the \$220 million food fests enjoyed up front by senior management and Wall Street. Fitts points out that the middle managers can read the proxy and "walk with their feet." Her implication is that the deal will not work because the fundamental economics are there. Dillon will be participating by helping to finance the deal with Travelers funded Bridge line which will be taken out by securities underwritings. Fenster in disgust points out that "we will be out in December" meaning if the deal tanks it will be someone else's problem. Fitts retorts "Steve, our bond buyers won't be." – meaning that Dillon will be selling the securities to capital markets customers who will then take the losses. Dillon anticipated approximately \$18 MM in fees. Fitts – believing that under Birkelund and the Lehman newcomers with Brady gone to Washington – has lost sight of the line between financial engineering and financial fraud – and leaves the meeting, goes directly to Russ Davis' office and asks him if he would like to go to Washington. He asks why. Fitts predicts that market corruption is out of control and that there will be a crash – and much to clean up. Fitts is later told that Dick Bianco, head of Capital Markets, who believes that the Federated Deal is not a good one, is able to cut Dillon's position, ultimately protecting the firm from massive losses.

October 10, 1989

AMS files a special proxy regarding changes in its Certificate of Incorporation to facilitate the ownership of preferred and common stock by IBM.

1989

The HUD Reform Act of 1989 is passed, giving Kemp a big legislative “win.” Catherine and her team developed most of it, after they deleted most of the mess created by Keating and Delli Bovi. Ken Blackwell tries to get Catherine to take credit for it. Catherine declines. He also tries to get Catherine connected and active with the pension fund community. Catherine declines.

1989

Pricor announces it has been awarded a contract to operate six prisons in Texas, with a total of 3,000 beds. The facilities were to be built on behalf of non-profit entities set up by the six counties, which planned to sign contracts to house inmates from other jurisdictions. The prisons were financed with \$74 million in unusual tax-exempt revenue bonds marketing by Drexel Burnham Lambert, the leading junk bond investment house. The bonds eventually defaulted. In 1992, a group of mutual funds that had purchased the bonds filed a fraud suit against N-Group, Pricor and two former Drexel investment bankers, the six county jail corporations and others involved in the project.

1989

By the end of 1989, there are 44 secure private facilities in the US, housing about 15,000 prisoners. (Growth and Development of the Private Prisons Industry, Abt Associates.)

January 15, 1990

When Campeau declared bankruptcy on January 15, 1990, Dillon Read and Travelers were left holding some \$48 million of Campeau’s badly discounted securities. (The Life and Times of Dillon Read, Sobel)

1990

Drexel Burnham ceases operations in a collapse of the junk bond market.

1990 Ervin begins asset management services, primarily on a coinsurance multifamily portfolio from 1990-96 working with 30-40 HUD field offices, including workouts on defaulted mortgage assistance advisors primarily for the property disposition group, writing property disposition handbooks on the costs of foreclosure, looking into advertising alternatives. In later legal proceedings/depositions, John Ervin estimates that Ervin and Associates have referred \$40MM in equity skimming referrals to HUD OIG, HUD General Counsel and DOJ. Ervin’s employee Lucy Du is married to Jeff Patton, a member of the HUD Office of General Counsel.

Spring 1990

Al Delli Bovi and Lloyd Chaison try to engineer Lloyd on to the selection committee for FHA auditor – Catherine believes they are trying to rig the process for Arthur Anderson who they have redoing the Section 8 systems and looking at tax credits. Catherine takes a series of steps that forces all political appointees off the committee. Something is clearly up that is very dirty.

1990's From Campus Activism Defeats Multinational's Prison Profiteering by Kevin Pranis, published Jan 2002 and republished in Prison Nation, "The 1990's was the golden age of prison expansion in America. During that decade, the number of men and women behind bars nearly doubled, from 1.1 million in 1990 to almost 2 million in 2000, and spending on incarceration approached \$40 billion. Recognizing an opportunity to make fortunes off of the backs of prisoners and their families, Corporate America – including architects, bankers, building contractors and telephone companies – lined up at the prison trough.

1990 Michael Milken convicted of various securities laws violations

1990, Dillon Read and Travelers were left holding some \$48 MM of Campeau's badly discounted securities

Feb 1990

George W. Bush joins the Caterair board at the behest of Fred Malek, a good friend of his father's. Bush would later drop his disastrous experience with Caterair from his resume when he runs for governor of Texas in 1994. (Iron Triangle)

April 1990

At the invitation of Richard Breeden, Chairman of the SEC, Catherine joins the SEC's Emerging Markets Advisory Committee where she serves until October 1993. The SEC has found that the emerging markets are much more interested in mortgage markets than in stock markets.

May 11, 1990

AMS 1990 Proxy shows IBM, RCM, Campbell Advisors in NY and Fielding on behalf of Selin as the large holders. Price Waterhouse continues as the auditor.

July 1990

David Cornell, representing a Bechtel subsidiary, meets with officials in Central Falls, Rhode Island, regarding a proposal to build a prison for the US Marshals Service in Central Falls. He is accompanied by Anita Molino from Dillon Read, who later joined Bostonia Partners in Boston.

Aug 1990 US goes to war in the middle east—Operation Desert Storm; Fitts Fired from FHA—Birkelund refuses to see Catherine or answer her phone calls. In December, the US Dollar hits a low of 1.2ff CHF.

1990

German reunification

1990 Steve Fenster (did he have cancer at this time? Had it just been discovered?) joins Harvard Business School as a visiting professor.

1990-1991

Hamilton is founded in the fall of 1990. Prior to incorporation, principals at NHP, Inc. (formerly known as National Housing Partnership) had asked Catherine Austin Fitts to form an investment bank to provide NHP with dedicated investment banking services and advice. NHP abrogates its deal at the day of closing, after Harvard Endowment, a major stockholder of NHP, announces with no advance warning that it has decided to change the terms of the deal such that NHP would receive 20% of Hamilton's equity. Fitts is informed by Rod Heller and Mike Eisenson that NHP is abrogating its verbal contract at breakfast at the Harvard Club in New York. (Pug Winokur is not present – however Rod makes it clear to Fitts at various times during this period that Pug is in on all important decisions) Fitts decides to proceed without NHP and Harvard. The vision for Hamilton's creation is explained in a Fitts memo on "The Dream Machine." The Dream Machine was envisioned as a relational database and software tool operation that could revolutionize communities' access to capital and facilitate a transformation to collaborative learning organizations and communities.

1990

Colonel Al Carone dies – he was a CIA paymaster and Mafia connected money launderer (a made man of the Gabino family) who also held the rank of full Colonel in Army Intelligence. His daughter, Dee Ferdinand, says that he was the paymaster for the Seal hit.

1990

Jean Duffey's (Arkansas prosecutor) career and reputation are destroyed in a brutal smear campaign led by dirty public officials who her investigations were threatening. She leaves Arkansas to go to Texas to become a high school algebra teacher.

June 1990

George W. Bush unloads his Harken stock after the dirty Bahrain deal. At one point the Center for Public Integrity reports they have been told that Harvard arranged for a broker to buy the stock. The SEC declines to pursue investigation or prosecution of a likely case of insider trading.

September 1990

Carlyle Group buys BDM Consulting, one of the largest and most successful defense consultancies in the world. Carlyle would use the \$130 million purchase to evaluate future buyouts in the defense industry. (Iron Triangle)

Dec 1990 Cornell starts with a rough business plan after Bechtel decides it does not want to be in the prison construction business and Dillon is interested in backing Cornell. In Feb 21

1991, Dillon Venture invests in Cornell Corrections – Chairman is David M. Cornell who was Operations Manager – Special Projects of Bechtel Group and CFO of its subsidiary Becon Construction from 1983-1990. Prior to joining Bechtel, he was President of Tenneco Financial Services from 1981 to 1982. Prior to that time, he served as EVP of Philadelphia Life Insurance Co and President of Philadelphia Life Asset Management Company from 1972-1981. Dillon and Cornell bring in Brown & Root, a Houston-based subsidiary of Halliburton to do the construction for the Rhode Island prison project for the US Marshals. Anita Molino, as part of the Dillon Read banking team, worked with Cornell to finance the project with municipal bonds issued by a Rhode Island state agency.

1990

Chief Financial Officers Act passes. As amended by the Federal Financial Management Act of 1994 (a title of the Government Management Reform Act of 1994), the Inspector General of each covered agency is required to audit and publish the financial statements of their agency.

1991

CCA sells \$5MM in preferred stock to General Electric Capital Corporation.

January 1991

After months of contentious negotiations, Carlyle snags a board seat at Harsco, a maker of military vehicles. The seat would eventually help Carlyle to obtain Harsco's defense business, later known as United Defense. (Iron Triangle)

January 22, 1991

Marine Colonel James Sebow is found dead. Sebow, third in command at the El Toro Airbase in California had discovered evidence that C-130 cargo flights coming into the base from Central America were filled with drugs. He had reported this to his base commander, Col. Joseph Underwood and then they were both subject to investigations for minor offenses. Sebow the day before he died refused an offer from Underwood to take early retirement.

February 1991

Prince Alwaleed of Saudi Arabia buys \$590 million of stock in Citicorp, America's largest bank. Carlyle brokers the deal and gains a reputation as the merchant bank of choice for the wealthy Saudis. (Iron Triangle)

February 1991

Dillon Read's venture funds; Concord, Concord II and Concord Japan purchase common stock in Cornell Corrections – essentially bankrolling the start of the company.

1991 Brady and Sununu ask Catherine to serve as governor of the Federal R

April 1991

Avalon Enterprises goes public without a specific business plan, announcing in 1992 that it plans to enter the prison business by acquiring Southern Corrections Systems, a privately held Oklahoma company.

Spring 1991

BCCI scandal begins. Harry Albright, former Chairman of the Dime Savings Bank and former Chairman of the Battery Park City Authority, Richard Parsons mentor and who lived on the Rockefeller estate would ask Catherine to serve on the board to help him clean up the First American situation. Morgenthau had arranged for him to be appointed Trustee by the judge in charge.

May 1991

Dillon Read, as agent, and its fund for certain Dillon Read officers, Lexington III, buy common stock in Cornell Corrections.

May 1991

American Management Systems (AMS) proxy shows IBM as the new lead investor in AMS with a large preferred investment and 10.8% of the common stock. Fenster remains on the board. RCM Capital Management in San Francisco now owns 7.3%. RCM was purchased by Travelers in 1986 – same period as Travelers purchase of Dillon. Hence, it appears to be technically a Dillon affiliate. Fred F. Fielding is now representing Selin's stock as trustee. James J. Forese, IMB Vice President, Finance has joined the board. He is later to join Thayer Capital, Malek's investment firm. Malek has now become Vice Chairman of Northwest Airlines and lists Manor Care, Coldwell Banker, Gibson Greeting Cards and Caterair as his board assignments. Price Waterhouse continues as the auditor.

June 1991

Catherine joins the Board of Directors of Carteret Savings Bank in Morristown, NJ where she serves until the workout fails in December 1992 after being repeatedly sabotaged by what appears to CAF to be a combination of the FDIC and DOJ.

July 24, 1991

Hearings before the Commerce Consumer and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, July 24 – House probes into why IRS investigators William Duncan faced a career crisis for documenting the money laundering through Arkansas through the 1980's.

1991 Steve Fenster retires as a managing director of Dillon Read

1991 Ivan Selin leaves his position as Under Secretary of the State Department for Management to become Chairman of the Nuclear Regulatory Commission.

September 10, 1991

Arkansas Gazette runs story "Iran Contra Independent Counsel Lawrence Walsh is given evidence on drug money-laundering involving CIA-Contra activities at Mena." Indeed, Walsh, like Ken Starr many years later, ignore much serious evidence re drug running at Mena.

1991-1994 Ervin provides single-family pre-foreclosure services for single-family property demonstration pre-foreclosure sales as alternative to foreclosure. Ervin is one of four contractors chosen – Atlanta and Denver. When people were in default, Ervin would contact them and give them the opportunity to sell through a broker for an amount less than the mortgage amount. Broker for 15-20 lenders doing HUD pre-foreclosure sales, including JP Morgan-Chase, Nationwide and Bank United.

November 1991

After declining to go to the Federal Reserve Board as a governor, Catherine joins the board of Sallie Mae where she serves until March 1994.

November 13, 1991

\$78 Million Deal Is a Departure for Old-Line Firm: Barings Buys Into Dillon.
By Erik Ipsen International Herald Tribune

Wednesday, November 13, 1991

Barings PLC, parent of Britain's oldest merchant bank, 229-year-old Baring Brothers, departed from tradition Tuesday by announcing that it had agreed to buy 40 percent of the Wall Street investment bank Dillon, Read & Co. for \$26 million.

Known and lauded for its preference for nurturing its own businesses rather than acquiring them, Barings is making a significant departure with the purchase, which will cost it a total \$78 million including a separate block of nonvoting preferred stock.

"By never buying another firm Barings has avoided many of the larger banana peels its peers have slipped on," said a London-based analyst. Calling it a "specific response to a specific opportunity," Barings' deputy chairman, Andrew Tuckey, nonetheless insisted: "No amount of general philosophy should be allowed to stand in the way of that response."

Barings, a privately held firm with gross capital of £280 million (\$495 million), appears to have struck a very good deal. The seller is the financially strapped U.S. insurer, Travelers Corp., which is selling the remaining 60 percent slice of Dillon Read to the firm's own management for \$39 million.

"The time to buy is when times are tough," said James Hanley, an analyst with Wertheim Schroder in New York. The price paid by Barings is 1.2 times book value, a premium New York analysts call modest, especially as most publicly held Wall Street houses are expecting record or near-record profits this year.

In addition to the \$26 million for the stake in Dillon Read's common stock, Barings will pay \$52 million for the preferred stock, which will be redeemable in 5 to 10 years depending on Dillon Read's profits. Accrued dividends due to Travelers bring the total price to \$122 million. "We are effectively funding the lion's share of the management buyout," said James Peers, a Barings director.

For Dillon Read, headed until 1988 by Nicholas F. Brady, now U.S. Treasury secretary, the deal represents a return to the partnership structure that has been the rule through most of its history. The sale also marks yet another retreat from the financial supermarket concept of the 1980s, whereby insurance companies and others ranging from American Express Co. to Sears, Roebuck & Co. hoped to capture the synergies that were presumed to flow from owning different types of financial institutions.

While the price of Dillon Read was appealing, the track record of such transactions is not. "You cannot dispute Barings' timing," said Martin Green, an analyst with Smith New Court in London, "but the history of these sorts of U.S. stakes is littered with ghastlies."

In fact, the few times in recent years that British firms like Schroders and Morgan Grenfell have made U.S. acquisitions, the results have proved modest at best.

Barings, with 2,900 employees scattered in 22 countries, will be bringing international contacts to Dillon Read, whose 500-person staff is concentrated in the United States.

Barings has built up a major presence in Tokyo and in the developing markets of Southeast Asia and more recently Latin America.

Takeover advice is Dillon Read's largest money earner. This year it ranks in the top eight M&A advisers in the United States.

Barings, which last year ranked as the top M&A house in Britain, derives roughly a third of its earnings from mergers advice.

"The U.S. has the largest mergers and acquisitions market in the world, and we needed to establish some credible capability there," Mr. Tuckey said.

"The U.S. has the largest mergers and acquisitions market in the world, and we needed to establish some credible capability there," Mr. Tuckey said.

1992

Reporter Danny Casolaro is "suicided" in Martinsburg, West Virginia reportedly enroute to meeting an informant with evidence of CIA and NSA involvement in drug smuggling through Mena in support of American military operations in Central America.

Feb-92

Catherine joins the Advisor Council of Fannie Mae where she serves until 12/93

April 1992

Catherine joins the Board of Directors and eventually the Executive Committee of the National Multi Housing Council. She is scheduled to become Vice Chairman in 1995 and is asked to step back a year because Randy ____ from Boston Financial appears to be upset about Hamilton's role with HUD. When it appears that the National Multi Housing Council has been involved inappropriately in the efforts to frame Hamilton, Catherine resigns in December 1996.

1994 Sodexho, a Paris based catering company, enters into a strategic alliance with CCA. Over the next few years Sodexho became not only CCA's largest shareholder, but also the private prison company's partner in a joint venture to spread the gospel of private prisons across the globe. The companies also had mutual membership in and financial sponsorship of the American Legislative Exchange Council—a right wing state lobby group that pushes prison privatizations and tough on crime legislation along with a host of other conservative causes. (Campus Activism Defeats Multinational's Prison Profiteering, by Kevin Pranis, Prison Nation.)

1991-1996 Ervin reviews HUD single family and mortgage applications in Denver, Los Angeles, San Francisco and Philadelphia and several mid-west offices and does CHUMS data entry for the DC field office.

1991-1995 Ervin provides HUD with delegated processing services for some offices until Fast Track is instituted in 1995—offices included Boston, Philadelphia, Atlanta, Kansas City, San Francisco and Seattle—Ervin later estimated that these services involved 200-300 properties.

Unsuccessful Ervin bid attempts included: due diligence on the Southeast loan sales; bid on due diligence procurement, partnered with Brown & Company, bids on loan sales, partnered with Jayhawk, Cargill and Merrill Lynch, and on small pools individually. Unsuccessful proposals to partner or do loan sales work with Wall Street firms bidding on HUD loans. Bid on financial advisor contract, partnered with Mellon Mortgage and Reznick, Federal & Silverman. Bid on physical inspections used in mark-to-market process Recommendation for due diligence on HFA sales by Pennsylvania Housing Finance Agency.

September 1991

Dillon Read Venture Funds-- Concord, Concord II and Concord Japan -- purchase an additional common stock in Cornell Corrections.

November 1991

Concord, Concord II and Concord Japan purchased additional common stock in Cornell Corrections.

November 1991

Working for David Cornell, Arthur Anderson provides a report on the demand for a US Marshals Service facility in Central Falls, Rhode Island. In and around this period, Arthur Anderson becomes the auditor for Cornell Corrections.

1992

Kathleen Hawk Sawyer, who began her career with the Federal Bureau of Prisons in 1976 as a psychologist at FCI Morgantown WV, becomes Director of the Federal Bureau Prisons, a position she holds until 2003. Along with Attorney General Janet Reno, Deputy Attorney General Jamie Gorelick, NPR Head Elaine Kamark she becomes part of a team of women

leading the privatization of federal prisons while the federal prison populations explode as a result of the War on Drugs and mandatory sentencing.

1992-1993

Hamilton builds numerous relational databases and tools that bring early success to the new company. The tools include what Hamilton believed to be the most extensive database on institutional equity investment in real estate. Upon reading about Hamilton's research with the database Alan Greenspan makes a special request for a briefing to the Federal Reserve Staff on Hamilton's findings. Another tool, developed as part of a complete pricing and simulation model of Battery Park City Authority, was a simulation of New York real estate valuations for tax purposes. Hamilton's work is widely credited with providing the basis for a recapitalization of the Battery Park City Authority and the first ratings upgrade of a New York State authority in over 20 years by Standard & Poor's. Battery Park's chairman is Harry Albright, former Chairman of Dime Savings, who lives on the Rockefeller Estate, as does Dick Parsons, his protégé, later to become Chairman of Time Warner

January 16, 1992

Dillon Read (along with 97 other securities firms) without admitting or denying any findings, consented to the entry of an Order in settlement of an SEC Administrative Proceeding entitled In the Matter of the Distribution of Securities Issued by Certain Government Sponsored Enterprises ("GSE"). The Order stated the SEC's findings that Dillon Read made and kept records that did not accurately reflect Dillon Read's customers' orders for certain GSE securities in violation of Section 17(a) (and Rules 17a-3 and 17a-4 there under). The Order further provided that Dillon Read shall cease and desist from any violation in the future, pay a penalty of \$100,000, and maintain policies and procedures reasonably designed to ensure future compliance with the provisions of Section 17 (a) and Rules 17a-3 and 17a-4 thereunder.

1992

"Rodney King" riots in LA – allegations that Korean stores are attacked because they are part of the cocaine money laundering network.

March 1992

BDM, a Carlyle company, buys Vinnell, a privatized military training company that does extensive work with the Saudi Arabian National Guard. Vinnell's history, before during and after Carlyle owned it, is a litany of covert operations, mercenary missions and cover-ups: right up Carlyle's alley. (Carlucci's history involves significant covert operations) Richard Secord, retired Air Force General, had worked for Vinnell in the mid-1980's. Secord was implicated as Oliver North's accomplice in the Iran Contra arms for hostages scandal. Secord would eventually plead guilty to lying to Congress. (Iron Triangle)

March 1992

John DeCamp publishes The Franklin Cover Up, disclosing the pedophilia networks that embroiled the Bush White House in 1989.

March 2, 1992

The Rhode Island Port Authority Board approves a “Loan and Trust Agreement” between the Rhode Island Port Authority and the Central Falls Detention Facility Corporation that makes it possible for Cornell to finance the US Marshals facility with \$30,106,000 tax exempt bonds issued from the Port Authority (See Harvard Design School case study). Dillon Read and Fleet Securities acted as the managing underwriter for a underwriting discount of \$451,325. This financing then funded contracts for construction with Brown and Root for \$21.2 MM. (See Harvard Design School Case Study)

May 8, 1992

AMS proxy statement indicates that Dorothy Leonard-Barton, a professor at Harvard Business School, has joined the board. She has served as a consultant to AT&T Bell Laboratories and IBM. Malek is now listed as the Campaign manager for the re-election campaign of President Bush and Vice President Dan Quayle since December 1991. Malek now serves on the board of the National Education Corporation. IMB, RCM and Fred Fielding representing the Selins remain the large holders. Price Waterhouse continues as the auditor.

July 9, 1992

Clinton picks Al Gore to be his running mate.

August 1992

Carlyle wins a yearlong struggle over control of LTV Corp’s defense and aerospace division, paying \$475 million in conjunction with Loral Corp and Northrop Corp. The deal instantly legitimizes Carlyle as a serious player in defense buyouts. (Iron Triangle)

September 1992

George Soros, a future Carlyle investor, brings the British economy to its knees by speculating on the demise of the British pound. When the value of the pound cratered on Black Wednesday, September 16, 1992, Soros pocketed a cool billion. (Iron Triangle) The play by Soros is described as a bet against John Major who is defending the pound. Major later joins Carlyle and Soros later invests in Carlyle, which raises questions about whether Soros was trading on inside information and who was providing that information.

October 1992

The North American Free Trade Agreement is signed, to go into effect on January 1, 1994. Carla Hills signs at US Trade Representative. Canada is represented by Brian Mulroney and the US by George H. W. Bush. One of the most controversial provisions is Chapter 11 which allows corporations to sue federal governments in the NAFTA region if they feel a regulation or government decision adversely affects their investment.

November 1992

The Maastricht Treaty enters into force. The European Community (EC) develops into the European Union. (EU)

November 1992

Cornell Corrections closes the fiscal year with \$940,000 of net income.

William Clinton wins the Presidential election. On the eve of the triumphant Democratic national convention, Clinton's campaign owed \$4 million; much of it to the Jackson Stephens controlled Worthen Bank.

Clinton's first ask as President was to sign EO 12834 entitled Ethics Commitments by Executive Branch Appointees which placed substantial restrictions upon the ability of his senior political appointees to lobby their colleagues after they leave office. Clinton rescinded the order shortly before he left office in EO 13184 of December 28, 2000.

One of Clinton's first acts is to sign the Family and Medical Leave Act of 1993.

December 1992

Jim Blair, Tyson's attorney and the man who arranged the commodities trade that turned Hillary Clinton's 3,000 to 100,000, persuades Jim McDougal to buy the Clintons out of the Whitewater land development project in December 1992, a month after the Presidential election.

December 9, 1992

The Prince and Princess of Wales are separated.

1993

Al Gore names Jack Quinn as his Chief of Staff. Clinton nominates Andrew Cuomo as Assistant Secretary of Community Planning and Development at the United States Department of Housing. Eric Holder is nominated as DC US Attorney. Frank Hunger is nominated as Assistant Attorney General, Civil Division, U.S. Department of Justice. Jamie Gorelick becomes General Counsel of the Defense Department and then Deputy Attorney General.

Al Gore publishes The National Performance Review – a study to reinvent government so that it “Works better and costs less.” The study is cautious regarding the prison system. However, Gore's Office of Reinventing Government, and its head, Elaine Kamark, wife of the #2 at Ex-Im, Tino Kamark, (Cousin to Jonathan Kamark), staff on the Senate appropriations committee, becomes the promoter of prison privatization after Clinton creates a cap on federal prison employees and Chris Edley at OMB starts to promote prison privatization.

Eric Holder is nominated to be Afro American US Attorney for the District of Columbia. He creates a Domestic Violence Unit.

1993

Lockhart Technologies closed its Austin Texas plant, where it paid about 130 workers \$10 an hour to assemble circuit boards and moved the whole manufacturing operation to the prison (Lockhart Correctional Facility) about 30 miles away-- where it pays \$1 a year in rent and pays 180 prisoners minimum wage – the prisoners get \$0.50. (Making Slave Labor Fly – Prison Nation, Page 117)

1993

Robert Grady leaves Washington after working at OMB, before that for the Bush campaign and before that Director of Communications for Governor Tom Keen. He becomes a Managing Director of Robertson Stephens in San Francisco and then joins Carlyle where he serves as managing prayer for Carlyle's US venture group and is based in San Francisco.

1993

Dillon Read's prison company, Cornell Corrections, opens the Donald W. Wyatt Detention Facility in the poor mill town of Central Falls, Rhode Island. The Facility is named for a political appointee, Donald W. Wyatt, at the US Marshal at the Department of Justice. Wyatt had helped get the institution built by projecting the numbers of inmates that would need housing. A political appointee, he was out of office by the time the prison preened. The US Marshal Service holds and transports prisoners both before and during trial. (Note from CAF: the Marshal's also have significant responsibilities for the asset forfeiture fund and function.) The service uses hundreds of local and state owned institutions to house its 22,000 inmates. Less than a dozen of these, including the one in Central Falls, are privately run. The privately operated jails cost the Marshals 24 percent more than the public ones in the same region, Marshal officials say.

When the Wyatt facility open sit has a computer monitoring system, modern cells holding 300 beds and a newly hired cadre of guards. But one important element was in short supply – prisoners. The Federal Government had agreed to pay the prison \$83 a day for each prisoner housed. Without a full complement of inmates, it could not hope to survive. So the prison's financial backers began a sweeping lobbying effort to divert inmates from other institutions. Rhode Island's political leaders pressed Vice President Al Gore while he was visiting the state as well as top officials at the Justice Department to send more prisoners. Facing angry bondholders and insolvency, the company, Cornell Corrections also turned to a lawyer who was then broker prisoners for privately run institutions in search of inmates. The lawyer, Richard Crane (a general counsel at the Corrections Corporation in the 1980's) has done legal work for private corrections companies and Government penal agencies. He put the Wyatt managers in touch with North Carolina officials. Soon afterward, 232 prisoners were moved to Rhode Island from North Carolina, and Mr. Crane was paid an undisclosed sum by Cornell Corrections. But the new batch of inmates included 18 murderers, a surprise for local leaders, who say they were promised the prison would hold white-collar and less violent prisoners.

Since Wyatt opened, the Clinton Administration has quietly proposed to have such companies run most new low-security Federal prisons and detention centers.

From Prisons for Profit, by Jeff Gerth and Stephen Labaton, the New York Times, November 24, 1995

1993

CCA's LifeLine substance abuse treatment is founded at Metro-Davidson County Detention Facility in Nashville Tennessee. According to CCA's website in 2005, "Since that time, 23 CCA facilities utilize the therapeutic community model, and the program has drawn the interest of officials from the public sector and other countries, including Russia, South Africa and Korea."

January 25, 1993

Two agency officers are killed outside the entrance to CIA Headquarters the morning of January 25, 1993.

Feb 1993

A month after the Bush administration cleans out its desks at the White House, Richard Darman, the outgoing director of the Office of Management and Budget, joins the Carlyle Group in a package deal with James Baker III. Darman is a former executive with Shearson Lehman (Iron Triangle)

William Diefenderfer, III Dorman's deputy at OMB, in 1994 becomes an advisor to Hamilton Securities and then, in 1995-96, a board member of Hamilton Securities. Diefenderfer poses the theory of how the feds might get Hamilton, which later turns out to be the very theory the feds try to hang their case on. When Hamilton is shut down in 1998, Diefenderfer starts a company with a Hamilton's software developer which is financed by Carlyle, has the former Chairman of AMS on the board as Chairman along with Dick Darman. During this period, he merges his law firm into a Pittsburgh firm.

Diefenderfer reports in 1996 that he is advising the Dole Campaign. Kemp is the VP candidate. Scott Reed is the campaign manager for Dole. Diefenderfer once told Catherine that he wanted to be the Director of the CIA. During his stint at OMB he had security clearance to deal with the various members of the intelligence and defense community on budget issues. Diefenderfer brings Nelson Rockefeller (JR. III) to one of Hamilton's gatherings. He is close to Kit Bond, former Governor of Missouri and Senator in charge of the SBA Committee and HUD appropriations subcommittee.

Feb 26, 1993 WTC bombing.

March 1993 After spending 12 straight years in the Reagan and Bush Administrations, James Baker III joins Carlyle Group. He also accepts a job consulting with Enron on overseas projects. (Iron Triangle) Baker had attended Princeton University, as had Rumsfeld and Carlucci (The more you research the backgrounds of the key figures in Carlyle, the more you end up at the same place – Princeton)

With Baker on board, Carlyle goes to work on raising money for a fund eventually to be called Carlyle II. Initial investors were \$150 million from some banks, pension funds and Richard K. Mellon & Sons who was an original investor in Carlyle.

April 1993 Fitts attends a meeting at the Harriman Estate in New York sponsored by the American Assembly, a think tank associated with Columbia University. She runs into Vince

Lane, the head of the Chicago Housing Authority, who was excited about a new program that he had to bus women at Cabrini Green, a public housing project in downtown Chicago, to the suburbs to work. Fitts suggests that it would be much easier to put a satellite dish on the roof of Cabrini Green and bus the jobs to the women. Lane is skeptical – Fitts points out that data servicing on large bank credit cards are being shipped to Korea where women who do not speak English are doing the data servicing. Meantime, the large banks are depositories for the US government and are receiving rich back door subsidies to keep them afloat. Given that the US government is spending \$55,000 per household to fund a woman and 1.8 children in HUD subsidized housing with welfare and food stamps, how is this economic? (See Edgewood I for story)

April 19, 1993

The government siege at Waco, Texas results in the murder of 80 people by the US Army on American soldiers. Reno takes responsibility to protect the president. Rumors persist that Hillary Clinton is a key decision maker in the decision to exterminate the people – including 20 some children

May 1993

Scott Nordheimer is sentenced to serve two years in prison for his role in a real estate fraud that swindled more than \$2 million from a Seattle investment firm. Nordheimer and his brother, Gary Nordheimer, who was sentenced to serve 27 months in prison for the same offense, were ordered to repay the Seattle May company \$2.4 million. (CAF note: I believe the Seattle group was Flagler?)

May 1993 Jamie Gorelick joins the Justice Department. According to her Wilmer, Cutler resume in 2005, she describes her duties as follows: “There, she structured the Department’s involvement in the consolidation of the defense industry in the 1990’s...Earlier in her career, Ms. Gorelick was Vice Chair of the Task Force on Audit, Inspection and Investigation Components of the Department of Defense.”

May 14, 1993

AMS proxy describes Fenster has becoming a Visiting Professor at Harvard since 1990 and having served as a Managing Director of Dillon Read between 1987 and 1991. IBM and RCM continue as large investors, with The Chicago Corporation and Pilgrim Baxter Greig & Associates in Wayne Pa. having joined the list. Fielding still represents Selin. Price Waterhouse continues as the independent accountant.

Summer 1993

Samuel P. Huntington, Harvard Professor, publishes a summary of his book, The Clash of Civilizations in Foreign Affairs, published by the Council of Foreign Relations. His thesis is below. See <http://www.alamut.com/subj/economics/misc/clash.html>

THE NEXT PATTERN OF CONFLICT

World politics is entering a new phase, and intellectuals have not hesitated to proliferate visions of what it will be--the end of history, the return of traditional rivalries between nation states, and the decline of the nation state from the conflicting pulls of tribalism and

globalism, among others. Each of these visions catches aspects of the emerging reality. Yet they all miss a crucial, indeed a central, aspect of what global politics is likely to be in the coming years.

It is my hypothesis that the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilizations will dominate global politics. The fault lines between civilizations will be the battle lines of the future.

Conflict between civilizations will be the latest phase in the evolution of conflict in the modern world. For a century and a half after the emergence of the modern international system with the Peace of Westphalia, the conflicts of the Western world were largely among princes--emperors, absolute monarchs and constitutional monarchs attempting to expand their bureaucracies, their armies, their mercantilist economic strength and, most important, the territory they ruled. In the process they created nation states, and beginning with the French Revolution the principal lines of conflict were between nations rather than princes. In 1793, as R. R. Palmer put it, "The wars of kings were over; the wars of peoples had begun." This nineteenth-century pattern lasted until the end of World War I. Then, as a result of the Russian Revolution and the reaction against it, the conflict of nations yielded to the conflict of ideologies, first among communism, fascism-Nazism and liberal democracy, and then between communism and liberal democracy. During the Cold War, this latter conflict became embodied in the struggle between the two superpowers, neither of which was a nation state in the classical European sense and each of which defined its identity in terms of its ideology.

These conflicts between princes, nation states and ideologies were primarily conflicts within Western civilization, "Western civil wars," as William Lind has labeled them. This was as true of the Cold War as it was of the world wars and the earlier wars of the seventeenth, eighteenth and nineteenth centuries. With the end of the Cold War, international politics moves out of its Western phase, and its center-piece becomes the interaction between the West and non-Western civilizations and among non-Western civilizations. In the politics of civilizations, the peoples and governments of non-Western civilizations no longer remain the objects of history as targets of Western colonialism but join the West as movers and shapers of history.

THE NATURE OF CIVILIZATIONS

During the cold war the world was divided into the First, Second and Third Worlds. Those divisions are no longer relevant. It is far more meaningful now to group countries not in terms of their political or economic systems or in terms of their level of economic development but rather in terms of their culture and civilization.

What do we mean when we talk of a civilization? A civilization is a cultural entity. Villages, regions, ethnic groups, nationalities, religious groups, all have distinct cultures at different

levels of cultural heterogeneity. The culture of a village in southern Italy may be different from that of a village in northern Italy, but both will share in a common Italian culture that distinguishes them from German villages. European communities, in turn, will share cultural features that distinguish them from Arab or Chinese communities. Arabs, Chinese and Westerners, however, are not part of any broader cultural entity. They constitute civilizations. A civilization is thus the highest cultural grouping of people and the broadest level of cultural identity people have short of that which distinguishes humans from other species. It is defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of people. People have levels of identity: a resident of Rome may define himself with varying degrees of intensity as a Roman, an Italian, a Catholic, a Christian, a European, a Westerner. The civilization to which he belongs is the broadest level of identification with which he intensely identifies. People can and do redefine their identities and, as a result, the composition and boundaries of civilizations change.

Civilizations may involve a large number of people, as with China ("a civilization pretending to be a state," as Lucian Pye put it), or a very small number of people, such as the Anglophone Caribbean. A civilization may include several nation states, as is the case with Western, Latin American and Arab civilizations, or only one, as is the case with Japanese civilization. Civilizations obviously blend and overlap, and may include subcivilizations. Western civilization has two major variants, European and North American, and Islam has its Arab, Turkic and Malay subdivisions. Civilizations are nonetheless meaningful entities, and while the lines between them are seldom sharp, they are real. Civilizations are dynamic; they rise and fall; they divide and merge. And, as any student of history knows, civilizations disappear and are buried in the sands of time.

Westerners tend to think of nation states as the principal actors in global affairs. They have been that, however, for only a few centuries. The broader reaches of human history have been the history of civilizations. In *A Study of History*, Arnold Toynbee identified 21 major civilizations; only six of them exist in the contemporary world.

WHY CIVILIZATIONS WILL CLASH

Civilization identity will be increasingly important in the future, and the world will be shaped in large measure by the interactions among seven or eight major civilizations. These include Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and possibly African civilization. The most important conflicts of the future will occur along the cultural fault lines separating these civilizations from one another.

Why will this be the case?

First, differences among civilizations are not only real; they are basic. Civilizations are differentiated from each other by history, language, culture, tradition and, most important, religion. The people of different civilizations have different views on the relations between God and man, the individual and the group, the citizen and the state, parents and children, husband and wife, as well as differing views of the relative importance of rights and responsibilities, liberty and authority, equality and hierarchy. These differences are the product of centuries. They will not soon disappear. They are far more fundamental than differences among political ideologies and political regimes. Differences do not necessarily mean conflict, and conflict does not necessarily mean violence. Over the centuries, however, differences among civilizations have generated the most prolonged and the most violent conflicts.

Second, the world is becoming a smaller place. The interactions between peoples of different civilizations are increasing; these increasing interactions intensify civilization consciousness and awareness of differences between civilizations and commonalities within civilizations. North African immigration to France generates hostility among Frenchmen and at the same time increased receptivity to immigration by "good" European Catholic Poles. Americans react far more negatively to Japanese investment than to larger investments from Canada and European countries. Similarly, as Donald Horowitz has pointed out, "An Ibo may be ... an Owerri Ibo or an Onitsha Ibo in what was the Eastern region of Nigeria. In Lagos, he is simply an Ibo. In London, he is a Nigerian. In New York, he is an African." The interactions among peoples of different civilizations enhance the civilization-consciousness of people that, in turn, invigorates differences and animosities stretching or thought to stretch back deep into history.

Third, the processes of economic modernization and social change throughout the world are separating people from longstanding local identities. They also weaken the nation state as a source of identity. In much of the world religion has moved in to fill this gap, often in the form of movements that are labeled "fundamentalist." Such movements are found in Western Christianity, Judaism, Buddhism and Hinduism, as well as in Islam. In most countries and most religions the people active in fundamentalist movements are young, college-educated, middle-class technicians, professionals and business persons. The "unsecularization of the world," George Weigel has remarked, "is one of the dominant social facts of life in the late twentieth century." The revival of religion, "la revanche de Dieu," as Gilles Kepel labeled it, provides a basis for identity and commitment that transcends national boundaries and unites civilizations.

Fourth, the growth of civilization-consciousness is enhanced by the dual role of the West. On the one hand, the West is at a peak of power. At the same time, however, and perhaps as a result, a return to the roots phenomenon is occurring among non-Western civilizations.

Increasingly one hears references to trends toward a turning inward and "Asianization" in Japan, the end of the Nehru legacy and the "Hinduization" of India, the failure of Western ideas of socialism and nationalism and hence "re-Islamization" of the Middle East, and now a debate over Westernization versus Russianization in Boris Yeltsin's country. A West at the peak of its power confronts non-Wests that increasingly have the desire, the will and the resources to shape the world in non-Western ways.

In the past, the elites of non-Western societies were usually the people who were most involved with the West, had been educated at Oxford, the Sorbonne or Sandhurst, and had absorbed Western attitudes and values. At the same time, the populace in non-Western countries often remained deeply imbued with the indigenous culture. Now, however, these relationships are being reversed. A de-Westernization and indigenization of elites is occurring in many non-Western countries at the same time that Western, usually American, cultures, styles and habits become more popular among the mass of the people.

Fifth, cultural characteristics and differences are less mutable and hence less easily compromised and resolved than political and economic ones. In the former Soviet Union, communists can become democrats, the rich can become poor and the poor rich, but Russians cannot become Estonians and Azeris cannot become Armenians. In class and ideological conflicts, the key question was "Which side are you on?" and people could and did choose sides and change sides. In conflicts between civilizations, the question is "What are you?" That is a given that cannot be changed. And as we know, from Bosnia to the Caucasus to the Sudan, the wrong answer to that question can mean a bullet in the head. Even more than ethnicity, religion discriminates sharply and exclusively among people. A person can be half-French and half-Arab and simultaneously even a citizen of two countries. It is more difficult to be half-Catholic and half-Muslim.

Finally, economic regionalism is increasing. The proportions of total trade that were intraregional rose between 1980 and 1989 from 51 percent to 59 percent in Europe, 33 percent to 37 percent in East Asia, and 32 percent to 36 percent in North America. The importance of regional economic blocs is likely to continue to increase in the future. On the one hand, successful economic regionalism will reinforce civilization-consciousness. On the other hand, economic regionalism may succeed only when it is rooted in a common civilization. The European Community rests on the shared foundation of European culture and Western Christianity. The success of the North American Free Trade Area depends on the convergence now underway of Mexican, Canadian and American cultures. Japan, in contrast, faces difficulties in creating a comparable economic entity in East Asia because Japan is a society and civilization unique to itself. However strong the trade and investment links Japan may develop with other East Asian countries, its cultural differences with those countries inhibit and perhaps preclude its promoting regional economic integration like that in Europe and North America.

Common culture, in contrast, is clearly facilitating the rapid expansion of the economic relations between the People's Republic of China and Hong Kong, Taiwan, Singapore and the overseas Chinese communities in other Asian countries. With the Cold War over, cultural commonalities increasingly overcome ideological differences, and mainland China and Taiwan move closer together. If cultural commonality is a prerequisite for economic

integration, the principal East Asian economic bloc of the future is likely to be centered on China. This bloc is, in fact, already coming into existence. As Murray Weidenbaum has observed,

"Despite the current Japanese dominance of the region, the Chinese-based economy of Asia is rapidly emerging as a new epicenter for industry, commerce and finance. This strategic area contains substantial amounts of technology and manufacturing capability (Taiwan), outstanding entrepreneurial, marketing and services acumen (Hong Kong), a fine communications network (Singapore), a tremendous pool of financial capital (all three), and very large endowments of land, resources and labor (mainland China).... From Guangzhou to Singapore, from Kuala Lumpur to Manila, this influential network--often based on extensions of the traditional clans--has been described as the backbone of the East Asian economy."(1)

Culture and religion also form the basis of the Economic Cooperation Organization, which brings together ten non-Arab Muslim countries: Iran, Pakistan, Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Tadjikistan, Uzbekistan and Afghanistan. One impetus to the revival and expansion of this organization, founded originally in the 1960 by Turkey, Pakistan and Iran, is the realization by the leaders of several of these countries that they had no chance of admission to the European Community. Similarly, Caricom, the Central American Common Market and Mercosur rest on common cultural foundations. Efforts to build a broader Caribbean-Central American economic entity bridging the Anglo-Latin divide, however, have to date failed.

As people define their identity in ethnic and religious terms, they are likely to see an "us" versus "them" relation existing between themselves and people of different ethnicity or religion. The end of ideologically defined states in Eastern Europe and the former Soviet Union permits traditional ethnic identities and animosities to come to the fore. Differences in culture and religion create differences over policy issues, ranging from human rights to immigration to trade and commerce to the environment. Geographical propinquity gives rise to conflicting territorial claims from Bosnia to Mindanao. Most important, the efforts of the West to promote its values of democracy and liberalism as universal values, to maintain its military predominance and to advance its economic interests engender countering responses from other civilizations. Decreasingly able to mobilize support and form coalitions on the basis of ideology, governments and groups will increasingly attempt to mobilize support by appealing to common religion and civilization identity.

The clash of civilizations thus occurs at two levels. At the micro- level, adjacent groups along the fault lines between civilizations struggle, often violently, over the control of territory and each other. At the macro-level, states from different civilizations compete for relative military and economic power, struggle over the control of international institutions and third parties, and competitively promote their particular political and religious values.

THE FAULT LINES BETWEEN CIVILIZATIONS

The fault lines between civilizations are replacing the political and ideological boundaries of

the Cold War as the flash points for crisis and bloodshed. The Cold War began when the Iron Curtain divided Europe politically and ideologically. The Cold War ended with the end of the Iron Curtain. As the ideological division of Europe has disappeared, the cultural division of Europe between Western Christianity, on the one hand, and Orthodox Christianity and Islam, on the other, has reemerged. The most significant dividing line in Europe, as William Wallace has suggested, may well be the eastern boundary of Western Christianity in the year 1500. This line runs along what are now the boundaries between Finland and Russia and between the Baltic states and Russia, cuts through Belarus and Ukraine separating the more Catholic western Ukraine from Orthodox eastern Ukraine, swings westward separating Transylvania from the rest of Romania, and then goes through Yugoslavia almost exactly along the line now separating Croatia and Slovenia from the rest of Yugoslavia. In the Balkans this line, of course, coincides with the historic boundary between the Hapsburg and Ottoman empires. The peoples to the north and west of this line are Protestant or Catholic; they shared the common experiences of European history--feudalism, the Renaissance, the Reformation, the Enlightenment, the French Revolution, the Industrial Revolution; they are generally economically better off than the peoples to the east; and they may now look forward to increasing involvement in a common European economy and to the consolidation of democratic political systems. The peoples to the east and south of this line are Orthodox or Muslim; they historically belonged to the Ottoman or Tsarist empires and were only lightly touched by the shaping events in the rest of Europe; they are generally less advanced economically; they seem much less likely to develop stable democratic political systems. The Velvet Curtain of culture has replaced the Iron Curtain of ideology as the most significant dividing line in Europe. As the events in Yugoslavia show, it is not only a line of difference; it is also at times a line of bloody conflict.

Conflict along the fault line between Western and Islamic civilizations has been going on for 1,300 years. After the founding of Islam, the Arab and Moorish surge west and north only ended at Tours in 732. From the eleventh to the thirteenth century the Crusaders attempted with temporary success to bring Christianity and Christian rule to the Holy Land. From the fourteenth to the seventeenth century, the Ottoman Turks reversed the balance, extended their sway over the Middle East and the Balkans, captured Constantinople, and twice laid siege to Vienna. In the nineteenth and early twentieth centuries as Ottoman power declined Britain, France, and Italy established Western control over most of North Africa and the Middle East.

After World War II, the West, in turn, began to retreat; the colonial empires disappeared; first Arab nationalism and then Islamic fundamentalism manifested themselves; the West became heavily dependent on the Persian Gulf countries for its energy; the oil-rich Muslim countries became money-rich and, when they wished to, weapons-rich. Several wars occurred between Arabs and Israel (created by the West). France fought a bloody and ruthless war in Algeria for most of the 1950s; British and French forces invaded Egypt in 1956; American forces went into Lebanon in 1958; subsequently American forces returned to Lebanon, attacked Libya, and engaged in various military encounters with Iran; Arab and Islamic terrorists, supported by at least three Middle Eastern governments, employed the weapon of the weak and bombed Western planes and installations and seized Western hostages. This warfare between Arabs and the West culminated in 1990, when the United States sent a massive army to the Persian Gulf to defend some Arab countries against

aggression by another. In its aftermath NATO planning is increasingly directed to potential threats and instability along its "southern tier."

This centuries-old military interaction between the West and Islam is unlikely to decline. It could become more virulent. The Gulf War left some Arabs feeling proud that Saddam Hussein had attacked Israel and stood up to the West. It also left many feeling humiliated and resentful of the West's military presence in the Persian Gulf, the West's overwhelming military dominance, and their apparent inability to shape their own destiny. Many Arab countries, in addition to the oil exporters, are reaching levels of economic and social development where autocratic forms of government become inappropriate and efforts to introduce democracy become stronger. Some openings in Arab political systems have already occurred. The principal beneficiaries of these openings have been Islamist movements. In the Arab world, in short, Western democracy strengthens anti-Western political forces. This may be a passing phenomenon, but it surely complicates relations between Islamic countries and the West.

Those relations are also complicated by demography. The spectacular population growth in Arab countries, particularly in North Africa, has led to increased migration to Western Europe. The movement within Western Europe toward minimizing internal boundaries has sharpened political sensitivities with respect to this development. In Italy, France and Germany, racism is increasingly open, and political reactions and violence against Arab and Turkish migrants have become more intense and more widespread since 1990.

On both sides the interaction between Islam and the West is seen as a clash of civilizations. The West's "next confrontation," observes M. J. Akbar, an Indian Muslim author, "is definitely going to come from the Muslim world. It is in the sweep of the Islamic nations from the Maghreb to Pakistan that the struggle for a new world order will begin." Bernard Lewis comes to a similar conclusion:

We are facing a mood and a movement far transcending the level of issues and policies and the governments that pursue them. This is no less than a clash of civilizations--the perhaps irrational but surely historic reaction of an ancient rival against our Judeo-Christian heritage, our secular present, and the worldwide expansion of both.(2)

Historically, the other great antagonistic interaction of Arab Islamic civilization has been with the pagan, animist, and now increasingly Christian black peoples to the south. In the past, this antagonism was epitomized in the image of Arab slave dealers and black slaves. It has been reflected in the on-going civil war in the Sudan between Arabs and blacks, the fighting in Chad between Libyan-supported insurgents and the government, the tensions between Orthodox Christians and Muslims in the Horn of Africa, and the political conflicts, recurring riots and communal violence between Muslims and Christians in Nigeria. The modernization of Africa and the spread of Christianity are likely to enhance the probability of violence along this fault line. Symptomatic of the intensification of this conflict was the Pope John Paul II's speech in Khartoum in February 1993 attacking the actions of the Sudan's Islamist government against the Christian minority there.

On the northern border of Islam, conflict has increasingly erupted between Orthodox and Muslim peoples, including the carnage of Bosnia and Sarajevo, the simmering violence between Serb and Albanian, the tenuous relations between Bulgarians and their Turkish minority, the violence between Ossetians and Ingush, the unremitting slaughter of each other by Armenians and Azeris, the tense relations between Russians and Muslims in Central Asia, and the deployment of Russian troops to protect Russian interests in the Caucasus and Central Asia. Religion reinforces the revival of ethnic identities and restimulates Russian fears about the security of their southern borders. This concern is well captured by Archie Roosevelt:

Much of Russian history concerns the struggle between the Slavs and the Turkic peoples on their borders, which dates back to the foundation of the Russian state more than a thousand years ago. In the Slavs' millennium-long confrontation with their eastern neighbors lies the key to an understanding not only of Russian history, but Russian character. To understand Russian realities today one has to have a concept of the great Turkic ethnic group that has preoccupied Russians through the centuries.(3)

The conflict of civilizations is deeply rooted elsewhere in Asia. The historic clash between Muslim and Hindu in the subcontinent manifests itself now not only in the rivalry between Pakistan and India but also in intensifying religious strife within India between increasingly militant Hindu groups and India's substantial Muslim minority. The destruction of the Ayodhya mosque in December 1992 brought to the fore the issue of whether India will remain a secular democratic state or become a Hindu one. In East Asia, China has outstanding territorial disputes with most of its neighbors. It has pursued a ruthless policy toward the Buddhist people of Tibet, and it is pursuing an increasingly ruthless policy toward its Turkic-Muslim minority. With the Cold War over, the underlying differences between China and the United States have reasserted themselves in areas such as human rights, trade and weapons proliferation. These differences are unlikely to moderate. A "new cold war," Deng Xiaoping reportedly asserted in 1991, is under way between China and America.

The same phrase has been applied to the increasingly difficult relations between Japan and the United States. Here cultural difference exacerbates economic conflict. People on each side allege racism on the other, but at least on the American side the antipathies are not racial but cultural. The basic values, attitudes, behavioral patterns of the two societies could hardly be more different. The economic issues between the United States and Europe are no less serious than those between the United States and Japan, but they do not have the same political salience and emotional intensity because the differences between American culture and European culture are so much less than those between American civilization and Japanese civilization.

The interactions between civilizations vary greatly in the extent to which they are likely to be characterized by violence. Economic competition clearly predominates between the American and European subcivilizations of the West and between both of them and Japan. On the Eurasian continent, however, the proliferation of ethnic conflict, epitomized at the extreme in "ethnic cleansing," has not been totally random. It has been most frequent and

most violent between groups belonging to different civilizations. In Eurasia the great historic fault lines between civilizations are once more aflame. This is particularly true along the boundaries of the crescent-shaped Islamic bloc of nations from the bulge of Africa to central Asia. Violence also occurs between Muslims, on the one hand, and Orthodox Serbs in the Balkans, Jews in Israel, Hindus in India, Buddhists in Burma and Catholics in the Philippines. Islam has bloody borders.

CIVILIZATION RALLYING: THE KIN-COUNTRY SYNDROME

Groups or states belonging to one civilization that become involved in war with people from a different civilization naturally try to rally support from other members of their own civilization. As the post-Cold War world evolves, civilization commonality, what H. D. S. Greenway has termed the "kin-country" syndrome, is replacing political ideology and traditional balance of power considerations as the principal basis for cooperation and coalitions. It can be seen gradually emerging in the post-Cold War conflicts in the Persian Gulf, the Caucasus and Bosnia. None of these was a full-scale war between civilizations, but each involved some elements of civilizational rallying, which seemed to become more important as the conflict continued and which may provide a foretaste of the future.

First, in the Gulf War one Arab state invaded another and then fought a coalition of Arab, Western and other states. While only a few Muslim governments overtly supported Saddam Hussein, many Arab elites privately cheered him on, and he was highly popular among large sections of the Arab publics. Islamic fundamentalist movements universally supported Iraq rather than the Western-backed governments of Kuwait and Saudi Arabia. Forswearing Arab nationalism, Saddam Hussein explicitly invoked an Islamic appeal. He and his supporters attempted to define the war as a war between civilizations. "It is not the world against Iraq," as Safar Al-Hawali, dean of Islamic Studies at the Umm Al-Qura University in Mecca, put it in a widely circulated tape. "It is the West against Islam." Ignoring the rivalry between Iran and Iraq, the chief Iranian religious leader, Ayatollah Ali Khamenei, called for a holy war against the West: "The struggle against American aggression, greed, plans and policies will be counted as a jihad, and anybody who is killed on that path is a martyr." "This is a war," King Hussein of Jordan argued, "against all Arabs and all Muslims and not against Iraq alone."

The rallying of substantial sections of Arab elites and publics behind Saddam Hussein caused those Arab governments in the anti-Iraq coalition to moderate their activities and temper their public statements. Arab governments opposed or distanced themselves from subsequent Western efforts to apply pressure on Iraq, including enforcement of a no-fly zone in the summer of 1992 and the bombing of Iraq in January 1993. The Western-Soviet-Turkish-Arab anti-Iraq coalition of 1990 had by 1993 become a coalition of almost only the West and Kuwait against Iraq.

Muslims contrasted Western actions against Iraq with the West's failure to protect Bosnians against Serbs and to impose sanctions on Israel for violating U.N. resolutions. The West, they alleged, was using a double standard. A world of clashing civilizations, however, is

inevitably a world of double standards: people apply one standard to their kin- countries and a different standard to others.

Second, the kin-country syndrome also appeared in conflicts in the former Soviet Union. Armenian military successes in 1992 and 1993 stimulated Turkey to become increasingly supportive of its religious, ethnic and linguistic brethren in Azerbaijan. "We have a Turkish nation feeling the same sentiments as the Azerbaijanis," said one Turkish official in 1992. "We are under pressure. Our newspapers are full of the photos of atrocities and are asking us if we are still serious about pursuing our neutral policy. Maybe we should show Armenia that there's a big Turkey in the region." President Turgut Ozal agreed, remarking that Turkey should at least "scare the Armenians a little bit." Turkey, Ozal threatened again in 1993, would "show its fangs." Turkish Air Force jets flew reconnaissance flights along the Armenian border; Turkey suspended food shipments and air flights to Armenia; and Turkey and Iran announced they would not accept dismemberment of Azerbaijan. In the last years of its existence, the Soviet government supported Azerbaijan because its government was dominated by former communists. With the end of the Soviet Union, however, political considerations gave way to religious ones. Russian troops fought on the side of the Armenians, and Azerbaijan accused the "Russian government of turning 180 degrees" toward support for Christian Armenia.

Third, with respect to the fighting in the former Yugoslavia, Western publics manifested sympathy and support for the Bosnian Muslims and the horrors they suffered at the hands of the Serbs. Relatively little concern was expressed, however, over Croatian attacks on Muslims and participation in the dismemberment of Bosnia-Herzegovina. In the early stages of the Yugoslav breakup, Germany, in an unusual display of diplomatic initiative and muscle, induced the other 11 members of the European Community to follow its lead in recognizing Slovenia and Croatia. As a result of the pope's determination to provide strong backing to the two Catholic countries, the Vatican extended recognition even before the Community did. The United States followed the European lead. Thus the leading actors in Western civilization rallied behind their coreligionists. Subsequently Croatia was reported to be receiving substantial quantities of arms from Central European and other Western countries. Boris Yeltsin's government, on the other hand, attempted to pursue a middle course that would be sympathetic to the Orthodox Serbs but not alienate Russia from the West. Russian conservative and nationalist groups, however, including many legislators, attacked the government for not being more forthcoming in its support for the Serbs. By early 1993 several hundred Russians apparently were serving with the Serbian forces, and reports circulated of Russian arms being supplied to Serbia.

Islamic governments and groups, on the other hand, castigated the West for not coming to the defense of the Bosnians. Iranian leaders urged Muslims from all countries to provide help to Bosnia; in violation of the U.N. arms embargo, Iran supplied weapons and men for the Bosnians; Iranian-supported Lebanese groups sent guerrillas to train and organize the Bosnian forces. In 1993 up to 4,000 Muslims from over two dozen Islamic countries were reported to be fighting in Bosnia. The governments of Saudi Arabia and other countries felt under increasing pressure from fundamentalist groups in their own societies to provide more vigorous support for the Bosnians. By the end of 1992, Saudi Arabia had reportedly supplied substantial funding for weapons and supplies for the Bosnians, which significantly increased

their military capabilities vis-a-vis the Serbs.

In the 1930s the Spanish Civil War provoked intervention from countries that politically were fascist, communist and democratic. In the 1990s the Yugoslav conflict is provoking intervention from countries that are Muslim, Orthodox and Western Christian. The parallel has not gone unnoticed. "The war in Bosnia-Herzegovina has become the emotional equivalent of the fight against fascism in the Spanish Civil War," one Saudi editor observed. "Those who died there are regarded as martyrs who tried to save their fellow Muslims."

Conflicts and violence will also occur between states and groups within the same civilization. Such conflicts, however, are likely to be less intense and less likely to expand than conflicts between civilizations. Common membership in a civilization reduces the probability of violence in situations where it might otherwise occur. In 1991 and 1992 many people were alarmed by the possibility of violent conflict between Russia and Ukraine over territory, particularly Crimea, the Black Sea fleet, nuclear weapons and economic issues. If civilization is what counts, however, the likelihood of violence between Ukrainians and Russians should be low. They are two Slavic, primarily Orthodox peoples who have had close relationships with each other for centuries. As of early 1993, despite all the reasons for conflict, the leaders of the two countries were effectively negotiating and defusing the issues between the two countries. While there has been serious fighting between Muslims and Christians elsewhere in the former Soviet Union and much tension and some fighting between Western and Orthodox Christians in the Baltic states, there has been virtually no violence between Russians and Ukrainians.

Civilization rallying to date has been limited, but it has been growing, and it clearly has the potential to spread much further. As the conflicts in the Persian Gulf, the Caucasus and Bosnia continued, the positions of nations and the cleavages between them increasingly were along civilizational lines. Populist politicians, religious leaders and the media have found it a potent means of arousing mass support and of pressuring hesitant governments. In the coming years, the local conflicts most likely to escalate into major wars will be those, as in Bosnia and the Caucasus, along the fault lines between civilizations. The next world war, if there is one, will be a war between civilizations.

THE WEST VERSUS THE REST

The west is now at an extraordinary peak of power in relation to other civilizations. Its superpower opponent has disappeared from the map. Military conflict among Western states is unthinkable, and Western military power is unrivaled. Apart from Japan, the West faces no economic challenge. It dominates international political and security institutions and with Japan international economic institutions. Global political and security issues are effectively settled by a directorate of the United States, Britain and France, world economic issues by a directorate of the United States, Germany and Japan, all of which maintain extraordinarily close relations with each other to the exclusion of lesser and largely non-Western countries. Decisions made at the U.N. Security Council or in the International Monetary Fund that

reflect the interests of the West are presented to the world as reflecting the desires of the world community. The very phrase "the world community" has become the euphemistic collective noun (replacing "the Free World") to give global legitimacy to actions reflecting the interests of the United States and other Western powers.⁽⁴⁾ Through the IMF and other international economic institutions, the West promotes its economic interests and imposes on other nations the economic policies it thinks appropriate. In any poll of non-Western peoples, the IMF undoubtedly would win the support of finance ministers and a few others, but get an overwhelmingly unfavorable rating from just about everyone else, who would agree with Georgy Arbatov's characterization of IMF officials as "neo-Bolsheviks who love expropriating other people's money, imposing undemocratic and alien rules of economic and political conduct and stifling economic freedom."

Western domination of the U.N. Security Council and its decisions, tempered only by occasional abstention by China, produced U.N. legitimation of the West's use of force to drive Iraq out of Kuwait and its elimination of Iraq's sophisticated weapons and capacity to produce such weapons. It also produced the quite unprecedented action by the United States, Britain and France in getting the Security Council to demand that Libya hand over the Pan Am 103 bombing suspects and then to impose sanctions when Libya refused. After defeating the largest Arab army, the West did not hesitate to throw its weight around in the Arab world. The West in effect is using international institutions, military power and economic resources to run the world in ways that will maintain Western predominance, protect Western interests and promote Western political and economic values.

That at least is the way in which non-Westerners see the new world, and there is a significant element of truth in their view. Differences in power and struggles for military, economic and institutional power are thus one source of conflict between the West and other civilizations. Differences in culture, that is basic values and beliefs, are a second source of conflict. V. S. Naipaul has argued that Western civilization is the "universal civilization" that "fits all men." At a superficial level much of Western culture has indeed permeated the rest of the world. At a more basic level, however, Western concepts differ fundamentally from those prevalent in other civilizations. Western ideas of individualism, liberalism, constitutionalism, human rights, equality, liberty, the rule of law, democracy, free markets, the separation of church and state, often have little resonance in Islamic, Confucian, Japanese, Hindu, Buddhist or Orthodox cultures. Western efforts to propagate such ideas produce instead a reaction against "human rights imperialism" and a reaffirmation of indigenous values, as can be seen in the support for religious fundamentalism by the younger generation in non-Western cultures. The very notion that there could be a "universal civilization" is a Western idea, directly at odds with the particularism of most Asian societies and their emphasis on what distinguishes one people from another. Indeed, the author of a review of 100 comparative studies of values in different societies concluded that "the values that are most important in the West are least important worldwide."⁽⁵⁾ In the political realm, of course, these differences are most manifest in the efforts of the United States and other Western powers to induce other peoples to adopt Western ideas concerning democracy and human rights. Modern democratic government originated in the West. When it has developed in non-Western societies it has usually been the product of Western colonialism or imposition.

The central axis of world politics in the future is likely to be, in Kishore Mahbubani's phrase,

the conflict between "the West and the Rest" and the responses of non-Western civilizations to Western power and values.⁽⁶⁾ Those responses generally take one or a combination of three forms. At one extreme, non-Western states can, like Burma and North Korea, attempt to pursue a course of isolation, to insulate their societies from penetration or "corruption" by the West, and, in effect, to opt out of participation in the Western-dominated global community. The costs of this course, however, are high, and few states have pursued it exclusively. A second alternative, the equivalent of "band-wagoning" in international relations theory, is to attempt to join the West and accept its values and institutions. The third alternative is to attempt to "balance" the West by developing economic and military power and cooperating with other non-Western societies against the West, while preserving indigenous values and institutions; in short, to modernize but not to Westernize.

THE TORN COUNTRIES

In the future, as people differentiate themselves by civilization, countries with large numbers of peoples of different civilizations, such as the Soviet Union and Yugoslavia, are candidates for dismemberment. Some other countries have a fair degree of cultural homogeneity but are divided over whether their society belongs to one civilization or another. These are torn countries. Their leaders typically wish to pursue a bandwagoning strategy and to make their countries members of the West, but the history, culture and traditions of their countries are non-Western. The most obvious and prototypical torn country is Turkey. The late twentieth-century leaders of Turkey have followed in the Attaturk tradition and defined Turkey as a modern, secular, Western nation state. They allied Turkey with the West in NATO and in the Gulf War; they applied for membership in the European Community. At the same time, however, elements in Turkish society have supported an Islamic revival and have argued that Turkey is basically a Middle Eastern Muslim society. In addition, while the elite of Turkey has defined Turkey as a Western society, the elite of the West refuses to accept Turkey as such. Turkey will not become a member of the European Community, and the real reason, as President Ozal said, "is that we are Muslim and they are Christian and they don't say that." Having rejected Mecca, and then being rejected by Brussels, where does Turkey look? Tashkent may be the answer. The end of the Soviet Union gives Turkey the opportunity to become the leader of a revived Turkic civilization involving seven countries from the borders of Greece to those of China. Encouraged by the West, Turkey is making strenuous efforts to carve out this new identity for itself.

During the past decade Mexico has assumed a position somewhat similar to that of Turkey. Just as Turkey abandoned its historic opposition to Europe and attempted to join Europe, Mexico has stopped defining itself by its opposition to the United States and is instead attempting to imitate the United States and to join it in the North American Free Trade Area. Mexican leaders are engaged in the great task of redefining Mexican identity and have introduced fundamental economic reforms that eventually will lead to fundamental political change. In 1991 a top adviser to President Carlos Salinas de Gortari described at length to me all the changes the Salinas government was making. When he finished, I remarked: "That's most impressive. It seems to me that basically you want to change Mexico from a Latin American country into a North American country." He looked at me with surprise and

exclaimed: "Exactly! That's precisely what we are trying to do, but of course we could never say so publicly." As his remark indicates, in Mexico as in Turkey, significant elements in society resist the redefinition of their country's identity. In Turkey, European-oriented leaders have to make gestures to Islam (Ozal's pilgrimage to Mecca); so also Mexico's North American-oriented leaders have to make gestures to those who hold Mexico to be a Latin American country (Salinas' Ibero-American Guadalajara summit).

Historically Turkey has been the most profoundly torn country. For the United States, Mexico is the most immediate torn country. Globally the most important torn country is Russia. The question of whether Russia is part of the West or the leader of a distinct Slavic-Orthodox civilization has been a recurring one in Russian history. That issue was obscured by the communist victory in Russia, which imported a Western ideology, adapted it to Russian conditions and then challenged the West in the name of that ideology. The dominance of communism shut off the historic debate over Westernization versus Russification. With communism discredited Russians once again face that question.

President Yeltsin is adopting Western principles and goals and seeking to make Russia a "normal" country and a part of the West. Yet both the Russian elite and the Russian public are divided on this issue. Among the more moderate dissenters, Sergei Stankevich argues that Russia should reject the "Atlanticist" course, which would lead it "to become European, to become a part of the world economy in rapid and organized fashion, to become the eighth member of the Seven, and to put particular emphasis on Germany and the United States as the two dominant members of the Atlantic alliance." While also rejecting an exclusively Eurasian policy, Stankevich nonetheless argues that Russia should give priority to the protection of Russians in other countries, emphasize its Turkic and Muslim connections, and promote "an appreciable redistribution of our resources, our options, our ties, and our interests in favor of Asia, of the eastern direction." People of this persuasion criticize Yeltsin for subordinating Russia's interests to those of the West, for reducing Russian military strength, for failing to support traditional friends such as Serbia, and for pushing economic and political reform in ways injurious to the Russian people. Indicative of this trend is the new popularity of the ideas of Petr Savitsky, who in the 1920s argued that Russia was a unique Eurasian civilization.⁽⁷⁾ More extreme dissidents voice much more blatantly nationalist, anti-Western and anti-Semitic views, and urge Russia to redevelop its military strength and to establish closer ties with China and Muslim countries. The people of Russia are as divided as the elite. An opinion survey in European Russia in the spring of 1992 revealed that 40 percent of the public had positive attitudes toward the West and 36 percent had negative attitudes. As it has been for much of its history, Russia in the early 1990s is truly a torn country.

To redefine its civilization identity, a torn country must meet three requirements. First, its political and economic elite has to be generally supportive of and enthusiastic about this move. Second, its public has to be willing to acquiesce in the redefinition. Third, the dominant groups in the recipient civilization have to be willing to embrace the convert. All three requirements in large part exist with respect to Mexico. The first two in large part exist with respect to Turkey. It is not clear that any of them exist with respect to Russia's joining the West. The conflict between liberal democracy and Marxism- Leninism was between ideologies which, despite their major differences, ostensibly shared ultimate goals of

freedom, equality and prosperity. A traditional, authoritarian, nationalist Russia could have quite different goals. A Western democrat could carry on an intellectual debate with a Soviet Marxist. It would be virtually impossible for him to do that with a Russian traditionalist. If, as the Russians stop behaving like Marxists, they reject liberal democracy and begin behaving like Russians but not like Westerners, the relations between Russia and the West could again become distant and conflictual.(8)

THE CONFUCIAN-ISLAMIC CONNECTION

The obstacles to non-Western countries joining the West vary considerably. They are least for Latin American and East European countries. They are greater for the Orthodox countries of the former Soviet Union. They are still greater for Muslim, Confucian, Hindu and Buddhist societies. Japan has established a unique position for itself as an associate member of the West: it is in the West in some respects but clearly not of the West in important dimensions. Those countries that for reason of culture and power do not wish to, or cannot, join the West compete with the West by developing their own economic, military and political power. They do this by promoting their internal development and by cooperating with other non-Western countries. The most prominent form of this cooperation is the Confucian-Islamic connection that has emerged to challenge Western interests, values and power.

Almost without exception, Western countries are reducing their military power; under Yeltsin's leadership so also is Russia. China, North Korea and several Middle Eastern states, however, are significantly expanding their military capabilities. They are doing this by the import of arms from Western and non-Western sources and by the development of indigenous arms industries. One result is the emergence of what Charles Krauthammer has called "Weapon States," and the Weapon States are not Western states. Another result is the redefinition of arms control, which is a Western concept and a Western goal. During the Cold War the primary purpose of arms control was to establish a stable military balance between the United States and its allies and the Soviet Union and its allies. In the post-Cold War world the primary objective of arms control is to prevent the development by non-Western societies of military capabilities that could threaten Western interests. The West attempts to do this through international agreements, economic pressure and controls on the transfer of arms and weapons technologies.

The conflict between the West and the Confucian-Islamic states focuses largely, although not exclusively, on nuclear, chemical and biological weapons, ballistic missiles and other sophisticated means for delivering them, and the guidance, intelligence and other electronic capabilities for achieving that goal. The West promotes nonproliferation as a universal norm and nonproliferation treaties and inspections as means of realizing that norm. It also threatens a variety of sanctions against those who promote the spread of sophisticated weapons and proposes some benefits for those who do not. The attention of the West

focuses, naturally, on nations that are actually or potentially hostile to the West.

The non-Western nations, on the other hand, assert their right to acquire and to deploy whatever weapons they think necessary for their security. They also have absorbed, to the full, the truth of the response of the Indian defense minister when asked what lesson he learned from the Gulf War: "Don't fight the United States unless you have nuclear weapons." Nuclear weapons, chemical weapons and missiles are viewed, probably erroneously, as the potential equalizer of superior Western conventional power. China, of course, already has nuclear weapons; Pakistan and India have the capability to deploy them. North Korea, Iran, Iraq, Libya and Algeria appear to be attempting to acquire them. A top Iranian official has declared that all Muslim states should acquire nuclear weapons, and in 1988 the president of Iran reportedly issued a directive calling for development of "offensive and defensive chemical, biological and radiological weapons."

Centrally important to the development of counter-West military capabilities is the sustained expansion of China's military power and its means to create military power. Buoyed by spectacular economic development, China is rapidly increasing its military spending and vigorously moving forward with the modernization of its armed forces. It is purchasing weapons from the former Soviet states; it is developing long-range missiles; in 1992 it tested a one-megaton nuclear device. It is developing power-projection capabilities, acquiring aerial refueling technology, and trying to purchase an aircraft carrier. Its military buildup and assertion of sovereignty over the South China Sea are provoking a multilateral regional arms race in East Asia. China is also a major exporter of arms and weapons technology. It has exported materials to Libya and Iraq that could be used to manufacture nuclear weapons and nerve gas. It has helped Algeria build a reactor suitable for nuclear weapons research and production. China has sold to Iran nuclear technology that American officials believe could only be used to create weapons and apparently has shipped components of 300-mile-range missiles to Pakistan. North Korea has had a nuclear weapons program under way for some while and has sold advanced missiles and missile technology to Syria and Iran. The flow of weapons and weapons technology is generally from East Asia to the Middle East. There is, however, some movement in the reverse direction; China has received Stinger missiles from Pakistan.

A Confucian-Islamic military connection has thus come into being, designed to promote acquisition by its members of the weapons and weapons technologies needed to counter the military power of the West. It may or may not last. At present, however, it is, as Dave McCurdy has said, "a renegades' mutual support pact, run by the proliferators and their backers." A new form of arms competition is thus occurring between Islamic-Confucian states and the West. In an old-fashioned arms race, each side developed its own arms to balance or to achieve superiority against the other side. In this new form of arms competition, one side is developing its arms and the other side is attempting not to balance but to limit and prevent that arms build-up while at the same time reducing its own military capabilities.

IMPLICATIONS FOR THE WEST

This article does not argue that civilization identities will replace all other identities, that

nation states will disappear, that each civilization will become a single coherent political entity, that groups within a civilization will not conflict with and even fight each other. This paper does set forth the hypotheses that differences between civilizations are real and important; civilization- consciousness is increasing; conflict between civilizations will supplant ideological and other forms of conflict as the dominant global form of conflict; international relations, historically a game played out within Western civilization, will increasingly be de-Westernized and become a game in which non-Western civilizations are actors and not simply objects; successful political, security and economic international institutions are more likely to develop within civilizations than across civilizations; conflicts between groups in different civilizations will be more frequent, more sustained and more violent than conflicts between groups in the same civilization; violent conflicts between groups in different civilizations are the most likely and most dangerous source of escalation that could lead to global wars; the paramount axis of world politics will be the relations between "the West and the Rest"; the elites in some torn non-Western countries will try to make their countries part of the West, but in most cases face major obstacles to accomplishing this; a central focus of conflict for the immediate future will be between the West and several Islamic- Confucian states.

This is not to advocate the desirability of conflicts between civilizations. It is to set forth descriptive hypotheses as to what the future may be like. If these are plausible hypotheses, however, it is necessary to consider their implications for Western policy. These implications should be divided between short-term advantage and long- term accommodation. In the short term it is clearly in the interest of the West to promote greater cooperation and unity within its own civilization, particularly between its European and North American components; to incorporate into the West societies in Eastern Europe and Latin America whose cultures are close to those of the West; to promote and maintain cooperative relations with Russia and Japan; to prevent escalation of local inter-civilization conflicts into major inter-civilization wars; to limit the expansion of the military strength of Confucian and Islamic states; to moderate the reduction of Western military capabilities and maintain military superiority in East and Southwest Asia; to exploit differences and conflicts among Confucian and Islamic states; to support in other civilizations groups sympathetic to Western values and interests; to strengthen international institutions that reflect and legitimate Western interests and values and to promote the involvement of non-Western states in those institutions

In the longer term other measures would be called for. Western civilization is both Western and modern. Non-Western civilizations have attempted to become modern without becoming Western. To date only Japan has fully succeeded in this quest. Non-Western civilizations will continue to attempt to acquire the wealth, technology, skills, machines and weapons that are part of being modern. They will also attempt to reconcile this modernity with their traditional culture and values. Their economic and military strength relative to the West will increase. Hence the West will increasingly have to accommodate these non-Western modern civilizations whose power approaches that of the West but whose values and interests differ significantly from those of the West. This will require the West to maintain the economic and military power necessary to protect its interests in relation to these civilizations. It will also, however, require the West to develop a more profound understanding of the basic religious and philosophical assumptions underlying other

civilizations and the ways in which people in those civilizations see their interests. It will require an effort to identify elements of commonality between Western and other civilizations. For the relevant future, there will be no universal civilization, but instead a world of different civilizations, each of which will have to learn to coexist with the others.

(1) Murray Weidenbaum, *Greater China: The Next Economic Superpower?*, St. Louis: Washington University Center for the Study of American Business, Contemporary Issues, Series 57, February 1993, pp. 2-3.

(2) Bernard Lewis, "The Roots of Muslim Rage," *The Atlantic Monthly*, vol. 266, September 1990, p. 60; *Time*, June 15, 1992, pp. 24-28.

(3) Archie Roosevelt, *For Lust of Knowing*, Boston: Little, Brown, 1988, PP 332-333.

(4) Almost invariably Western leaders claim they are acting on behalf of "the world community." One minor lapse occurred during the run-up to the Gulf War. In an interview on "Good Morning America," Dec. 21, 1990, British Prime Minister John Major referred to the actions "the West" was taking against Saddam Hussein. He quickly corrected himself and subsequently referred to "the world community." He was, however, right when he erred.

(5) Harry C. Triandis, *The New York Times*, Dec. 28, 1990, p. 41, and "Cross-Cultural Studies of Individualism and Collectivism," *Nebraska Symposium on Motivation*, vol. 37, 1989, pp. 41-133.

(6) Kishore Mahbubani, "The West and the Rest," *The National Interest*, Summer 1992, pp. 3-13.

(7) Sergei Stankevich, "Russia in Search of Itself," *The National Interest*, Summer 1992, pp. 47-51; Daniel Schneider, "A Russian Movement Rejects Western Tilt," *Christian Science Monitor*, Feb. 5, 1993, pp. 5-7.

(8) Owen Harries has pointed out that Australia is trying (unwisely in his view) to become a torn country in reverse. Although it has been a full member not only of the West but also of the ABCA military and intelligence core of the West, its current leaders are in effect proposing that it defect from the West, redefine itself as an Asian country and cultivate close ties with its neighbors. Australia's future, they argue, is with the dynamic economies of East Asia. But, as I have suggested, close economic cooperation normally requires a common cultural base. In addition, none of the three conditions necessary for a torn country to join another civilization is likely to exist in Australia's case.

Samuel P. Huntington is the Eaton Professor of the Science of Government and Director of the John M. Olin Institute for Strategic Studies at Harvard University. This article is the product of the Olin Institute's project on "The Changing Security Environment and American National Interests."

July 20, 1993

Vince Foster, Deputy White House Counsel and former partner of Webster Hubbell and Hillary Clinton at the Rose law firm. Lloyd Cutler of Wilmer Cutler & Pickering and member of the board of NHP comes to the White House to serve as Deputy White House Counsel.

September 1993 Carlyle snags its highest profile investor to date when George Soros invests \$100 million in Carlyle Partners II, a fund that would go on to become the biggest and most successful of all Carlyle's funds. (Iron Triangle) Given who is enjoying the reinvestment of the profits of Soros' run on the British pound, the question remains – who provided the intelligence for Soros' run? Did Soros have access to PROMIS/ECHELON sourced information?

30-Sep-93

Hamilton is awarded its first advisory contract with the United States Department of Housing and Urban Development and its insurance arm, Federal Housing Administration ("HUD") through a competitive bidding process in response to an RFP issued by HUD in late 1992. Coopers & Lybrand is a sub-contractor. Rumors are that the competition was thin as other industry participants considered it not possible for HUD to do a loan sale program.

April 1993

Lou Gerstner leaves his job as chair of RJR Nabisco for KKR to become the chair of IBM. Approximately 9 years later, the European Union files a lawsuit alleging significant money laundering for organized crime networks orchestrated from the top of RJR Nabisco during Gerstner's tenure.

1993

Nelson Rockefeller, Jr. leaves his job as a special assistant at White House OMB where he worked for Robert Grady (and knew William Diefenderfer who Grady reported through to Darman) to become Special Assistant to Senator Bob Dole until 1996. Dole runs for and loses the Presidential Election in 1996.

Oct-93

HUD conducts a "reflector" sale of performing Single Family Section 221(g)(4) mortgages (that is, mortgages guaranteed by HUD and subsequently "put back" to the government by the lender pursuant to statutory provisions allowing the lenders to put them back) that had a \$90 million Unpaid Principal Balance ("UPB"). The aggregate purchase price of the loans was over \$84 million, equal to 85% of UPB, providing the government with savings of \$1.7 million (calculated as the excess purchase price over the "value to government"). The winners of this sale were First Boston, United Mortgage, and Kidder Peabody.

November 1993

Dillon Read, as agent, Concord, Concord II, Concord Japan, Lexington III and Lexington IV all purchase additional common stock in Cornell Corrections.

December 1993

Cornell Corrections closes their fiscal year with losses of \$915,000.

January 1, 1994

North American Free Trade Agreement (NAFTA) goes into effect creating a free trade sphere that links Canada, Mexico and the US.

February 4, 1994

HUD's new enforcement program, Operation Safe Home, is announced in the White House briefing room at a press conference lead by Vice President Al Gore, Secretary of HUD Henry Cisneros, Secretary of the Treasury, Lloyd Bentsen, Attorney General Janet Reno and Director of Drug Policy Lee Brown. They stress interagency cooperation – multiple swat teams and enforcement teams from DOJ, Treasury and HUD.

Cisneros describes the pending budget as follows “ In the HUD case, we are looking at some \$800 million or so dedicated to this initiative. About \$480 million of that is taking existing funds and more clearly putting and anticrime dimension targeting on the use of existing funds.”

Press questions are skeptical – with several questions about Vince Foster's death. There are several references to the Crime Bill – and how important it is for Clinton, Gore, Reno, and the Administration.

March 1994

Dillon Read, as agent, Concord II, Lexington III and Lexington IV all purchase additional common stock in Cornell Corrections.

March 1994 (I thought it was Dec or Jan?)

Catherine joins the Board of Directors of First American Corp. and First American Bancshares where she serves until 10/95. She is asked by Harry Albright who is the trustee appointed by the courts at Morgenthau's request. Harry is tussling with the DOJ Asset Forfeiture Fund who is trying to seize all the money in a way that will significantly reduce total amounts achievable on the final disposition and leave nothing for worldwide victims. The DOJ asset forfeiture fund's behavior is beyond Sheriff of Nottingham.

March 29, 1994

Janet Reno, Henry Cisneros, Director of the Office of National Drug Policy Lee Brown, and Assistant Secretary of Treasury Ron Noble hold a press conference in the White House Briefing Room. Reno discusses National Violent Crime Policy and the crime bill. Secretary Cisneros discusses Operation Safe Home's first month of operation –including multi-jurisdictional swats -- as well as \$232 million under a program known as Drug Elimination grants distributed to local housing authorities. Brown discusses HIDA programs—high intensity drug trafficking areas – four existing – Los Angeles, New York, Miami, Houston. A fifth was created in February in Washington-Baltimore region.

March 31, 1994 Cornell is reorganized from partnership to corporation with a roll up using an A share/B share model in 1995

1994 The Digital Telephony and Communications Privacy Improvement Act of 1994 is passed.

1994(?) - 1996 Ervin provides HUD with physical inspection services for multifamily properties

1994 Robert Rubin becomes Secretary of Treasury, moving over from the NEA at the White House.

1994 The FBI persuades Jean Duffy to return to Arkansas to help them investigate the train deaths of Kevin Ives and Don Henry. When the truth leads to Mena drug smuggling, the FBI backs off cold. Jean refuses to go away quietly this time, teaming up with Linda Ives to investigate and contributing to the 1996 video by Pat Matrisciana, Obstruction of Justice: The Mena Connection.

1994 Howard Glaser joins HUD in 1994 as Deputy Assistant Secretary of Community Planning and Development. After Andrew Cuomo becomes Secretary in late 1996, he then serve as Deputy General Counsel. His resume describes his responsibilities as "acting as the Secretary's chief legal advisor on regulations, legislation, and programs."

1994 Wackenhut Correction Corp goes public in \$75MM IPO – by 12/98, the stock is worth \$626MM. The offering is underwritten by Prudential Securities. Wackenhut Corp retains a controlling interest.

Inauguration of the Eurotunnel between France and England

The Uruguay Round of the GATT (General Agreement on Tariffs and Trade) successfully reaches its end. A new world trade order is established. GATT is being transformed into the World Trade Organization – WTO.

Feb-94 Operation Safe Home, a program run by the HUD Office of Inspector General ("OIG) to "combat violent crime in public and assisted housing," is begun. As part of this program, the HUD OIG coordinates with various federal, state and local enforcement task forces. Federal agencies that partner with HUD include FBI, Drug Enforcement Agency, Bureau of Alcohol, Tobacco and Firearms, IRS, Secret Service, US Marshall's Service, Postal Inspection Service, US Customs Service, Immigration and Naturalization Service and Department of Justice. The primary performance measures reported in the HUD OIG Semi-Annual Performance Report to Congress for this program are the total number of asset forfeitures/seizures, equity skimming collections and arrests. Subsequent intra agency efforts such as the "ACE" program sponsored by the Department of Justice are initiated by US Attorney's Offices, working with the DOJ Asset Forfeiture Fund, HUD OIG and HUD Office of General Counsel. The Operation Safe Home program is unusual in that it moves the agency auditor into the role of running a program and competing for program resources. The HUD loan sales program staff receives complaints from HUD OIG staff about the inclusion in the HUD loan sales of loans with respect to which the enforcement arms of HUD are conducting investigations. These complaints underscore the fact that the HUD-held mortgage portfolio provide enforcement opportunities for DOJ/US Attorney and HUD OIG and HUD General Counsel, and that the sale of loans from HUD's portfolio reduces the opportunities for enforcement staff to increase their performance measures (i.e., number of arrests, seizures and equity skimming collections). HUD OIG and General Counsel later request that loans be held out of sale, even though this would cost taxpayers

more. The enforcement position, reported to Catherine Austin Fitts by one of the loan staff involved, is that their goal is maximization of enforcement revenues, not maximization of total government revenues.

In later legal proceedings/depositions, John Ervin estimates that Ervin and Associates have referred \$40MM in equity skimming referrals to HUD OIG, HUD General Counsel and DOJ.

Feb 1994 Esmore Correctional Services, Inc. (now known as Correctional Services Corp) goes public in a \$5.2 million initial offering in which Janney Montgomery Scott (a subsidiary of Penn Mutual life Insurance) serves as managing underwriter.

This is another example of the extent to which the –before the industry has much of a track record, private prison companies were able to raise substantial sums of money in both the equity and debt markets with the help of major national and regional underwriter and lenders.

Mar-94

Issuance of "A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies."

14-Mar-94

Webster Hubbell resigns from his post at the Justice Department and later pleads guilty to over-billing at the Rose Law Firm.

26-Mar-94

A series of emails is exchanged between Hamilton and HUD loan asset sale team members regarding HUD's workout policy for loans that may be subject to future sale in HUD loan sales. Al Sullivan, the Director of Asset Management in the Office of Housing, suggests one alternative is to halt all workouts of loans identified for sale. The policy subsequently is adopted.

April 1994 Steven Fenster, AMS Board member and professor at the Harvard Business School, publishes a case study at Harvard on the Marriott Company restructuring.

April 1994

AMS proxy filing shows IBM and RCM in the institutional investors list as well as Pilgram Baxter in Wayne Pa and Wellington Management in Boston. Selin is now representing himself..In addition, Prudential Insurance Company now owns 6.4%.

Mid-1994

When the Department of Justice is not responsive to the Clinton White House's proposal to privatize federal prisons, Elaine Kamark, head of Gore's Office of Reengineering, intercedes with Jamie Gorelick, the Deputy Attorney General who oversees the day-to-day operations of the Justice Department. "I convinced Jamie to do more of it, Ms. Kamark recalled. After the Justice Department finally signed on to the plan, the proposal was buried deep in the Clinton's Administrations budget plan, presented to Congress in January 1995.

From Prisons for Profit, by Jeff Gerth and Stephen Labaton, the New York Times, November 24, 1995

Aug-94 HUD decides to implement a new loss mitigation program to be known as Special Workout Assistance Teams or "SWAT" Program. The purpose of the initiative is to identify troubled multifamily properties with physical and financial problems that require special attention and expertise and to bring in a team selected by HUD comprised of legal, accounting, management and other specialists to solve these problems.

Aug-94 HUD reassigns about \$90 million UPB of performing HUD-held multifamily loans to Fannie Mae with assistance of Hamilton as financial advisor.

1994 Donald Smaltz is named Independent Counsel to investigate Agriculture Secretary Mike Espy's alleged acceptance of gifts from individuals with business before his Department.

September 13, 1994

Clinton signs the Omnibus Crime Bill of 1994, including the Violent Crime Control & Enforcement Act of 1994 – It includes Title V, Authorizing \$10.5 Billion in Grants for Prison Constructions Based on Truth in Sentencing --

1995 \$232MM

1996 997.5MM

1997 1.3BB

1998 2.5BB

1999 2.7 BB

2000 2.3BB

Section 90205 of the Act amends the Asset Forfeiture Amendments Act of 1988 to provide for the use of certain unobligated balances remaining in the Special Forfeiture Fund for drug control activities of any Federal agency or State or local entity with responsibilities under the Strategy, subject to advance written approval of the House and Senate Appropriations. (Note from CAF – I believe this means that if Bond and Lewis had approved, that the asset forfeiture fund at DOJ run by DynCorp could have provided a funding mechanism for Operation Safe Home at HUD – including LEAP payments.

TITLE XVIII on Rural Crime – Subtitle A – Drug Trafficking in Rural Areas amends the Omnibus Act to authorize appropriations and increase the base allocation for rural drug enforcement assistance. Sec. 180102 Authorizes the Attorney General to establish a Rural Drug Enforcement Task Force in each of the Federal judicial districts which encompass significant rural lands. Specifics that assets seized as a result of investigations initiated by such a task force and forfeited under Federal law shall be used, consistent with the guidelines on equitable sharing established by the Attorney General and the Secretary of the Treasury, primarily to enhance the operations of the task force and its participating State and Local LEAs.

Act also funds 100,000 new local policemen.

There a significant number of community programs to fund CDC activities, including “Community Economic Partnership Investment Funds. And authorizes the Secretary of HHS to provide non refundable lines of credit to CDCS. – A veritable CDC pork fest.

(Note from CAF: As Rodney Jordon said, there is a ton of money for kids who are bad but no money for kids who are good)

Vice President Gore is credited with a major contribution to the bill.

In 1994, from the Contract with America, by the Republican Party, “[We promise to pass] {a}n anti-crime package including stronger truth-in-sentencing, “good faith” exclusionary rule exemptions, effective death penalty provisions, and cuts in social spending from this summer's “crime” bill to fund prison construction and additional law enforcement to keep people secure in their neighborhoods and kids safe in their schools.

From Prison Nation, P. 72,

According to Eric Sterling, the federal prison population doubled during Clinton's tenure.
1994

Congress passes the Law Enforcement Availability Pay Act of 1994 (“LEAP”). LEAP increased the work day of federal criminal investigators by two hours and awarded all investigators “availability pay” at the rate of 25% of their basic pay, thereby eliminating so-called “administratively uncontrollable overtime.” LEAP payments are the basis of a later scandal in the HUD OIG office where investigators attempt to have investigations designated criminal so they can be paid through LEAP and achieve significantly greater pay for wearing beepers on the weekend while “available.”

1994 Nick Brady starts Darby Overseas Investments with partner Richard Frank, a former top US representative to the World Bank.

March 1994 Dillon Read’s prison company, Cornell Corrections, acquires Eclectic Communications, Inc., the operator of 11 privatized institutional and pre-release facilities in California with an aggregate design capacity of 979 beds. Consideration for this acquisition was \$10.3million, consisting of \$6 million in cash, \$3.3 million of subordinated indebtedness, approximately \$700,000 of other long-term obligations.

April 199 Benjamin Civiletti becomes a director of Wackenhut Corrections Corporation. Civiletti, a former Attorney General of the United States, has been the managing partner of Venable, Baetjer and Howard, the Washington-Baltimore law firm, and since 1993, the Chairman of the firm.

May 1994 Hughes Space and Communication Company launches its own satellites (licensed as DirecTV) to compete with PanAmSat. Two years later in 1996, Hughes acquired its competitor by acquiring 81% of PanAmSat’ stock, thus giving Hughes (and its parent GM) control of all American satellite transmission with the exception of a small share of the market held by Echostar.

July 1994 Wackenhut Corrections goes public on the NASDAQ with an initial public offering of 2.2 million shares.

Oct-94 HUD sells over \$150 million in performing multifamily section 221(d)(4) loans with

Hamilton's assistance as financial advisor.

October 7, 1994

Sarah McClendon asks US President Bill Clinton about the Mena drug running operation during a White House Press conference. Clinton states, "we had nothing, zero, to do with it, and everybody who has ever looked into it, knows that." McClendon asked Clinton if he had been told that the drug and gun running "had to be in existence for National Security?" Clinton replied, "No, they didn't say anything to me about it. The airport in question, and all the events in question, were the subject of State and local inquiries. It was a matter primarily for federal jurisdiction, the state had based on what was in the jurisdiction of State law. The rest of it was under the jurisdiction of US Attorneys, who were appointed successively by previous administrations

Winter 1994 Fundraising for Carlyle II has achieved \$400 million and the target is raised to \$650 million with money coming in from American Airlines, Gannett and Citibank.

Nov-94 George W. Bush is elected Governor of Texas, defeating Ann Richards with 53% of the vote compared to her 46%.

Dec-94 A Washington Post article exposes a secret arms deal conducted by BDM, a Carlyle company. In the deal, BDM used the same arms broker from the Iran Contra scandal to arrange the transfer of Russian military equipment to the US.

December 1994 When Clinton became President, Webster Hubbell was appointed as associate attorney general; he was generally considered the third most powerful person in the Justice Department.

In [December 1994](#), Hubbell pleaded guilty to federal [mail fraud](#) and [tax evasion](#) charges connection with his handling of billing at the [Rose Law Firm](#). In [1995](#), he was sentenced to 21 months imprisonment.

1994 Congressman Jerry Lewis (R-San Bernadino, Ca) becomes Chair of the House Appropriations Subcommittee for HUD

Dec-94 The Kerry Company is awarded the first HUD SWAT contract.

Dec-94 Secretary Rubin leads effort to put together Mexican bailout package that saves numerous US investment houses and investors from losses on their investments in Mexican bonds during early 1995.

December-94 Cornell Corrections closes its fiscal year reporting losses of \$499,000.

1994 Cooper Lybrand Partners insist that prisons are the place to be to Catherine in a meeting regarding the HUD work.

1994 Ervin wins annual financial statement services contract – collecting property financial statements/audits on 30% of FHA/HUD multifamily properties – joint with Reznick, Fedder & Silverman. (<http://www.rfs.com>)

1994 Mark Swaney and the Arkansas Committee sue the Arkansas Development and Finance Authority for their auditors' papers. Ultimately, the Arkansas Supreme Court rules that state agencies have the burden of obtaining public documents held by private companies and making them available. As a result, in December 1994, Swaney accesses documents at ADFA's auditor Deloitte & Touche and discovers the Coral Reinsurance Deal

done by AFDA with AIG. He provides the documents to John Crudele of the New York Post.

January 6, 1995

John Crudele publishes a column on Coral, ADFA and AIG.

February 22, 1995

Strategic Investment Newsletter reports that the Clinton Administration has sent up a trial balloon in January on the possibility of nominating Greenburg, chair of AIG, as the new Director of CIA, replacing Woolsey. At the time Greenburg is also the chair of the NY Fed board.

March 5, 1995

Andrea Harter of the Democrat Gazette after a month long investigation into the Coral Reinsurance deal reveals even more extensive connections between AIG and the Arkansas Development and Finance Agency (ADFA includes the housing and housing bonds for Arkansas.) In the year preceding the purchase of Coral stock by ADFA, an AIG affiliate has managed over \$1 billion dollars worth of ADFA bond funds. (Note from CAF – when CAF visited Swaney in Arkansas, he indicated that the amount of housing bonds being issued were far greater than the houses scheduled to be built in Arkansas – that it appeared there was significant over issuance, allowing AIG to generate arbitrage earnings on bond funds.)

This information appears to affirm the importance that the Arkansas Committee, lead by Swaney is receiving that US intelligence community has indeed laundered money through ADFA and that the sale of bonds was one such way of doing so.

The largest bond dealer in Arkansas is Stephens.

In Jail Breaks, the Soros funded study of private industry finances published in October 2001 a survey of tax-exempt bonds underwritten in connection with private prisons found 22 tax exempt offerings =. The most active firms, who had also served as underwriters for stock offerings by private prison companies were

Stephens, Inc \$129MM raised in 5 offerings

Prudential Securities 115.1 million raised in 5 offerings.

Lehman Brothers \$93.5MM raised in 2 offerings

Job First also describes “about half a dozen of the prisons we studied got infrastructure assistance through grants from the US Department of Commerce, the Department of Housing and Urban Development or the Department of Agriculture.”

1995

Gary Gensler becomes co-head of Finance at Goldman Sachs.

Pug Winokur is named to the board of directors of the Harvard Management Company.

(One document indicates that Robert Rubin was the chair of Harvard Management before joining the Clinton Administration)

January 1995

In mid-1994 when the Department of Justice is not responsive to the Clinton White House's proposal to privatize federal prisons, Elaine Kamark, head of Gore's Office of Reengineering, intercedes with Jamie Gorelick, the Deputy Attorney General who oversees the day-to-day operations of the Justice Department. "I convinced Jamie to do more of it, Ms. Kamark recalled. After the Justice Department finally signed on to the plan, the proposal was buried deep in the Clinton's Administrations budget plan, presented to Congress in January 1995. It required that for new prisons to immediately come under private control in New York, California, Mississippi and Arkansas. The Bureau of Prisons estimated the plan would eliminate more than 1,600 new positions on its books. But officials in Arkansas and Mississippi objected to the change and helped persuade their senators to block the Administration from using money to hire companies to run the prisons in their states. Surprisingly, the proposal was also coolly received in the House, where Republicans have long sought to create new opportunities for businesses to take over government functions. Although the House included a scaled back version of the policy in its appropriation bill for the Justice Department in 1995, the Republicans said the Administration's plan had gone "too far too fast." Noting that the Bureau of Prisons had relative limited experience regarding the cost and performance of private prisons, "the report called for a comprehensive study of the policy's costs and benefits."

From Prisons for Profit, by Jeff Gerth and Stephen Labaton, the New York Times, November 24, 1995

January 29, 1995

The Washington Post pulls from publication "The Crimes of Mena" by Sally Denton and Rodger Morris. The article illuminates the arms trafficking operation run by Barry Seal at the Intermountain Regional Airport at Mena Arkansas while Clinton was governor and George H. W. Bush was VP and in charge of the NSC run by Oliver North during Iran-Contra. . Seal, who was assassinated in Feb 1986, was carrying a personal phone book that included George H. W. Bush's private phone number. Allegations are supported by IRS Agent Bill Duncan, Arkansas State Policy Investigator Russell Welch and numerous documentation, witnesses and investigations. Duncan testifies before Congress that the IRS "withdrew support for the operations (i.e. his investigations) and directed him to withhold information from Congress and perjure himself. Daniel Hopsicker is later to report in "Barry and the Boys" that Seals operation at Mena grosses as much as \$5 billion. The article is later published in Penthouse – reporting that western Arkansas had been a center of international drug smuggling during the 1980's and the headquarters of perhaps the biggest drug smuggling operation in history.

February 1995

Britain's Barings Bank (also claiming to be the Queen's bank) – and Dillon Read's lead investor" collapses – purportedly as a result of unauthorized trading in their Asian operation by a "lone trader" – Nick Leeson. Leeson the prior year had booked GBP 28.5MM in false profits.

1995

Goldman Sachs agrees to pay the Maxwell pension funds \$253 million in the settlement of a lawsuit over Goldman's role in Robert's Maxwell's illegal use of pension fund assets.

1995

An HUD Office of Inspector General ("OIG") staff member reports to Catherine Fitts that he was present at a meeting with Community Planning and Development Assistant Secretary Andrew Cuomo and the HUD Inspector General ("IG") at which Cuomo reported that he intended to "get rid of Hamilton and Fitts."

1995

Ivan Selin (PHD from Yale) leaves his position as Chairman of the Nuclear Regulatory Commission. The 1995 AMS Proxy shows him as owning 4.4% of the common stock and having an address of "2905 32nd Street, NW, Washington DC. His enumerate bio later shows him as being the Smithsonian Chair for the National Museum of History.

The 1995 AMS Proxy shows that Daniel J. Altobello is a director – he is Chairman of the Board of Caterair (since 1989), From 4/88 Mr. Altobello was EVP of Marriott Corp & President of Marriott Corp & President of Marriott Airport Operations.

Fred Malek of Thayer Capital Partners is Co-Chair of CB Commercial Real Estate Group, the former President of Marriott and a senior advisor to Carlyle from 81-88.

Fenster, still shown as a Visiting Professor, is also a director of Bloomberg.

1995

CCA acquires TransCor America, Inc., the nation's largest long-distance inmate transportation company.

1995

Dick Beattie is appointed to serve as Clinton's emissary for Cyprus and serves until 1997. When he returns to his practice of one of the top M&A attorney's at Simpson Thatcher in NY he eventually becomes Chairman of the firm.

Feb 1995

GAO puts HUD on High Risk List -- where it stays for many years.

June 1995 Steven Fenster dies; the 1996 AMS proxy shows Walker Lewis taking his place on the AMS board. The 1995 Proxy shows that the largest holder is Prudential Insurance Co of Newark, NJ with 5.6%. The largest holders in the 1996 Proxy are FMR Corp and William Blair of Chicago. Lewis serves as a senior advisor to Dillon Read from 1/95. Mr. Lewis, according to the Proxy had served as a director of AMS from 2/81 to 5/92. Lewis stays with Dillon Read until the 1998 Proxy shows his as joining Devon Value Advisors and leaving SBC Warburg Dillon Read as of 4/98

1995 ING takes over Barings and thus stake in Dillon Read (shortly afterwards DR partners increase their stake to 75%) ING Group is a Dutch insurance company/global financial services company based in Amsterdam in the Netherlands.

1995-2000

During this period private prison companies spend \$528,000 in federal campaign contributions. (Bailing Out Private Jails, by Judith Greene, PRISON NATION, p. 143)

April 17, 1995

President Clinton issues EO 12958 which modifies the management of “Controlled Access Programs” of the intelligence community. This effort to centralize projects funded by the official “black budget” was resisted by Defense and the intelligence community

April 19, 1995

Oklahoma City bombing. Hamilton was about to send out due diligence teams to collect files for loan sales for defaulted loans whose files were in the OK City field office. This included defaulted loans from Texas and Arkansas.

July 18, 1995

The Bank of England issues its report on the collapse of Barings

1995

Helen Dunlap (Deputy Assistant Secretary for Housing and head of the loan sales program) and Kathy Rock (FHA Comptroller) report to Catherine Fitts that the HUD IG has personally complained to them about the political pressure she has been receiving about HUD’s continued use of Hamilton as financial advisor. The complaints had no apparent relationship to the quality of Hamilton’s work.

November 1995

The American Assembly sponsors a follow on meeting to its April 1993 meeting, Interwoven Destinies. This one is “Improving the Economic Health of America’s Distressed Communities.” Catherine and Andrew Adelson give a presentation to the top foundations on e-villages. William Jordon from MelaNet and a Lotus executive are present. Barry Zigas says it was the most depressing presentations of his life. Apparently the thought that the poor can become independent through entrepreneurial means is highly depressing to Zigas and the group.

1995

In late 1994/early 1995, Hamilton agrees to assist NHP in doing a valuation for tax purposes to assist NHP in dividing the company into two parts, one designed to perform management functions and one for the purpose of holding real estate, so that it can take the management company public. As a condition to Hamilton’s agreement to perform the task, Hamilton requires that NHP agree that all work must be completed before Hamilton’s HUD contract requires it to deal in any way with Section 8 assisted mortgages. Hamilton imposes the condition in order to eliminate the possibility of any conflict of interest in its performance of

the government contract. Hamilton proceeds to build an extensive software tool that replicates NHP's portfolio, including all of NHP's properties, partnerships, and corporations. The valuation process teaches Harvard, NHP and Hamilton many things about the HUD Section 8 portfolio and about the Section 8 program industry stakeholders that were not known before. The simulation program that performed this task was made possible by the use of flexible software tools and detailed relational databases. NHP once again abrogates its word with Hamilton, insisting that Hamilton provide additional advisory support past the deadline. During the negotiation, Rod Heller becomes threatening in his statements before using another company.

NHP successfully executes its IPO in 1995 for \$159 MM.

1996

The Illegal Immigration Reform and Immigrant Responsibility Act and the Anti Terrorism and Effective Death Penalty Act, new laws passed by Congress in 1996, create a special population of prisoners – immigrant prisoners – whom the feds seem comfortable segregating from the rest of the prison population and turning over to private companies. (Bailing Out Private Jails, by Judith Greene, PRISON NATION, p. 143)

1996

Clinton determines that the aggregate CIA/intelligence budget can be disclosed. In 1997 the Federation of American Scientists Fiona's the CIA to disclose the secret combined appropriations for the intelligence community which compromises the CIA, NSA, NRO, DIA, NIMA and the intelligence branches of the air force, Navy and Army. He DCI refused and the case eventually went before a Federal Court. A Federal judge ruled against the government and for the fiscal year of 1997, the combined appropriations for the intelligence community was said to be \$26.6 billion.

1995 Charles Ruff leaves private practice as a partner at Covington & Burling to become DC Corporation Counsel.

“Over the next several years, prison organizing made slow progress while media coverage skyrocketed. In 1995, major papers ran a story about prison issues every few weeks. Soon it was once a week, then once a day and then we stopped trying to keep track. The coverage was driven in part by the work of Washington DC based groups like Justice Policy Institute and The Sentencing Project but equally important were the sheer volume of fascinating and scandalous stories generated by the nation's vast gulag.

(Campus Activism Defeats Multinational's Prison Profiteering, by Kevin Pranis, Prison Nation.)

SBC (UBS) acquires S.G. Warburg, London and renames it SBC Warburg, a division of Swiss Bank Corporation.

Corrections Corporation of America Proxy indicates that it's auditor is Arthur Anderson

Early 1996

John D. (“Jerry”) Hawke leaves Arnold & Porter, where he has served as Chairman of the firm from 1987 to 1995, to become Under Secretary of the Treasury for Domestic Finance.

Hawke graduated from Yale, served in the air force and attended Columbia Law. He was a law clerk for Judge Prettyman on the US Court of Appeals for the DC Circuit.

January 3. 1996

The Telecommunications Act of 1996 – the first major overhaul of US telecommunications policy in nearly 62 years is approved by Congress. It modifies earlier legislation, primarily the Communications Act of 1934. It was signed into law on Feb 8, 1996. As a result of this legislation, by 1999, 98% of homes had no choice in local service. The legislation regulates: broadcasting by over the air television and radio stations, cable television operators, satellite broadcasters and wire line telephone companies (local and long distance), wireless telephone companies and others. Clinton signs the bill on Feb 8. Bill Diefenderfer is an active lobbyist during the process. The Act eliminates major ownership restrictions for radio and TV groups auguring in a wave of corporate consolidation of media that effectively ends any utility of corporate funded news other than for the purpose of brainwashing and manipulation.

Feb-95

HUD finally issues a request for proposals (referred to in government contracting circles as an "RFP") for additional financial advisors to advise FHA on handling the burgeoning portfolio of defaulted HUD-held mortgage loans. Hamilton had recommended since 1994 that HUD hire additional financial advisors.

Feb-95

GAO puts HUD on its high-risk list.

Mar-95

HUD sells over \$900 million UPB in multifamily unsubsidized non-performing loans in HUD's first public loan sale in recent memory, termed the "Southeast Loan Sale" because of the location of the underlying properties. The aggregate purchase price of the loans was over \$700 million, equal to 79.82% of UPB, providing the government with savings of \$437.62 million ("savings" in this case referring to "credit subsidy" savings, which is calculated by comparison to the expected yield on this portfolio if it were held by HUD – HUD could expect a recovery rate of about 35% of UPB if the loans were not sold). There were 104 bidders and 12 winners in this auction, with GE Capital being the largest. The recovery rate and success of the sale astonished HUD, OMB, and the market and was widely attributed to the financial software innovations in the sale, including the design book, Internet and Bloomberg accessible low cost, high quality disclosure and the optimization model that permits buyers to self-stratify the portfolio. This allows many markets to compete against each other, driving prices way up on the sale. Harvard Endowment's Mike Eisenson complains about the sale to Catherine Austin Fitts before the bid, saying, "I don't like this [Hamilton's use of Bell Labs optimization technology to auction HUD mortgages] because the only way we can win is by paying more than our competitors. We prefer a bid process where we can win by 'gaming' it because we are 'smarter'." The Southeast sale also introduces the concept of "design books" in which software development procedures are applied to produce detailed documentation of all the steps in conducting a loan sale. The design book process enables staff from numerous HUD offices and field offices, as well as experts retained by Hamilton, to collaborate on-line in a final product owned by HUD. The process

of creating design book permits the loan sale team to simulate the loan sale in a way that resolves tensions and provides documentation for decisions made. The final design book produced for the Southeast sale is approximately 2,000 pages long. The design book is one of the key steps to building trust within the team conducting a highly complex transaction in an organization infamous for not being able to collaborate. It is one of the reasons that HUD was able to complete a sale that was not considered feasible by the industry and to execute it nearly flawlessly, producing astonishing performance in the marketplace at transactions costs substantially below those incurred by RTC and other government agencies for comparable transactions. The HUD loan sale design books are converted to HTML in 1996 and 1997 and posted on the web. For an example, see <http://www.solari.com/gideon/legal/background/DesidnBk/Home.htm>.

March 1995 Michael Lissak files a qui tam against numerous Wall Street firms, including Dillon Read for yield burning on municipal securities.

March 1995

University of Texas Investment Management Company UTIMCO, weeks after George W. Bush became governor of Texas, places a \$10 million investment in the Carlyle Group's Carlyle Partners, described as pursuing an investment strategy "focused upon the intersection of government and business" which up until 1994 employed the young Bush on the board of Caterair.

10-Apr-95

Barron's publishes an article about the Southeast Loan Sale, "Believe it or Not, HUD Finally Does Something Right for Taxpayers" by Jim McTague.

April 1995

AMS Proxy filing shows significant Carlyle ties at AMS...Rossotti, the chairman and Fred Malek, director are both directors of Caterair. Daniel J. Altobello, also a director is the President of Caterair. Caterair, with George W. Bush on the board, will be one of the biggest early losers in the Carlyle portfolio. The largest institutional holder of AMS in the 1995 proxy is Prudential Insurance Company of America which owns 5.6%. Prudential later buys the Washington Mortgage Group from NHP generating capital gains for Harvard and Pug Winokur. IBM is no longer represented in the holdings. RCM is no longer a holder. Price Waterhouse is reappointed as the auditor.

May 21, 1995

Les Aspin, Clinton's first Secretary of Defense, who left Defense on Feb 3, 1994 dies of a stroke.

24-May-95

David M. Barrett is appointed Independent Counsel to investigate Henry Cisneros for lying to the FBI in connection with his appointment as HUD Secretary. It is reported in the press at a later date that Barrett is providing these services at \$50 per hour.

June 1995 Clinton nominates Hawke as Undersecretary for Domestic Finance

July 1995 Sally Denton's and Roger Morris story on Mena Arkansas is published in *Penthouse* after having been axed by the *Washington Post* in January. A detailed report on Mena has run in the *Nation* in 1992

Summer 1995

Secretary Cisneros proposes legislation to implement the controversial "mark-to-market" program into Congress at the instigation of the DAS for Multifamily Housing, Helen Dunlap, with Hamilton's support as financial advisor. The response of the enforcement operations to the notion of on-line training that decreases default rates and losses on HUD's portfolio is typified by the response of one member of the HUD OIG staff: "Why should we give niggers computers when my kids don't even have them yet?"

Summer 1995

Hamilton starts a computer-learning center at Edgewood (a Washington, DC neighborhood) and begins training for the first class to seed Edgewood Technology Services in the fall. Fitts uses the early results to persuade HUD in August to initiate the Neighborhood Networks Program by issuing an administrative letter to HUD field offices that expands the definition of "multifamily housing" to include computer learning centers. (While loan sales improve the recovery rate on defaulted mortgages, the greatest savings will result from lowering the default rates that are occurring as a result of homeowners and tenants not being able to pay their mortgage and rents). This makes many billions of dollars of housing subsidy eligible to pay for computer-learning centers in privately owned apartment buildings. A highly capable and innovative team in the Seattle Field Office takes charge of the program, running the program from the field.

A representative of Bell Atlantic tells a member of Hamilton that the fiber optics will first go to K street, then to the Congress, then to the White House and then to government agencies and then to the suburbs and only then will they come to communities like Edgewood.

Jun-95

Clinton nominates John D. Hawke, Jr. as Under Secretary for Domestic Finance at the US Treasury. Hawke is a former Senior Partner at Arnold & Porter, where he headed the financial institutions practice and served as Chairman of the firm from 1987 to 1995. He served as General Counsel of the Federal Reserve from 1975-78. As Under Secretary, Hawke's role is to oversee policy and legislation in the areas of financial institutions, Treasury securities and public debt management, capital markets, government financial management services, federal lending, and government-sponsored enterprises.

17-Jun-95

"Blueprint for Reinvention of HUD," issued by Secretary Henry Cisneros, proposes sweeping changes in public housing, reform of FHA and consolidation of other programs into three block grants.

Jul-95

Sally Denton and Roger Morris's story on Mena, Arkansas, drawing from documents in Barry Seal's papers, is published in *Penthouse* after having been axed by the *Washington Post* in

January, shortly before publication. A detailed report on Mena had run in *The Nation* in early 1992.

6-Jul-95

Daniel Pearson is appointed Independent Counsel to investigate questionable business transactions by Commerce Secretary Ron Brown.

July 13, 1995

August Belmont IV, a former Dillon partner who served as President until his retirement in 1971, dies of a stroke in Easton, Maryland at the age of 86. (His grandfather, Belmont II, built the Belmont racetrack and bred Man O'War.) Belmont IV was chair of the Jockey Club and owner of the 1983 Belmont winner, Caveat.

1995

Carlyle buys Federal Data Corporation, a premier provider of information technology services to the US government. Federal Data has contracts with everyone from the Air Force to the IRS. Carlyle buys the company for under \$100MM and sells it to Northrop Grumman in 2000 for \$302MM. During the period its revenues grow from \$140 million to \$538 million.

August - October - 95

The HUD Denver (Rocky Mountain) Field Office Inspector General's Office team puts together audit objectives for the upcoming audit of the HUD loan sales program.

August 1995 The Neighborhood Networks letter to HUD field offices circulates. Adelson Entertainment makes a video about ETS. The idea for the video is a response to a dinner that Andy Adelson and Catherine Austin Fitts had with a TV producer then doing Newt Gingrich's TV show who took the position that black people including black children had bad values and we would be better if they died. Andy believed that if American's could meet the people at Edgewood, then the people at Edgewood could not be demonized. In the fall of 1995 Chris Greer, head of IG Audit, shows the video during a meeting of IG representatives from all over the country. The video is received like a dead duck by an organization that perceives its growth in budget and Leap payments (overtime payments) will come from Operation Safe Home, rounding up large amounts of young people in poor neighborhoods scheduled for gentrification for indictment and prosecution.

Hamilton board authorizes \$500,000 investment to fund the 50% partnership with Adelson Entertainment on the data servicing business and data servicing contracts to ETS.

A senior Clinton Administration official warns Catherine that black people are hopeless and she should concentrate on immigrant groups.

August 18, 1995

James Norman leaves his job as senior editor. His story "Fostergate" was published in Media Bypass with Forbes permission after Forbes spiked the story. From Barry & the Boys:

(Fostergate was...) about the death of Vince Foster which implicated Bush's Secretary of Defense Casper Weinberger in Barry Seal's drug smuggling operation. Called Fostergate, it was set to run until being pulled at the last minute despite Forbes own lawyers having cleared it. Editor Norman, it turned out, had sent a letter to the White House asking for comment on allegations that the recently deceased Forster had been involved on behalf of the NSA in a Stephens company, Systematics (now Alltel), a bank data processing company. According to Norman's article, Systematics was involved in a highly secretive intelligence effort to monitor world bank transactions and launder funds from covert operations, including drug and arms sales related to activities in and around Mena Arkansas. Norman's sources said Foster was linked to the NSA for decades via Systematics of Little Rock, Arkansas, which helped the NSA distribute software enabling them to tap into the computers of banks running it. "It was sort of a well known thing within the intelligence community that Systematics was, in effect, a cyber bank for the intelligence community, a money Laundromat for covert funds that the intelligence agency was moving around," stated one of Norman's spook sources. Norman's story also implicated Ronald Reagan's Defense Secretary Casper Weinberger in Barry Seal's smuggling. When he was murdered, Barry Seal had with him three boxes filled with documents that he carried with him wherever he went, Norman reported. Norman reported that among the documents was the encrypted code number *KPFBMMBODB) for a secret Swiss bank account containing over ten million dollars "belonging" to then Secretary of Defense Casper Weinberger. A co-signatory on the account was a relative of then Senator Howard Metzenbaum of Ohio. . In a letter to his editor, Norman stated "this is why Congress is so squeamish about investigating this stuff. We are talking about bi-partisan payola...the clear implication is that Casper Weinberger, while Secretary of Defense, was taking kickbacks on drug and arms sales through arms/drug smuggler Barry Seal....and, in fact, Weinberger was eventually indicted by Iran Contra prosecutor Lawrence Walsh. Norman is told that Weinberger who is on the Forbes board has arranged to have the story spiked.

In Norman's August 21, 1995 interview with Marvin Lee of the Washington Weekly, he states that he was informed by a high level CIA contractor who revealed that Foster had been under investigation for espionage, had one or more Swiss accounts and that these accounts were being raided by a computer intelligence team called the Fifth column. This effort has never had official sanction, but nevertheless is a point of some pride within the intelligence community.

Norman also says it is true that Systematics (now Alltel Information Services) tried to suppress the story. Their libel lawyer, Charles O. Morgan sent threatening letters trying to pre-empt other publications from running it or even discussing it on the radio. Norman says that Paul Rodriguez, editor of Insight Magazine relieved a visit from a military intelligence guy from the Pentagon who told him bluntly "Lay off this story. You don't know what you're dealing with."

Norman states that Anthony Kimery was fired by a Thomson financial publication for asking too many questions about PROMIS, Sarah McClendon had her newsletter dropped from an AT&T controlled electronic network because she pursued the Systematics connection. And Norman was fired because he asked too many questions about Weinberger's Swiss bank accounts and possibly even causing one of them to be raided for \$2.3 million in illicit funds. On top of that Leaches House Banking Committee seem to be

aiding and abetting the cover up by tipping Morgan off as soon as they learned Media ByPass was going to publish the story.

Norman says, with regards to Vince Foster's death, suicide has been prescribed as an "authorized cover story" for national security reasons. This is a technical determination that essentially allows – and requires—affected individuals in the government to lie, if need be, to preserve some secret activity and insulates them from prosecution for perjury.

The day before he died, Foster got a Systematics document from Web Hubble that was never found. He also had NSA binders stashed in Bernie Nussbaum's safe.

Norman does not mention that Hillary Clinton, Foster's law partner, also worked on the Systematics account at the Rose law firm. There is no mention of rumors of Clinton and Foster having an affair.

A piece by Orlin Grabbe about Norman's article claims that PROMIS after it was stolen was modified by Michael Riconosciuto – in connection with Bobby Inman of the NSA—had created code that would cause the computer hardware to give off signals, disguised as noise, when the program was running. The program was then marketed around the world by Earl Brian – thus giving US intelligence agencies access to the intelligence data of the foreign country running the software. The signals given off by the computer hardware could be picked by nearby vans or, often, by Satellite.

August 1995

The Memorandum of Understanding dated February 11, 1982 between the Department of Justice and the CIA is ended. This MOU – crafted by William Smith French (When Kenneth Starr was at DOJ) and William Casey (when Stanley Sporkin was general counsel of the CIA) had relieved the CIA of any legal obligation to report information of drug trafficking and drug law violations with respect to CIA agents, assets, non-staff employees and contractors. Presumably, this now meant the CIA was required to report such violations by agents, assets, non-staff employees and contractor.

18-Aug-95

National Housing Partnership ("NHP"), the second largest HUD property manager and assisted housing landlord, completes its initial public offering ("IPO") and then draws on its credit facility. The IPO proceeds are used: (1) to repay indebtedness from a previous credit facility, (2) to repay a note to a former institutional shareholder of NHP, (3) to repay a debt to Demeter Holdings (a Harvard Endowment - affiliated investment vehicle that owned approximately ---% of NHP stock), Capricorn (NHP's second largest stockholder) and Roderick Heller (Chairman of NHP), (4) the remainder added to NHP working capital. In consideration of the sale of certain NHP - affiliated "Real Estate Companies", Demeter, Capricorn and Heller canceled \$9.1 million in debt. Effective with the IPO, NHP granted NHP Chairman Rod Heller non-qualified performance vesting options to purchase 120,000 shares of NHP common stock @ \$16 – the options would vest in 10 years but are subject to accelerated vesting under certain circumstances, including change in control of NHP.

[Source: SEC EDGAR filings] The Chairman of Capricorn is Pug Winokur, Chairman of

DynCorp, which serves as the lead contractor for DOJ's Asset Forfeiture Fund and provides numerous other IT, data and security-related services at DOJ, HUD and throughout the Federal Government and the War on Drugs in South America. Winokur is also a member of the board of Harvard Endowment, the lead investor in NHP. The Center for Public Integrity reports that Winokur was a \$100,000 donor at the Clinton Inauguration and that Harvard employees are the tenth-largest supporter of Bill Clinton throughout his career; Warburg Pincus takes a position in NHP's equity

Fall 1995

Jack Quinn, Al Gore's Chief of Staff and former partner at Arnold & Porter, becomes White House Counsel. Lloyd Cutler, board member of NHP, whose firm, Wilmer Cutler & Pickering, handled much of NHP's legal work, had gone over to the White House Counsel's office after Vince Foster's death.

Summer/Fall 1995

The Neighborhood Networks letter to HUD field offices circulates. Adelson Entertainment makes a video about ETS (an e.villages data services training site) which does an excellent job of describing the on-line training and business incubation idea. Dave Derecola, head of FHA audits in the HUD OIG's office, warns Fitts that Greer's support of the neighborhood networks concept could cause him serious trouble within HUD OIG. Greer and Derecola are both recused from auditing the loan sales or Hamilton as a result of their assistance in helping to design and build the loan sales program.

Fall 1995

Funding goal on Carlyle II is raised to \$750 million. Carlyle now has everyone from Soros to Colin Powell helping them raising money. Members of the bin Laden family were in, the state of Florida was in for \$200 million and CalPers was in for \$80 million.

Sep-95

HUD holds the National Performing Sale in which Bankers Trust was the winning bidder for all but one mortgage at almost 89% of UPB of the loans. Proceeds of the sale aggregated \$254.7 million. The program improvements incorporated in this sale included the provision of a pre-auction rating of the portfolio in the form of "comfort letters" to bidders.

Sep-95

Catherine Austin Fitts, President of Hamilton Securities, is on sabbatical to attend classes at MIT in Boston until December of 1995. Hamilton moves into its new offices over a CVS drugstore on DuPont Circle. The space is designed to be an open office, with 35 desks that integrate computer and telephony off of a central server, with swing capacity to 75 seats in kitchen and conference spaces to handle outsourcing and visitors. The space is quite beautiful but has a lower per employee cost than for the Washington, DC space occupied by HUD. In 1997, the space is awarded an advance technology design award by the American Institute of Architecture.

<http://www.e-architect.com/conted/advntech/projects/proj10.asp>

Sep-95

HUD holds the National Performing Loan Sale and auctions \$282.25 million UPB in performing multifamily loans. The National Performing Sale yielded proceeds of \$250.19

million, equal to 88.64% of UPB and resulting in savings to the government of \$25.63 million. As part of this auction, HUD obtained comfort letters from rating agencies for these loans, resulting in a "partial securitization" that increased proceeds over what would have been otherwise possible. There were 25 bidders and two winners in this auction.

Sep-95

HUD auctions \$26 million UPB in Title I (home improvement and manufactured housing) loans, with Hamilton as financial advisor. The Title I Loan Sale yielded proceeds of \$.17 million, equal to 66% of UPB and resulted in savings to the government of \$.08 million.

Sep-95

The Washington Times publishes an article "Capturing Billions in the Balance Sheet" by Bill Diefenderfer, the Deputy Director of OMB during the Bush Administration. Highlights: "In this case [the Southeast auction], dedicated government servants saved the taxpayers \$424 million... This is not just shuffling paper. In this one transaction, HUD reduced the federal deficit by more than \$400 million."

3-Sep-95

Asset Strategies Group, a due diligence subcontractor to Hamilton, stopped its work on the HUD Single Family Loan Sale #1, refusing to continue unless HUD immediately makes a series of changes in due diligence procedures for the sale. HUD, upon Hamilton's advice, decides to proceed with the sale and, when Asset Strategies refuses to continue work, Hamilton replaces Asset Strategies with Utendahl Capital. Subsequently, Asset Strategies' lawyer, Karen Burstein, writes a letter of complaint against Hamilton to Andrew Cuomo who, at that time, is Assistant Secretary for Community Planning and Development (with no role in the loan sales). This letter of complaint finds its way into the Ervin complaint filed in *Ervin v. Dunlap* and the qui tam case naming Hamilton via Bill Richbourg, one of Hamilton's contract GTRs.

6-Sep-95

Letter from Karen Burstein, counsel for Asset Strategies, to Assistant Secretary for Community Planning and Development Cuomo detailing "significant irregularities in HUD's Note Sale Program" under the direction of Nicolas Retsinas. The letter begins "Dear Andrew" and ends "Affectionately, Karen."

25-Oct-95

HUD holds the Single Family Loan Sale #1 for \$523.23 million UPB in single-family loans. The Single Family Loan Sale #1 yielded proceeds of \$392.77 million, equal to 75.07% of UPB and resulting in savings to the government of \$7.89 million. There were 6 bidders in the auction held on the originally scheduled date of October 25, as a result of which auction HUD awarded 10,000 loans to three winners. A reoffering of 3,000 loans from this sale took place on November 6, 1995. The reoffering was necessitated when the maximum bids received on the original bid date for this portion of the portfolio fell short of the undisclosed value of the portfolio to the government, making a sale at the first maximum bid price undesirable. Soon after HUD's failure to award the full portfolio at the initial bid date, BlackRock Capital writes an excoriating letter of complaint about Hamilton to HUD.

30-Oct-95

Bloomberg Information Services publishes a story "HUD Earns Unexpected \$1.3 Billion from Sale of Multifamily Mortgage Loans."

Nov-95

Patrick Knowlton testifies before the Whitewater Grand Jury regarding Vincent Foster's death.

Nov-95

The Single Family Loan Sale re-offering takes place – four bidders participated and 3,000 of the originally offered 10,000 loans are awarded to BlackRock Capital, the winning bidder at a respectable 75% of unpaid principal balance. In its post-auction review process, Hamilton determined that two enhancements could increase proceeds in sales of this type: (1) provision of detailed 36-month payment histories to bidders and (2) a revision of post-sale servicing requirements. These improvements were incorporated in subsequent sales.

Nov-95

Housing Affairs Newsletter reports that the HUD IG is doing an investigation of irregularities on the HUD loan sale bids.

1-Nov-95

HUD holds the West of Mississippi Loan Sale auction. HUD offered \$622.34 million UPB in non-performing multifamily loans in the West of Mississippi Sale with Hamilton as financial advisor. The West of Mississippi Sale yielded proceeds of \$385.2 million, equal to 61.9 % of UPB and resulted in savings to the government of \$107.82 million. There were 73 bidders and 26 winners in this auction.

4-Nov-95

Prime Minister Rabin assassinated; Peres succeeds him.

8-Nov-95

Colin Powell announces he will not seek the Presidency.

Nov-95

The House of Representatives bans gifts to Members. The ex-White House Travel Office official is acquitted.

Nov-95

Edgewood Technology Services (ETS), a subsidiary of e.villages (a Hamilton/Adelson Entertainment joint venture for the creation of computer learning centers in government-assisted housing projects that was designed with an ESOP and employee stock options to employees) begins work on a proprietary Hamilton database by calling and filing Freedom of Information Act ("FOIA") requests with all the HUD field offices for information with which to build a definitive database of the HUD multifamily portfolio. The database integrates information Hamilton had obtained from other sources and publicly available data with incomplete, publicly available information from HUD to produce a much more complete record of ownership of HUD properties than had heretofore been available. The work on this database proceeds throughout the next two years. Hamilton also arranges for ETS to learn how to use GIS (Geographic Information Systems) software.

24-Nov-95

The New York Time publishes Prisons for Profit, by Jeff Gerth and Stephen Labaton, describing the Clinton Administrations promotion of private prisons for the Federal prison system and the support from Clinton, Gore, Elaine Kamark, Jamie Gorelick and Chris Edley. Jamie Gorelick declines to be interviewed. Her spokesman, states that the privatization effort as a “pilot program” spearheaded by a White House effort “to make government more efficient by privatizing heretofore governmental functions.” He acknowledged that “there are concerns that must be addressed before any programmatic commitment can be made to privatization.” The article goes on to state, “meanwhile, as the Government increasingly turns to private companies to run prisons, those businesses are hiring a growing number of former senior law enforcement officials. At the same time, industry representatives are occasionally providing help to Federal officials in developing the privatization plan. A new revolving door has opened in Washington. “ This includes Michael Quinlan, who headed the Bureau of Prisons in the first Bush Administration who is director of Strategic Planning for Corrections Corporation of America in Nashville. Wackenhut Corrections Corporation of Coral Gables has directors Norman Carlson, Mr. Quinlan’s predecessor as the director of the prisons bureau, and Benjamin R. Civiletti, a former Attorney General. The Acting Attorney General in the first months of the Clinton Administration, Stuart Gerson is on the board of the Esmor Correction Services of Sarasota, Fla. Mr. Crane, the lawyer that got the prisoners for Cornell Correction’s Wyatt’s facility, and former general counsel of CCA, was retained briefly as a consultant by the Bureau of Prisons to help write a model contract that is going to be used to hire the company to run the Federal Prison in Taft (California – the first privatization under the Clinton 1994 budget proposal) Other important points:

It quotes John Clark, assistant director of the Bureau of Prisons, who has been overseeing the new policy as saying “the basis of the decision is not that it’s going to be less expensive.” Clark also is quoted as saying “We’ve learned from our experience.” One major change is that the Government intends to pay companies for every bed in a prison, regardless of whether they are filled. Government officials say that the provision is in the interests of both parties because it eliminates the uncertainty and potential problems that could occur by manipulating prison populations.

29-Nov-95

Legislation regulating lobbyists becomes law.

Sept- Dec-95

Numerous Members of Congress resign.

1995-96 Time Frame – Clinton Administration goes after Swiss on the Gold Issues

Fall 1995 Jack Quinn, Al Gores Chief of Staff and former partner at Arnold & Porter, becomes White House Counsel. Lloyd Cutler, board member of NHP, from Wilmer Cutler & Pickering, had gone over to the White House Counsel’s office after Vince Foster’s death.

September 1995

Onex Food Services buys Caterair from Carlyle for \$500 million, nearly \$150 million less than Carlyle had originally paid for the company. (The Iron Triangle)

September 1995 Catherine goes on sabbatical to MIT

September 1995 Asset Strategies stops work on SF Loan Sale #1

October-November Single Family #1 Sale and Reoffering

November 1995 Prime Minister Rabin assassinated on the 4th, four days later Colin Powell announces he will not seek presidency

November 1995

A car bomb attack on Americans living in Saudi Arabia puts a spotlight on Vinnell, BDM and the presence of the Carlyle Group in Saudi Arabia. Three spouses of BDM workers are injured in the attack. (The Iron Triangle)

1995

Governor Bush and Thomas Hicks of Hicks Muse persuade the Texas legislature to “privatize” the management of the University of Texas \$9 billion endowment—now the management was exempt from public scrutiny. Hicks takes over as the Chairman in early 1996. Private investments skyrocketed, with the university new private equity commitments made in 1994 totally \$36 MM, in February 1995 alone, it investment almost twice that much, in 1995-96 year, it’s financial plan called for invested \$144MM in private equity. However the Texas State auditors report for that period showed \$285 MM. (Notes on a Native Son, by Joe Conason)

November 1995 Ervin begins his terrorizing of HUD.

Catherine and members of her team begin to experience physical harassment and surveillance that becomes quite severe and is to continue off and on throughout the next ten years. The early years are described at <http://www.solari.com/gideon/legal/audits.html>
<http://www.scoop.co.nz/stories/HL0504/S00241.htm>

Late 1995

Peter Berlin and his wife Lucy Edwards, then a VP at the Bank of New York, Eastern European Division in Manhattan, entered into an agreement with Russian co-conspirators to establish bank accounts at the Bank of New York to launder money from Russia. Berlin and Edwards were later charged by the US government with conspiracy to launder money through international funds transfers intended to promote criminal activity, including a wire fraud service scheme to defraud the Russian government. (European lawsuit against RJR Nabisco) Total estimates of money laundered in from Russia through the Bank of New York and other methods during this period, including by Anne Williamson, are in the hundreds of billions.

The EU lawsuit describes significant money laundering operations with the Russian mafia, the Italian mafia, the Colombian drug cartels, Iraqi interests and states” The money-laundering schemes are intertwined with organized crime in New York City. Some of the largest and most dangerous narcotics traffickers in the world reside and conduct business in the Eastern District of New York. Furthermore, certain individuals who work and reside in the Eastern District of New York have established a multimillion-dollar industry within the Eastern District of New York for the laundering of criminal proceeds through cigarette sales. Millions of dollars worth of real estate has been purchased within the Eastern District of New York in conjunction with this money laundering scheme.

There are numerous examples of the extraordinary scale and intentionality of the alleged RJR money laundering networks and schemes throughout the 1990’s. For example, Damage to European Community and Member State Property. The means employed by the RJR Defendants and their coconspirators routinely result in damage to or the destruction of property of the EU community or the member states such as automobiles and vessels. This damage to the plaintiffs property is foreseeable and anticipated by the RJR Defendants and their coconspirators and results in additional expenditures by The European Community and member states to repair and replace the damaged property. Damage to Member States for Expenses to Store and Destroy Proceeds of Criminal Activity. As a result of the massive money laundering scheme perpetrated by the RJR defendants, the Republic of Italy has been required to warehouse, store and ultimately destroy huge volumes of cigarettes that were purchased with the proceeds from crime. Often, such cigarettes must be stored for a long period of time because they will serve as evidence in legal actions. Accordingly, the average case of cigarettes seized by law enforcement authorities in Italy remains in storage approximately six years. The cost to the Italian government for the storage of these cigarettes, including warehouse facilities, employees, insurance and costs associated with the full time process of destroying cigarettes equals approximately thirteen dollars per case of cigarettes. Accordingly, the Italian government currently spends approximately twenty six million dollars per year simply to warehouse, store and destroy seized cigarettes. Of the cigarettes so stored, a substantial percentage is the products of the RJR defendants. Other member states currently experience similar problems and resulting losses.

Dec-95

Chris Greer, then Chief Auditor for HUD’s Office of Inspector General, is named Deputy Assistant Secretary for the Multifamily Housing Division of HUD, which has responsibility for the FHA Fund, replacing Helen Dunlap in that position. Helen Dunlap is moved to the position of Deputy Assistant Secretary for operations and retains regulatory responsibility for HUD loan sales. Greer is seen as an adversary by groups in Denver and Boston who were targeted by HUD for "mod rehab" program scandals of the early ‘90s and various instances of financial fraud during the S&L scandals of the 1980’s/Iran Contra period. Before moving from IG’s Office, Greer reports to Fitts that an IG investigation of what appear to be Burstein and associated bid rigging allegations of HUD loan sale bidder collusion on the Single Family Sale #1 concludes that the charges are unfounded.

Dec-95

Numerous Whitewater events from December 5th – 25th, 1995; White House releases subpoena notes, which D’Amato calls a "smoking gun."

6-Dec-95

Clinton vetoes the GOP's 7 - year budget bill.

December 1995 Omega Pacific, a Redmond Washington manufacturer of D-shaped metal rings used by climbers to secure ropes, laid off 30 workers earning \$7 an hour plus benefits and moved to the Airway Heights Corrections Center near Spokane. There five free employees supervise some 40 prisoners who earn \$6 an hour. Omega Pacific owner Bert Atwater told the Spokane Spokesman review that he moved to prison because of the rent free quarters where "the workers are delighted with the pay; [where there are] no workers who don't come in because of rush hour traffic or sick children at home; [and where] workers...don't take vacations. Where would these guys go on vacation anyway? Atwater was also pleased that he doesn't "have to deal with employees benefits or workers compensation." (Making Slave Labor Fly, by Paul Wright, PRISON NATION, page 117) One Washington prisoner who declined to be named for fear of retaliation dismissed the program as serving neither prisoners nor the public. The DOC industries program is "nothing more than a dog and pony show. The state spends millions on its prison industries bureaucracy alone just to say 300 prisoners are being employed by Class I industries. That's money that can't be used for educational programs, literacy and vocational training, etc. the point is they're squandering taxpayer money, it just doesn't make sense.

6-Dec-95

The House Committee on Ethics votes unanimously to have an independent counsel investigate allegations that Gingrich had violated tax laws [relating to campaign financing through use of his "PAC."

16-Dec-95

A partial government shutdown begins.

21-Dec-95

Congress passes welfare reform legislation. Clinton signs the Bill on February 26, 1996,

31-Dec-95

Neal R. Pierce, a member of The Washington Post Writers Group, releases a column entitled, "Computers in Subsidized Housing: More Important Than Welfare Reform?"

December 1995 – During partial government shut down. Rubin uses ESF to finance the government

December 1995

At the end of fiscal 1995, Hamilton Securities closes the year with net income of \$2.3 MM. Cornell Corrections ends the year with net losses of \$989,000.

1995-1996

The Clinton Administration begins its investigation of Nazi gold and assets seized from Holocaust victims held by Swiss banks.

1996

A widely publicized General Accounting Office survey concluded that there was little if any solid evidence that private prisons were significantly less expensive than public ones.

1996

Comparisons between conditions prevailing in 1986 and 1996 give some measure of the rapid growth experienced in this industry. The number of beds in privately operated facilities in operation or under construction in the US increased at an average annual rate of 45% during this period. Few of these beds were empty; the occupancy rate of all private adult facilities averaged 96 percent during 1996. In 1987 there were about 3,000 prisoners in such facilities. By 1996, the number had soared to more than 85,000. During 1996 alone, the number of prisoners increased 30%. As a result of these trends, the private corrections industry experienced explosive growth: from about \$650 million in 1996 to about \$1 billion in 1997. Wall Street and individual investors were impressed with these growth statistics and with the apparently bright prospects for future growth (private facilities had less than 3 percent of the market share of prisoners held in state and federal prisons and in local jails in the US). Stock prices of the four publicly traded firms at that time saw sharp price appreciation, providing these companies with access to substantial amounts of cash to finance further expansion

1996 Anti-Terrorism & Effective Death Penalty Act of 1996 – signed April 24, 1996.

John Ervin buys the Elmira Pioneers, a baseball team in Elmira NY that is part of the Independent Northern league. Ervin and his wife grew up in Elmira and attended Notre Dame High School in 1963, marrying at Saint Casimers Church in 1968. Ervin graduates from Saint Bonaventure University in 1967 and moves to Rochester until 1977.

1996 Late January 1996 HUD selects four financial advisory contractors in connection with its FHA portfolio and mortgage loan sales program: Merrill Lynch, Hamilton Securities, CS First Boston and Cushman & Wakefield. Subsequently, Ervin and Ernst & Young protest the award and First Boston declines to serve as financial advisor, purportedly because the remuneration under the contract is not sufficient. First Boston is replaced by E&Y. Ervin's protest is denied.

1996 From UBS website – Heavy attacks are launched against Switzerland and its banks from the side of the World Jewish Congress, New York, and from the US-Senator Alfonse D'Amato because of the neutral country's presumed role during WW2. Key issues are the refugee policy of the country, the gold trading by the SNB with the Third Reich and the dormant accounts of holocaust victims and their heirs at Swiss banks. In New York, a memorandum of understanding is signed by the Swiss Banks, the World Jewish Congress, the World Jewish Restitution Organization and the Jewish Agency. The Swiss Bankers Association sets up the Volker Committee to investigate the claims of the WJC. The Swiss government sets up a committee of historians, the Berger Commission. In New York, several class action lawsuits are launched against UBS, SBC, Credit Suisse and Swiss National Abank. (note in 1996 period indicates that Martin Ebner-Group is the largest shareholder of UBS).

Early 1996 Oscar Wyatt, Chairman of Coastal Energy, headquartered in Houston, contacts Secretary Cisneros and the White House insisting that Hamilton be fired by HUD. Assistant Secretary Nicholas Retsinas is asked to call Wyatt to solicit an accounting of his concerns. Retsinas later reports to the Deputy Assistant Secretary in charge of loan sales that Wyatt's

objection to Hamilton's appointment as loan sale advisor is that Catherine Austin Fitts, the President of Hamilton, is a woman. HUD and Hamilton later learn that his son, Steve Wyatt, is providing consulting services to NHP. The Center for Public Integrity reports that Wyatt was a \$100,000 donor for the Clinton inauguration fund.

Jan-96

Hillary Clinton testifies before the Whitewater grand jury.

Jan-96

The HUD Denver (Rocky Mountain) field office audit team begins the HUD loan sales audit, which it completes in September.

6-Jan-96

The Government shutdown ends after a three-week work stoppage.

9-Jan-96

Clinton vetoes legislation that would shift welfare to states. He signs a welfare reform bill on Feb-26-96

9-Jan-96

The Paula Jones suit against William Jefferson Clinton is allowed to proceed.

January 1996

In January 1996, Wackenhut Corrections executes a secondary offering of 2.2 million shares. (Jail Breaks says that Wackenhut in 1996 issued 4.6 million new shares raising \$52 million in an offering whose managing underwriters were Prudential Securities and Lazard Freres.

January 1996

HUD completes an eleven-month long solicitation of other financial advisors, selecting four firms: Hamilton, Merrill Lynch, Cushman Wakefield (with Hamilton's auditor and HUD's former auditor, Price Waterhouse as a major subcontractor), and CS First Boston. Two disappointed bidders – Ervin & Associates and Ernst & Young protest the award. Rather than litigating the issue through the courts, HUD decides to report bids for a new selection.

31-Jan-96

Clinton supports a \$9 billion loan to Russia.

Jan-Mar 1996

Assistant Secretary Retinas convenes a series of three industry "portfolio reengineering forums" in an effort to garner support for the "mark to market" proposal, which is re-named "portfolio reengineering." The unintended result of the forums is to coalesce previously separate interest groups into a united opposition against HUD's proposed "mark to market" legislation. Industry opposition focused on the pending "partially assisted" loan sale being conducted by HUD with Hamilton as financial advisor. Industry critics perceive that if the partially assisted sale is successful, opposition to the "mark to market" proposal will be weakened.

Jan - 96

The HUD Denver (Rocky Mountain) field office audit team begins the HUD loan sales audit. The draft report is circulated in the summer and the audit is shut down in September.

Jan-April 1996

HUD conducts briefings with a multitude of stake holding groups to explain the results of a study conducted by Ernst & Young ("E&Y") on the "mark to market" portfolio of FHA insured loans on Section 8 subsidized properties. With strategic communications assistance from Hamilton, HUD engages in a public relations campaign to gain support for the proposed "mark to market" program. The E&Y study's results indicate that most of the portfolio needs an average of about \$10,000 per unit in rehabilitation and/or can be supported only by rents in excess of market rates. Some 13% of the portfolio is deemed unsustainable at market rents, even if the FHA insured debt is written off. Only 13% of the portfolio properties can support existing FHA insured debt at market rents and after needed rehabilitation is undertaken with funds generated by the project. Industry members led by the National Association of Homebuilders assert to their congressional representative that E&Y's methods are flawed and the results incorrect. E&Y stands firm.

9-Feb-96

Ervin & Associates files objections to HUD's failure to select the company as a financial advisor despite its lack of qualifications.

Feb-96

David Schipper's book *Sell Out* on the impeachment of Clinton illuminates efforts by Henry Cisneros in February 1996 to assist Clinton and Gore with the use of the INS to increase the number of Democratic voters (through the expedited grant of citizenship to traditionally Democratic immigrants) in time for the 1996 elections. Shipper's book includes a memo from Cisneros to Clinton-Gore focusing on the Los Angeles area. He also describes the investigation of political interference at INS by Gore and Elaine Kamark of Gore's Office of Government Reengineering as part of the impeachment. This raises questions in Solari's mind regarding whether or not the "TRACS" HUD tenant database and other HUD databases were involved in the election efforts and whether that could explain some of the problems that Hamilton had dealing with the TRACS staff and Lockheed Martin, the major TRACS contractor.

March 1996

GAO puts DOJ and Treasury Asset Forfeiture Programs on the High Risk List. DynCorp is the lead contractor to the DOJ Asset Forfeiture Fund working with DOJ and US Marshals.

The 1996 DOJ Asset Forfeiture Fund financials indicate approximately \$450 million of total forfeitures, including the tail end of the BCCI seizures. About \$140 MM was real property at an average value of \$149,000 per real estate sale. DOJ has refused to publish subsequent year financials. DynCorp's contract authority for knowledge management support to the DOJ Asset Forfeiture Fund was \$60MM a year. The Fund provides for a % of the revenues to be shared with local enforcement. In 1996, the largest judicial district sharing was in California, the district including LA – the same area as the Community Wizard map of Central LA with the high degree of HUD defaults.

DynCorp is awarded Justice Consolidated Office Network at DOJ—presumably to run the network for the civil division. Per Bill Hamilton at Inslaw, DynCorp was a successor

contractor for managing PROMIS software. According to JS, the J-CON contract was used to do the international uplinks for the PROMIS system and the JCON project manager, Doug Cheek, was the lead on generating false information to frame Hamilton Securities and Catherine Austin Fitts.

March 1996

Committee on Small Business Kit Bond Chairman: Committee held hearings on Hubzone Act, S. 1574, to create new opportunities for growth and jobs in economically distressed urban and rural communities, receiving testimony from C. Austin Fitts, Hamilton Securities Group, Inc., and Marvin G. Harris, Bridget J.C. McLaurin, and Wanda Riddick, all of Edgewood Technology Services Inc., all on behalf of e.villages, and Raj Barr-Kumar, American Institute of Architects, all of Washington, D.C.

Hearings were recessed subject to call.

From the Story of Edgewood, Part III

Learning Speed Heartburn: □ "Oh, Senator, I Could Teach You How to Do This"

I have to say that of all the many challenges of prototyping outsourced data servicing with ETS, the problem that drained the most energy was dealing with the Hamilton employees and the management that Hamilton had recruited to grow and build ETS and other sites like it. The real estate, law enforcement and organized crime industries are not the only ones opposed to performance-based access to knowledge and capital. Pogo was right, "The enemy is us." We experienced these problems close to home, too. Our first challenge was in learning how to learn how to outsource as well as how to teach investment bankers about the benefits of getting out of "expert" mode and into a "learning" model. This meant creating tools and databases as they learned. We were grappling with being a network company. The nature of ETS and the political risks attached to our project made that painful process even harder and more complicated.

The most important requirement for ETS to succeed was that a group of black women had to demonstrate high learning speeds about how money works using the Internet and advanced software technology. They had to make that information useful in their communities and provide services to small and large businesses in their area. There was no way that they were going to do the actual data servicing work without understanding the implications of what the data told them. Their comprehension of the substance of what we all were learning was part of what helped them see new opportunities and add value. It was also what made them a bigger threat. Their performance came at the price of access to and understanding of true knowledge.

□ Productivity at ETS was very much impacted by individual learning speeds within the ETS team itself. We had initially hired a random sample of people -- we had not cherry-picked for performance indicators among applicants. As a result, building a high performance team became difficult and expensive, both for the top performers at ETS and for the investors. The lesson learned was that we needed to adhere to a strict discipline of hiring people who were committed to leaning and creating value on a sustainable basis. But this did teach us

what we needed to know for the prototype. The cost of this approach was that sometimes ETS and Hamilton found it hard to get the day-to-day work done smoothly.

As time went by the top two or three members of the ETS team had skills and learning speeds about selected topics that started to surpass those some of the employees at Hamilton. Some Hamilton employees were from real estate or mortgage backgrounds and had trouble adapting to an Internet and software based learning environment. When an ETS employee earning \$20,000 a year starts to function on a trajectory that means he or she can be as productive or more productive than someone earning \$120,000 a year within a matter of years, tensions build. Such is the power of the Internet.

I really started to understand this when I went to China in 1997 to explore data servicing partnerships. What I discovered was that it was more economic to send some of our \$120,000 jobs to China and keep the \$20,000 workforce in the US, training them to perform up to a \$30-60,000 level. The strictly "abstract" functions were much more mobile than was the "concrete" function. Hence, if I could find an intelligent, reliable workforce locally that could do the concrete task of raw data entry and document management while continuously adding software tools that continuously reengineered the abstract functions as well, we could improve profitability greatly.

This had all sorts of irritating implications for traditional executives. The relationship with clients had to be intimate and managed at the lowest day-to-day operations level possible. There was not time to send things back up a chain of command. That meant senior management could not earn large salaries for managing "process" and marketing to fellow executives who were equally divorced from day to day operations. Meantime, project managers at Hamilton had to have enough understanding of technology and data servicing to be effective at anticipating what tools and databases were needed and how to outsource this work. The learning network model was a shock to those used to chain of command and not having to anticipate or explain.

Bridget McClarin was a case in point. Bridget was living on D.C. unemployment payments before joining the ETS computer training class and learning the Microsoft Office Suite. After graduation she joined ETS and signed up to take classes at Catholic University, which is near Edgewood. In one of her first courses, she studied relational database design and a new technology called OLAP databases. Bridget was at Hamilton one day and was walking past a meeting in which our lead database developer and several technologists were discussing a problem in applying OLAP software. Bridget overheard them, walked in, helped them solve their debate and then walked out. The group was stunned. In 18 months Bridget had moved from a person with no computer skills to someone who was reasonably literate on advanced database design issues.

The person whom Bridget probably surprised the most during those two years was Senator Kit Bond of Missouri. Senator Bond chaired the Senate Small Business Committee. His counsel, who had been in the property management business and involved with training programs in that capacity, was interested in what ETS was doing. Senator Bond had sponsored a bill that, if passed, would have encouraged federal agencies to outsource work to businesses that located and generated new employment in areas with high welfare and unemployment rates. The idea was that corporations did not have demand for this work

force, but there was plenty of outsourced work like data servicing that could be available. In addition, it was much cheaper for the federal government to pay for data servicing work than to pay \$35-55,000 per family for a woman with children not to work. The goal was to improve skills and private income in a way that would save the government money in an integrated federal budget.

Senator Bond invited a team of people from ETS to the Senate to testify.

Bridget's testimony included her description of how she became computer literate and walked the Senator by a large monitor through a "money map" (these are maps that show how money works in a place) that we had posted on the Internet. Bridget was now producing money maps for us at about 50-75% of the cost of what we had been paying for them before we invested in ETS. She explained to the Senators her use and understanding of Geographic Information Systems (GIS) and geocoding databases. Senator Bond asked her how she had learned GIS programming. Bridget explained that a GIS trainer had come over to ETS, but that he was not competent, so she and her co-workers had gotten the training manual and taught themselves. Senator Bond, with his mouth wide open, then said that he hoped Bridget understood that there were people like him who found computers and technology intimidating. Bridget looked at him and said in the warmest and most feminine of ways "Oh Senator, don't worry, you could do this, I could teach you." Senator Bond was speechless. He had just realized the speed at which the presumed not-so-skilled could become skilled, and even more so.

Senator Bond's legislative efforts did not meet with success. Firms that benefit from minority set asides, 8A firms, saw this effort as a threat. So a group of minority business leaders soon joined with prison companies, real estate investors and construction interests seeking to profit on government subsidy and gentrification during the period of deregulation. The number of private businesses that wanted to maintain lower learning speeds and preferred to survive by "gaming" the process seemed endless. Worse still, it was clear that the leadership of the nation would do anything to permit themselves and the status quo to survive the compelling pressures for change. During the summer of 1996, the elites made a substantial commitment to grow "stupider and stupider." But it was far from just the elites. In 1996, it looked like each group wanted a rigged deal for itself, and no one wanted to do what it would take to ensure that the whole worked or grew.

(CAF Note – Kit Bond was also chair of the Senate HUD appropriation subcommittee, which had been so supportive of Operation Safe Home. Bond was from Missouri, home of “the Company” which was headquartered outside of St. Louis.

Spring 1996

A member of the Board of Directors of Hamilton is told by an acquaintance that the *Housing Affairs Letter* had reported that the House HUD Appropriations Subcommittee had put pressure on the HUD IG to initiate an investigation of Hamilton and threatened to cut appropriations to the OIG if no investigation was initiated. Additional reports indicate that large increases in appropriations for Operation Safe Home are offered in exchange for the OIG's cooperation.

Mar-96

Ervin files a second bid protest of HUD contract awards. GAO reports that all told, before the complaint is resolved, Ervin has filed approximately 37 bid protests.

Mar-96

GAO announces that DOJ and Treasury Asset Forfeiture Funds are on the high-risk list. DynCorp serves and lead contractor on the DOJ Asset Forfeiture Fund, having won a second five year option to their initial \$60MM contract in 1993. In this month, DynCorp wins the Justice Office Consolidated Network, the primary computer system for the DOJ Civil Division.

20-Mar-96

HUD sells \$758.43 million UPB in single-family nonperforming mortgage loans in the Single Family Loan Sale #2. As part of the sale, HUD requests that bidders for loans on properties located in New Orleans, Washington, DC and Los Angeles voluntarily answer "place based questionnaires," which are intended to provide HUD with valuable information about possible place-based auctions in the future – i.e. rather than auctioning single family and multifamily loans separately (by function) they would be auctioned together by place with pools aggregated on a place based basis. In addition, other federal assets or other issues related to optimizing by place could be taken into consideration. The maps go up on line sometime between January – February of 1996. This includes a copy of the early prototypes of a Community Wizard "money map" of homeowner defaults in South-Central LA. The Single Family #2 Sale yielded proceeds of \$633.82 million, equal to 83.57% of UPB and resulting in savings to the government of \$143.6 million. There were 31 bidders and one winner in this auction.

22-Mar-96

Hearings are held before the Senate Permanent Subcommittee on Government Affairs.

22-Mar-96

Proxy for Nac Re, a leading reinsurance company originally financed by Dillon Read, invites shareholders to attend the annual meeting at One Greenwich Plaza, Greenwich Connecticut. Of the board members listed, included are (1) Pug Winokur, Chairman of DynCorp, board member of NHP and Enron and President of Winokur & Associates, an investment management company and Managing General Partner of Capricorn Investors, LP since 1987. From 1983 to 1987, Mr. Winokur was Senior Executive Vice President of Penn Central. Not mentioned is that he is on the board of Harvard Management and is a member of the Council on Foreign Relations. Winokur and his business are resident in Connecticut. He has been a Nac Re board member since September 1987(2) John P. Birkelund, a Managing Director and Director of Dillon Read since 1981 and Chairman of Dillon since 1988. He served as COO from 1981-83 and Co-Chair and Co-Chief from 1986-1988. From 1988 through 1993 he was Chief Executive of Dillon. He is a director of Darken Restaurants and the Polish American Enterprise Fund. He also becomes the Chair of the Watson Institute for International Studies at Brown University. (Watson was the former head of IBM) His is also a member of ORIX USA Corporation. It does not mention that he is a member of the Council on Foreign Relations. He has been a Nac Re board member since August 1985, and (3) Robert A. Belfer, former President and Chairman of Belco Petroleum from 1965 to April 1986 and an independent investor since then. Belfer is a director of Enron with Winokur. Belfer owns 5.4% of the outstanding shares. The two largest owners

shown in the proxy are The Equitable Companies with 21.1% and FMR Corp (Fidelity) with 12.6%

27-Mar-96

Susan Gaffney, HUD Inspector General, testifies before the House Committee on Appropriations, Subcommittee on VA, HUD and Independent Agencies about the "Reinvention of HUD."

March 1996

Wackenhut Corrections lists its shares on the New York Stock Exchange.

1-Apr-96

The effective date of NHP's acquisition of all of the outstanding capital stock of WMF Holdings Ltd. ("WMF Holdings"), the owner of Washington Mortgage Investors Group, Ltd., for consideration of approximately \$21 million in the form of \$16,800,000 in cash and 210,000 shares of the Company's unregistered common stock ("NHP Stock"). Washington Mortgage Financial, according to an 8-K [current report] filed with the SEC, has "had mortgage servicing contracts aggregating approximately \$4.5 billion as of February 29, 1996, and originated approximately \$805 million in multifamily and other commercial mortgages in 1995."

3-Apr-96

Commerce Secretary Ron Brown and 32 others died after an Air Force jet carrying a U.S. trade delegation slammed into a coastal mountain as it approached the airport at Dubrovnik, Croatia.

10-Apr-96

Ervin & Associates files another bid protest with HUD.

April 15, 1996

The play to get lots of tax benefits for Kemp's "Athens on the Potomac" (or was it Camelot - blossoms and then fails and folks decide to have a real estate pork fest in Washington with the Washington takeover anyway)

TAX LIMITATION AND RETROACTIVE TAXATION AMENDMENTS

Committee on the Judiciary: Subcommittee on Constitution, Federalism and Property Rights concluded hearings on S.J. Res. 49, proposing an amendment to the Constitution of the United States to require two-thirds majorities for bills increasing taxes, and S.J. Res. 8, proposing an amendment to the Constitution of the United States to prohibit retroactive increases in taxes, after receiving testimony from Senator Coverdell; Representatives Skaggs, Barton, and Shadegg; former Delaware Governor Pete du Pont, Wilmington, representing the National Center for Policy Analysis; Jack Kemp, Empower America, Lloyd Cutler, Wilmer, Cutler & Pickering, Grover G. Norquist, Americans for Tax Reform, William A. Niskanen and Roger Pilon, both of the

Cato Institute, Robert Greenstein, Center on Budget and Policy Priorities, Joseph E. Schmitz, Patton Boggs, and Mortimer Caplin, Caplin & Drysdale, former U.S. Commissioner of Internal Revenue, all of Washington, D.C.; John McGinnis, Yeshiva University Cardozo School of Law, New York, New York; David A. Strauss, University of Chicago Law School, Chicago, Illinois; and Joanne Dixon, Jirard, Georgia.

17-Apr-96

A \$30,000 transfer is made from a Hamilton Securities account at to Catherine Fitts' personal checking account at Morgan Guaranty. It is the size of this transfer and the fact that the account was not recognized by the OIG to be a Hamilton account upon which the Office of Inspector General later bases its subpoena duces tecum issued to Morgan Guaranty for Fitts' account information. Fitts funded Hamilton with \$1,000,000 of preferred stock, which she purchased with her personal funds raised from liquidating her savings, selling her home and borrowing against her 401K. At various points when Hamilton income permitted, Hamilton paid Fitts a below-market dividend on the preferred stock and retired portions of the preferred stock. At the point of the \$30,000 transfer, Fitts still had approximately \$1MM of her savings invested in the firm.

23-Apr-96

Ervin's counsel sends a letter to the HUD Deputy General Counsel requesting a meeting to discuss allegations of corruption, favoritism and misconduct. On April 26, Ervin threatens litigation.

25-Apr-96

Hamilton is awarded the Crosscutting Task Order by HUD. Fitts is informed by Assistant Secretary Retsinas that the White House had ordered him not to award one of the four new contracts to Hamilton and he has chosen to ignore that order.

26-Apr-96

Ervin's attorney calls HUD's Office of General Counsel to request a meeting to discuss Ervin's grievances and to inform them that Ervin intended to file suit. (Source for this and other entries re: Ervin & Associates: Second Amended Complaint in Bivens action).

26-Apr-96

Legislation is passed creating a one-year "mark to market" demonstration program. FHA views the legislation as counter to its efforts to pass its version of mark to market. The legislation requires (1) owner consent to restructuring of FHA insured notes, (2) owner protection from adverse tax liabilities due to cancellation of indebtedness by the creation of cash flow second mortgages, (3) protection of the taxpayers' and residents' interests, (4) renewal of section 8 contracts (instead of replacing the contracts with tenant-based vouchers, as proposed by HUD), and (5) permission to replace existing project financing with new FHA insured debt. Hamilton declines to serve as HUD's financial advisor in implementing the demonstration.

26-Apr-96

President Clinton signs the Prison Litigation Reform Act into law. The express purpose of the PLRA was to impede prisoner litigation and it has been enormously successful in this respect. Because of key provisions discussed below, prisoners now cannot secure representation for most civil complaints. To create an effective bar to prisoners' suits, the PLRA addressed several central aspects of such litigation, including 1) the right to file a lawsuit without prepaying filing fees; 2) the right to have attorney fees awarded upon winning the suit; 3) the requirement of exhausting all administrative remedies available prior to filing the lawsuit; and 3) the scope of relief the court may grant a prisoner.

April 27, 1996

William Colby, former head of the CIA who was fired by Nixon for being too open with the Church Committee, is "suicided" in a "canoe accident" outside of Washington, DC. Rumors fly regarding Colby's support of DeCamp's illumination of Iran Contra period pedophilia networks as well as high-level narcotics trafficking. The prior year, Colby had written in Strategic Investment Newsletter, "The Latin American drug cartels have stretched their tentacles much deeper into our lives than most people believe. It's possible they are calling the shots at all levels of government.

May 16, 1996

Admiral Borda, Chief of Naval Operations is "suicided" by gun wound. The official reason given is suicide.

May-96

HUD sells \$11.09 million UPB in Title X land development loans and \$161.85 million UPB in Title I (home improvement and manufactured housing) loans with Hamilton's assistance. The Title X Loan Sale yielded proceeds of \$2 million, equal to 18.03% of UPB and resulted in savings to the government of \$2.64 million. The Title I Loan Sale yielded proceeds of \$1.54 million, equal to .95% of UPB and resulted in savings to the government of \$.88 million.

May 1996

In HUD's review of procurement, CS First Boston drops out when it realizes what the margins on the business are and is replaced by Ernst & Young Kenneth Leventhal. Hamilton and Cushman are again selected and Ervin and Associates is not selected. During this period between January selection and final determination, Nic Retsinas tells Catherine that the White House had ordered that Hamilton could not be selected – an order he chose to ignore. A friend of the Assistant Secretary of Admin that oversees contracting also tells Catherine that the Assistant Secretary of Admin also told her the same thing. During this period Hamilton submits a proposal to serve as cross cutting financial advisor which is accepted. The task order is for 2 years and pays Hamilton \$10,000,000 a year. Cushman Wakefield /Price Waterhouse also submits a proposal and is not accepted.

Spring-96

Controversy erupts with NHP, Gene Ford, Scott Nordheimer and selected members of the multifamily industry in connection with the proposed negotiated sale of the Maryland portfolio of multifamily nonperforming mortgage loans in the HUD portfolio to the Maryland housing finance agency ("HFA"). Objections include complaints regarding the success of the BlackRock/Goldman team (which had proposed to partner with the Maryland

HFA) in marketing to state HFAs. An explosive meeting occurs on the day of Jim Rouse's funeral in Baltimore between Dunlap, the Maryland agency with Fitts present. Fitts is blamed for a Retsinas decision that the choice of private partners will be subject to disclosure and competitive bidding process. At a dinner in New Orleans for the National Multihousing Council, Rod Heller, CEO, insists to Catherine Austin Fitts that the Section 8 owners are owed a rollover of their HUD Section 8 subsidies on a non-competitive and non-performance basis. The head of Multihousing Council had earlier asked Fitts to step back in the leadership so as not be Vice Chairman when Randy Hawthorne, Boston Financial, was Chairman.

May-96

Ernst & Young releases its final report on the "mark to market" multifamily mortgage loan portfolio, which supports FHA's proposal to mark the portfolio to market and introduce competition and tenant choice.

May-96

Dillon Read's prison company, Cornell Corrections, acquires the Reid Center, a 310 bed pre-release facility located in Houston Texas, for approximately \$2.0 million. Included in the acquisition were the Reid Center facility property and buildings, the equipment, inventory and supplies used in the operation of the facility and the assignment of the Reid Center's contract with the Texas Department of Criminal Justice ("TDCJ") Following the consummation of this acquisition, approximately 100 employees of the Reid Center became employees of the Company. The Company believes that the Reid Center is the largest single facility pre-release center in Texas and that its acquisition enhances the Company's position as one of the leaders in providing pre-release services.

This culminates an outpouring of contracts/support from DOJ to Cornell prior to Cornell's IPO. According to Cornell's 1996 Prospectus filed with the Securities and Exchange Commission, from Fall 1995 to Summer 1996, Cornell suddenly was blessed by an outpouring of new contracts, contract renewals and acquisitions that came with contracts – all from the Federal Bureau of Prisons at the Department of Justice:

Date	Location	Prisoner Capacity	Type
9/95	Oakland	61	Pre-Release
11/95	San Diego	50	Pre-Release
12/95	Salt Lake	58	Pre-Release
1/96	Houston	94	Pre-Release
	(Named the Peter A Liedel Community Center)		
2/96	San Francisco	81	Pre-Release
2/96	Big Spring, Texas	1305	Secure
3/96	Santa Barbara	25	Pre-Release
4/96	El Monte, California	52	Pre-Release

May-96

Al Gore's former administrative assistant, Peter Knight, becomes Clinton's campaign manager.

May 1996

From Prison Jobs and Free Market Unemployment, by Adrian Lomax, written in May 1998, Prison Nation, p. 132. --- The Fabry Glove & Mitten Company opens a production facility in Wisconsin's Green Bay Correctional Institution. The company hired 70 prisoners as laborers, later adding 30 more. The prisoners, who operate cutting and sewing machines, earn \$5.25 per hour. The Department of Corrections keeps 65 percent of the prisoner's wages to offset the expense of imprisoning them. A year earlier, Wisconsin's legislature had approved Republican governor Tommy Thompson's plan to amend the state's labor laws in order to allow private firms to set up shop inside the state's prisons. Thompson won passage of his proposal only after assuring legislators that the convict labor program would not be permitted to steal the jobs of any workers outside prison walls. Michael Sullivan, secretary of the Wisconsin DOC, affirmed that prisoner labor would be used solely to make products not currently being produced in this country. At the beginning of 1996, the Fabry company employed 205 workers at its Green Bay-area plants. By April 1997, less than a year after the company began hiring prisoners, Fabry's outside the walls work force had fallen off by 40 percent, to 120 employees. Before the prison venture began, Fabry's outside workers earned up to \$11 an hour. Employing free workers also entails nonwage expenses like health-care benefits, vacation benefits, unemployment compensation, and workers compensation insurance premium. Fabry pays none of these expenses for its prisoner employees.

1-May-96

Ervin's counsel meets with HUD Deputy General Counsel for Program and Regulations to discuss contracting corruption and favoritism.

31-May-96

Ervin & Associates protests the awarding of the Crosscutting Task Order to Hamilton.

Jun-96

Inquiries by Congress result in the White House disclosing that it has kept substantial FBI files, including on former Republican government officials.

June 1996 Scott Nordheimer tells Catherine "We tried to get you fired through the White House and that didn't work. So now the Big Boys got together and you're going to jail."

June 1996

Wackenhut's stock splits two-for-one in June 1996, creating 22 million shares outstanding.

Jun-96

HUD closes the structured sale of debt and 90% of the equity in a pool of 158 "partially assisted" multifamily loans with UPB of \$883.63 million with Hamilton as financial advisor and BlackRock Capital assisting with placement of the offering. The Partially Assisted Sale yielded proceeds of \$645.47 million, equal to 73.05% of UPB and resulted in savings to the government of \$213.01 million. HUD retained a \$60.5 million UPB share of the equity. There were 7 bidders and two winners (one for the debt portion and one for the equity portion) in this auction. Similarly structured "N" series sales by RTC averaged 2 bidders.

5-Jun-96

Ervin files complaint for preliminary and permanent injunctive relief, declaratory relief and for money damages against HUD, Helen Dunlap, Henry Cisneros, SBA, and Philip Lader (253 pages + exhibits), signed by Wayne Travell of Tucker, Flyer and Lewis (this is referred to as the "Bivens" action). Ervin continues to inundate HUD with FOIA requests and incur substantial legal costs to harass HUD and Helen Dunlap, who is named personally in the suit and forced to seek counsel at her own expense. Helen Dunlap had day-to-day responsibility for the HUD loan sales program. The Ervin complaint states the case involves seven categories of unlawful, unethical and generally outrageous conduct: (1) contracting corruption and favoritism, (2) racial, gender and age discrimination, (3) retaliation through breach of contract, (4) theft of Ervin's intellectual property, (5) insider trading, (6) cover-ups and (7) retaliation through defamation, rumor, innuendo, cancellation of existing work and blackballing.

6-Jun-96

Qui tam filed under seal [*Ervin & Assoc, et al v. Hamilton Sec Group, et al* (1:96-CV-1258) SEALED, United States District Court for the District of Columbia]. Also filed is a certificate of disclosure of corporate affiliations and financial interests by plaintiff Ervin & Assoc Inc. Allegations related to insider trading and bid rigging on \$4.7 billion of loan sales won by Goldman Sachs and its bid partners, including BlackRock/PNC. Hamilton was not informed that it was named as a defendant in the qui tam action until December of 1997, one year and a half after the suit was filed, and received no other information, such as the plaintiff's identity and the precise allegations, until the case was unsealed in 2000.

7-Jun-96

Order by Judge Charles R. Richey directing that the counsel for the parties in the qui tam lawsuit shall appear before the court on 6/20/00 for a status conference and that counsel for the plaintiffs shall give notice to the Chief of the Civil Division, Office of the US Attorney for DC and effect service of process on the named defendants by 4:00 on 6/14/96.

13-Jun-96

Motion filed by Non-Party USA in the qui tam lawsuit for reconsideration of the June 7 order by Judge Richey (Ervin joins).

17-Jun-96

The Washington Post publishes a front-page story on e.villages, a residential community data servicing business that is a joint venture partnership between Hamilton and Adelson Entertainment. This data servicing operation is an out-sourced component of Hamilton's money mapping and website database operation designed to promote community database and web access to software tools (such as "Community Wizard") that illuminate how money

works in communities. Later in the month, Hamilton is told that the HUD IG, upon reading the *Washington Post* article, stated "that's the last straw" and that she had "had it" with Hamilton and was going to "get her [Fitts]."

17-Jul-96

Daniel Hawke of Tucker, Flyer & Lewis sends a confidential letter to Barbara Van Gelder, Assistant US Attorney, that starts "Dear Biz." The letter relates the discovery by Ervin, Hawke's client, of the existence of the Karen Burstein letter to Andrew Cuomo.

18-Jun-96

Homeownership totals 66.3 million American households, the largest number ever.

20-Jun-96

A hearing is held in the qui tam case. An order is issued by Judge Richey granting the June 13 motion by the Non Party USA in the qui tam lawsuit for more time and to maintain the seal. Transcripts of the hearing that were sealed and, therefore, not available to Hamilton until December 2000, indicate that the hearing was focused on determining whether Ervin had delivered "substantially all" the evidence supporting the allegations of the complaint to the Department of Justice. Mark Nagle, Assistant US Attorney, appeared for the government and Wayne Travell and Daniel Hawk appeared on behalf of Ervin, the realtor. Travell tells the judge there are several thousands of pages involved, including an anonymous package apparently sent out from the Office of General Counsel of HUD. This package, he says supports allegations in both the qui tam and Bivens cases. [Note: Lucy Du, a former key employee of Ervin and Associates, was married to Jeff Patton an attorney employed in enforcement activities the HUD Office of General Counsel.] The judge makes it clear that he is not interested in the government being buried in paperwork, and that the relator should pull out the critical pieces of information and highlight them. He also emphatically says that he does not intend that this case will clog the docket for any significant period of time. The next hearing is scheduled for July 1, at which Judge Richey is to get an "informed report" of progress.

Jun/Jul-96

The Hamilton project manager for loan sales and HUD officials meet with the HUD IG Denver office audit team leader assigned to audit the mortgage loan sales program and is told that the HUD OIG audit will be highly complimentary and that all complaints, including any complaints about bid rigging and insider trading, have been reviewed and found to be unfounded.

Jun/Jul-96

Gene Ford and Conrad Egan repeatedly approach Gary Squier at HUD in connection with including in the "mark-to-market" program (for the renegotiation of FHA guaranteed debt) a Mt. Pleasant (Washington, DC) property that was being considered for an e.villages site. This action is in direct contradiction of e.villages' position (because of its connection with Hamilton) that it will not be involved in HUD mark-to-market projects and the express promise of Gene Ford (owner of the property) to Hamilton that the property would not be entered into this program. E-mails to Hamilton from Squier reporting these approaches result in repeated confrontations with Gene Ford and Scott Nordheimer, Ford's partner,

who lie to Fitts about their approaches to Squier and take actions that are contradictory to their assurances to her. Fitts finally decides that something is intentionally amiss.

Jul-96

A team of reporters from *US News and World Report* start working on a story about a "HUD scandal."

July-1996

The Office of Federal Investigations, once known as US Office of Personnel Management (OPM) becomes a privatized USIS charter is to investigate the background of government employees and provide them with varying levels of national security clearance. USIS is located in the belly of a mountain in a former mine in Boyers Pennsylvania (note Carlucci was born in Scranton Pa). It is also home to the personnel files of thousands of government officials.

Jul-96

An appropriations deal for the multifamily industry, led by NHP and New York and Boston owners and managers and originators, is reached in House of Representatives. The Boston and New York delegations play an essential role on both sides of the aisle. Rumors circulate that "negative credit subsidy" (the Credit Reform Act term for savings to the government) generated by the HUD loan sales has been "moved" in order to back a multi-year increase in Congressionally authorized multifamily insurance. This new insurance authority is designed to give affordable housing owners lots of time to exit the tax shelters that originally financed the "mark-to-market" portfolio of Section 8 properties by refinancing the properties with new HUD mortgage insurance, cashing out the equity, moving the properties out of the Section 8 program into the conventional rental market, or selling to the not-for-profit organizations favored in the recent "mark-to-market" legislation. With the negative credit subsidy reallocation assured and an agreement by OMB that Congress may use the high loan sale recovery rate assumptions derived from loan sales experience in calculating the required appropriations for new FHA mortgage insurance originations, meaningful portfolio reengineering is stopped. Various parties report to Hamilton that the HUD OIG agrees with key congressional representatives to target the loan sale program and Hamilton in exchange for appropriations increases for Operation Safe Home, which support increased DOJ-OIG enforcement and seizure efforts.

Jul-96

Hamilton learns that US News & World Report is working on a loan sale scandal article that sounds as though it is targeted at HUD Secretary Cisneros and Catherine Austin Fitts (who worked for Jack Kemp as Assistant Secretary of Housing/FHA Commissioner when he was Secretary of HUD). A pre-interview letter from USNWR reporters to Henry Cisneros refers to the Department as "scandal tarred." Fitts sends a letter to many friends and David Gergen, the new Editor of USNWR, accusing USNWR (Ed Pound and Jim Ito) of drawing conclusions before doing the research and of conducting a rigged investigation. USNWR agrees to listen to a Hamilton presentation explaining how

loan sales work. Pound subsequently resigns and goes to USA Today; Ito goes to the Washington Post (he subsequently leaves) claiming that Mort Zuckerman improperly sabotaged the article.

Jul-96

Gary Squier, who is on loan to HUD from the Los Angeles Housing Authority to lead implementation of the mark to market "demonstration," requests that Hamilton, in addition to E&Y, the financial advisor hired for this program, assist in the implementation. Hamilton had not wished to serve in this role, encourage HUD to hire other contractors. The following month, Squier's request is muted as a result of the investigation begun in August. By January 1997, not a single loan has been worked out under the 1996 demonstration program and the 1997 program is bogged down hopelessly.

Jul-96

At the annual National Housing Conference dinner held at Union Station in Washington, DC, Scott Nordheimer, Gene Ford's partner (Gene Ford being NHP's partner and the owner of the HUD assisted housing at which Hamilton's e.villages site is located) assures Fitts that the industry efforts to have Fitts fired through the White House have failed, so now they have rigged it so that she is going to jail.

Jul-96

HUD requests certain information be provided by Ervin and Associates to HUD under the company's Audited Financial Statement Contract. A dispute arises between Ervin and HUD as to whether the information Ervin has collected is proprietary or covered under the contract, and Ervin refuses to provide it unless HUD makes additional payments to Ervin, which HUD refuses to do.

Jul-96

The second Neighborhood Networks Conference of the year is held in Seattle. Seattle was the home of Diana Goodwin-Shavey, the program coordinator for Neighborhood Networks nationwide. This is one of the few times that a major new FHA initiative was been developed and run from outside Washington.

Jul-96

Vice President Gore's National Performance Review Committee announces that the HUD mortgage sale team has been awarded a Hammer Award for cutting red tape, empowering employees to improve service to the Department's customers and lifting the burden of managing and servicing HUD owned mortgages from Headquarters and field staff.

Jul-96

Dillon Read's prison company, Cornell Corrections completes the acquisition of substantially all the assets of MidTex Detentions, In. ("MidTex"), an operator of secure institutional facilities in Big Spring Texas for an aggregate purchase price of approximately \$23.7 million. The City of Big Spring has an intergovernmental Agreement with the Federal Bureau of Prisons (FBOP) to house up to 1,333 in inmates at the Big Spring Facility and as part of the acquisition, MidTex assigned to the Company its rights under an operating agreement with the City of Big Spring to manage the Big Spring Facility. The Big Spring Operating Agreement has a base term of 20 years from the closing of the acquisition and three five year renewal options at the discretion of the Company. The intergovernmental agreement has an indefinite term, although it may be terminated or modified by the FBOP upon 90 days written notice. Following consummation of this acquisition, approximately 250 employees of the City of Big Spring and MidTex became employees of the Company.

Total Consideration for the Midtex and May 96 Reid Center acquisition was approximately \$25.7MM. The acquisitions were financed primarily through borrowings under a 1996 Credit Facility and a short-term convertible note.

In conjunction with the MidTex acquisition, Cornell's 1995 Credit Facility was replaced with the 1996 Credit Facility. The 1996 Credit Facility provided up to \$35MM in loans pursuant to four separate facilities consisting of a \$2.5MM revolving credit facility, a \$23.2MM term loan facility that was used to finance a portion of the Mid-Tex acquisition costs, a 6.95MM multiple advance term loan facility and a \$2.35 facility that was used to refinance the stock repurchase loan. In addition, in July 1996, Cornell borrowed \$6 million under a Convertible Bridge Note. On October 8, 1996, the Company repaid a total of \$33.9 million of the borrowings under the 1996 Credit Facility and the Convertible Bridge Note using proceeds from its IPO.

In conjunction with the 1996 Credit Facility, the Company issued warrants to the lender enabling the lender to purchase 264,000 shares of Class B Common Stock at a per share exercise price of \$2.82. The warrants are fully vested and expire in 2003. As a condition to funding, the 1996 Credit Facility required certain existing stockholders to purchase at least \$200,000 of Class B Common Stock. On July 9, 1996, the existing stockholders purchased an aggregate of 90,331 shares of Class B Common Stock for \$254,733 (or \$2.82 per share). As a condition to the Convertible Bridge Note, the lender and certain existing stockholders entered into a put agreement dated as of July 3, 1996. The company issued options to an existing stockholder to purchase 60,221 shares of Class B Common Stock at \$2.82 per share in consideration for entering into the Put Agreement. Total financing costs of \$1,261,000 (which includes transaction costs of \$535,000, the \$568,000 difference between the exercise price of the warrants granted to the lender and an existing stockholder and the estimated valuation of the shares of common stock underlying such options and the \$158,000 difference between the purchase price and the estimated valuation of the 90,331 shares of common stock purchased by an existing shareholder) were capitalized as deferred financing costs.

Dillon Read's later 13D filing indicate that Dillon Read, as agent, Concord II, Concord Japan and Lexington IV bought more common stock in July 1996.

Charles J. Haugh, who becomes Cornell's Director of Secure Institutions in May 1997, joins the company from MidTex. He serves as Cornell's Executive Director of the MidTex facilities upon joining Cornell in July 1996. From 1988 to July 1996, Mr. Haugh was Vice President of MidTex and Executive Director of Facilities of Big Spring Correctional Center. Prior to joining MidTex, Mr. Haugh was involved in consulting for correctional organizations as President of CJH Cortech, Inc. for a year. From 1963 to 1988, Mr. Haugh served in numerous capacities for the FBOP, including Special Assistant to Director, Administrator of Correctional Services Branch, Associate Warden, Chief Correctional Supervisor and Correctional Officer.

July 1996

David Cornell, CEO of Cornell Corrections, and Steven Logan, CFO and former Arthur Anderson employee is Arthur Anderson's Houston Office, exercise options to purchase 137,110 and 82,750 shares of Class A Common Stock and Class B Common Stock at an aggregate price of \$274,220 and \$180,638 respectively In connection with the exercise, each officer entered into a promissory note with the company for the respective aggregate exercise amounts. The notes bear interest at the applicable short term federal rate as prescribed by the IRS regulations, mature in four years, are full recourse and are collateralized by shares of common stock.

1-Jul-96

Order by Judge Richey directing that counsel for the plaintiff in the qui tam lawsuit and the government shall appear on 8/19/96 for a status conference and directing the matter remain under seal until further order of the Court. At the hearing held on this date, attended by AUSA Barbara Van Gelder and Ervin attorneys Hawke and Travell, Van Gelder says "Your Honor, the matters that are before this Court are very strong, perhaps criminal, allegations that there has been collusion, bid rigging and kickbacks." Her plan is "We will have HUD IG investigators doing some rapid interviews of unrelated parties who may or may not have information. So we can determine in this next 60 days... whether or not [to intervene in the case]." She says there are people alleged to have "been in the [bid] room who should know." She said she stopped counting the number to be interviewed at 12. When Van Gelder suggests that the government may need a stay of the case pending a criminal investigation, Richey says "If you have to do that, I don't stay cases. I dismiss them without prejudice with leave to reopen upon the conclusion of whatever event..."

26-Jul-96

Ervin files a protest of the SWAT procurement awarded by HUD to Kerry Company with the General Accounting Office.

28-Jul-96

Congress enacts Welfare Reform.

29-Jul-96

Publication of "Loans on the Cheap: Auctions Help HUD Ditch Troubled Mortgages", in *Barron's*.

30-Jul-96

Susan Gaffney, HUD Inspector General, states in her testimony before the Subcommittee on Human Resources, and Intergovernmental Relations on Restructuring of HUD's Assisted/Insured Multifamily Housing Portfolio, "Several successful mortgage sales by HUD offer some hope that FHA could complete portfolio reengineering if it was patterned after the sales program." She makes no reference in her written testimony to the effects of Welfare Reform on the HUD portfolio, but she does take the opportunity to tout the benefits of the HUD OIG Operation Safe Home program, "In the first two years, 10 criminal convictions and over \$37 million in judgments, settlements and fines involving project owners and managers have taken place. Another 105 cases are in process involving \$105 million in misused project funds."

Aug-96

Democratic National Convention is held.

Aug-96

Republican National Convention is held.

Aug-October 96

Hamilton spends approximately \$350,000 in time and expenses addressing issues raised by a four-reporter team from US News & World Report. The thrust of the article is that Cisneros is running the agency in a very corrupt way. Much of Hamilton's initial efforts are spent disproving accusations against Cisneros. The effort then focuses on loan sales. The lead reporter, Ed Pound, insists that he "has been assured at the highest level of the HUD IG's office that Hamilton and Fitts are guilty of criminal offenses and will be indicted." Deputy Assistant Secretary Greer writes a powerful letter to Pound after numerous meetings insisting that Pound's allegations are not true.

Aug-96

HUD sells \$847.2 million UPB in nonperforming unsubsidized multifamily loans in the North and Central Loan Sale. The North and Central Sale yielded proceeds of \$847.2 million, equal to 73.38 % of UPB and resulted in savings to the government of \$235 million. There were 82 bidders and 13 winners in this auction.

1-Aug-96

Ervin & Associates files the First Amended Complaint in the Bivens action. The descriptions of insider trading allegations are more elaborate and imaginative than in the first filing.

3-Aug-96

Fitts makes a keynote speech on money maps and community access to technology at a Neighborhood Networks conference held in Boston, highlighting Hamilton's partnership with Adelson Entertainment (an LA-based movie production company known for documentaries on government abuse) and the "money map" of LA. The money map shown during her speech focuses on South Central LA, and she relates that it has been prepared by Edgewood Technology Services, a Section 8 project-based data servicing company that performs money mapping services illustrating government investment and real estate in low income communities. The money map shows the correlation between HUD defaults and CIA drug dealing in South- Central LA that came at great loss to homeowners and taxpayers alike.

At the conference the HUD Neighborhood Networks Program is presented with a Hammer Award.

Aug-96

Meeting between the HUD staff and Lockheed staff under contract to manage HUD's TRACS database system regarding repeated problems experienced by Hamilton and loan sales team with access to data.

Aug-96

According to a Declaration of HUD IG Investigator James M. Martin filed in Support of Office of Inspector General's petition for Summary Enforcement of Subpoenas on March 3,

1998, under seal, in August, 1996, shortly after the OIG investigation began, the Civil Division of the US Attorney's Office sought the involvement of the Criminal Division of that Office in the investigation.

6-Aug-96

Hamilton receives the first subpoena from the HUD OIG in connection with an investigation of Hamilton. The HUD OIG later asserts that the investigation was begun at the request of DOJ in response to John Ervin's qui tam (whistleblower) suit naming Hamilton, among others. [Delegation by DOJ to HUD OIG is statutorily prohibited under the False Claims Act and the subpoena has illegally circumvented DOJ's False Claims Act requirement to disclose the filing of and nature of charges under a qui tam suit to the target of the suit. Hamilton's efforts to argue the illegality of this were lost before Sporkin and a later appeal.]

16-Aug-96

Motion filed by Non Party USA in the qui tam lawsuit to extend time to 11/18/96 within which to make intervention decision and maintain seal on the case.

10-Aug-96

Dole announces that Jack Kemp will be his Vice Presidential running mate. Jack Kemp had been Secretary of HUD for the Bush Administration, and had hired and fired Catherine Austin Fitts as Assistant Secretary of Housing/FHA Commissioner.

Dillon Read donors to Dole during the 1996 election cycle include:

John P. Birkelund 4/19/1996 \$1,000

Peter M. Flanigan 2/14/1995 \$1,000

William O. Hiltz 11/28/1995 \$2,000

12/4/1995 (\$1,000)

David B. Stetson 10/20/1995 \$250

Dillon Read donors to the Republican National Committee include:

Peter M. Flanigan 2/22/1995 \$15,000

John H. F. Haskell 8/31/1995 \$15,000

David W. Niemiec 4/30/1996 \$15,000

David W. Niemiec 11/22/1995 \$5,000

David Niemiec also made three donations to the National Republican Congressional Committee:

5/5/1995 \$5,000

3/21/1996 \$5,000

10/3/1996 \$5,000

Other donations to Bob Dole for President include:

Franklin National Bank of Washington DC, 8/8/1996 \$25,000

Riley P. Bechtel □ 11/28/1995 \$2,000

Patrick Gershel 2/7/1996 \$2,000

Elsie Hillman □ 12/5/1995 \$2,000

Carla Hills □ 6/6/1995 \$2,000

Clifford L. Michel, Gladstone, NJ, Cahill Gordon □ 1/19/1996 \$1,000, 1/30/1995, \$1,000

Richard Reinhold, Cahill Gordon, 4/18/1996 \$1,000

George Roberts, KKR, 4/21/1995 \$1,000

Other donations to the Republican National Committee include:

Nicholas F. Brady, Darby Advisors, 2/14/1996 \$15,000

Clifford Michel, Cahill Gordon, 1/18/1996, \$15,000

Ken W. Orce, Cahill Gordon, 10/17/1996, \$1,000

Henry R. Kravis,, KKR, □ total \$125,000

George Roberts, KKR, total \$92,500

15-Aug-96

Federal defendants in Bivens case file a Motion to Dismiss.

14-Aug-96

Ervin & Associates files an action in the US Court of Federal Claims seeking relief related to certain HUD contracts. *Ervin & Assoc., Inc., v. United States*, No.96-504 C (Fed. Cl).

16-Aug-96

DOJ files a Motion for Extension of Time within which to Make Intervention Decision and Maintain Seal in the qui tam action by Ervin and Associates against Hamilton. According to a later filing by the government on November 14, it states that based upon the relator's statement of material evidence supplied to the government with the qui tam complaint and the allegations in the related Bivens action, the Inspector General of HUD opened an

investigation and, as a result of that investigation, a referral of the allegations in the Bivens complaint was made to the Criminal Division of the US Attorney's Office for DC, which opened a criminal investigation in the matter. The government says in this motion that the lifting of the seal in the qui tam action would hamper, injure and compromise the criminal investigation and for this reason the US Attorney (Barbara Van Gelder) moves to stay the intervention period.

18-Aug-96

Gary Webb's series, upon which the *Dark Alliance* book is based, begins in the *San Jose Mercury News*, with the Mercury News website providing access to substantial amounts of underlying documentation. The story appears at approximately the same time as the Republican National Convention, where Jack Kemp, Bob Dole's running mate, begins touting his accomplishments as Secretary of HUD and his ability to attract women and minorities to the Republican Party. The allegations in the *Dark Alliance* series address Iran-Contra drug dealing. Iran Contra allegations that were submitted to the Starr investigation included various allegations raised regarding one of the largest drug operations during Iran Contra, in Mena Arkansas, that include George H. W. Bush and the Clintons and the Rose Law Firm.

19-Aug-96

Ervin and Associates files a complaint against HUD in the US District Court in Colorado seeking declaratory and injunctive relief related to four HUD contracts that were to be awarded in the near future. Ervin also files a Memorandum of Points and Authorities in support of the motion for temporary restraining order and motion for preliminary injunction. *Ervin & Assoc., Inc. v. Cisneros, et al.* No. 96-1954 (D. Colo.). Ervin is represented by Stanley Garnett, Stephen Gurr and Patrick Carrigan of Brownstein, Hyatt, Farber & Strickland in Denver and Wayne Travell of Tucker, Flyer and Lewis in Washington. Judge Walker Miller is assigned to the case. Raymond Larizza, who is under Frank Hunger at the Department of Justice, represents the defendant.

19-Aug-96

A hearing is held before Judge Richey, during which he gives the government until November 18 to make a determination whether it will adopt the qui tam case. "No more extensions except for extraordinary good cause," he says. In attendance at this hearing are AUSA Barbara Van Gelder, OIG counsel Judith Hetherton and Ervin counsel Wayne Travell. Van Gelder says she has brought in Hetherton because she knew the judge would ask her whether the relator has any objections to giving the government additional time. Richey says that since Ms. Hetherton was there, he would grant the request without objection from the plaintiff (and Travell says he has no objection). Richey says he will expect to hear from the government "by pleading" at the next hearing.

20-Aug-96

Ervin files a Supplemental Certificate of Compliance and Information Sheet in the TRO case in Denver.

22-Aug-96

Hamilton receives a second subpoena from the HUD OIG shortly after C A Fitts talks to the IG and asks her whether she plans to "bury" the Denver audit of the loan sale program. Gaffney said, "How dare you suggest such a thing? That would be unethical."

22-Aug-96

Ervin files a Motion to Expedite Discovery in the TRO case against HUD in Denver. HUD files a motion to dismiss for improper venue before Judge Walker D. Miller or to transfer for improper venue or convenience before Judge Miller. HUD also files a brief in opposition to the motion for TRO.

Aug-26-1996

Clinton signs the welfare reform bill – the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The bill required that no person could receive welfare payments for more than five years – consecutive or non consecutive. The bill also transferred welfare to a block grant system.

23-Aug-96

The government files a motion to substitute original attachments regarding its motion to dismiss in the TRO case by Ervin. Judge John Kane grants a motion for Wayne Travell to appear pro hac vice, sets a hearing on the motion for September 12, grants the motion to expedite discovery and grants the government's motion to substitute original attachments. There appears to have been a hearing on these matters – a 38-page transcript of proceedings is prepared by Federal Reporting Service.

23-Aug-96

US District Court for the District of Columbia gives the government approximately 90 additional days within which to make its election whether to adopt the qui tam action by Ervin & Associates against Hamilton.

28-Aug-96

The divorce of the Prince and Princess of Wales is finalized.

29-Aug-96

The government files a motion to vacate hearing on preliminary injunction and to stay discovery pending a ruling on jurisdiction and venue and a certificate of compliance in the Ervin TRO case in Denver.

Aug/Sept-96

Kansas City Neighborhood Networks Conference is held.

Sep-96

HUD sells \$804.5 million UPB in single-family loans in the Single Family Loan Sale #3. The Single Family #3 Sale yielded proceeds of \$730.2 million, equal to 90.76 % of UPB and resulted in savings to the government of \$164 million. There were 25 bidders and three winners in this auction. This bid includes the first "place based" bid, a pool of loans in Albuquerque.

Sep-96

The HFA negotiated sale of \$14.52 million of HUD-held multifamily mortgage loans is closed with the Missouri Housing Finance Agency. Although the sale price is nominal, HUD achieves its objectives of providing for rehabilitation of the projects, retention of important tenant protections that are required under regulatory agreements, and resident initiatives programs while divesting itself of liability for future tenant subsidies. HUD also gains valuable information about how to value loans in neighborhoods where there are no market-based housing projects. The values of moving to market based solutions are much more attractive than were previously assumed. Subsidy for housing is far more expensive than job training, jobs and market based housing with vouchers.

Sept-96

Carlyle closes Carlyle Partners II at a total of \$1.33 billion, more than twice its original target for the fund, and 13 times as much as the company had ever raised for a single fund. The defense-oriented fund would go on to produce returns for better than 35 percent. (The Iron Triangle) Investors included CalPERS for \$80 million, the state of Florida for \$200 million, Richard Mellon, Citibank, Soros, Gannett, and American Airlines. Rumors of 46 percent returns had investors salivating. (The Iron Triangle) ...Carlyle II would ultimately...return better than 30 percent annually for its investors.

4-Sept-96

The government files a motion for protective order re: discovery requests and a certificate of compliance in the Denver TRO case. Ervin files an opposition to motion to dismiss for improper venue before Judge Walker D. Miller and a Declaration of John J. Ervin.

5-Sept-96

Minute order by Judge John Kane in the Ervin TRO case in Denver granting motion for protective order re: discovery requests, granting motion to vacate hearing on preliminary injunction granting motion to stay discovery, setting hearing on motion to transfer for improper venue or transfer for convenience, setting hearing for 9/12/96, denying motion to expedite discovery.

6-Sept-96

Ervin files a reply to response to motion for TRO in the Denver TRO case. The government files a motion to dismiss for lack of jurisdiction and a reply to response to motion to dismiss for improper venue.

11-Sept-96

A Notice of Submission of Declaration of Kathleen Trygstad by HUD re: disbursements is filed in the Ervin TRO case against HUD.

12-Sept-96

Judge John Kane denies the government's motion to dismiss the Ervin TRO case filed in Denver for improper venue. Judge Walker Miller grants the motion to transfer for improper venue and for convenience and transfers the case to US District Court for DC (Docket No. 96-2164).

19-Sept-96

Ervin files an Emergency Motion for a hearing on its application for preliminary injunction and for expedited discovery in his TRO case against HUD. Ervin also files an amended complaint.

20-Sep-96

Ervin's asset management contract with HUD expires and a one-year renewal option is not exercised.

26-Sept-96

By direction of the Calendar Committee, the Ervin TRO case against HUD is reassigned from Judge Lamberth to Judge Bryant. The attorneys representing the government include Raymond Larizza, Joe Benedict Garcia and Douglas James Hughes.

30-Sep-96

Declaration by Chris Greer regarding Ervin contracts takes place.

September 1996

Franklin Raines leaves his position as Vice Chairman of Fannie Mae to become head of the Office of Management and Budget.

1996

Win Rockefeller, becomes Lt. Governor of Arkansas in a special election triggered by the resignation of Governor Jim Guy Tucker and the promotion of Lt. Governor Mike Huckabee. Rockefeller was subsequently reelected in 1998 and 2002 to a full four-year term. Rockefeller served from 1981 to 1995 on the Arkansas State Policy Commission. We serves as the chief executive of Winrock Farms, Inc. created by his father.

3-Oct-96

A status hearing is scheduled for October 21 before Judge Bryant in the Ervin TRO case.

October 3, 1996

Cornell Prospectus filed with SEC by with Dillon Read as senior lead manager and Equitable Securities and ING Barings as co-managers. Prospectus shows a COO recruited effective October 1996 from Federal Express: CFO is from Arthur Anderson in Houston. Prospectus shows that Dillon and its various affiliates will dilute from 44.2% to 19.7% and ING, an affiliate of ING Barings will dilute from 14.1% to 3.4%.

Other initial public offerings of note listed during 1996 are: Host Marriott Services Corp, Iron Mountain of Del., Lucent Technologies, CB Richard Ellis, Kroll O'Gara (who goes from a IPO value of \$66 in 1996 to a value in 12/98 of \$700MM)

October 4, 1996

The Washington Post publishes the results of its "independent" investigation into Gary Webb's allegations, saying that there is insufficient evidence to support Webb's claims – thus affirming the notion that the Post is a CIA proprietary.

7-Oct-96

Ervin files Second Amended Complaint for Preliminary and Permanent Injunctive Relief, Declaratory Judgment and Other Relief in *Ervin and Associates, Inc. v. Helen Dunlap, et al.* (1:96-CV-001253) in US District Court. Wayne Travell and Daniel Hawke of Tucker Flyer and Lewis sign as counsel. The complaint says Ervin has filed over 60 FOIA requests with HUD during the past two years.

10-Oct-96

Ervin files a Renewed Motion for expedited discovery in the TRO case against HUD. The government files a motion to dismiss or in the alternative for summary judgment.

11-Oct-96

The government files a response to Ervin's opposition to motion for expedited discovery in the Ervin TRO case.

11-Oct-96

Helen Dunlap leaves HUD to join the Low Income Housing Coalition as its Director.

16-Oct-96

Substitution of counsel for the federal defendant in the Ervin TRO case; substituting Raymond Michael Larizza, Douglas and James Hughes for J. Benedict Garcia.

17-Oct-96

Ervin files a memorandum in opposition to the government's motion to dismiss or for summary judgment in the Ervin TRO case against HUD.

17-Oct-96

Hamilton's counsel at Morrison & Foerster sends letter to US News and World Report describing conversation with HUD OIG, which told him OIG was conducting a routine audit and there was no reason to think there was any criminal investigation.

18-Oct-96

The government files a motion to quash subpoenas in the Ervin TRO case.

21-Oct-96

Lauch Faircloth (R-North Carolina) , Chairman, Senate Subcommittee on HUD Oversight and Structure, writes a letter to Henry Cisneros (then Secretary of Housing) regarding charges made by Ervin & Associates against HUD. Faircloth also serves as Chairman of the Senate DC Appropriations Subcommittee which plays a leading role in the federal takeover of DC government and prison system during the Clinton Administration.

21-Oct-96

A motion hearing is held before Judge Bryant in the Ervin TRO case against HUD. Daniel Matthew Hawke makes an appearance.

22-Oct-96

Judge Bryant issues an order denying the renewed motion for expedited discovery.

25-Oct-96

Reply by the government to response to motion to dismiss and to motion for summary judgment is filed in the Ervin TRO case against HUD. Notice of voluntary dismissal of case by plaintiff without prejudice pursuant to Rule 41(a)(i) is filed.

28-Oct-96

Federal Register publication of 24 CFR Part 291 Disposition of HUD-Acquired Single Family Property; Streamlining Final Rule; SUMMARY: This final rule amends HUD's regulations for the disposition of HUD-acquired single-family property. In an effort to comply with the President's regulatory reform initiatives, this rule will streamline these regulations by eliminating provisions that are redundant or are otherwise unnecessary. This final rule will make the single-family property disposition program regulations clearer and more concise.

29-Oct-96

Stipulation of dismissal is entered for the Ervin TRO case. Later, on January 24, 1997, a transcript of the 10/21/96 hearing is filed. On February 27, 1997 an Administrative Record is filed by the government.

October 31, 1996

Arthur B. "Bud" Treman dies at the age of 67.

Nov-96

John Deutch attends Town Hall Meeting in the Watts neighborhood of LA. He is confronted by Mike Ruppert (*see*, www.copvcia.com) and promises a full CIA IG investigation of Gary Webb's allegations in the *Dark Alliance* series in the *San Jose Mercury News*. The CIA Inspector General later publishes a two-volume report and the DOJ Inspector General also publishes a report. Guerilla News Network later wins an award at the Sundance Film Festival for their on line video, Crack the CIA, that memorializes Ruppert's confrontation with Deutch. See Crack the CIA, <http://www.gnn.tv/videos/video.php?id=1>

Nov-96

Campaign fundraising is an issue of concern; soft money donations set substantial new records; largest "hard" money or direct donors were law firms (#1 largest to Clinton and #2 largest to Dole); top contributors included Ernst & Young and Goldman Sachs donating to both Clinton and Dole.

1-Nov-96

The date that Ervin's Bivens complaint speculates the company will be forced to lay off half of its employees if Ervin & Associates is not given HUD contracts or paid \$2.5 million allegedly owed by HUD.

2-Nov-96

Publication of "White Male Over 40 Sues HUD, and the Department's Big Loan Sale Is in Peril", by Jim McTague, in *Barron's*.

5-Nov-96

Clinton is re-elected and the GOP retains its majority in both houses of Congress. Clinton wins the women's vote overwhelmingly, with majorities of black, Hispanic, labor union and

young voters. The GOP holds House and Senate 227-207 and 55-45, respectively. The Democrats win New York, California, Illinois, Michigan, Ohio and lose Texas and Georgia; labor spends approximately \$35mm in soft money; E&Y, a large HUD contractor and financial advisor is largest contributor to Clinton and Dole in 1996 campaign. Goldman Sachs also is large contributor.

11-Nov-96

US News and World Report publishes an article "Of Contacts and Confidence" that reported allegations of irregular contracting practices at HUD involving Hamilton and aired accusations that Hamilton had steered some of the HUD note sale business to favored Wall Street firms. In pre-publication conference, Ed Pound, the principal reporter, tells Hamilton that the HUD OIG "at the highest level" had assured him that Hamilton is guilty of criminal acts.

12-Nov-96

Ervin files Plaintiffs' Opposition to Federal Defendants' Motion to Dismiss – Hollis, Larizza and Sitcov of DOJ are listed as counsel for HUD.

13-17-Nov-96

Resignations of Cisneros (11/21), Leon Paneta, Warren Christopher Perry. Erskin Bowles is appointed as White House Chief of Staff. The DNC returns \$1.4 million in questionable campaign contributions.

14-Nov-96

Frank Hunger, Assistant Attorney General, and Barbara Van Gelder, Assistant US Attorney, move the District Court for the District of Columbia for an extension of time during which to provide the Court with notice of its election whether to intervene in the qui tam action by Ervin & Associates against Hamilton until thirty days after the completion of an ongoing criminal investigation in the matter and any resulting criminal proceedings. The motion is unopposed by the relator (Ervin).

14-Nov-96

By letter of this date, according to later testimony by the HUD Inspector General, Senators Bond (Chairman of the Subcommittee on VA/HUD Appropriations) and Faircloth (Chairman of the Subcommittee on HUD Oversight and Structure) request that the HUD OIG conduct a comprehensive review of HUD's use of its contracting authority. In response, a team of 26 auditors reviewed HUD contracting from 1992 – 1996. While the OIG audit was under way, HUD contracted with the National Academy of Public Administration for a review of FHA contracting.

18-Nov-96

The US District Court for the District of Columbia, Judge Richey, grants the government's motion to extend time in the qui tam action by Ervin & Associates against Hamilton seeking a stay until 30 days after the completion of the criminal investigation and any resulting criminal proceedings or to notify the Court that it declines to adopt and directs that the filings shall remain under seal until further order of the Court. (Sporkin hears the case in the future while Richey is sick and then the case is reassigned to Sporkin on March 10, 1997 Hamilton has not been able to obtain transcripts of this hearing either because the hearing

did not occur or because tapes of the hearing are not available. For this and other dates, Hamilton is trying to ascertain if tapes are "missing.")

22-Nov-96

Hal DeCell, Assistant Secretary of HUD for Congressional Relations, responds point by point to Lauch Faircloth's initial letter saying HUD believes that Ervin's charges are baseless complaints of a disgruntled contractor. The letter also notes that this will "turn the clock back" and adversely affect a successful loan sale program. HUD assured Senator Faircloth that it is investigating the matter to see if there is any substance to Ervin's charges.

22-Nov-96

DOJ awards four indefinite delivery/indefinite quantity contracts for Automated Litigation Support Services for services to the DOJ Civil Division, Antitrust Division, Civil Rights Division and Criminal Division with a five year expenditure ceiling of \$375MM. The four contractors are Aspen Systems Corp, CACI, Inc. Commercial, DynCorp and Rust Federal Systems, L. C. The Civil Division is designated the lead contractor.

22-Nov-96

Judge Charles Richey of the US District Court for the District of Columbia grants the motion of relator Ervin & Associates for a limited lifting of the seal to permit Ervin to make an *ex parte in camera* notification of the pendency of the qui tam claim to Judge William Bryant of the same court, who was hearing the Bivens action by Ervin against the US. The order states that Ervin claims that the federal defendants in the Bivens action, represented by DOJ, are asserting that Ervin's claims in that case are "incredible and unsupportable" while at the same time "their colleagues at DOJ, whose work is being screened from government counsel in the Bivens action, are investigating criminal allegations" arising from both the qui tam and Bivens actions. The order states that it is being issued "to avoid penalizing Ervin in its case before Judge Bryant as the result of the Court's generosity to the government in this case, and because the government has failed to demonstrate in its Response to Relator's Motion how the *ex parte in camera* disclosure to Judge Bryant resulting from the limited lifting of the seal in this case will hamper, injure or otherwise compromise the government's criminal investigation relating to this case and to Ervin."

25-Nov-96

Lauch Faircloth (Republican – North Carolina) Chairman of the Senate Subcommittee on HUD Oversight and

Structure, sends a letter to Henry Cisneros, Secretary of HUD, responding to HUD's response to his earlier letter re: the Ervin litigation. He says charges that Hamilton improperly prepared congressional testimony seem to have merit and inquires about the Secretary's progress in his promised independent investigation of HUD procurement process.

November 27, 1996

Pursuant to its partnership agreement, Concord distributes an aggregate of 152, 527 shares of its Cornell Corrections Common Stock to its partners.

Nov/Dec-96

The leading, minority candidate for HUD Secretary, the Mayor of Seattle, is dropped from consideration for the HUD Secretary position as a result of a sudden HUD OIG "criminal" investigation into a HUD Community Development Block Grant to Seattle, the charges in which investigation much later are said to be unsubstantiated. Cuomo is announced as the new Secretary of HUD after rumors that Alfonse D'Amato informed the White House that his Banking Committee would confirm no other nominee. Cuomo is the son of Mario Cuomo, the former Governor of the State of New York. New York is a critical state in terms of both votes and campaign fund raising for the Democrats in the 1998 and 2000 presidential election.

Dec-96

Jack Quinn resigns as White House Counsel and is replaced in 1997 by Charles Ruff, the DC Corporation Counsel who is a former DC US Attorney, partner of Covington & Burling, and Iran Contra prosecutor.

Dec-96

HUD sells \$873.2 million UPB in nonperforming multifamily family loans in the Midwest Loan Sale with Hamilton as crosscutting financial advisor. The Single Family #2 Sale yielded proceeds of \$762.7 million, equal to 87.35 % of UPB and results in savings to the government of \$360 million. There were 62 bidders and 13 winners in this auction.

Dec-96

DOJ creates a Campaign Finance Task Force.

4-Dec-96

Hamilton reports to HUD (To Nic Retsinas and Kathy Rock who report the same to the Acting General Counsel) regarding the results of an internal investigation into a discrepancy between the bidders' information packages and optimization instructions to Lucent Technologies during three previous loan sales. Hamilton had discovered this anomaly while it was in the process of preparing for the next loan sale. A number of high level Hamilton employees and contractors hired for this purpose spend countless hours researching the problem. Hamilton's report to HUD explains that this discrepancy has resulted in a potential four tenths of one percent reduction in gross sale proceeds to HUD. Hamilton assures HUD that it has taken steps to ensure that this discrepancy will not be repeated. HUD accepts these assurances and retains Hamilton for another three loan sales over the next ten months. Hamilton notifies its counsel and insurer of this development. A later study by the Policy Development & Research division at HUD is said to concur that the discrepancy is not statistically significant and falls within industry quality control standards for accuracy.

19-Dec-96

Status conference in the qui tam lawsuit before Judge Sporkin. An order is issued by Judge Richey directing that the US and the relator shall appear on 3/10/97 and be prepared to discuss the status of the criminal investigation and when the government will be prepared to intervene or notify the Court that it declines to do so. At the hearing, attended by AUSA Barbara Van Gelder and Ervin attorney Wayne Travell, Van Gelder reports that the investigation is proceeding expeditiously, with about 12 people working on the case, nine full time, 125 witness interviewed and the accumulation of over 30,000 documents. When pushed to estimate when the government will make a decision whether to adopt the qui tam

case, Van Gelder says that as far as the civil matter is concerned, the government probably will take the case. She says that based on information derived from sources other than Ervin, the government is going to have to reorder the case, file an amended complaint, dependent upon information the criminal investigation is bringing in. Judge Sporkin gives the government six months to make its decision.

December 1996

Cornell Corrections ends the fiscal year with net losses of \$2.3MM, primarily as a result of financing expense.

Feb (?) 1997 Fitts goes to Hong Kong, Shanghai and Beijing. In Hong Kong she attends GBN meeting,

April 1997 After a presentation on what is now the solari model at Safeguard Scientifics to the E2 board of advisors, Bill Christ, President of Cal Pers, tells Fitts that “they have given up on the country, they are moving all of the money out of the country starting in the fall. And urges her to “get to Nick” – meaning Nick Brady.

1997 UBS acquires Dillon Read – integrates it with Warburg investment banking subsidiary.

1997 Hong Kong reverts to the PRC from the British Crown

1997 Asian Financial Crisis Begins

Tony Blair is elected Prime Minister of UK

1997 The Federal Bureau of Prisons (FBOP) awards its first private prison contract to Wackenhut for operation of a 2,048 bed prison complex in California.

1997 A tentative date is set for a likely FHA sale of unsubsidized multifamily mortgages in a structured financing similar to the controversial Partially Assisted sale. The planned pool consisted of approximately 66 apartment mortgages (UPB \$244 million) and 20 partially assisted [i.e., Section 8 assisted] mortgages (UPB \$58 million). HUD was shifting its focus to 847 subsidized mortgages with UPB of about \$1.3 billion in its HUD held inventory. Among the options under consideration was a trust structure incorporating public-private partnerships involving private investors, government agencies and not-for profit organizations. Holland & Knight was hired as legal counsel to advise HUD regarding the trust structure. Dick Dunnells of Holland & Knight reports to members of the loan sale team that he has agreed to represent HUD only on the condition that HUD waive any conflicts of interests in his representation of clients who are HUD stakeholders. HUD agrees to the waiver.

Jan-97

Clinton and Gore are sworn in for second term; DNC scandals continue with revelations of large banks and banking regulators meeting at the White House in May 1996.

Jan-97

CCA acquired a 20-year lease on District of Columbia's Correctional Treatment Facility for which it pays \$233,000 a month. CCA also has a 20-year contract to operate the facility. (ABT associates)

Jan-97

HUD sells \$1.31 billion UPB in single-family loans in the Single Family Loan Sale #4 with Hamilton as crosscutting financial advisor and Merrill Lynch as financial advisor for the sale. The Single Family #4 Sale yielded proceeds of \$1.03909 billion, equal to 91.87 % of UPB and resulted in savings to the government of \$247.39 million. There were 11 bidders and three winners in this auction. This sale includes a "place based" bid.

Jan-97

Catherine Austin Fitts leads a team to prototype the first integrated version of Community Wizard, a software tool designed to allow communities access all public data on resource use in their area, including all federal data. Throughout 1997, response to the tool is astonishing, from Congressional staff, to HUD leaders, to the HHS Secretary. Substantial software tool development has also resulted in numerous tools to analyze subsidized housing in a place based context, including detailed pricing tools that combine significant databases on government rules and regulations with all of Hamilton's pricing results from the various loan sales, including HFA negotiations and the Partially Assisted Trust.

These tools make it possible to look at the HUD portfolios in entirely new and powerful ways. Additional tools made during this period illuminate substantial opportunities for both taxpayers and private investors, including databases of all federal contracting, budget tools, a HUD G4 tool and many others. The core part of the Hamilton Dream Machine, centered on Community Wizard and place based illumination of public and private investment and resource management, is coming to fruition.

7-Jan-97

Gingrich is reelected Speaker of the House.

Jan-1997

Cornell Corrections completes the acquisition of the assets of Interventions, a nonprofit operator of a 300 bed adult residential pre-release facility in Dallas, Texas and a 150 bed capacity residential transitional living center for juveniles in San Antonio, Texas.

During 1996, Cornell also acquired a 310 bed residential pre-release facility located in Houston Texas and substantially all of the assets of MidTex Detentions, Inc, a private correctional operator for the Federal Bureau of Prisons. MidTex operated secure institutional facilities in Big Spring, Texas with a design capacity of 1,305 beds.

January 15, 1997

Jamie Gorelick, Deputy General Attorney since March 1994, announces her resignation. Together with her friend and colleague Elaine Kamark, head of NPR, she has been a leader in ensuring that federal prison privatization is a success.

In the press release issued by DOJ, it says that Gorelick guided the Department in the midst of a 30% increase in the Department's personnel and a 70% budget increase during her tenure. One of her principal priorities was to help prepare the Justice Department to be able to respond effectively to the new challenges of "transnational crime and terrorism. To do

this, she forged new relationships and administrative protocols with the Departments of State, Treasury and Defense, and with the intelligence community. “In all of her work with law enforcement,”

(Janet) Reno added, “Jamie displayed a sensitivity to the civil liberties of our citizens that gave comfort to all of us who care deeply about the Constitution.”

Gorelick (Harvard College and Harvard Law), like Raines (Harvard College and Harvard Law), Edley (Harvard law) and went to Harvard. Kamark went to Bryn Mawr and got her PHD from the University of California, Berkeley – and ends up teaching at Harvard. (Harvard’s endowment rises from \$4 billion to \$19billion during the period.)

During 1997, Ms. Gorelick receives an award from the Director of Central Intelligence.

In 1997, Clinton nominates Eric Holder, DC US Attorney, to replace her.

17-Jan-97

The House Ethics Committee fines Gingrich \$300,000 for campaign finance irregularities.

January 17, 1997

Pursuant to its partnership agreement, Concord distributes an aggregate of 15, 473 shares of its Cornell Corrections Common Stock to its partners.

Feb 1997

Cornell Corrections receives an award from Santa Fe County to design, build and operate a 760 total bed project in Santa Fe, New Mexico. The company took over an existing 240 bed adult and juvenile jail on July 1, 1997 with construction of a new 604 bed adult detention facility currently scheduled to be completed during the second quarter of 1998. The 240-bed jail will be converted into a 156-bed residential juvenile detention facility and is scheduled to be completed during the 4th quarter of 1998.

Feb 1997

Catherine goes to China to explore/negotiate database and software development agreements with Beijing and Shanghai universities.

Feb-97

The DNC fundraising scandal continues. Documents released by NSC show that NSC had warned Gore about attending Buddhist temple fundraising; DNC agrees to return \$1.57 million.

5-Feb-97

Ervin & Associates submits a Freedom of Information Act request seeking information regarding negative credit subsidy calculations for HUD note sales.

6-Feb-97

Ervin & Associates submits a Freedom of Information Act request-seeking information regarding actual expenditures compared to budgets for the HUD Office of Community Planning and Development for 1993 - 1996, a period that corresponds to the incumbency of Andrew Cuomo as Assistant Secretary for Community Planning and Development. The

request states that Ervin is particularly interested in cost overrun in travel, systems, consultants or staff.

6-Feb-97

Ervin files Plaintiffs' Motion for Leave to File Memorandum Regarding Inadequacies in SWAT Administrative Record Out Of Time in *Ervin v Dunlap* (96-CV1253) and Plaintiffs' Memorandum Regarding Inadequacies in the SWAT Administrative Record. In this memorandum, Ervin's counsel alleges that the SWAT, physical inspection and asset management contracts are "intertwined with HUD's portfolio re-engineering plan to transfer affordable housing assets to Wall Street insiders at deep discounts." This is not true on any account.

13-Feb-97

Federal District Court Judge Bryant issues a memorandum and order in *Ervin v Dunlap*. The court grants the government's motion to dismiss Ervin's Fifth Amendment due process claim and request for relief in the form of a declaration that the second due diligence contract is void *ab initio* for lack of standing. In all other respects the government's motion is denied.

13-Feb-97

HUD's Office of Procurement and Contracts issues a "Notice of Termination for Default" to Ervin & Associates for a contract involving annual financial statement reviews for HUD's entire multifamily project portfolio. Notwithstanding this termination, the Technical Evaluation Panel found that Ervin merited a "reasonably high rating on past performance even with the default termination" in a June 1, 1998 report in connection with an RFP for due diligence services in November, 1997. Later, as part of a GAO protest of HUD's failure to award Ervin this contract, Ervin asserts that the basis for issuing the notice is under investigation by the HUD OIG.

17-Feb-97

Ken Starr announces that he will resign to head Pepperdine Law School; on 21st, he announces he will stay.

Feb 1997

Vice President Al Gore announced that Secretary Cuomo was bestowing an empowerment zone and \$300 million in tax credits on Maxine Water's congressional district – the area ravaged by CIA cocaine and which is shown in the Hamilton maps of high HUD defaults.

Mar-97

Kathy Rock, FHA Comptroller, meets with HUD's Office of General Counsel re: the optimization error reported by Hamilton. She subsequently documents the meeting with a memo to Assistant Secretary Retsinas. Later, Helen Dunlap report to Fitts that Kathy Rock has informed her that Deputy Counsel Glaser ordered the memo removed from documents provide to the Senate staff and indicates that the memo is not to be disclosed.

Mar-97

Switzerland agrees to establish \$4.7 billion trust fund to pay Holocaust victims for trading precious assets with Nazis and concealing stolen Nazi assets.

Mar-97

Catherine Austin Fitts attends PC Forum.

2-Mar-97

Washington Post reports Gore raised \$40 million with calls made from the White House.

March 4, 1997

Concord II and Concord Japan exercise options to purchase share of Cornell Corrections common stock, in the amount of 60,640 shares and 11,982 shares respectively.

5-Mar-97

HUD Inspector General Susan Gaffney testifies before the Senate Committee on Governmental Affairs on High Risk Problems at HUD. She states "Bringing HUD programs in line with staff capability would undoubtedly require a narrower, more precise definition of HUD's mission; and this would in turn provoke outcries from the many constituencies – both within and outside the Department – that have formed around HUD programs. Resolving the inconsistencies between HUD's avowed commitment to a place-based orientation and the realities of HUD's program-based organization would again require a clearer definition of HUD's mission, followed by a major shifting of authorities within the Department." "The Department does not have efficient, effective and integrated financial management systems that can be relied upon to provide timely, accurate and relevant financial information and reports. " She notes that "progress is being made" in getting the systems for accounting and budgeting for the project based assistance program and the similar system for tenant based assistance (HUDCAPS, TRACS) up and running. She complains about past failure to take enforcement action against those who misuse the system. She says, "We cannot assume that the States, localities, non-profits, and other recipients of federal funding will always act with wisdom and integrity. We should be dedicated to ... resolve to move decisively against cases of fraud and abuse. In this regard the HUD OIG has proposed a series of legislative measures that we believe would significantly strengthen HUD's enforcement capacity."

6-Mar-97

HUD Inspector General Susan Gaffney testifies before the House Subcommittee on Human Resources, Committee on Government Reform and Oversight on HUD's Mission, Management and Performance.

10-Mar-97

The qui tam lawsuit is reassigned to Judge Stanley Sporkin after the death of Judge Richey. Hamilton has not been able to obtain transcripts of the hearing scheduled for this date either because the hearing did not occur or because tapes of the hearing are not available. For this and other dates, Hamilton is trying to ascertain if tapes are "missing."

11-Mar-97

The Senate voted unanimously to authorize (S.Res. 39) the Senate Governmental Affairs Committee to conduct "an investigation of illegal or improper activities in connection with 1996 Federal election campaigns." A deadline of December 31,1997, was imposed on the investigation.

14-Mar-97

Order by Judge Sporkin in the qui tam lawsuit directing that the relator shall appear on 5/20/97 and the US shall be prepared to discuss when it will be prepared to intervene or notify the Court that it declines to do so.

17-Mar-97

GAO decision in the matter of Ervin & Associates related to Ervin's contention that the agency (HUD) improperly conducted a limited competition for equity monitoring services for FHA's Class B Trust Certificate interests in the HUD Partially Assisted Sale and improperly failed to solicit Ervin in a limited competition for equity monitoring services. The limited solicitation RFP was issued on June 27, 1996 – after the Partially Assisted Sale. GAO denies the protest. It states, "While some tasks that Ervin has performed arguably overlap with the responsibilities of the equity monitor, (e.g., reviewing annual financial statements), overall, the expertise required to perform the equity monitoring contract is specialized in nature in that it primarily calls for extensive analyses of complex financial transactions. The fact that Ervin employees possessed professional degrees in accounting and real estate financing does not change the fact that the tasks required here differ significantly from those Ervin has performed under the multifamily housing services contracts, which primarily involve property management (i.e., physical inspections, property disposition, etc.)." The 12-month contract for \$700,000 was awarded to Alschuler, Melvin and Glasser, LLP. John Ervin represents Ervin and Richard Marchese of HUD OGC represents HUD.

27-Mar-97

Ervin & Associates submits a Freedom of Information Act request seeking all emails sent on HUD's ccMail system since June, 1993 from Helen Dunlap, C. Austin Fitts, Kathryn Rock and Chris Greer. In Ervin's request, he notes that he understands that if any messages on HUD's email system were held for more than 24 hours, they would be included in nightly back-up tapes.

Apr-97

Hamilton receives letter from HUD advising that HUD intends to consolidate various advisory services and will cancel the crosscutting contract upon issuance of new contract.

Apr-97

Hamilton's subsidiary, E2 NetAnalytics, meets with its advisory board at SafeGuard Scientifics to unveil the Solari model and financing communities with stock corporations. The response is very positive. One member warns, however, that it may be too late. He says a decision has been made to move all capital out of the US and abroad starting in the fall. He advises Catherine to "get to Nick" –meaning Nicholas F. Brady. Win Churchill expresses his concern that Catherine is not ready to do a deal.

April 17, 1997

American Assembly convenes "Improving the Economic Health of America's Distressed Communities" at Arden House, Harriman New York after two regional meetings. Frank Alston of e.villages attends and returns frustrated.

Spring 1997

Alan Spoon, Chief Operating Officer and Director of the Washington Post since 1991, joins AMS board.

4-Apr-97

Dillon Read files a Schedule 13-D dated April 3, 1997. It is a modification of its January 17th, 1997 file and will be refilled again in June. It describes Dillon Read's shared dispositive power for 1,191,864 of Cornell Corrections, Inc. shares or 17.6 % of Cornell's shares outstanding.

It is filed by each of the following persons:

Dillon, Read Holding, Inc. – A Delaware Corporation whose principal business is the ownership of all of the outstanding shares of Dillon, Read Inc.

Dillon, Read Inc. – A Delaware Corporation, wholly owned subsidiary of Dillon, Read Holding whose principal business is the ownership of all of the outstanding shares of Dillon, Read & Co. Inc.

Dillon, Read & Co. Inc.- A Connecticut Corporations whose principal business is investment banking, securities brokerage and trading.

Dillon, Read & Co. Inc.'s HQ offices are 535 Madison Ave., New York, New York 10022.

And the following Dillon entities and employees:

Name of Entity	Type of Entity	Shares	%
Concord Partners, LP	Dillon Read Venture Fund	19,114	.3

Concord Partners is a limited partnership organized under the laws of the state of New York and has its principal offices at Dillon Read's offices, 535 Madison Ave., New York, New York 10022. The principal business is investing in venture capital transactions.

Concord Partners II, LP	Dillon Read Venture Fund	646,994	9.6
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Concord Partners II, is a limited partnership organized under the laws of the state of Delaware and has its principal offices at Dillon Read's offices, 535 Madison Ave., New York, New York 10022. The principal business is investing in venture capital transactions.

Concord Partners Japan Ltd.	Dillon Read Venture Fund	127,839	1.9
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Concord Japan is a corporation organized under the laws of the Bahamas, whose principal office and business address is c/o Roy West Trust Corporation, (Bahamas) Limited, West Bay Street, Nassau, Bahamas. The principal business is investing in venture capital transactions.

Lexington Partners III, LP	Certain Dillon Read Officers	60,249	.9
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Lexington Partners III is a limited partnership organized under the laws of Delaware on behalf of certain offices of Dillon Read to invest in securities issued in transactions in which Dillon Read is involved and has its principal offices at 535 Madison Avenue, New York, NY 10022

Lexington Partners IV, LP	Certain Dillon Read Officers	2,435	.03
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Lexington Partners IV is a limited partnership organized under the laws of Delaware on behalf of certain offices of Dillon Read to invest in securities issued in transactions in which Dillon Read is involved and has its principal offices at 535 Madison Avenue, New York, NY 10022.

Dillon Read Certain Managing Directors and Officers 335,233

(Including 31,618 options)

Dillon Read as Agent for Certain managing directors, former managing directors, officers and former officers of Dillon Read listed on Exhibit E

The documents are signed by David W. Niemiec on behalf of Dillon, Read Holdings, Dillon, Read Inc., Dillon, Read & Co. Inc., Lexington Partners III and Lexington Partners IV and by Peter A. Leidel on behalf of Concord Partners, Concord Partners II and Concord Partners Japan, Limited.

A Chart of Common Stock Originally Purchased, not including options to purchase Common Stock, is:

Purchaser	Common Stock Originally Purchased	Total Price of Stock
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Concord	168,000	\$168,000.00
Concord II	586,354	2,120,459.83
Concord Japan	115,857	388,734.26
Lexington III	54,095	70,000.65
Lexington IV	2,260	9,541.14
Dillon Read	303,615	652,999.99

EXHIBIT E

Dillon Read as Agent as voting power for 335,233 shares (including 31,618 options) for Certain managing directors, former managing directors, officers and former officers of Dillon Read listed on Exhibit E as follows

Name of Director/Officer	Shares	Includes Options of	Amount/Source Funds
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Charles Ballard	5,870	569	5,848.82
John P. Birkelund	39,579	3,736	96,990.16
J. Robert Burton, III	2,387	228	2,448.38
James P. Connelly	697	47	2,576.55
Douglas Darby	5,424	517	13,512.39
Sally Dean	2,379	228	2,425.62

Peter Flanigan	28,178	2,687	48,781.40
Felice Gelman	488	47	2,087.17
Harry Hagerty	684	70	1,498.53
John H. F. Haskell, Jr.	36,730	3,505	85,382.75
E. Terry Herman (1)	368	23	1,396.40
Franklin W. Hobbs, IV	30,455	2,803	56,986.04
Robert H. Hotz	1,260	116	5,340.13
Peter H. Imhoff	8,353	853	7,500.00
Craig A. T. Jones	12,671	1,141	18,248.65
W. Howard Keenan, Jr.	5,819	548	9,274.77
Peter A. Leidel (2)	1,830	116	6,972.91
Nathan Leight	1,221	116	5,230.15
Richard H. Montague	1,291	116	5,427.55
Robert Moulton-Ely	1,002	93	4,253.93
John Murabito	367	35	1,570.06
David W. Niemiec	35,018	3,279	76,989.51
James F. Reilly	1,140	116	5,001.73
Bret Russell	5720	569	5,425.82
Kenneth M. Schmidt	24,778	2,454	35,622.38
H.C. Bowen Smith	22,111	2,105	22,746.92
Michael Somers	11,929	1,137	12,223.44
F. Davis Terry, Jr.	2,460	232	10,507.61
Wayne Thornbrough	6,107	582	26,147.30
George H. Weiler, III	1,103	70	4,180.11
George A. Wiegars	28,176	2,571	44,988.85
Richard C. Yancey	9,629	918	21,803

1) In addition Ms. Herman owns 1,000 shares purchased in the open market on 10/14/96 and 10/30/96.

2) In addition, Mr. Leidel owns 1,000 shares which he purchased in the open market on January 3, 1997. He also received 935 shares as a result of Concord Partners distribution on January 17, 1997 by Venture Associates to its General Partners.

EXECUTIVE DIRECTORS AND OFFICERS

Schedule D – Executive Officers and Directors of Concord Partners Japan Limited ---

1. ■ Kenjiro Kawaguchi, Director and Managing Director Dillon Read & Co., Tokyo
2. ■ Amerex SA, Coutts & Company (Bahamas) Ltd, West Bay Street, Nassau Bahamas
3. ■ Takashi Imai, Nippon Steel Corporation, Tokyo
4. ■ Yoh Kurosaw, The Industrial Bank of Japan, Ltd
5. ■ Heiichi Hamaoka, Nissan Motor Co. Ltd, Tokyo
6. ■ Gentaro Kawase, Nippon Life Insurance Company

Schedule A – Executive Officers and Directors of Dillon, Read Holding, Inc.

1. ■ John P. Birkelund, Chairman, Director and Managing Director of Dillon Read & Co. Inc.
2. ■ David W. Niemiec, Vice Chairman, Director, Managing Director, Treasurer and Secretary of Dillon Read & Co. Inc.
3. ■ Francois de Saint Phalle, Vice Chairman, Director and Managing Director of Dillon Read & Co. Inc.
4. ■ Franklin W. Hobbs IV, President, Chief Executive Officer, Managing Director of Dillon, Read & Co. Inc.
5. ■ Leendert C. Grijns, Chairman, Internationale Nederlanden Capital Corporation, 135 East 57th St. NY NY 10022 (Dutch Citizen)
6. ■ Jan Hessel Lindenbergh, Director, ING Bank, The Netherlands (Holland Citizenship)

Schedule B – Executive Officers and Directors of Dillon, Read Inc.

1. John P. Birkelund, Chairman, Director and Managing Director of Dillon Read & Co. Inc.
2. David We. Niemiec, Vice Chairman, Director, Managing Director, Treasurer, and Secretary of Dillon Read & Co.
 3. ■ Francois de Saint Phalle, Vice Chairman, Director and Managing Director of Dillon Read & Co. Inc.
 4. ■ Franklin W. Hobbs IV, President, Chief Executive Officer, Managing Director of Dillon, Read & Co. Inc.

Exhibit C – Executive Officers and Directors of Dillon, Read & Co. Inc.

1. John P. Birkelund, Chairman, Director and Managing Director of Dillon Read & Co. Inc.

2. David We. Niemiec, Vice Chairman, Director, Managing Director, Treasurer, and Secretary of Dillon Read & Co.

3. Francois de Saint Phalle, Vice Chairman, Director and Managing Director of Dillon Read & Co. Inc.
4. Franklin W. Hobbs IV, President, Chief Executive Officer, Managing Director of Dillon, Read & Co. Inc.
5. Barbara Alexander, Director and Managing Director
6. Sharyar Aziz, Director and Managing Director
7. Tamara A. Bush, Director and Managing Director
8. James H. Brandi, Director and Managing Director
9. William S. Brenizer, Director and Managing Director
10. James C. Brennan, Director and Managing Director
11. John G. Brim, Director and Managing Director
12. Michael A. Cilia, Director and Managing Director
13. Frank V. Colombo, Director and Managing Director
14. Kenneth S. Crews, Director and Managing Director (Dallas Office—3950 Trammel Crow Lane, 2001 Ross Avenue, Dallas TX 75201)
15. David M. Dickson, Jr. Director and Managing Director
16. Charles P. Durkin, Jr., Director and Managing Director
17. Blair W. Effron, Director and Managing Director
18. Raul P. Esquivel, Director and Managing Director
19. Peter Flannigan, Director
20. Thomas J. Hartfield, Director and Managing Director
21. John H. F. Haskell, Jr., Director and Managing Director
22. Anthony B. Helfet, Director and Managing Director (San Francisco Office—555 California Street, Suite 4950, SF, CA 94104)
23. William O. Hiltz, Director and Managing Director
24. Robert H. Hotz, Director and Managing Director
25. James W. Hunt, Director and Managing Director (Dallas Office)
26. Peter H. Imhoff, Director and Managing Director
27. Yerger Johnstone, Director and Managing Director (London Office – 60 London Wall, London EC2M 5TQ) (UK Citizen)
28. Craig A.T. Jones, Director and Managing Director

29. Kenjiro Kawaguchi, Director and Managing Director(Tokyo Office—Imperial Tower, 6th Floor, 1-1-11 Uschisaiwai-cho, Chiyoda-ku, Tokyo, Japan) (Japanese Citizen)
30. Patrick J. Landers, Director and Managing Director
31. Bryan H.Lawrence, Director and Managing Director
32. J. Richard Leaman, III, Director and Managing Director
33. Richard R. Macek, Controller, Director and Managing Director, 120 Wall Street, New York, NY 10005
34. Daniel F. Marciano, Director and Managing Director
35. Cynthia Melcher, Director and Managing Director
36. Richard J. Milligan, Director and Managing Director
37. Richard H. Montague, Director and Managing Director
38. Robert Moulton-Ely, Director and Managing Director
39. John H. Mullin, III, Shade Tree Farmer, Ridgeway Farm Inc. Route 2, Box 380, Brookneal, Va 24528
40. Christian L. Oberbeck, Director and Managing Director
41. Victor A. Pelson, Director
42. Robert A. Pilkington, Director and Managing Director
43. Thomas L. Piper, III, Director and Managing Director
44. Jerome H. Powell, Director and Managing Director
45. William P. Powell, Director and Managing Director
46. Eric W. Roberts, Director and Managing Director
47. Kenneth M. Schmidt, Director and Managing Director
48. HC. Bowen Smith, Director and Managing Director
49. Richard R. S. Smith, Director and Managing Director
50. Danforth H. Starr, Director
51. Jason D. Sweet, Director and Managing Director (Dallas Office)
52. F. Davis Terry, Jr., Director and Managing Director
53. Lorenzo D. Weisman, Director and Managing Director (French Citizen)
54. Edward B. Whitney, Director and Managing Director
55. George A. Wieggers, Director
56. John E. Wilson, Director and Managing Director
57. Robert A. Young, Director and Managing Director

- 58. Simon A. Borrows, Baring Brothers International Limited, 60 London Wall, London, EC2M 5TQ, Director (UK Citizen)
- 59. Leendert C. Grijns, Chairman, International Nederlanden (US) Capital Corporation, 135 East 57th Street, NY, NY 10022 (Dutch Citizen)
- 60. James R. C. Lupton, Executive Director, Baring Brothers International Limited, 60 London Wall, London (UK Citizen)
- 61. Michael D. G. Ross, Managing Director, Baring Brothers International Limited, (UK Citizen)

14-Apr-97

A proposal for the appointment of an Independent Counsel for fundraising is rejected by Attorney General Reno. Counsel would have investigated whether funds had been improperly raised for Clinton's 1996 reelection campaign. Reno said that the Justice Department probe had not yet found "credible evidence that high ranking executive branch officials had committed illegal acts."

14-Apr-97

Clinton nominates Eric Holder to be Deputy Attorney General. He is confirmed and sworn in on that day. Wilma Lewis replaces Holder at DC US Attorney. Holder had worked at DOJ after graduation from law school in the Public Integrity Unit. Hamilton is later told that Holder was supportive of Operation Safe Home efforts as part of the manpower and resources available to the "War on Drugs."

22-Apr-97

Apartment Investment and Management Company, ("AIMCO") entered into a Stock Purchase Agreement with Demeter Holdings Corporation, and Capricorn Investors, L.P pursuant to which AIMCO would acquire 5,619,695 shares of common stock, par value \$.01 per share of NHP Incorporated from Demeter and 1,310,427 shares of NHP Stock from Capricorn. As a result, Capricorn and Harvard (and presumably other investors such as Heller and Warburg Pincus) receive stock in AIMCO, continuing a significant investment in HUD housing. WMF, Inc. (a successor to Washington Mortgage) is spun out to the NHP shareholders, who continue their ownership of the largest issuer of HUD multifamily mortgage banker.

May-97

The initial report issued by the National Academy of Public Administration on FHA contracting is issued. As a result, Congress directed HUD to contract with NAPA to conduct a "top to bottom" redesign of the HUD procurement system.

14-May-97

Houston based Cornell Corrections enters into a Letter of Understanding to acquire Abraxas based in Pittsburgh Pa. Abraxas provides correctional services with respect to 1,300 youths in Pennsylvania, Ohio, Delaware and DC for app. \$30-35 million in annual revenues, or \$26,923 per youth. At the time Cornell had a "total design capacity" of 5,303 beds.

20-May-97

A hearing is held in the qui tam case. During a hearing in the case, (attended by AUSA Barbara Van Gelder, Daniel Hawke, Bernard Olieniacz, Ervin's in-house counsel, and Judith Hetherington, counsel for the HUD OIG) in which the Honorable Stanley Sporkin asked whether the two cases were linked, Barbara Van Gelder of the U.S. Attorney's Office stated that "there is incredible linkage". She explained further that, "In the matter before Judge Bryant [the *Bivens* case], what has happened is the qui tem [sic] statute will not allow you to file against the government or anybody who is an SES level or above. In the matter before Judge Bryant, the same parties are now the plaintiffs against HUD and Ms. Helen Dunlap whom they say have conspired with the defendants [, Hamilton,] in the qui tem [sic] to prevent them from, among other things, getting various and sundry contracts from retaliating against them for being whistleblowers in this matter and in other matters, and also for just having a general conspiracy to run their mortgage program." Van Gelder refers to Ervin and his counsel as "bounty hunters." In scheduling the next hearing, Van Gelder notes that they must consider "our agents[]" summer vacations."

21-May-97

Order by Judge Sporkin in the qui tam lawsuit extending time to 9/9/97 for the US to intervene or notify the Court that it declines to do so.

22-May-97

The date of a Real Estate Acquisition Agreement by and among AIMCO, AIMCO Properties, L.P., Demeter Holdings Corporation, Phemus Corporation, Capricorn Investors, L.P., J. Roderick Heller, III and NHP Partners Two.

May 1997

Jamie Gorelick, former Deputy Attorney General, joins Fannie Mae as Vice Chair.

23-May-97

Subpoena to AFL-CIO by Senator Fred Thompson's Government Affairs Committee. During this period, Catherine Austin Fitts has dinner with Richard Ravitch, Chairman of the AFL-CIO Housing Trust, who was lobbying for renewal of long-term government subsidies on a non-competitive basis, and not interested in on-line tenant access to training. He said, "If I can get long term government subsidy contracts, what do I care if people have education or jobs?"

Jun-97

HUD Secretary Andrew Cuomo announces the HUD 2020 Management Reform Plan, which included staffing reductions and, according to HUD Inspector General testimony, "a series of complicated and far reaching organizational and management process changes in HUD." Among the changes were the establishment of a centralized Real Estate Recovery Center and a Troubled Agency Recovery Centers (in Cleveland and Memphis), a Section 8 Financial Management Center in Kansas City, four Home Ownership Centers (in Santa Ana, Denver, Philadelphia and Atlanta) and an Enforcement Center. The reorganization also resulted in the establishment of new positions for "community builder", many of which positions were filled through temporary appointments. By the end of September, 1997 HUD had lost more than 1,000 employees due to early buyouts, authority for which expired at the end of the fiscal year. In late 1997 and early 1998, HUD had a "colossal merit staffing process" that resulted in 1,300 – 1,400 employees having no position and many others

having new positions. Employees with no assigned positions were forced to apply for new positions in the "New HUD." HUD 2020 envisioned an eventual staffing level of 7,500, but Secretary Cuomo froze the level at 9,100 HUD programs were consolidated and the public and assisted housing portfolios substantially improved."

3-Jun-97

Apartment Investment and Management Company ("AIMCO") acquired all of the issued and outstanding capital stock of NHP Partners, Inc., and the AIMCO Group acquired all of the outstanding interests in NHP Partners Two Limited Partnership.

June 1997

Georgia awards Cornell Corrections a contract to design, build, finance and operate a 550 bed minimum to medium security adult correctional facility. The facility will be owned and financed by the company and is scheduled to be completed during the their quarter of 1998.

Jul-97

The coup against Gingrich, alleged to have been led by Bill Paxon, fails. Paxon subsequently resigns his Republican Leadership Committee chairmanship and announces he will not run for reelection.

Jul-97

HUD disconnects Hamilton from the HUD ccMail email system.

Jul-97

The Senate begins campaign fundraising hearings (Senator Fred Thompson-R, Tennessee presiding). Of over 100 subpoenas issued by the Government Affairs Committee and posted on the Internet, not one was issued to Goldman Sachs, despite the ranking of Goldman partners and employees as one of the largest donors to both Republican and Democrats.

Jul-97

HUD sells \$112.68 million UPB in health care loans.

July 1997

CCA Prison Realty Trust, a REIT registered in Maryland, makes an initial public offering of 21.3 million shares, priced at \$21, raising more than \$400 million. Most of the proceeds were used to purchase 9 facilities from CCA, which led them back and continued operating them under government contracts.There...were some raised eyebrows over the price the REIT was paying to CCA for the nine prisons – more than \$300 million for facilities that had cost only \$170 million to build – a premium of some 80%

July 28, 1997

The Federal Reserve Board announces its approval of the notice filed by Swiss Bank Corporation, Basel Switzerland, to acquire Dillon, Read Holding, Inc. New York, New York and thereby engage in a variety of non banking activities, including engaging to a limited extent in underwriting and dealing in all types of debt and equity securities. After the acquisition, an indirect subsidiary of Dillon would merge with or purchase the assets of SBC Warburg. Dillon Read & Co as survivor would change its name to SBC Warburg Dillon Read,

30-Jul-97

Subpoenas to 25 fundraising groups and associations are issued by Senator Thompson's Committee.

Summer-97

Hamilton launches the Street Equity website with a design book for a Solari, a local software developer/tool maker that facilitates circulation of knowledge that supports continuous reengineering of resource management within communities and that permits small business and real estate access to the stock market in a manner that allows small business and farmers to compete with corporations on a level playing field based on performance. Earlier, Hamilton has launched the Hamilton Workshop, providing access to some of Hamilton's tools. The concept of the workshop was based on Leonardo DaVinci's workshop in Italy during the Renaissance. DaVinci had wanted to create new kinds of art and sculpture, such as the large San Marcos horses, and so it required inventing and building new tools to make such art and sculpture possible. Hamilton's premise was that new powerful tools need to be built and made accessible to create new liquid markets.

Aug-97

Mike Espy is indicted on 19 counts; he pleads "not guilty."

5-Aug-97

Clinton signs Balanced Budget Act passed by the House and Senate on July 30 and 31st.

As part of the balanced budget act, The National Capital Revitalization and Self Government Improvement Act of 1997 is enacted providing for the federal government to take over many of the District's responsibilities, such as its pension system, prisons and courts, as well as a larger share of the Medicaid program. In exchange the annual federal payment to the district would be eliminated (in the prior year that was 600MM) The original FY 1998 Senate appropriations bill provides a total of \$1.9 billion for federal funds for the district. This sum includes the federal payment for management reform, the federal contribution, payment for DC courts and corrections, payment for US Park Police operations, federal grants and federal reimbursements. The Act effectively transfer District pension funds worth \$3.4 billion to the Treasury and provides for a "takeover" of the District of Columbia prison system. The Act establishes a District of Columbia Department of Corrections, a District of Columbia Pretrial Services, Defense Services, Parole, Adult Probation and Offender Supervision Trustee. Federal employees are detailed to these operations and retain their Federal benefits coverage. The Senate Appropriations Committee's initial bill proposes a \$302MM payment to the DC corrections trustee for correctional facilities. Of this totally \$294.9 million is for transfer to the Federal Prison system as prescribed in the Revitalization Act, for the construction, renovation and repair of correctional facilities related to the transfer of DC adult felons to the Federal Prison System. The remaining \$7.1 million is for necessary repairs and increased security at the Lorton system. A payment of \$116 million is provided to the Administrative Office of the US Courts only for obligation by the Joint Committee on Judicial Administration for the operation of the DC Courts. Up to \$750,000 is appropriated for the establishment and operation of the DC Sentencing Commission as authorized in the Revitalization Act. The Committee further directs the payment of \$30million to the Administrative Office of the US Courts to be obligated only by the offender supervision trustee for pretrial services, defense

services, parole, adult probation and for the administrative operating costs of the trustee's office.

Also in 1997, Clinton signs into law tax incentives designed to spur economic growth in the District of Columbia. (Add 1995 stuff about Terpeluk, Kemp and Camelot on the Potomoc est)

When Kate Graham publishes her biography, it describes her partnership with Marriott doing Hope VI deals in SE Washington.

During this period Lauch Fairchild, R-North Carolina, is head of the District of Columbia Committee.

11-Aug-97

Ervin & Associates submits a Freedom of Information Act request seeking information on Ernst & Young's GNMA contracting vehicle under which it performed "Mark to Market" services for FHA.

Aug-97

HUD automates subsidy application submissions through its TRACS systems managed by Lockheed-Martin.

22-Aug-97

A trial date set for suit against Clinton by Paula Jones; it is scheduled for May 1998.

August 1997

Carlyle outwits General Dynamics in its efforts to buy United Defense. General Dynamics drops from the bid as a result of rumors about anti-trust problems and Carlyle picks up United Defense for 15% of GD's bid.

Hamilton's lead lawyer, before dropping as a result of being stiffed by AIG in the fall of 1997, Les Lepow's main client was General Dynamics.

August 31, 1997

Shortly after midnight, Diana, former Princess of Wales, is killed in a car crash in Paris along with her alleged fiancé, Dodi Fayed and the driver, Henri Paul. Her bodyguard Trevor Rees-Jones lives. Shortly after her death, the Prince of Wales and Diana's sisters arrive in Paris to collect her body and return her body to England that night.

Diana's funeral in London draws over 3 million mourners and more than 1 million bouquets are left at her London home.

Summer/Fall 1997

SAIC, leading information systems provider to the military, Admiral Inman on Board, invites Catherine to meeting. There are informal indications that they are interested in acquiring Hamilton. National security services account for 44% of their total revenues.

September 1997

Cornell Corrections finalizes the acquisition of Abraxas.

Sep-97

Senator Fred Thompson issues an order to AFL-CIO to produce documents; AFL-CIO organizes a coalition of those subpoenaed to stop subpoenas.

Sep-97

A grand jury begins an investigation into GOP dealings with a Hong Kong figure.

Sep-97

HUD sells \$1.14 billion UPB in single family loans in the Single Family Loan Sale #5 .The Single Family #5 Sale yielded proceeds of \$1.03 billion, equal to 89.99% of UPB and resulted in savings to the government of \$265.19 million. There were 31 bidders and one winner in this auction. There was a "place based" bid component in the sale.

3-Sep-97

DOJ begins a preliminary investigation into whether an independent counsel should investigate Gore's campaign-related calls from White House.

3-Sep-97

Hamilton makes its first convertible preferred investment in a neighborhood stock corporation (subsequently referred to as the "Solari Model").

Fall 1997

Carlyle holds a lavish celebration marking its tenth anniversary in the fall of 1997 inside the Library of Congress.

There next fund is a European Fund which raises money from Credit Lyonnais, Commerzbank, Credit Agricole, AIG Global Investment, AMR Investment Services, Bank America and the World Bank pension fund. Afsaneh Mashayekhi Beschloss, then treasurer and chief investment officer at the World Bank was the woman in charge of pension fund investments. After she retired from the World Bank having committed an undisclosed sum of money to Carlyle, she took a job with Carlyle, a trend that would be repeated throughout Carlyle's history.

11-Sept-97

Cornell completes \$60MM letter of credit financing with ING Capital.

10-Sep-97

Status hearing before Judge Sporkin in the qui tam lawsuit setting a status call for 3/9/98. AUSA Barbara Van Gelder, Wayne Travell and Daniel Hawke are in attendance, making numerous statements that are not truthful. The hearing focuses primarily upon Judge Sporkin's questions regarding why the SEC is not involved in the investigation. Van Gelder notes that even though the qui tam complaint mentions only 3 or 4 loan sales, she believes that the government should investigate all 12. Travell explains the allegations in the qui tam suit thus: "...HUD put together a group, a pool of these mortgage notes and then provided inside information to certain Wall Street concerns, and provided false information publicly with regard to the quality of the notes in the pool." They describe the sealed bid auction "people were invited to come in and bid for these notes." Van Gelder says, "Some people got longer invitations than others." She confirms the judge is correct when he says, "And

then in the invitation to bid some people were told information they shouldn't have...." Travell represents to the judge: "And to date we believe that -- the note sales are all but complete at this point, and it is our information that although these are generally available, made available to the public for anyone to bid on, there have only been three successful bidders." In fact, there were more than three successful bidders in the first loan sale. By this date there had been 22 HUD loan sales with at least several dozen different winning bidders or members of bidding pools. This fact was reported widely in the financial press and in materials produced to the HUD OIG under the Hamilton subpoenae.

11-Sep-97

Order by Judge Sporkin extending time to 3/10/98 for intervention or declination to do so and directing that counsel for the government and the relator shall be prepared to discuss all aspects of the case at a hearing on 3/9/98.

17-Sep-97

Ervin & Associates submits a Freedom of Information Act request seeking information on a recent dispute between Inspector General Susan Gaffney and Secretary Cuomo reported in *Legal Times* and *The Washington Post*, including the complaint filed by George Weidenfeller against Susan Gaffney, the anonymous letter that Susan Gaffney forwarded to the President's Counsel on Integrity and Efficiency, Dwight Robinson's memorandum criticizing Gaffney, including her decision to hire a public information officer and any findings by the FBI provided to HUD.

Sept-97

Carlyle buys United Defense for \$850 million, one of the company's largest buyouts ever. United Defense has plans to build the Army a 60-ton mobile howitzer called Crusader.

17-Sep-97

Ervin & Associates submits a Freedom of Information Act request seeking information, in connection with a complaint letter from Karen Burstein, counsel for Asset Strategies, on September 6, 1995, on "documentation within HUD that would identify the 20 firms referred to in Burstein's teaming partner example" and "documentation identifying Hamilton's teaming partner relationships within HUD." Ervin stated that "we are exercising our right as citizens and taxpayers to pinpoint and eliminate 'corrupt practices at HUD' and to investigate highly suspect actions by Secretary Cuomo, including his decision to allow Nic Retsinas to remain FHA Commissioner although the wrongdoing being investigation [sic] occurred on his watch."

17-Sep-97

Gary Gensler is confirmed as Assistant Secretary for Financial Markets at US Treasury

18-Sep-97

Teamster scandal touches Democratic fundraising scandal.

18-Sep-97

Houston based Cornell Corrections announces its proposed second public offering, with SBC Warburg Dillon Read as the lead senior manager and Dillon affiliates as its largest selling insider shareholder along with Brown University. The Chairman of Dillon Read and founder

of its venture effort, John Birkelund, is a long time trustee of Dillon Read. Arthur Anderson is its auditor, the CFO is a former Arthur Anderson Houston office employee and a former Vinson Elkins partner is a director.

19-Sep-97

Thompson announces that the Government Affairs Committee will turn to campaign finance reform; cover for shutdown.

20-Sep-97

DOJ announces that Reno has opened a formal inquiry into whether President Clinton had illegally solicited campaign donations at the White.

1-Oct-97

Beginning of the federal fiscal 1998 year. HUD produces certified financials for this year. However, HUD is not able to produce certified financials for the following year. Efforts to do so require \$17 billion of "adjustments" to the opening balance, signifying potential substantial problems in fiscal 1998.

1997

Pug Winokur sells the majority of Capricorn's investment in DynCorp – it appears to be purchased by the employees. With Capricorn now owning approximately 5%, Pug steps down from Chairman of the board to Chairman of the Compensation Committee.

October 1, 1997 Money starts to go missing at federal agencies is significant amount. \$17 BB in fiscal 1998, \$59 Billion in fiscal 1999 from HUD

Oct-97

NY Times reports that DOJ is widening the investigation into Democratic Fundraising, including how the DNC circumvents federal law by transferring at least \$23 million to the state Democratic parties.

Oct-97

NHP received a HUD OIG subpoena for documents re: "any arrangement whereby NHP provides compensation to owners of HUD multifamily projects in exchange for property management."

1997

Hamilton invests substantial funds in dealing with HUD contract compliance in face of serious leak campaign implying that Hamilton has engaged in criminal wrongdoing and assuring that an indictment of Fitts is forthcoming; Hamilton's market access is destroyed by a combination of Ervin, DOJ, Cuomo and HUD OIG actions, Hamilton receives additional subpoena and HUD OIG demands to take possession of all Hamilton documents; E&Y contracts are also cancelled (after a DNC fundraising scandal involving E&Y contributions) and subject to recapture by HUD OIG, who continues to lobby the Senate for scandal hearings on HUD contracting.

1997

UBS website—as a gesture of good will the three major banks in Switzerland, the Swiss National Bank and some major industries set up the Humanitarian Fund for Victims of the Holocaust and endow it with \$270 million CHF.

October 1-96

In anticipation of pricing its IPO, Cornell Corrections files amended and restated bylaws. During this period, Cornell reorganizes its A and B shares into one single class of common shares and on October 8th the large shareholders sign an agreement regarding governance issues. Dillon Read's signatory is David Niemiec, Charterhouse Equity Partners signatory is Richard T. Henshaw and affiliates of Dillon Read, Concord, Concord II, Concord Japan, are signed by Peter Liedel, and Lexington Partners III and Lexington Partners IV were signed by David W. Niemiec.

1-Oct-97

Federal fiscal 1998 Year begins;

HUD OIG later testifies on March 22, 2000 that opening balances for FY 1999 indicated \$17 billion shown missing and unaccounted for in fiscal 1998 in connection with new systems and unsupervised contractor access. The lead financial software contractor on the HUD systems is AMS and the lead information systems contractor is Lockheed Martin with DynCorp as a subcontractor. Lockheed is paid approximately \$150MM a year to run the HUD systems.

3-Oct-97

Henry Hyde and other Republicans ask Reno to appoint independent counsel; Reno says "no."

4-Oct-97

White House releases videos of Clinton with financial supporters in White House.

4-Oct-97

Videotapes to released to Thompson's committee by the White House of Clinton with donors.

5-Oct-97

Republicans say tapes indicate Reno spoke too quickly in her decision not to appoint an independent counsel.

7-Oct-97

Filibuster thwarts campaign fundraising reform bill; Lott uses provisions limiting contributions by unions.

7-Oct-97

Vote and filibusters take place re the McCain-Feingold campaign reform bill; the bill is killed.

7-Oct-97

According to admissions in *Ervin V. Dunlap*, Ervin alleges that Kathy Rock, then FHA Comptroller, was informed that Tim Ito of USNWR had told Joe McCloskey (who was HUD's staff member in charge) that BlackRock had received confidential payment histories

prior to BlackRock's submission of its bid in the HUD Single Family Note Sale #3. HUD says that, in fact, Joe McCloskey determined the information actually given to BlackRock by HUD was post-sale information concerning HUD Single Family Note Sale #2, which would have been available to any purchaser upon request.

10-Oct-97

SBC Warburg Dillon Read, as lead senior manager, with Equitable Securities and Wasserstein Perella as co-senior manager prices offering for Cornell Corrections, selling 2,920,000 shares at \$19.625. The company offered 2,250,000 shares and the selling shareholders, who had an average cost of their shares of \$6.96, offered 670,000 shares. The underwriting fees total \$3,151,775. (Cornell Corrections Prospectus). This means the average profit per share was \$12.67. Peter Liedel, a Dillon SVP who has served at Dillon since 1883 is a director, having resigned from Dillon on 9/2/97

The Cornell Prospectus shows a 12 months ending June 30 revenues of \$49,031, losses of \$374,000 and a total valuation at the offering price of 19.625 (times total shares outstanding of 9,355,404) of \$183.8MM. The company has a total of 6,372 residential "offender" capacities and 900 non-residential "offender" capacity – or a total of 7,272. This means that its revenues per offender is \$6,742, its profit per offender is essential zero and its equity value (POP) per offender is \$25,247.

The risk issues section includes the fact that the company has operated at a loss for the last three years and that contracts with the Federal Bureau of Prisons and the California Department of Corrections account for 58% of the Company's revenues. In other words, more than half of Cornell's total equity value of \$183MM is dependent on the Department of Justice and the California Department of Corrections.

The risk issues section also describes the company's dependency on government contracts and tax-exempt debt and government funding as well as dependent on government regulation, oversight and audits and investigations.

Fall 1997

Jennifer Long, IRS agent, testifies before Senate Finance Committee with charges that the IRS selectively audited taxpayers who were poor and vulnerable, routinely fabricating evidence against taxpayers and used rigid quota systems to "stick it" to taxpayers. The testimony during these hearings is used to justify Congress passing a law in 1998 to overhaul the agency and the recruiting of Charles Rossotti, Chairman of AMS, to be IRS Commissioner.

9-Oct-97

Janet Reno says she was angry at Clinton for not informing her about fundraising tapes; she rebukes those pushing for independent counsel.

13-Oct-97

An article in *The Washington Times* by George Archibald entitled "HUD Halts Contracts to Major Clinton Donor," reports that the Ernst & Young financial advisory contract has been cancelled. Besides Hamilton, Ernst & Young was the financial advisor most familiar with the

FHA portfolio and its problems, and E&Y was the financial advisor in connection with a controversial project to securitize HUD held mortgages on HUD assisted Section 8 properties.

13-14-Oct-97

Ervin & Associates submits Freedom of Information Act requests seeking information on Ernst & Young contracts with HUD.

14-Oct-97

Hamilton receives letters by private courier from HUD (1) canceling the crosscutting financial advisory contract, (2) withholding funds owed to Hamilton for work performed and (3) demanding the return of all HUD portfolio data. Although HUD's letter stated that the contract cancellation was "for convenience of the government," newspaper accounts relate it to loan sale bid issues Hamilton had reported to HUD in 1996 that had been addressed by the appropriate HUD staff and dismissed as not material. There are intimations that Hamilton proprietary software programs like Community Wizard belong to HUD and that HUD should receive a free copy. All work, including Community Wizard and community databanks, comes to a halt as Hamilton prepares to raise working capital through a private placement memorandum. All HUD efforts to encourage Congress to pass requirements for place based disclosure stop.

October 20, 1997

An anonymous tipster calls Franklin National Bank, Hamilton's primary creditor and the holder of a working capital loan secured by a first lien on the HUD receivable, saying Hamilton is "about to go under."

20-Oct-97

An anti-trust suit brought against Microsoft by DOJ.

20-Oct-97

Ervin & Associates submits Freedom of Information Act requests seeking information regarding the \$3.88 million optimization error reported by Hamilton to FHA in December, 1996, the notice canceling Hamilton's contract, documentation regarding the Department's intent to cancel Hamilton's contract and documents and work product required under the Federal Acquisition Regulation to be turned over by Hamilton to HUD upon the cancellation of its contract and documents actually turned over by Hamilton.

20-Oct-97

Article in *The Washington Times* by George Archibald entitled "Cuomo Dumps Financial Advisor" reports the cancellation of Hamilton's financial advisory contract. The article says Cuomo "ordered a fresh top-level review of bid-rigging charges that have tainted multibillion-dollar federal mortgage sales." The article says HUD accused Hamilton of covering up erroneous instructions for a computer model used to select winning bidders. In fact, Hamilton had reported that error to the Assistant Secretary/FHA Commissioner and FHA Comptroller in December 1996. Departmental officials are quoted as saying the review directed by Mr. Cuomo "could run into the millions of dollars of additional claims." The article also says an unnamed source confirmed that Nicolas Retsinas, FHA Commissioner, "was completely on board and concurred with" the decision to terminate Hamilton's

contract. The article also reports that the US Attorney's Office had requested a stay of legal discovery in the Ervin & Associates Bivens lawsuit because a criminal probe was being conducted to track the main allegations of the civil lawsuit. J. Ramsey Johnson, principal Assistant US Attorney requested the stay and said, "the criminal investigation is ongoing and concerns an extremely complex set of facts." All HUD information on the issue is sourced from Hamilton (including calculations of \$3.8 million and the description of the error) and continues to be sourced from Hamilton. It is reported to Fitts in 2000 that a later HUD PD&R study under Bill Apgar's leadership shows the error to not be statistically meaningful. No mention is made of the fact that the error disadvantaged Goldman Sachs in one bid.

20-Oct-97

Article in the *Washington Post* by Jennifer Rothacker entitled "HUD Fires Financial Advisor." It says that a news release by the department said that Cuomo's investigation of Hamilton had concluded that Hamilton "failed to provide accurate financial advisory services to the mortgage note sales program" since its contract started in 1992.

21-Oct-97

Article in the Associated Press by Jennifer Rothacker entitled "Financial Firm Fired after HUD Discovers \$3.8 Million Error."

20-Oct-97

Anonymous telephone call to Hamilton's bank warning Hamilton is "about to go under."

20-Oct-97

Article in *The Washington Times* by George Archibald entitled "HUD Orders Fired Firm to Surrender Documents." [This article is undated but refers to Hamilton laying off about 1/3 of its workforce "this week."] The article focuses on the aspect of the HUD OIG subpoena requiring that Hamilton turn over bid documentation and suggested that Hamilton might resist turning over the materials" because of legal complications in a criminal probe and the firm's defense in a civil lawsuit charging corruption," a fired Hamilton employee is reported as saying. Senate sources reportedly said Jenner & Block's representation of Hamilton was complicated by the fact that President Clinton had nominated the wife of a Jenner & Block partner as General Counsel at HUD. Robert Pincus, President of Franklin National Bank, denies reports by laid-off employees that Hamilton was closing.

20-Oct-97

In Amended Qui Tam filing on September 3, 1998, Ervin & Associates provides a list of evidence provided to the US Attorney's Office to support the allegations in the suit. Evidence provided on October 20, 1997 is described as follows "Copy of HUD termination letter to Hamilton, and detail of implications of the termination; letter was leaked by Howard Glaser in return for agreement to not run a story on Ernst & Young's political contribution links to HUD contracts." Howard Glaser was Deputy Counsel at HUD, having moved into this position from the Community Planning and Development Division where he worked for Assistant Secretary Cuomo before Cuomo became Secretary.

21-Oct-97

Hamilton lays off most of its employees.

21-Oct-97

Article in *The Washington Times* by George Archibald entitled "HUD Ignored Charges of Bid Rigging." Here, Andrew Cuomo takes credit for having asked FHA two years earlier to look into charges that Hamilton illegally gave inside information to Wall Street bidders. Agency officials are credited with saying that Cuomo was going to "move against HUD officials who protected Hamilton and prolonged corruption that embarrassed him." Cuomo is reported as being angry that his own promised program to clean up waste, fraud and abuse had been "clouded by a criminal probe of note-sale corruption that might have been prevented." The article says counsel for Asset Strategies had charged that BlackRock had received a "servicing tape" containing payment history of all HUD-backed mortgages. The article goes on to say that the Department had issued a brief statement in Nic Retsinas' name "saying Hamilton was fired because 'at this time it was appropriate to recommend termination of the contract.' HUD cited 'past performance errors by Hamilton' among other things." The article says the charges of bid-rigging were part of an ongoing criminal investigation by HUD's Inspector General and the US Attorney's Office. A Hamilton employee is attributed with the statement that the bids were "changed" before they were fed into the Lucent/Bell Lab computer.

21-Oct-97

Article in the *Wall Street Journal* by Carl Johnston and Anita Sharpe entitled "HUD Fires Contractor after Finding Errors Tied to Program on Mortgages." The article appears to tie the "firing" by Secretary Cuomo with his discovery of the loan sale optimization error. [In fact, the letter terminating Hamilton's contract states that it was terminated for the convenience of the government, not for cause.] The article says Cuomo was alerted to mortgage auction irregularities in 1995 while he was an Assistant Secretary [of Community Planning and Development]. [His reference is to a letter from counsel for Asset Strategies, Inc., a disgruntled subcontractor on a mortgage loan sale whose recommendations were not adopted. When Asset Strategies refused to go forward, it was fired.] According to the article, HUD had filed documents with the court indicating it was exploring the settlement of the Ervin action against HUD the previous week.

23-Oct-97

Fred Thompson decides to wind up hearings on campaign fundraising (original schedule called for a 12/31/99 cutoff date).

23-Oct-97

An article in *The Washington Times* by George Archibald entitled "HUD Told Last Year of Rigged Loan Sales." In this article, the discovery of the optimization error is attributed to "other contractors." It said the discovery occurred on October 24, 1996 at a planning meeting for the sale of additional multifamily loans and attributes this information to "a former Hamilton employee who asked not to be named." The employee is quoted as saying that Hamilton didn't tell HUD of the problem until December 5th, having "sat on" the information for six weeks. [Hamilton conducted an investigation after finding the possibility of an error and reported it to HUD as soon as Hamilton had Lucent reaffirm calculations on all sales and drawn some conclusions from its research.)

24-Oct-97

The White House declines to testify at Thompson hearings.

24-Oct-97

The HUD OIG issues third subpoena to Hamilton requiring, among other things, all documents related to e.villages, Neighborhood Networks and statements of work prepared by Hamilton. The subpoena arrives at Hamilton in the afternoon; a story in *The Washington Times* morning edition states that Hamilton has been subpoenaed.

24-Oct-97

Washington Times article entitled "Legal Doubts Raised over HUD Contracts" by George Archibald. Archibald reports that a draft HUD IG report questions the legality of a \$20 million financial advisory contract given by HUD (through GNMA) to Ernst & Young one month after the firm gave \$132,000 to President Clinton's 1996 presidential campaign. According to the story, documents turned over to the Senate Governmental Affairs Committee in connection with its program of campaign fundraising indicated that Dwight Robinson of the Secretary's Office ordered that the contract be given to E&Y.

27-Oct-97

House Majority Leader Dick Armey reportedly summonses Nic Retsinas to the Hill for a closed door meeting with staffs of the House and Senate banking committees "to get to the bottom of bid-rigging charges."

27-Oct-97

President Clinton signs into law the Multifamily Assisted Housing Reform and Affordability Act of 1997 providing for retention of project-based subsidies and work-out of HUD portfolio or insured mortgages on terms advantageous to housing finance agencies, nonprofits and owners.

28-Oct-97

Article in *The Washington Post* by Judith Havemann entitled "Firing of Outside Financial Adviser Only Adds to Political Furor for HUD."

28-Oct-97

An 8-page letter from Judith Hetherton to Jenner & Block (counsel for Hamilton at that time) demanding certification of compliance with the subpoena and questioning the completion of document production.

30-Oct-97

An article appears in *The Washington Times* by George Archibald entitled "HUD Firm Dumped for Dubious Campaign Gifts." This article says campaign finance scandal around Ernst & Young's contributions to the DNC is the last thing the Secretary wanted, because he was angling for the No.2 spot with Al Gore on the Democratic ticket in 2000. Cuomo blames Nic Retsinas for a "rogue operation" to hire E&Y without his knowledge. *National Mortgage News* is quoted as reporting that Retsinas was one of two top contenders for the position of executive vice president of Mortgage Bankers Association.

31-Oct-97

An article is run in *US News and World Report* by Tim Ito entitled "HUD has Second Thoughts on Loan Advisor." The article refers to a Justice Department criminal investigation of the HUD loan sale program. The magazine takes credit for having published an article that was "the first public hint of trouble with the program."

Nov-97

The HUD OIG receives special appropriation for Operation Safe Home in the approximate amount of cancelled contract authority from Hamilton HUD contracts.

November 1997

Charles Rossotti leaves Chair of AMS to become Commissioner of IRS.

During 1998, Fred Forman is listed in AMS Proxy to be on a 2-3 year special assignment to Europe. He later joins Rossotti at the IRS.

Bill Tyree later insists that control of the IRS is essential to ensure that the IRS databases that conform revenues to and from federal accounts do not trigger problems vis-à-vis all the money being stolen from US government accounts. Hence, control and manipulation of IRS systems is essential to steal/divert large amounts of monies from federal accounts.

4-Nov-97

A two-page letter is sent from Jenner & Block to HUD OIG Counsel Judith Hetherton Re: new subpoenas and Hetherton's October 28 letter Re Hamilton's compliance with August, 1996 subpoenas. The letter states Hamilton is still a going concern. There is discussed more on "back-up tape dispute" [in which the HUD OIG counsel alleges Hamilton has destroyed a back-up tape for a particular date in June and Hamilton's counsel reports that there is no such tape in existence as far as Hamilton IT personnel can determine] and OIG's insinuation that Hamilton may have revised or tampered with electronic communications produced under subpoena. It requests a meeting to discuss narrowing the burdensome requests.

4-Nov-97

The GOP wins big in off-year elections; Christine Todd Whitman takes NJ, Gilmore takes Virginia, Gulliani takes NY, with numerous Democratic mayors keeping their seats in Boston, Cleveland, Detroit, Minneapolis and Pittsburgh and in an 11/25 runoff in Atlanta.

6-Nov-97

An article appears in *The Wall Street Journal* entitled "HUD Halts Program To Auction Mortgages as It Seeks Adviser." "Hamilton took with it the technical capacity -- including personnel and access to technology -- to conduct the auctions." [No advisor was hired for several years.]

12-Nov-97

HUD's CFO Richard Keevey testifies before Stephen Horn's House Subcommittee on Government Management, Information and Technology, noting that, "we have a successful asset sales program that has made us the leader in the federal government in this area." In opening remarks, Horn refers to "the positive experiences of the Department of Housing and Urban Development" in selling assets and declares that, "the excellent returns they have had are eye-opening."

17-Nov-97

Housing industry newsletter *Real Estate Alert* reports that an unnamed HUD spokesman has averred "Even though Cushman, Merrill and Kenneth Leventhal are still pre-qualified as HUD financial advisers, the agency now wants to select a senior advisor to replace Hamilton before proceeding with sales." Later in the month, HUD announces that the loan sale

program has been halted. HUD withdraws the RFP for crosscutting financial advisor. Despite termination, the Office of Management and Budget allows appropriating committees in Congress to assume, for purposes of determining the budget costs of issuing FHA insurance for new single and multifamily projects, that HUD has not discontinued the loan sales for calculating the cost of new mortgage insurance originations. HUD assumes that it has a high recovery rate for purposes of issuing new low cost insurance, but in fact uses a low recovery rate to negotiate workouts and other servicing policies favorable to the same industries enjoying the low cost financing. This "multiple personality budgeting" negates the very internal controls legislated at OMB's request in credit reform legislation in 1991.

25-Nov-97

The Federal District Court issued an order in the qui tam case (96-1258) lifting the seal for the limited purpose of advising Hamilton that it was named as defendant.

November 1997

Franklin National Bank's lawyers suggests in a conversation with Catherine that the HUD IG is spreading innuendo about Hamilton's "criminal wrongdoing" and suggesting that there would be lawsuits against Hamilton in connection with the HUD loan sale program.

November 12, 1997

HUD's CFO Richard Keevey testifies before Congressman Horn's Subcommittee on Government Management, Information and Technology and notes "we have a successful asset sales program that has made us the leader in the federal government in this area." In his opening remarks, Congressman Horn refers to "the positive experiences of the Department of Housing and Urban Development" in selling assets and declares, "The excellent returns they have had are eye-opening."

November 17, 1997

Real Estate Alert, an industry newsletter, reports an unnamed HUD spokesman as averring that "even though Cushman, Merrill and E&Y Kenneth Leventhal are still pre-qualified as HUD advisors, the agency now wants to select a senior adviser to replace Hamilton before proceeding with sales." The implication is that HUD could not have conducted its loan sales program without Hamilton, which in Hamilton's opinion was false because of the many steps such as design books that Hamilton took to institutionalize the knowledge and process.

Dec-97

House staff report that HUD's IG has been lobbying Senator Mack's staff heavily in an attempt to convince the Housing Opportunity and Community Development Subcommittee to hold hearings on the subject of HUD contracts, particularly the Hamilton crosscutting contract and how much Hamilton has been paid under the contract. A lobbyist later reports to Fitts that Senate staffers have been told by the HUD IG that claimed taxpayer savings of more than \$2 billion are false and that the Denver audit was thrown out due to unprofessional work. GAO later confirms that the \$2 billion is true – indeed in any thing to low. Later affidavits by the leader of the Denver audit confirm that the HUD IG tried to get her to change her conclusions and when she would not—ran her out of government.

Dec-97

DOJ informs HUD that the OIG's investigation is unrelated to releasing the Hamilton check for work performed under its HUD contract. HUD had previously stated that it could not release the check because of the on-going investigation involving Hamilton.

1-Dec-97

Hamilton is informed that the original HUD contract documents have been moved to the Inspector General's Office from the HUD Contracting Office. Indications are that a lot of contracting has been moved to a special contracting office in Denver.

2-Dec-97

Attorney General Reno announces that she will not request appointment of an independent counsel to investigate Clinton and Gore for fundraising irregularities.

5-Dec-97

A lawsuit is filed in Michigan courts against Hamilton, Goldman Sachs and others by a defaulted borrower whose note was sold to HUD's loan sale program. [*Stearns Building Limited Partnership v. The Hamilton Securities Group, Inc.* (1:97-04955), Michigan Eastern Bankruptcy Court, Judge Ray Reynolds Graves]. The allegations in this lawsuit contain similar language regarding the loan sale optimization model and other matters as that contained in the Ervin lawsuit against HUD.

8-Dec-98

Gary Gensler moves up to Undersecretary for Domestic Finance as Jerry Hawke, the current Undersecretary and father of Ervin's attorney Dan Hawke, leaves to become Comptroller of the Currency, Hawke is sworn in on December 8, 1998

10-Dec-97

Jenner & Block writes a letter to Dick Chapman at DOJ and AUSA Barbara Van Gelder re: their upcoming meeting regarding the length and conduct of investigation of Hamilton. The letter says Hamilton will have to go out of business if it continues much longer. It states that Hamilton produced 27,000 pages of documents and 133 diskettes of information in response to subpoena between June and August. It complains of leaks to the press, a fishing expedition, burdensome and duplicative subpoenas, and illegal withholding of funds.

11-Dec-97

In the morning, Hamilton's attorneys (Jenner & Block) send a letter to DOJ expressing concern re: the length and conduct of the HUD OIG investigation. In the afternoon, HUD IG issues Hamilton a fourth subpoena, this time requesting that Franklin National Bank produce all personal financial information relating to

Catherine Austin Fitts.

Franklin's account officer, Barry Watkins, tells Catherine that they are doing a big business in prisons.

12-Dec-97

Hamilton's attorneys send a letter to HUD requesting a meeting with Deputy General Counsel Howard Glaser to discuss Hamilton's request that HUD cease withholding payments.

12-Dec-97

Assistant Secretary Hal DeCell answers Connie Mack's November 14, 1997 letter to HUD. According to a May 1999 FOIA request by Ervin & Associates, the letter states that the Department had initiated an independent analysis of the bid results of the HUD note sales.

13-Dec-97

Henry Cisneros is charged in a federal indictment on 21 counts with conspiracy, obstruction of justice and making false statements to the FBI.

18-Dec-97

Hamilton's attorneys meet with Assistant US Attorney Barbara Van Gelder. Van Gelder introduces Tony Alexis as her replacement. She indicates that there is no reason for linking any investigation of Hamilton with HUD's withholding of payments to Hamilton, and agreed to communicate this to HUD. Alexis also agrees to call HUD OIG counsel Hetherton regarding the reasonableness of subpoenas.

18-Dec-97

Volume I of the CIA IG Report is delivered to Senate Select Committee on Intelligence regarding charges that the CIA supported drugs in South Central LA.

22-Dec-97

Hamilton supplies a certification by Catherine Austin Fitts re the completion of Hamilton's response to the August subpoenas to the HUD OIG.

22-Dec-97

Judith Hetherton sends a letter to Hamilton's attorneys defending the OIG against charges of delaying its investigation, accusing Hamilton of failing to comply with the HUD IG's subpoenas and repeating the IG's requests for information from Hamilton. Later that day, Judith Hetherton sends a second letter to Hamilton's attorneys asking them to provide more detail on allegations that the HUD IG was leaking information. On that day, Hamilton's attorneys send a letter to the HUD General Counsel requesting a meeting on HUD's wrongful withholding of \$1.5 million in payments to Hamilton.

23-Dec-97

Hamilton files a formal complaint with Neil Gallagher, Chairperson of the Integrity Committee of the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency ("PCIE"). The complaint is filed under Executive Order 12933, Section 1(a) for gross unprofessional conduct by the Inspector General ("IG") of the US Department of HUD against Hamilton. The complaint gives a detailed account of the HUD IG's abuse of authority and possibly criminal behavior. (IC #212).

29-Dec-97

Catherine Austin Fitts sends letter to HUD Deputy General Counsel Howard Glaser reiterating DOJ's statement to Hamilton that DOJ has not (as maintained by Glaser) informed HUD not to pay Hamilton for amounts owed.

Dec-30-97

Howard Glaser sends letter to Catherine, restating HUD's intent not to release the \$1.5MM and its putative legal basis for doing so.

Dec-31-97

Hamilton's attorneys respond to Glaser's letter, disputing Glaser's legal position point by point. Hamilton misses its December payroll, which places it in even greater danger of having to shut down.

31-Dec-97

GAO writes a letter to Hamilton posing many (more than 20) questions re: Hamilton's compliance with a joint venture agreement with the Department of Labor, which agreement was allowed to expire without renewal by Hamilton a year earlier. The GAO letter purports to be in response to "Congressional inquiry" and is detailed in its references to specific provisions of the joint venture agreement.

January 2, 1998

Hamilton's attorneys meet with Glaser but fail to resolve the issues to Hamilton's satisfaction.

Jan 1998

USA Today publishes a photo of Rep. Maxine Waters and Alan Greenspan, Chairman of the US Federal Reserve, walking together in her district. A Los Angeles newspaper reports that Greenspan has pledged around two billion dollars to her district.

1998

The 1998 Anti-Drug Abuse Act passes – which requires public housing agencies to use leases that allow for eviction of tenants if the tenant, tenant's family member or guest are engaged in drug related crimes. The Oakland California Housing Authority enforces the measure with vigor, moving to evict – among others, Pearlie Rucker, 64 her mentally disabled teenage daughter, two grandchildren and a great grandchild, because the mentally disabled daughter possessed cocaine three blocks from the apartment. This gives rise to *HUD v. Rucker*, which is finally decided by the Supreme Court in HUD's favor in March 2002.

1998 Saratoga Partners (Dillon Read LBO group) spins out of UBS/Warburg Dillon Read with Birkelund, Durkin, Oberbeck and Niemiec (whose names were on Cornell Investment)

1998 The Federal Bureau of Prisons awards its second private prison contract to CCA for a 1,500-bed facility in Arizona. (Bailing Out Private Jails, by Judith Greene, *PRISON NATION*, p. 143, published September 2001).... But as the industry's troubles escalated, Congress required the FBOP to contract for more private beds, insisting on private prisons for at least half the prisoners at the District of Columbia's prison complex at Lorton, Virginia, which was scheduled to shut down. (Appears to be approximately 2000) And then FBOP launched a massive privatization initiative of its own throughout the country. In part, this was a response to the rapid growth of the federal prisoner population. Between 1995 and 1999, while the incarceration rate nationwide grew by 16 percent, in the federal prison system it rose by 31percent. By June of 2001, the FBOP was responsible for some 127,000 sentenced criminals and perhaps 25,000 other detainees; its prisons were operating at 33

percent over their capacity. And like the state legislators before them, member of Congress were madly building new prisons (26 were under construction or in the development pipeline in 2001), searching for cheap new private prison beds, and refusing to consider changes in the draconian sentencing laws that were causing most of the increase in prisoners. ...The feds.... showering the industry with contracts that will be worth \$4.6 billion over the next 10 years.

1998 The Royal Bank of Scotland in one of the largest transactions in European Banking buys the National Westminster Bank, including Coutts & Co., a private bank based in London which had become part of National Westminster in 1969 when NatWest was created. Coutts is known as the “Queens Bank” by virtue of its being the private banker to the British Royal family. There is a Coutts Automated Teller Machine installed in the basement of Buckingham Palace for use by the Royal family. Coutts was founded in 1695 when a Scot, John Campbell started trading in the Strand in London as a goldsmith and banker. The bank moved to its current premises at 440 Strand in London in 1904. In 1999, it became known that Queen Elizabeth, the Queen Mother had a 6 million pound overdraft with Coutts and that Sarah, Duchess of York had an overdraft of approximately 8 million pounds. (Wikipedia) In 2005, Coutts website says that Coutts manages the wealth of 90,000 high net worth clients worldwide through a network of 50 offices worldwide. A May 3, 2005 press release describes new personnel as the Head of Coutts Family Business and Strategic Philanthropy servicing clients with the challenges they face in “succession planning, family governance, estate planning and philanthropy.” Another addition joins Coutts’ philanthropy team, a thriving business that builds on Coutts’ long heritage working with the charitable sector.

1998 “By 1998, it looked as if everything was coming up roses for the two companies (CCA and Sodexo). CCA’s stock shot to an all time high of \$46 and the jointly owned Australian and U. K. subsidiaries were pulling down new private prison contracts. Then things started to go horribly wrong. As prison expansion slowed and opposition to privatization grew, CCA suddenly found itself stuck paying for empty prisons that the company had built “on speculation.” Once shareholders and analysts realized that the company was cooking its books all hell broke loose, and the price of CCA stock went into a free fall, reaching an all time low of 18 cents before bouncing back to just over a dollar.” (Campus Activism Defeats Multinational’s Prison Profiteering, by Kevin Pranis, Prison Nation.)

1998 Richard Petrocelli joins Saratoga Partners as CFO – leaving Gabelli Asset Management where he was a Vice President in the corporate finance department with a primary focus on alternative investment business. Maria F. Costanzo also comes from Compass Global Group and prior to that Gabelli Asset Management to serve as Controller and Director of Human Resources.

Jonathan E. Colby, Bill Colby’s son, joins Carlyle Group. Prior to that he was with Equinox Group, The Blackstone Group and First Boston.

Jan-98 Charlie Trie indicted by a grand jury in connection with the election fundraising scandal.

Jan-98

Alan Greenspan takes a walking tour of Maxine Waters’s district in L.A.

Jan-98

According to the *Wall Street Journal*, the Asian financial crisis has shaken up US foreign policy in areas from defense cuts by allies to South Korean funding for a reactor project. Defense Secretary Cohen toured the region to reassure leaders of US support and discuss revising arms acquisition plans.

Jan-98

Henry Cisneros' one-time mistress pled guilty to criminal charges linked to payments the former HUD Secretary made to her after they ended their affair.

7-Jan-98

Hamilton files a Freedom of Information Act ("FOIA") request with Darlene D. Hall, FOIA Officer of the HUD IG's office, requesting nine categories of information. FOIA Number: FIIG216055. Hamilton sends a second FOIA request (FI-216692) to Charlene Anderson, FOIA Coordinator in the Office of the General Counsel of HUD.

7-Jan-98

Monica Lewinsky denies the Clinton affair in affidavit filed in Paula Jones suit.

8-Jan-98

Hamilton files a motion for temporary restraining order. [*Hamilton Securities Group, Inc. et al v. Department of Housing and Urban Development*, (1:98-CV-0036), US District Court, District of Columbia (Judge Stanley Sporkin)]. In an attempt to prevent HUD from holding up the processing of checks for amounts due under its HUD contract. A settlement agreement re: HUD OIG disclosure policy is trashed when Abbe Lowell tries to slip in a provision that would prevent Hamilton from suing HUD later. Fitts catches it and insists that Hamilton's case be withdrawn.

9-Jan-98

Hearing before Judge Sporkin on Hamilton's motion for a temporary restraining order.

12-Jan-98

Tripp turns over tapes to Starr.

13-Jan-98

Tripp wired by Starr for conversation at hotel.

14-Jan-98

Conference call hearing with Judge Sporkin in the Hamilton TRO case. The motion for temporary restraining order is denied in an order issued on January 20. On the call from the Department of Justice and HUD are Robert Hollis (DOJ), Daniel van Horn (USA), Bryan Saddler (OIG), David Gottesman (DOJ), Tim Lorenza (DOJ), Rich Brown (DOJ), Harold Wilson (DOJ), John Opitz (HUD OGC), Ginger Stevens (HUD OGC) and Bart Shapiro (HUD OGC). The issue before the court has to do with the letter provided by Hamilton's insurance carrier regarding coverage in the case of an error or omission. Hamilton maintains that its coverage provides security for the HUD claim of \$3.8 million. The DOJ/USA refuse to accept this security because the insurance company is unwilling to waive policy exclusions, the most important of which is an exclusion for fraud.

15-Jan-98

Wall Street Journal (byline: Michael Frisby) publishes article "HUD Dismisses Law Firm Doing Advisory Work" in which it reports HUD has fired Holland & Knight, "a politically connected law firm that was doing legal work for HUD while also representing clients battling the agency." This fact was disclosed to HUD before Holland & Knight agreed to represent HUD. The article also reports that HUD had referred the Holland & Knight matter to the Washington Bar Association and that government officials were considering whether the firm should be barred from federal contracts. Dick Dunnells, the partner in charge of the HUD account, is furious at the politically motivated smear of his firm. No mention is made in the article that Dunnells is representing Franklin National Bank, Hamilton's bank, and is making efforts to get Hamilton paid.

16-Jan-98

A three-judge panel approves the expansion of Starr's inquiry to include possible obstruction of justice in Jones case; Reno approves a broadened mandate; Starr's investigators question Monica Lewinsky.

17-Jan-98

Clinton denies having an affair with Monica Lewinsky in Paula Jones affidavit.

19-Jan-98

National Mortgage News, Brian Collins, reports that the US District Court rejects Hamilton's application for a temporary restraining order. "Hamilton's president Fitts told reporters at the hearing that HUD's suspension of the note sale program is costing the agency \$5 – 10 million a month."

21-Jan-98

Stories on Monica Lewinsky proliferate in the general news. The Washington Post "postpones" its front-page investigative story about Hamilton, which never runs.

22-Jan-98

Midwest Research Institute, Battelle & Bechtel announce they will team up in the upcoming competition to operate the National Renewable Energy laboratory in Golden, Colorado. Midwest had the contract previously.

24-Jan-98

The AP reports that Janet Reno has sealed the release of DOJ IG report on *Dark Alliance* allegations because the release might "compromise an undercover investigation expected to last an extended period."

27-Jan-98

The filing of (1) HUD Defendants' Motion to Dismiss Complaint and (2) HUD Defendants' Opposition to Plaintiffs' Motion for a Preliminary Injunction and (3) HUD Defendants' Statement of Points and Authorities in support of Motion to Dismiss, submitted by Frank Hunger (AUSA), Robert Hollis (Asst. Dir., Commercial Litigation Branch), Michael Sitcov (A. Dir. Fed Programs Branch) David Gottesman (Commercial Litigation Branch, DOJ) for OIG and Raymond Larizza and Richard Brown (Federal Programs Branch, Civil Division, DOJ) Attorneys for HUD, Retsinas and Cuomo and Of Counsel: Carole Wilson (AGC,

Office of Litigation and Fair Housing Enforcement). Angelo Aiosa (AGC for Litigation), Barton Shapiro (Trial Attorney), Virginia Kelly Stephens (Attorney) of the Office of General Counsel of HUD.

28-Jan-98

Charlie Trie, a friend of Clinton, indicted for fundraising.

30-Jan-98

The declassified version of the CIA OIG Report - Volume I is released to the public.

Feb-1998 Article by Alex Friedman, *Juvenile Crime Pays—But at What Cost?*, states “The National Juvenile Detention Association estimates that 5% of the nation’s juvenile detention facilities are privately operated, and the construction of for-profit prisons, jails, and boot camps for youthful offenders is a rapidly expanding industry. By slashing operating costs and providing subsistence level services, companies can reap handsome profits from the millions of dollars they receive through largely unregulated government contracts.

Feb 1998

Request for proposal is issued by the Federal Bureau of Prisons to meet the requirements of the National Capital and Revitalization and Self Government Improvement Act of 1997. The anticipated contract calls for the housing of 350 minimum security male offenders; 350 various security male offenders sentenced pursuant to the DC Rehabilitation Act and 300 female offenders of various security levels. FBOP awards the contract to Cornell Corrections in April 1999. The contract price for the 10 year period is \$342,692,498.

Some time between Feb and Apr - 98

Ervin & Associates serves Jenner & Block, Brand, Lowell & Ryan and Rasmus (Hamilton's auctioneer) with subpoenae. By this time Jenner & Block had resigned as Hamilton's counsel because the insurance carrier refused to pay agreed bills, and Hamilton had run out of funds to pay Brand Lowell, but both firms were forced at their own expense to complete comprehensive privilege logs listing all documents from their representation of Hamilton and justifying why such documents were subject to attorney client privilege. Rasmus was required under its subpoena to produce customer records showing what Hamilton computer equipment was purchased by each purchaser -- information Rasmus did not want to disclose because of its privacy obligations to clients. Also, Hamilton was required by the Office of Inspector General to turn over creditor lists and directories of Hamilton's former employees, business associates and teaming partners as well as contact many vendors to extend subpoena compliance to their digital records. *

Feb-98

VP Gore announces that Maxine Waters’ district has been awarded an Empowerment Zone status by HUD and made eligible for \$300 million in federal grants/tax benefits. HUD Drug Elimination Grants and "War on Drug" activities increase under Secretary Cuomo.

Feb-98

Senator Lott pulls a surprise and brings up the campaign finance reform bill well before the agreed-upon date of March 6.

Feb-98

Bill Paxon announces that he will not seek reelection.

Feb-98

Attorneys General from 11 states issued new subpoenas in their antitrust probe of Microsoft; separately, DOJ issued more subpoenas.

Feb-98

NAPA releases its Interim Report focusing on improvements needed in the FHA Office of Housing contracting.

Feb-98

Correctional Properties Trust, the first Prison REIT is created. The major tenant is Wackenhut.

Early-98

Assistant US Attorney Barbara Van Gelder leaves the DC US Attorney's Office for private practice at Wiley, Rein & Fielding in Washington. Before leaving, she informs Hamilton's attorneys in the presence of her replacement, Tony Alexis, that DOJ's investigation has no reason for HUD to withhold payment of Hamilton's money, and they will call HUD to communicate that as well as to ask HUD to not abuse the subpoena process. Subsequent events as well as documents unsealed in 2000 indicate behavior highly contradictory to these promises.

Feb-98

Hamilton and HUD OIG battle regarding possession of documents and subpoena compliance. HUD intimations of fraud cause Hamilton's errors and omissions insurance carrier to decide not to pay Hamilton's attorneys as the carrier had agreed. The attorneys resign.

2-Feb-98

The Stearns Building Limited Partnership (plaintiff) and Hamilton Securities Group (defendant) stipulated and agreed (1) that the time in which Hamilton may answer or respond to their complaint could be extended to March 2, 1998, and (2) that the law firm of Jenner & Block may withdraw its appearance on behalf of Hamilton in the matter. (*In Re: Stearns Building Limited Partnership v. The Hamilton Securities Group, Inc.* (97-54216-G) US Bankruptcy Court, Eastern District of Michigan Southern Division.)

5-Feb-98

Jenner & Block letter to Judith Hetherton stating its resignation on January 29 was as the result of inability of Hamilton to pay fees. Hetherton accused Hamilton of choreographing J&B's withdrawal in order that Brand Lowell could disavow agreements made by Jenner & Block. Hetherton later threatens Abbe Lowell with intimations of what they will do if he files "a frivolous law suit."

9-Feb-98

An order is entered by Judge Sporkin to postpone a hearing in the TRO case from February 5, 1998 to February 18, 1998 based upon information that parties are exploring ways to resolve the dispute.

11-Feb-98

Reno recommends the appointment of an independent counsel to look into Bruce Babbitt's fundraising activities.

13-Feb-98

Jenner & Block informs the HUD OIG that J&B represents Russell Davis, a former board member and Vice President of Hamilton. The OIG had requested an interview with Davis but, when told he was represented by counsel, declined to follow through with the interview.

13-Feb-98

HUD's Office of General Counsel responds to Hamilton's January 7, 1998 FOIA request (FI-216692). The letter states that the department will expedite the processing of Hamilton's request.

17-Feb-98

A Louisiana contractor files a Motion to Compel Production of Documents [*United States of America v. Streuby L. Drumm, Jr. et al* (1:98-MS-0066)], in the US District Court, District of Columbia (Judge Stanley Sporkin)]. The motion asks the court to compel Hamilton to produce documents to comply with the commands of a subpoena duces tecum issued on behalf of the US District Court of the District of Columbia, in connection with an aforementioned proceeding pending in the U.S. District Court for the Middle District of Louisiana.

18-Feb-98

John Greer deposition in *Ervin v Dunlap et al* (4 volumes, 1,125 pages).

18-Feb-98

A motion hearing is held before Judge Sporkin in the TRO case, dealing with matters other than the motion to restrain HUD from withholding payments. More than ten attorneys appear from the government in three separate representations, confusing the judge. The judge focuses on the prospect of a Hamilton bankruptcy. Hamilton's counsel indicates that no bankruptcy filing is currently contemplated. The judge finds that Hamilton's challenge to the overbroad reach of the OIG's subpoena is not ripe for decision and that the more appropriate course of action is to allow the OIG to file a subpoena enforcement action and for Hamilton to challenge the subpoena issues at that time. A settlement is reached verbally with the HUD and Department of Justice regarding press leaks, but counsel for the Inspector General refuses to join in this settlement. The issue is resolved when Judge Sporkin adds language to his order acknowledging the IG has represented to the Court its obligations not to leak. Regarding the approval of any settlement language by the non-OIG HUD defendants represented by AUSA Gottesman, Gottesman tells the judge, "The client agency will give its recommendation to the Department of Justice. The Department of Justice will have the final say." The judge responds, "Is that right? I always thought it was the other way around.... No, seriously, I always thought when I was in an agency that the Department looked to the agency. I never knew that we looked to the Department [of Justice]. It's the agency's equities that are involved."

27-Feb-98

Federal Register publication of Statement of Policy on Disclosure of Mortgage Loan Sales Information; SUMMARY: This notice sets forth the policy of the Department of Housing and Urban Development regarding information that will be provided when responding to Freedom of Information Act requests for information on the Department's Mortgage Loan Sales Program. This notice sets forth that policy and its rationale.

28-Feb-98

The as-of date for layoff of all remaining Hamilton employees.

March 1998

John Major, former prime minister of the United Kingdom, joins Carlyle as European advisor. He would later become chairman of Carlyle Europe in May 2001. (the Iron Triangle)

Mar/Apr-98

HUD OIG signs a memorandum of understanding with the DEA that provides conditions under which HUD OIG agents may be authorized to investigate drug related activities under Title 21, a "non-traditional role for an IG."

3-4-Mar-98

Vernon Jordon testifies before the Clinton grand jury.

3-Mar-98

Judge Sporkin issues a court order in the Hamilton TRO action (1) dismissing counts 3 and 4 without prejudice, (2) dismissing counts 5 and 6 "without prejudice on the basis that Defendant Gaffney has represented to this court through counsel that she is cognizant of and understands her and her office's obligations with respect to the confidentiality of investigations conducted by the office of the Inspector General of the US Department of Housing and Urban Development, and that she and her office have complied and will continue to comply with these obligations."

3-Mar-98

HUD files Petition for Summary Enforcement of Subpoenas against Hamilton [*Susan Gaffney*, *HUD IG v. Hamilton Securites Inc., et al* (1:98-MS-0092), in the US District Court, District of Columbia [Judge Stanley Sporkin] signed by Wilma Lewis and Daniel Van Horn and with Judith Hetherton and Brian Saddler listed as Of Counsel. Filed Under Seal. The filing says "The Hamilton Entities have acknowledged that they maintain and have possession of records responsive to the subpoenas which they have failed to provide to the OIG." Also filed is a Memorandum of Points and Authorities in support of PTE. HUD files Declaration of James Martin under seal in support of the Office of Inspector General's Petition for Summary Enforcement of Subpoenas (with 37 Exhibits). Fitts cashes in her 401(k) and sells her interest in a family farm to pay for attorneys to appeal to Judge Sporkin for a Special Master to serve as trustee for Hamilton documents and digital files.

3-Mar-98

GAO discussed the Departments of Justice's and Treasury's asset forfeiture programs. GAO noted that: (1) the asset forfeiture programs present a high risk for abuse and fraud because of program mismanagement and internal control weaknesses; (2) the US Marshals Service

mismanagement, ineffective oversight, slow disposition, and poor record keeping of seized property has resulted in excessive costs and millions of dollars in lost revenue; (3) the Justice asset forfeiture program lacks closing procedures to ensure the proper recording of all seized property in its property management system; (4) the Customs asset forfeiture program lacks adequate safeguards over seized property and has incomplete and inaccurate accounting and reporting of seized property; (5) the agencies have made many improvements to their asset forfeiture programs; agencies need to additionally enhance their tracking systems and to develop and implement policies and procedures to ensure proper accountability for and stewardship over seized property; and (6) although consolidating the management and disposition of seized assets could reduce administrative costs and duplicative efforts, the agencies cite legislative acts and federal reporting requirements as barriers to developing a joint plan for consolidation.

6-Mar-98

AUSA David Gottesman of the Civil Division of the Commercial Litigation Branch of DOJ faxes a letter to Hamilton's attorney claiming a prior interest in Hamilton auction proceeds and warning of personal liability of any company representative under the federal priority statute for any amounts paid to third parties ahead of HUD. Fitts is concerned that this will lay basis for seizure of any items at Fraser Court and begins research on asset forfeiture which eventually leads to retaining asset forfeiture attorney, David Smith, to help protect the Fraser Court sale in 1999. Williams & Connolly advises Franklin National Bank that the federal government could assert a claim ahead of the first lien creditor.

6-Mar-98

The Federal District Court issues an order (1) appointing Irving Pollack and Larry Storch as Co-Special Masters, (2) ordering OIG to pay fees and expenses of Special Master and all working under his authority who shall receive compensation at \$100 per hour plus actual expenses, including cost of storing records, (3) ordering Hamilton to immediately deposit records with Special Master that are responsive to August 6 and 22, 1996 subpoena as modified October 24, 1997, which were not previously produced, (4) ordering representative(s) of Hamilton with personal knowledge of matter to submit to court a certification of compliance or, if not feasible, certifications satisfactory to the Special Master, (5) ordering Special Master to secure and preserve documents, (6) ordering Special Master to permit Hamilton access to records for purpose of winding up affairs and any other legitimate purpose, (6) ordering Hamilton not to sell, destroy, discard or otherwise dispose of any computer disc, hard drive or other electronic or computer data storage device that contains electronic records during period without prior approval of court and (7) ordering the Special Master to determine issues and make reports and recommendations as the court may direct and (8) ordering that only the parties, the court, the Special Masters, and agents shall have access to records furnished by Hamilton. *Susan Gaffney, HUD IG v. Hamilton Securites Inc.*,

8-Mar-98

Jim McDougal dies in a Texas jail after agreeing to cooperate with Ken Starr in exchange for a reduced sentence. Later reports indicate that McDougal's death may have prevented an indictment of Hillary Clinton.

8-Mar-98

Special Master Larry Storch of Storch & Brenner takes possession of Hamilton's offices.

9-Mar-98

Eight FBI agents, representatives of the Special Master and IG Office, take over Hamilton's offices. Carolyn Betts is asked to leave. Elliot Cook stays to negotiate terms of digital document recovery. All computers are backed up by the FBI despite the existence of attorney-escrowed back ups. HUD demands that all computers must be scrubbed of all data before they can be sold and comes to the office to oversee scrubbing. When informed that Hamilton has taken the prime server with copies of all digital files, HUD takes the position that "Hamilton is not allowed to retain any knowledge" and that Hamilton cannot take these computers and Hamilton cannot have a copy of any of the knowledge, but does not follow with legal basis for this position. The HUD OIG attempts to falsify evidence by tampering with files in building; the building manager later provides affidavit to Hamilton attorneys that thwarts attempt.

9-Mar-98

Hamilton files suit against HUD in Court of Federal Claims in an effort to recover amounts withheld for services rendered under its HUD contract. Claude Goddard represents Hamilton in this action. [*Hamilton Securities Advisory Services, Inc. v. The United States* (98-CV-169), US District Court, United States Court of Federal Claims, Judge Marion Blank Horn] Separately, Michael McManus and Ken Ryan are retained by Lexington Insurance Company to represent Hamilton in connection with matters potentially covered by Hamilton's errors and omissions insurance policy.

9-Mar-98

Representatives of the HUD OIG and FBI appear at Hamilton's offices to look at documents and copy information from computers, pursuant to Judge Sporkin's court order. *Susan Gaffney, HUD IG v. Hamilton Securities Inc., et al* (1:98-MS-0092)

9-Mar-98

Status hearing in the qui tam lawsuit before Judge Sporkin setting further status call for 7/10/98. Order by Judge Sporkin extending time to 7/10/98 for US to intervene or decline to do so. At the hearing, AUSA Anthony Alexis and Daniel Hawke make appearances. Barbara Van Gelder had left government service to take a position as partner at the Washington law firm of Wiley, Rein and Fielding. Alexis says the government needs at least another 120 days to determine whether it will adopt the case. He Alexis tells the judge that the government has had to move to enforce the Hamilton subpoena and because of that "we haven't seen any of those documents that allow us to conduct an evaluation."

10-Mar-98

Ervin & Associates faxes a letter to Andrew Cuomo stating that "with the elimination of Kathy Rock as FHA Comptroller, HUD has finally cleansed itself of all of the senior officials who were involved in the contracting and note sale corruption and favoritism that has infected your agency for too long." The "senior bad actors," that have been "purged" he says, include Dwight Robinson, Nelson Diaz, Nicolas Retsinas, Monica Sussman, Helen Dunlap, Stephanie Smith, Sarah Rosen, and Chris Greer. He complains that, unfortunately, the contracting officers who ignored their responsibilities by looking the other way are still active participants in HUD's retaliation against him and his company. He warns that "the extent of that coverup and retaliation by HUD will soon be made public."

10-Mar-98

At a 10:30 a.m. hearing before Judge Sporkin, the judge issued an order permitting Hamilton's auction to proceed that day, subject to the requirement that information will be copied from computers before they are sold. The auction is held.

Mid Mar-98

Rasmus (the auctioneer of Hamilton's furniture and equipment) was served a subpoena requiring detailed information about the identities of purchasers of Hamilton's assets and the assets purchased. The auctioneer subsequently "lost" all records of the sale and was unable to provide a full accounting to Hamilton. No final accounting of the proceeds of the auction was ever received by Hamilton, either from the auctioneer or Hamilton's first lien creditor, which received the proceeds.

Mid Mar-98

Catherine Austin Fitts' elderly uncle was served a subpoena for financial documents relating to her sale of her interest in a family farm in New Hampshire and looking for evidence that Fitts used it to entertain government officials. Fitts's uncle first received a telephone call from FBI agents in Washington stating that the OIG wanted documentation for Fitts' sale of her interest in the farm to him. He agreed to send the requested documents. Then, a few days later at about 6:30 pm, four agents from Boston appeared at his door in Portsmouth, N.H. to serve a subpoena for the information he had agreed to send to Washington.

13-Mar-98

Hamilton's General counsel faxed copies of 3/6 and 3/13 Sporkin orders and DOJ letter to David Frulla, Chris Lord (a Hill HUD committee staffer) and Mark Cohen (outside counsel for Lexington Insurance Company).

15-Mar-98

Kathleen Wiley appears on *60 Minutes*.

16-Mar-98

Surprise Congressional hearings on Volume I of CIA Inspector General's Report on CIA-Contra Drug Trafficking are focused on the *Dark Alliance* allegations published by Gary Webb in the *San Jose Mercury News* (with extensive documentation provided for reading and download on the Mercury News's website) that the CIA was complicit in introducing crack cocaine into LA through its dealings with Iran-Contra related drug traffickers and use of known drug lords as "assets." The Memorandum of Understanding between DOJ and CIA entered into between 1982 and 1994 is disclosed by CIA Inspector General Hitz that relieved the CIA of responsibility to report trafficking and money laundering by CIA proprietaries and agents to deal drugs. This Memorandum was developed in the same period that that additional legal changes permitted significant increases of intelligence agency outsourcing of sensitive national security functions to private government contractors.

Coincidentally or not, Hamilton's offices had been seized and held for approximately one-two weeks prior to the hearing. Government-led efforts to back up computer tapes in Hamilton's offices (in which Hamilton personnel are not permitted to participate) resulted in the destruction of many of Hamilton's software tools and databases. This included removing from the World Wide Web, a money map of South-Central LA showing patterns of

homeowner defaults/taxpayer losses in areas targeted by CIA drug dealing. This occurred after HUD's Office of General Counsel and Contracting Office insisted that Hamilton cleanse its systems of all HUD data, including publicly available data, and return it all to HUD. A HUD OIG investigator stated in mid-March that Hamilton had no right to keep a copy of the information on its own computers but refused to explain his reasons or legal basis for this statement. Included among the tools destroyed was Community Wizard, comprehensive GIS program for mapping of federal expenditures by census block. This program, combined with extensive Hamilton databases on real estate, investment, financing and resources by neighborhood could have produced detailed maps of the flow of federal funds, including HUD funds, into and out of LA during 1980s in South-Central LA and other areas that were the focus of the *Dark Alliance* allegations.

Subsequently, CIA Inspector General Frederick P. Hitz retires to assume the Goldman Sachs chair on International Intelligence at Princeton University.

20-Mar-98

Meeting of attorneys assigned by Lexington at the offices of Jackson & Campbell (the team later moves to the larger Philadelphia firm of Drinker, Biddle & Reath). Hamilton's insurance company does a complete turnaround and provides a full team of attorneys to address Michigan, Louisiana, petition to enforce subpoena and court of claims legal actions and to help with all document production matters. The first concern is the complete control and mastery of all documents and protection from HUD. Hamilton spends all day with the new legal team, including local counsel retained to assist in Louisiana and Michigan cases, and insurance company counsel flown in from Boston. It appears that the originally selected law firm (which was willing to assume the case at \$100 per hour) was replaced by new counsel.

Spring 1998

Catherine Austin Fitts asks Chris Greer, former HUD IG Audit head, why the IG was coming at Hamilton on issues that the HUD IG's office has reviewed and approved and found on audit were clean as a whistle, Greer wrote back that "the Inspector General old boy's network could not understand Neighborhood Networks. Underneath it all was a basic bigotry and class obsession. The program had drawn comments like "Why should we give niggers computers when my kids don't even have them yet?"

1998

Mike Eisenson, head of the private equity portfolio at Harvard Management, who was responsible for Harken Energy and NHP and WMF, spins his group out of Harvard to form Charlesbank Capital Partners. with the benefit of a \$10MM a year payment (according to Harvard's tax returns) which is the same amount that Hamilton was being paid by HUD before their contract was cancelled. Charlesbank describes its investment team on its website in 2005, "Charlesbank is led by our managing directors, who have worked together for over a decade. In forming Charlesbank, the founding partners saw the opportunity to create an investment firm with the highest standards of integrity, personal commitment and professional investment performance." Eisenson is listed as being a founding member of "Horizons for Homeless Children." There is no mention of the thousands of children who went homeless because of the M2M and other policies pushed through appropriations by his

partners and the enormous profits that he and his investment firm and the Harvard endowment generated as a result.

1998

Carlyle hires Frank Yeary, former head of the media and telecommunications investment group at Solomon Smith Barney. He helps Carlyle buy cable properties and then sell them to Comcast.

May 9, 1998

Cornell Corrections' 1998 Proxy filed with the SEC does not show Dillon and its venture funds as a holder of 5% or more. Hence, it appears that Dillon has sold most or all of its investment in Cornell Corrections by this date. Stock prices reported in Cornell's 1999 Proxy would indicate that Dillon may have gotten out at a high point.

	HIGH	LOW
1996:		
Fourth Quarter (from October 3)	\$12 ³ / ₄	\$ 8 ⁷ / ₈
1997:		
First Quarter	11 ⁵ / ₈	9
Second Quarter	18	9
Third Quarter	16 ⁵ / ₈	14 ⁷ / ₁₆
Fourth Quarter	20 ³ / ₄	15 ³ / ₄
1998:		
First Quarter	24 ¹ / ₂	19 ⁷ / ₁₆
Second Quarter	25 ⁷ / ₁₆	18 ¹ / ₂
Third Quarter	21 ¹ / ₁₆	8
Fourth Quarter	19	11
1999:		
First Quarter (through February 26)	19 ⁷ / ₈	16 ¹ / ₄

The largest holders are: J&W Seligman with 531,845 shares (5.7%), Alliance Capital (c/o The Equitable Companies) with 521,900 shares (5.5%), AMVESCAP with 500,600 shares (5.3%), Charterhouse Equity Partners, 535 Madison, with 486,044 shares (5.1%) and David Cornell with 509,987 shares (5.3%).

20-Mar-98

Ervin & Associates submits six Freedom of Information Act requests seeking large amounts of information regarding the HUD loan sales.

22-Mar-98

Solari, Inc. starts full time operation at Fraser Court managing litigation and administration of Hamilton.

23-Mar-98

GAO decision in the matter of Ervin & Associates where Ervin protests that the agency failed to mail a copy of a solicitation despite its request to be placed on the source list. GAO denies the protest, finding that HUD's procedures should have resulted in Ervin receiving a copy of the RFP and that Ervin failed to avail itself of every reasonable opportunity to obtain the solicitation. John Ervin represented Ervin and Richard Marchese of HUD OGC represented HUD.

23-Mar-98

GAO decision sustaining Ervin & Associates protest of the award of an accounting services task order to Gardiner, Kamy & Associates. The RFP was issued 2/17/95. GAO finds that the task order is beyond the scope of the contract and that HUD should have conducted a competition for the acquisition.

23-Mar-98

At PC Forum, Fitts sits next to Goldman Sachs's chief of staff and finds out that Goldman is addressing "unexpected events," and may have to cancel its IPO for unexplained reasons. Shortly thereafter, Goldman announces that its planned initial public offering is postponed.

23-Mar-98

First Report of Co-Special Masters Irving Pollack and Laurence Storch concluding, among other things, that computers at Hamilton's office could be released. *Susan Gaffney, HUD IG v. Hamilton Securities Inc., et al* (1:98-MS-0092)

26-Mar-98

Ervin & Associates submits six Freedom of Information Act requests seeking information regarding the initiative to privatize the single family real estate owned disposition process, Kerry Company and its involvement in the "Beekman" project, task orders awarded for services related to Portfolio Reengineering or Mark to Market initiatives, the final report issued by the National Academy of Public Administration due on March 1, 1998 and contracts for the production of the report.

26-Mar-98

Judge Sporkin issues an order in the Gaffney Petition to Enforce case directing that all documents filed under seal remain under seal with the exception of the Court's March 6 order. In the same case, Gaffney files a motion for TRO and preliminary injunction and a petition for summary enforcement of administrative subpoenas, a declaration and 37 exhibits.

31-Mar-98

Ervin & Associates submits a Freedom of Information Act request seeking information regarding Harvard University John F. Kennedy School of Government contracts to train participants in the "Community Builders Fellowship" program and involvement of former Assistant Secretary and FHA Commissioner Nicolas Retsinas in the training program.

Mar-98

Goldman Sachs announces its planned initial public offering is postponed.

Mar-98

Date of the closing/as of pricing date for the Franklin/BBT merger. (Hamilton's Bank)

Mar-98

Newt Gingrich sabotages campaign reform in the House.

April 1998

Carlyle closes another \$1.1 billion fund, called Carlyle European Capital Partners, at double its initial target. The company was able to raise the money in just under a year. (the Iron Triangle)

April 1998

Rep Maxine Waters issues statement opposing the Citicorp-Travelers Merger --- announced this week—one of the reasons given is the nefarious use of Citibank's private banking system by the worlds most notorious drug lords and money launderings, including the ongoing investigation by DOJ (begun in 1996) and the Swiss and Mexican attorneys general into potential Citicorp/Citibank involvement with Raul Salinas de Gotari in laundering drug money.

April 1998

Wackenhut is a co-registrant in the formation of Correctional Properties Trust, a real estate investment trust formed to capitalize on prison privatization.

1-Apr-98

HUD Inspector General Susan Gaffney testifies before the House Subcommittee on Housing and Community Opportunity (chaired by Congressman Rick Lazio) on Single Family Housing and the Federal Housing Administration. She explains that the Management 2020 plan assumes that management of the huge single family portfolio will be assumed by contractors, and that HUD does not have the resources to oversee such contracts. She states, "A basic assumption of the plan is that the private sector can purchase HUD's pipeline of foreclosures and dispose of properties quicker and cheaper. We are concerned that if privatization plans don't work as intended, HUD's options are limited." She states that HUD is seeking bids on management of the REO (real estate owned) portfolio and hopes to sell 50,000 properties annually to bidders and to share the savings with HUD. She notes that historically, HUD has expended about 17% of market value in disposing of such properties, while private market disposition costs range between 12% and 18% of market value. "We hope this solicitation is successful, as there won't be HUD staff available to return to the old way of doing business."

1-Apr-98

Paula Jones suit thrown out.

April 1998

Wackenhut sets up REIT, Correctional Properties Trust, which went public with a \$113 million initial public offering.

3-Apr-98

Lee Radek, Chief of the Public Integrity Section, Criminal Division sends a letter to Thomas J. Picard, Chairman, Integrity Committee, President's Council on Integrity and Efficiency c/o FBI stating his reasons why Susan Gaffney's conduct of the Hamilton investigation does not warrant a criminal investigation, as requested by a Hamilton's filing with PCIE. Hamilton FOIA's the letter in the FBI files in 2000. All the reasons given for Radek's position are redacted.

April 1998

Benjamin Civiletti, former Attorney of the United States becomes a director of Wackenhut. He has been a director of Wackenhut Corrections since April, 1994.

Arthur Anderson is the auditor for Wackenhut.

April 1998

CCA and CCA Prison Realty Trust announce a plan by which the Trust would acquire the management company. Many CCA shareholders are unenthusiastic, but the deal is finally approved with the surviving entity named Prison Realty Corporation, later changed to Prison Realty Trust, Inc.

10-Apr-98

Hamilton files a response in opposition to Gaffney's petition for summary judgment and for summary enforcement of administrative subpoenas.

20-Apr-98

Gaffney files a motion (consent) to extend time to April 27 to file a reply memorandum in the PTE case. Judge Sporkin grants special master report and Special Master's request for reimbursement of \$33,660 for 336 hours of work and approves \$2,000 in special master expenses.

21-Apr-98

Susan Gaffney testifies before the House Subcommittee on Government Management, Information and Technology (chaired by Congressman Horn) regarding the Inspector General Act of 1978. She mentions that the HUD OIG has committed 50% of investigative resources to violent crime (drugs) and mentions her wish for statutory law enforcement powers (she currently has it under two year rolling blanket deputation from the US Marshals) and has requested statutory authority for asset forfeiture.

21-Apr-98

Hamilton files an exception to the recommendation of the Special Masters in the PTE case filed by Susan Gaffney.

22-Apr-98

The Hamilton "building manager" affidavit is signed. This affidavit was provided by a property manager to document an incident he witnessed during the period that office was seized and personnel from Hamilton not allowed in building to observe. According to the affidavit, HUD IG Counsel Hetherington's investigators had taken trash and emptied it into

empty bins, and then Ms. Hetherton took pictures of the now full bin. Following the incident, Hetherton sent a letter to Hamilton's attorneys alleging that Hamilton was throwing out financial records subject to subpoena.

22-Apr-98

Ervin & Associates files Plaintiff's First Request for Admissions (252 items).

22-Apr-98

Ervin issues subpoena to Hamilton for documents.

25-Apr-98

Hillary Clinton testifies on Whitewater; Webb Hubbell is indicted.

27-Apr-98

Second Special Master's Report is filed with the Court in the PTE case.

28-Apr-98

GAO decision in the matter of Ervin & Associates stating that GAO will not consider the allegation that HUD's use of Section 8(a) program to meet its needs for various types of services is unconstitutional. The solicitations at issue were issued on November 21, 1997 for due diligence services for HUD's Housing Programs and comprehensive services for the Assistant Secretary for Housing/FHA Commissioner. John Ervin represents Ervin and Shari Weaver and Michael Farley of HUD OGC represent HUD. GAO denies the protests.

28-Apr-98

Gaffney files a reply to Hamilton's opposition to the petition for summary enforcement of administrative subpoenas in the PTE case. She also files a response to Hamilton's exception to the Special Master's recommendation.

30-Apr-98

GAO decision in the matter of the Ervin & Associates protest of the award of task orders for (1) operations analysis of HUD's Office of Housing and (2) management studies and budget formulation for HUD's portfolio reengineering program on the basis that the task orders are beyond the scope of the management studies contracts. The original solicitation was issued July 12, 1995. Ervin was found to be technically unqualified for the contract. The seven firms awarded the contract were Booz, Allen & Hamilton, Ernst & Young, Abacus Technology, Anderson Consulting, Maria Elena Torano Associates, Soza & Company and Price Waterhouse. GAO denies the protests.

30-Apr-98

Judge Sporkin issues an order directing that Hamilton designate each particular document for which a claim of A/C privilege is made; for electronic records they may designate for future review by the Special Masters; specific tapes or disks that concern A/C communications; directing that government personnel shall not disclose Hamilton's proprietary information to non-government personnel in the PTE case.

Spring 1998

Napier Collins, partner of Global Business Network, (headquartered in the San Francisco bay area) approaches Catherine regarding converting Hamilton Securities office to a GBN

office with a GBN principal who used to work at Bechtel. Collyn's repeatedly expresses the opinion that Fitts and Hamilton is guilty – where there is smoke, there is fire." Peter Schwartz, the head of GBN, has published a book on corporate responsibility and used to work at SRI. Collyn's repeatedly tries to encourage Fitts to approach Soros for funding. Soros at the time is on the Executive Committee of the CFR. The CIA is one of GBN's Washington clients. Given that Hamilton was a GBN client, paying approximately \$35,000 a year to GBN, serious questions remain about the role GBN played in helping destroy Hamilton and to try to scavenge the remains as part of their payback.

May-98

The Clinton Administration issues a report re Nazi wealth preservation by the Swiss.

May-98

Janet Reno asks for an Independent Counsel to investigate the Secretary of Labor, Alexis Herman.

1-May-98

CIA Inspector General, Frederick P. Hitz resigns from the CIA and joins Princeton University in a chair endowed by Goldman Sachs & Co: the John L. Weinberg/Goldman Sachs and Company Visiting Professor; Director of the Project on International Intelligence.

4-May-98

Thomas J. Pickard, Chairman of the President's Council on Integrity and Efficiency, advises Hamilton that (1) it has completed its review of Hamilton's PCIE complaint (2) it referred the complaint to the public integrity section of the DOJ for a determination whether the allegations, if proven, would constitute violations of federal criminal law that would be considered prosecutable, (3) the DOJ advised that the complaint did not provide sufficient information to warrant a criminal investigation and (4) the PCIE would take no further action concerning the matter and, thus, the file is in a closed status.

4-May-98

Susan McDougal is indicted again.

.6-May-98

David Jay Gottesman files a notice of attorney appearance for the USA in the Hamilton Court of Claims case against HUD and files a motion to extend time to respond to the complaint to June 12, 1998. An order to this effect is granted the next day.

12-May-98

Judge Sporkin dismisses the Temporary Restraining Order case in the matter of *Hamilton Securities Group, Inc et al v. US Department of HUD, et al.* (1:98-CV-0036). (See 3/3/98 Entry)

7-May-98

Maxine Waters reads the Feb 11, 1982 Memorandum of Understanding between the CIA and DOJ into the record. The MOU –crafted between William French Smith and William Casey at the time that Stanley Sporkin was CIA General Counsel and Ken Starr was at DOJ –excluded the reporting of narcotics and drug crimes by the CIA to the Justice Department.

IE the CIA was not required to report information of drug trafficking and drug law violations with respect to CIA agents, assets, non staff employees and contractors.

12-May-98

Hamilton files exceptions to the Second Special Master Report with the court in the PTE action.

15-May-98

Gifts to the DNC are tied to the Chinese government, according to a *NY Times* article about Johnny Chung; articles on waiver for Schwartz of Loral and Chinese contributions for the rest of May.

May 20, 1998

Franklin Raines leaves his post at head of OMB to become Chairman and CEO of Fannie Mae. Raines is a member of the Council on Foreign Relations and the Trilateral Commission. A later resume shows that he is a member of the board of -- among other boards -- of TIAA-CREF.

26-May-98

Initial Certification of Compliance by Catherine Austin Fitts filed pursuant to March 6, 1998 order in Case 98-92 (filed under seal).

27-May-98

Hamilton files a response to Judge Sporkin's order that gives details about the Special Master's duties an compensation and providing that only the parties, the Court and the Special Master and their agents shall have access to the records held by the Special Master.

Jun-98

Dark Alliance, by Gary Webb, is published by St. Martin's Press.

2-Jun-98

HUD Inspector Susan Gaffney testifies before the Senate Subcommittee on Housing Opportunity and Community Development (Chaired by Senator Mack) concerning the FHA Financial Statement Audit Report on Internal Controls and HUD 2020 Management Reforms. She testifies about FHA oversight and "recent plans to revise various FHA operational methods." She reports that the biggest change in staffing has been the reduction in single family staffing from a level of 2,700 in 1994 to a projected level of 759 by the end of 1999. She says the downsizing reflects single family note sales and assumes the use of rapidly developing technology and increasing reliance on private sector contracting to take over functions previously performed by HUD staff. She reports that all single family loss mitigation activities will be consolidated in the Oklahoma City office. She states that pending the operation of the Real Estate Assessment Center, HUD's Office of Housing has no mechanism to review financial statements or conduct inspections. She says that a recent audit of the Section 203K program found that 1/3 of the borrower data on the CHUMS system to be incorrect. She reported that a huge effort was under way at HUD to "scrub data." Hamilton played an integral role in the "scrubbing" of data for the Office of Housing.

2-June-98 The National Building Museum in Washington, DC holds a gala dinner as part of year long celebration of the achievements of engineers. The Museum presents its 12th annual honor award to Riley P. Bechtel and Stephen D. Bechtel, Jr. of the Bechtel Group. The event is attended by 900 people who salute the engineering-construction firm on the occasion of its 100th anniversary. George W. Schultz is one of the speakers. Chairs for the dinner included Nick Brady, Irvin Miller, W.W. Allen, John Krol, George Schultz and Caspar Weinberger. Lead Benefactors are Bechtel Group and Fannie Mae Foundation. Patrons include AIG, Goldman Sachs, Kenneth D. Brody (former Goldman Partner who became head of Export-Import bank under Clinton), Citibank, JP Morgan, Legg Mason, & Coopers & Lybrand. Friends included Carla Hills.

3-Jun-98

Judge Sporkin orders the payment of \$10,000 fees and expenses to the Special Master in the PTE case.

5-Jun-98

HUD Inspector General Susan Gaffney testifies before the House Subcommittee on Human Resources, Committee on Government Reform and Oversight (chaired by Congressman Shays) on HUD Contracting: Vulnerabilities Management and Proposed Solutions and the September 30, 1997 report titled "HUD Contracting." Among other things, the IG testifies that "In the information technology area, HUD's reliance on contractors is virtually total" ... and "information technology contracts represent the highest dollar amount of contracting in HUD." She says she estimates that HUD contracting in the areas of single family property disposition, physical inspections of multifamily and public housing and Section 8 contract administration could easily exceed \$1 billion per year.

5-Jun-98

Housing Affairs Letter reports that Secretary Cuomo and the OIG agree that HUD is taking major steps to prevent irregularities, possible bid-rigging and other abuses in procurement and contracting. Gaffney and new HUD procurement officer Stephen Carberry, in testimony before House Government Reform and Oversight Committee, outline efforts by the Department to eliminate deficiencies that led to ongoing DOJ criminal investigation of questionable procurement and contracting practices. In another article in the same issue, Gaffney is quoted as saying she wouldn't buy FHA stock if the agency were publicly traded on Wall Street. Congressman Mack then questions why KPMG gave FHA an unqualified opinion on its financial statements in 1997. A KPMG spokesman comments that the 1998 financial statements may not get a clean opinion unless FHA complies with the Federal Credit Reform Act of 1990.

June 1998

When the Texas Rangers franchise is sold and George W. Bush receives \$15mn for his share, he tells reporters, "When it is all said and done, I will have made more money than I ever dreamed.." The sum represented a 2,400% increase on the \$606,00 investment Bush had made nine years earlier with borrowed money and a considerable improvement on his record of losing millions. The local money behind the original Ranger deal was Richard Rainwater, formerly the chief financial advisor to the Bass Brothers in Fort Worth.

In 1998, W. is reelected to his second term as Governor.

During this period, Catherine is invited to dinner at the home of one of the members of a CIA strategic planning group. All night long she is literally verbally attacked by a number of the CIA people or contractors there about Bush and why he is a great governor. It is so unpleasant and unbalanced that the next day the host calls to apologize.

1998

Investors are not as kind to the private corrections industry in 1998 and 1999 as they were in 1996 and 1997. Although revenues and net income generally continued to rise, stock prices fall sharply. In December of 1997, Wackenhut's market capitalization was approximately 610 million dollars. By December of 1999, that number decreased to 225 million dollars. Before CCA merged with Prison Realty Trust, CCA projected that the combined company's market capitalization would be approximately 4 billion dollars. As of December 20, 1999, Prison Realty Trust's market capitalization is less than 25% of that figure at 814 million. (Abt Associates)

Spring 1998 Franklin National Bank's Hamilton account officer tells Fitts that prisons is a very lucrative business for Franklin – also sounds like DC development and gentrification is also very profitable.

5-Jun-98

Pursuant to a congressional request, GAO discussed the Department of the Treasury's implementation of the administrative offset provision of the Debt Collection Improvement Act (DCIA) of 1996, focusing on: (1) the status of referrals by agencies of delinquent nontax debts to Treasury for administrative offset; (2) actions Treasury has taken and plans to take to include all eligible federal payments in the administrative offset program; and (3) actions Treasury has taken, or plans to take, to consolidate the administrative, tax refund, and federal salary offset programs.

10-Jun-98

Judge Sporkin orders the Special Masters to execute a lease for storage space and that the government shall pay rent therefore in the PTE case.

12-Jun-98

The Government files a Motion to Dismiss for lack of subject matter jurisdiction in the Court of Claims case filed by Hamilton.

17-Jun-98

Deposition of Dolores Ammons-Barnett (four Volumes, 1069 pages).

20-Jun-98

The HUD IG testifies before the Senate Subcommittee on Housing Opportunity and Community Development, chaired by Connie Mack, regarding the FHA Financial Statement Audit Report on Internal Controls and HUD 2020 Management Reforms. KPMG Peat Marwick had performed the audit of FHA for the 1997 FY. She reports that as the result of

previous audits by her office, a new Chief Procurement Officer had been hired and major contracting reforms were anticipated. She also reported that the National Academy of Public Administration had recently begun a detailed review of the HUD procurement system. HUD had only recently hired a Chief Information Officer in accordance with the requirements of 1996 legislation, and his authority and responsibility and placement within the organization had not yet been articulated.

22-Jun-98

Judge Sporkin orders that \$9,800 in expenses be paid to the Special Master in the PTE case. Two days later the judge issues an order responding to the Co-Special Masters.

25-Jun-98

Susan McDougal is freed from prison.

25-Jun-98

Hamilton files a response to the motion to dismiss the Court of Claims case.

26-Jun-98

Hamilton's filing in the Court of Claims seeking amounts owed by HUD. Claude Goddard represents Hamilton.

Jul-98

The Webster Hubbell tax indictment is thrown out.

Jul-98

There is so much harassment activity around Fraser court that Fitts becomes seriously concerned that an attempt will be made to seize the remaining Hamilton server by means of an illegal break-in or federal asset forfeiture set up. The server is moved to Hamilton's law firm for safekeeping.

Jul-98

Joe Head, President of Hamilton's bank, Franklin National Bank, told Hamilton's accountants, Arthur Anderson, incorrectly, that Hamilton owed the bank more than the amount of the Federal income tax refund as reflected in the return that Arthur Andersen was preparing. In response to these assurances, Arthur Andersen agrees to cause AA to receive the refund directly and turn over the entire refund to the bank. In connection with the auctioneer's and bank's refusal to give Hamilton final accountings and the bank's admission that it had given confidential information on Hamilton to Tucker, Flyer & Lewis, a large client of the bank, questions continue about the relationship between the bank, its merger with BBT and its role, if any, in the attempted frame and destruction of Hamilton's business.

Jul/Aug-98

Hamilton's bank exhibits strange behavior, provides inside information to hostile attorneys harmful to the bank's and Hamilton interests, lies to auditors about what is owed, refuses to provide a loan accounting statement to Hamilton and tries to grab tax refund money not owed to it. The bank then hires two experienced workout partners from Arnold & Porter. The bank officer later informs Fitts that he had told the bank chairman that this would not scare Fitts as "Arnold & Porter partners would not scare her---people show up at her house

with guns and stuff." In late October, a loan workout proceeds after the bank's chairman investigates unexplained actions by the bank President. The bank continues to this day to refuse to provide Hamilton with an accounting.

Jul-98

Federal Defendant's Answers to Plaintiffs' First Set of Interrogatories is filed in the Bivens action. In this set of interrogatories, HUD admits that a series of attorneys in the Office of General Counsel, as well as two outside attorneys (Dick Dunnells and an attorney from Hunton & Williams) were notified of the existence of the optimization error and consulted regarding it by Kathy Rock during January – March, 1997. Undated, but apparently filed at about the same time, is Federal Defendants' Answers to Plaintiffs' First Set of Requests for Admissions, which is filed by Ruth Harvey and Raymond Larizza under the signature name of Frank W. Hunger, Assistant Attorney General.

Summer 1998

Carlyle closes its European Fund with \$1.1 billion, including AIG. Over the next two years, Carlyle would raise funds for investments in Asia, begin marketing funds to Latin America and Russia and start up several venture capital funds aimed at smaller investments of up and coming companies. It would set up real estate funds in Europe and the United States. By the end of the decade, Carlyle stood with more than a dozen funds and close to \$10 billion under management.

7-Jul-98

The HUD OIG issued a subpoena duces tecum to Citibank NA for access to Catherine Austin Fitts' personal financial records.

10-Jul-98

Status hearing in the qui tam lawsuit setting a further status call for 11/16/98. The transcripts for the hearing indicate that AUSA Anthony Alexis, Daniel Hawke, Bernard Olieniacz and Judith Hetherton attended the hearing. Tony Alexis tells Judge Sporkin, "Ms Heatherton from HUD is, along with Dan van Horn, and it's like pulling teeth, even with the special masters, in helping to try to get all the documents, and my understanding is they don't even have the documents to even begin the review. So HUD hasn't even begun the review of the documents." Hetherton points out that they do have some documents, and then they tell the judge that what they don't have is the electronic documents. In fact, Hamilton turned over all electronic documents it believed were responsive to the original subpoena in 1996. Alexis also reveals that Goldman Sachs is about to go public. He says, "We are at a critical phase in terms of actually interviewing people. I don't want to have the government's infomatter *[sic]* on this matter at this particular time, because one of the defendants, Goldman Sachs, is about to go public. You know, the last thing we want to do is have some kind of negative impact on the stock."

10-Jul-98

The government files a response to Hamilton's opposition to Motion to Dismiss in the Court of Claims case.

14-Jul-98

Judge Sporkin issues an order for the payment of \$16,600 in expenses to the Special Master in the PTE case.

16-Jul-98

Clinton nominates John D. Hawke, Jr., currently Under Secretary for Domestic Finance, as Comptroller of the Currency. Hawke is a former Senior Partner at Arnold & Porter, where he headed the financial institutions practice and served as Chairman of the firm from 1987 to 1995. He served as General Counsel of the Federal Reserve from 1975-78.

7-29-Jul-98

Wrangling takes place on the Monica Lewinsky case; secret service agents are called to testify; claims of attorney-client privilege are challenged.

13-Jul-98

International Monetary Fund announces it will provide \$12.5 billion in loans to Russia; during July and August, an average of \$3.7 billion per day is deposited from Russia into Bank of New York correspondent banks.

13-Jul-98

The HUD OIG issued a subpoena duces tecum to Morgan Guaranty for access to Catherine Fitts' personal financial records. Fitts did not receive notice from the government about the subpoena until September of 1998.

21-Jul-98

Fitts files a motion for order pursuant to customer challenge provisions of the Right to Financial Privacy Act of 1978 in response to the HUD OIG subpoena of her personal Citibank NA financial records. [*C. Austin Fitts v. US Department of HUD* (1:98-MS-00262), US District Court, District of Columbia, Judge Stanley Sporkin]

31-Jul-98

Deposition of Bill Richbourg by Ervin's counsel in *Ervin v Dunlap et al* – four volumes (945 pages of transcript) + 85 exhibits.

When the Qui Tam is unsealed in May 2000, Hamilton learns that Ervin alleges that Richbourg is the basis for allegations re insider trading. In his deposition for the Bivens case in July 1998, Richbourg says he knows of no wrongdoing on the loan sale. Memos provided by Ervin in 2000 regarding his basis for claiming that Cargill and First Financial of Waco/J-Hawk were the basis of bid rigging allegations combined with affidavit provided by Cargill to Hamilton combined with Richbourg's deposition, indicate that DOJ had ample reasons to know in 1996 that Ervin's allegations were unfounded.

Aug-98

Goldman Sachs partners vote approval for the Goldman IPO; AIG agreed to buy Sunamerica.

6-Aug-98

House Government Reform and Oversight Committee recommended that Attorney General Reno be held in contempt of court in connection with fundraising hearings.

12-Aug-98

Swiss banks agree to compensate Holocaust victims with \$1.25 billion.

17-Aug-98

Clinton testifies, admitting to "inappropriate behavior."

25-Aug-98

Judge Sporkin orders \$10,800 in expenses be paid to the Special Master in the PTE case.

26-Aug-98

A preliminary inquiry into Gore's role in fundraising is begun by DOJ.

Aug/Sept-98

The rape of Russia tapers off---

Long Term Capital Management suffers significant trading losses triggered in part by Russian economic situation; with Goldman in the lead of a rescue package, the company struggles to deal with a complete write down of equity reported to be in the amount of \$4.7 billion. Goldman uses inside information to trade against the portfolio. Gary Gensler, former Goldman partner is representing US Treasury (CHECK DATES ON GENSLER). UBS is a major loser along with a number of central banks and numerous investors.

August 1998

Clinton orders air strikes against Afghanistan to hit Osama Bin Laden.

August 17, 1998

Clinton testifies before a grand jury about Monica Lewinsky.

Sep-98

Catherine Austin Fitts contacts UniCor, the DOJ proprietary company that markets prison labor to federal agencies. Fitts speaks to the head of the data servicing division, which is implementing a plan almost exactly like Edgewood Technology Services, including training in the area of Geographic Information Systems products. He says his business is growing like gangbusters. The parallels between the UniCor business plan and Edgewood Technologies are so strong that Fitts wonders if Ford and Nordheimer have given the data servicing business plan to DOJ after Fitts declined to promote the plan to DOJ with them. They had taken the position that the federal government would not want data servicing businesses in residential neighborhoods, just in prisons. The DOJ website also indicates that that DOJ is marketing place based software to local police.

Sep-98

Goldman Sachs said it would shelve its plan to go public. Reports indicate that it lost \$1.5 billion during August and September.

Aug-Sept-98

The IRS sends its refund check directly to Hamilton. As a result of a number of factors--- including the bank's refusal to provide an accounting; its misrepresentations to Hamilton's accounting firm about what is owed regarding IRS funds that the accounting firm intended to turn over to the bank; and its disclosure of inside information to Tucker, Flyer (Ervin's counsel)--- Hamilton does not pay the bank.

Sep-98

Democratic fundraiser, Mark Jimenez, a Miami businessman, was indicted on 17 counts of illegal contributions to the 1996 Clinton-Gore campaign and other races.

2-Sep-98

Hamilton's attorneys at Jackson & Campbell inform the Court in the PTE case that they have changed their address to Drinker, Biddle & Reath.

3-Sept-98

Ervin & Associates amends the Qui Tam filing to add allegations developed since the case was filed in June 1996. Transcripts unsealed in 2001 from the qui tam hearings reveal that DOJ developed the filing with information produced in government investigations after the original filing, which—along with the Bivens case---DOJ indicates was they also developed in partnership with Ervin and his attorneys.

8-Sep-98

Reno begins a 90-day preliminary investigation into Clinton fundraising related to soft money contributions.

8-Sept-98

Reno announces that she has decided against seeking an independent counsel following a previously undisclosed preliminary investigation of Housing and Urban Development Secretary Andrew M. Cuomo. Cuomo's former business partners in a Florida thrift institution had accused him of conspiring to influence federal regulators in an effort to drive them out of business, allegations that Reno rejected. In court documents, Reno said she had "determined that there were no reasonable grounds to believe that further investigation was warranted and that, therefore, no independent counsel need be appointed."

Not only did Reno exonerate Cuomo, she decided that the Justice Department would represent him and two other federal officials, including Nic Retsinas, in a lawsuit filed the previous month by the owners of Oceanmark Bank. They claim that Cuomo and his fellow investors conspired to seize control of the troubled \$60 million thrift, and that Cuomo enlisted two allies at the Treasury Department's Office of Thrift Supervision to help them. (One of these officials was Nic Retsinas, the FHA Commissioner at HUD who also served as Acting Head of OTS).

8-Sep-98

Third report of the Co-special Masters is filed in the PTE case.

9-Sep-98

Starr presents his case for the impeachment of Clinton.

15-Sep-98

Primary season nears an end; Anthony Williams wins the DC Democratic mayoral primary.

18-Sep-98

Judge Sporkin orders the payment of \$7,800 in expenses to the Special Master in the PTE case.

21-Sep-98

Fitts files a motion for a protective order pursuant to customer challenge provisions of the Right to Financial Privacy Act of 1978 in response to the HUD OIG subpoena of her personal Morgan Guaranty financial records. [*C. Austin Fitts v. US Department of HUD* (1:98-MS-00347), US District Court, District of Columbia, Judge Stanley Sporkin]

21-Sep-98

Hamilton files a motion for leave to conduct discovery and a motion to unseal the record in the PTE case

24-Sep-98

The HUD OIG files its status report in Susan Gaffney, *HUD IG v. Hamilton Securities Inc., et al* (1:98-MS-0092)

25-Sep-98

A motion hearing is held with Judge Stanley Sporkin in *C. Austin Fitts v. US Department of HUD*, (Misc. No. 98-262) to determine if the government has the right to access Fitts' personal Citibank bank records. Nothing substantive is accomplished during the hearing because Judge Sporkin denies receiving necessary filings needed to rule from the Defendants {the government} even though his [Sporkin's] law clerk acknowledge that the filings were received and Hamiltons attorneys have a receipt for delivery.

25-Sep-98

Susan Gaffney files a response to Hamilton's motion to unseal, a status report and a response in opposition to motion for leave to conduct discovery (with 7 exhibits) in the PTE case.

26-Sept-98

SAIC's subsidiary, Network Solutions sells 3.8 million Class A shares to the public. The IPO market the first time that a portion of an SAIC subsidiary was publicly traded.

30-Sep-98

Filing of Joint Statement of Petitioner and Respondent Concerning Pending Issues Awaiting Resolution by the Court. (Misc. No. 98-92., the PTE case)

1998

Hamilton is told that Jim Martin, lead HUD IG auditor assigned to the investigation has moved over to join the HUD enforcement center.

Gary Webb publishes his book, *Dark Alliance*. Catherine reads a tiny blurb about it in *Time Magazine* and orders it. This is the first time she has heard about this.

She ends up buy and giving a way over 100 copies. Shortly after reading *Dark Alliance* she buys and reads *White Out* by Cockburn and St.Clair.

1-Oct-98

Beginning of federal fiscal 1999 year. HUD is not able to produce certified financial statements for this year, making \$59 billion of adjustments in the effort to do so.

DOD has undocumentable adjustments of \$ 2.3 trillion.

1-Oct-98

Joe Head of Franklin National Bank returns Hamilton's calls and is referred to Hamilton's outside counsel.

1-Oct-98

Federal Fiscal Year 1999 begins; in March 22, 2000 testimony, the HUD OIG refuses to certify the HUD financials saying that \$17 billion of adjustments were required for the opening balance from FY 1998 and \$59 billion of adjustments were required for FY 1999.

1-Oct-98

HUD files a notice of filing in camera material in 98-MS-347 (one of the Right to Privacy cases brought by Catherine Fitts). Fitts and HUD file a joint statement concerning pending issues awaiting resolution by the court.

1-Oct-98

Joint Statement is filed by Gaffney and Hamilton and Fitts concerning pending issues awaiting resolution by the Court in the PTE case.

1-Oct-98

Mathis Cabiallavetta, recently appointed First Chairman of the Board of Directors of the reorganized UBS resigns as Chairman after heavy losses of the bank in the 3rd quarter partly due to a large exposure of the old UBS in the highly speculative American hedge fund LTCM Long Term Capital Management. Alex Krauer now takes over as new Chairman.

October 1998

Citicorp and Travelers close their merger, creating a \$751 billion financial colossus. Through the merger process, the Salinas affair is mentioned again and again. According to a Time Article in December of 1998, "Just Hide Me the Money." Citibank's private-banking unit holds more than \$100 billion. These funds are in turn part of a \$17 trillion global pool of money belonging to what bankers euphemistically call "high net worth individuals" – a pool that generates more than \$150 billion a year in banking revenues. The numbers are impressive when you consider that except for a few...British and Swiss institutions, the private banking industry didn't exist until the 1980's. Citibank predicted early this year that it would reach \$1 trillion in private banking assets by the year 2010. The two largest Swiss private banks, UBS and Credit Suisse boast \$580 billion and \$292 billion in private banking assets.

1998

In Switzerland the revised Law on Money Laundering enters into force, the Bilateral Agreements between Switzerland and the European Union are signed in Vienna and in NY, the new UBS AG and the CS Group come to an agreement with the lawyers behind the Holocaust-class action lawsuits. The two Swiss Banks pay 1.25 billion US into an escrow account in New York. On May 25, the Independent Commission of Experts, or Bergier Commission, publishes its report, Switzerland and Gold Transactions in the Second World War.

6-Oct-98

Fitts files a response (oppositions) to in camera material in the right to Privacy case 98-MS-347.

8-Oct-98

One hour after Henry Hyde's Committee votes to move forward with impeachment hearings, CIA IG Fred Hitz's report is quietly released/posted on the CIA website confirming long-standing allegations of cocaine trafficking by Nicaraguan Contra forces. Reagan-Bush Administration's protection of these drug operations and tracking drug trafficking and the money laundering directly to Reagan's National Security Council, lead by George H. W. Bush and overseen by Oliver North. Within 24 hours, the Committee indicates that they will go through the impeachment process as a formality but Clinton will not be removed from the Presidency.

8-Oct-98

Hamilton files Respondents' Reply to Petitioner's Opposition to Motion for Leave to Conduct Discovery in *C. Austin Fitts v. US Department of HUD* (Misc. No. 98-262) in the US District Court for the District of Columbia.

9-Oct-98

Judge Sporkin grants motion to unseal the record and issues an order establishing a filing schedule for various motion responses and replies in the PTE case. Hamilton files a reply to Gaffney's response to motion for leave to conduct discovery.

Ginnie Mae (HUD) issues a sole source contract /small business set aside to Ervin & Associates. By a FOIA as of 10/25/00 he has received \$808,897.76. The base amount on the contract is \$6.7MM it is classified as Small Business with a 40% MWOB subcontracting. Nick Shelley is the GTR and GTM's are Linda Benjamin, Wilson Thompson, Mike Najjum, Tom Weakland, Brian Hooper.

Ginnie Mae (HUD) issues a Small Business set aside sole contract to Touchstone Financial Group at 1825 I St, Suite 400, for consulting services. Touchstone is run by Grace Morgan, a former Hamilton employee and a group of former Hamilton employees are providing services similar to what Hamilton provided. As of 10/25/00, Touchstone has been paid \$1.187MM for consulting services

Nick Shelley is the GTR and GTM's are Linda Benjamin, Wilson Thompson, Mike Najjum, Tom Weakland

10-Oct-98

Judge Sporkin orders partial record unsealed in *Gaffney v THSG and HSAS*, Misc. No. 98-92. (the PTE Case)

13-Oct-98

Hamilton files Hamilton Securities' Response Concerning the Protection of Proprietary Information in Misc. No. 98-92 (the PTE Case) , in the US District Court for DC., Filed under seal.

13-Oct-98

GAO decision in the matter of Ervin & Associates where Ervin alleged that the agency (HUD) improperly evaluated Ervin's proposal for due diligence services in connection with

a November, 1997 RFP to facilitate the sale or restructuring of HUD-held or insured single family and multifamily and Title I home improvement and manufactured housing loans. GAO found that the proposal was properly excluded from the competitive range as not having a reasonable chance of being selected for award in view of the agency's receipt of significantly higher-rated, lower-cost proposals. Ervin's total proposed cost for sample task orders was 40-62% higher than the total estimated costs proposed by several firms whose proposals were rated technically superior. Specifically, the Technical Evaluation Panel found that Ervin did not have demonstrated experience in performing due diligence on transactions with various listed criteria, including representation of both buyers and sellers, including private and public entities; real estate or real estate based assets similar to those being offered; transactions substantially equivalent in structure to those contemplated under the contract (i.e., whole loan sales, securitized transactions, "N-series" debt-equity transactions, single asset auctions, negotiated transactions); transactions substantially equivalent in assets to those contemplated under the contract (i.e., transactions with multiple, complex, nonperforming, sub performing, and/or performing residential, single and multifamily and commercial assets); and varying levels of rent subsidies and/or with substantial low and moderate income residents. Ervin represented himself, and Virginia Kelly Stephens of HUD OGC represented HUD. Stephens also represents HUD in connection with Hamilton's lawsuit against HUD in the Court of Claims.

Ginnie Mae (HUD) issues Ervin & Associates and Asset Strategies Group a sole source contract for advisory services with a NTE of \$23MM. As of 10/25/00, nothing has been issued under it.

14-Oct-98

Hamilton files Hamilton Securities' Supplemental Opposition to the Petition for Summary Enforcement, Responding to Issues Raised in OIG 9/24 Status Report and Reiterating its Request for Leave to Conduct Discovery.

15-Oct-98

Clinton and Congress agree on a federal budget.

6-Oct-98

Hamilton files its HUD contract wind-up claim.

16-Oct-98

HUD files Federal Defendants' Answers to Plaintiffs' First Set of Requests for Admissions in Bivens case.

16-Oct-98

Gaffney files a Motion (consent) to extend time to file her reply concerning the protection of proprietary information in the PTE case. Another motion to extend time is filed on October 20.

16-Oct-98

Ervin files Plaintiffs' Second Request for Admissions (412 items, 23 exhibits) in *Ervin v. Dunlap et al* case.

16-Oct-98

Tucker, Flyer & Lewis, Ervin & Associates' counsel, responds to DBR's request to specify documents believed to be responsive to Ervin's April 22, 1998 subpoena to Hamilton, but not previously produced to Jenner & Block.

18-Oct-98

Hamilton files Hamilton Securities' Supplemental Opposition To The Petition for Summary Enforcement addressing issues regarding (1) electronic records and financial records, (2) OIG has no basis for insisting on additional electronic records because it has not reviewed the records already available to it, and (3) Hamilton's privilege claims. Misc No. 98-0092

19-Oct-98

HUD files a reply to Fitts' opposition to the filing in camera in the Right to Privacy case.

21-Oct-98

Gaffney files a reply to petition concerning the protection of proprietary information in the PTE action.

28-Oct-98

Gaffney files a motion to extend time to November 4 to reply to remaining aspects of Hamilton's September 25 status report in the PTE case. Judge Sporkin grants the order on October 30.

Fall 1998

From "The Myth of the Rule of Law" in November 2001, by Catherine Austin Fitts

I walked into the Colony Club to a birthday celebration (CAF note – of a member of the family of a Dillon Read partner—now merged into UBS—SBC Warburg Dillon Read) in New York in 1998. A rush of friends wanted to know what I thought of Prison stocks. They were all in them, the brokers were pushing them, they were the “new hot thing” and they were anticipating delicious profits. I said get out, the pricings assumed incorrectly that piling people into prisons – the innocent and guilty alike—was like warehousing people in HUD housing. Sure enough, the stocks were to later plummet. But not until the Wall Street Journal ran a story about decorators using prison equipment to do bathrooms and kitchens on Park Avenue and Esquire ran a fashion layout in front of a series of jail cells.

During this trip to New York, Catherine has lunch with Bart Friedman, a partner at Cahill Gordon. She had arranged for Bart to help do some of the early legal work to set up Hamilton and Bart had cleared Cahill's representation of Hamilton through the firm formally. During lunch at the DTA, they run into Ike Kohn, Nick Brady and Dillon's lead attorney. Ike is very rude to Catherine and acts appalled that Bart is having anything to do with her. Catherine realizes in 2005 as she downloads all of the Cornell Corrections documents that Bart was the lead underwriters counsel for Dillon on Cornell and that Cahill had realized substantial fees handling Dillon's leadership is making Cornell possible. In retrospect it seems reasonable to question whether Ike understands the risk possible if Bart discloses Dillon's prison play...let alone the work for RJR Nabisco. Ike went to Harvard and Yale Law School and his e-mail address is Ikohn@cahill.com. Bart went to Harvard business and Harvard law school. He is listed as a member of CFR and a trustee of Brookings. His e-mail address is Bfriedman@cahill.com

Also in Myth, another Note from our founder on PROMIS software:

The significance of PROMIS software is that it was sold to banks, who wittingly or otherwise bought it with a trap door that allowed those with the requisite codes to get it. The software was allegedly developed in the 70's by a company called Inslaw. The Hamiltons sued the government for stealing it. They charged that the government modified it to enable intelligence agencies to access bank records, accounts and databases. A reporter, Danny Casolaro who was investigating the story was killed...While the PROMIS potential alone is worrisome, the fact that intelligence agencies might have a software entry to most of, if not all, the banks around the world is sobering. The implications are enormous. Aside from the obvious issues raised by the possession by spooks of entry into your bank account, there are other mundane questions raised. What is all the fuss about money laundering if the government has, and has had, such access to the financial system's records? Who is kidding whom here?

You can read about the PROMIS story at the website of Insight Magazine in a series of articles written by Insight investigative journalist Kelly O'Meara. For our own part, considering the number of US espionage cases in recent years, which often seem to involve the sale of software codes to foreign power, we wonder about who else around the world has access to our bank accounts and why?

4-Nov-98

Gaffney files a motion to extend time to October 12 to reply to the remaining aspects of the PTE status report. Judge Sporkin grants the motion on November 12.

5-6-Nov-98

Congressional elections take place; the weekend before the elections, HUD's Operation Safe Home does two high media exposure drug sweep swats in Boston and San Francisco. Many innocent people complain.

7-Nov-98

Schumer defeats D'Amato in New York; Anthony Williams is elected Mayor of DC.

12-Nov-98

Declarations of Richard Holmes and Jack Rogers filed in Support of Inspector General's Petition for Summary Enforcement of Subpoenas, Defending OIG's Actions Described in Raul Luddert's Affidavit. Misc 98-92 (filed under seal). Gaffney files a reply to the petition for summary enforcement of administrative subpoenas.

13-Nov-98

Hamilton Counsel attends a meeting at Department of Justice.

14-Nov-98

Connie Mack, Chairman of the Subcommittee on Housing Opportunity and Community Development, sends HUD a letter consisting of over 16 pages and requesting information regarding HUD note sales bid analyses.

16-Nov-98

Judge Sporkin orders the payment of \$1,280 in expenses to the Special Master in the PTE case.

19-Nov-98

Status hearing in the qui tam case before Judge Sporkin. Tony Alexis, Dan Hawke and Wayne Travell are in attendance. Dan Hawke, counsel for Ervin, makes a number of misrepresentations to the court, with no correction by anyone else present. Among the misrepresentations are:

1. Hawke represents that HUD had no knowledge that BlackRock was a subcontractor to Hamilton. He says "HUD knew that they [BlackRock] were buying. What HUD didn't know was is that BlackRock was acting as a subcontractor to Hamilton. And they were working out of Hamilton's offices while the auctions were being planned that BlackRock --." The fact is that over a period of many months, HUD attended regularly held meetings also attended by BlackRock and that both HUD and its outside counsel, Dewey Ballantine, knew that BlackRock was a subcontractor and in fact HUD consented to it. BlackRock advised HUD on a multifamily transaction that it did not bid on. It bid only on single family transactions. It maintained offices separate from Hamilton in Washington.
2. Hawke represents, "In that [WOM] auction, the winner was Goldman Sachs walked away [*sic*] with \$164 million in mortgages that they should not have won. Hamilton knew it, and C. Austin Fitz [*sic*], the president, submitted an affidavit to you in which she said she didn't know or that Hamilton Securities did n(ot know of the error until a year after, in fact, they really did." The fact is that the only two people Hamilton later could determine knew about the error did not disclose it to anyone else on the board of directors or to Fitts. Also, Hawke failed to tell the judge that the second optimization error resulted in Goldman Sachs LOSING a great deal more than \$164 million in mortgages.
3. Hawke indicates that they have reason to believe there are emails between Blackrock and Hamilton implicating them in a conspiracy and that these are the very documents that DOJ has been unable to obtain from the Special Master. Hawk continues, "Blackrock didn't have a contract with HUD. It's only relationship with HUD was as a bidder in the auctions. So the reason why the electronic files that the special master is reviewing and all the documents that the special master is looking at, we believe there is a treasure trove of ... [conspiratorial] communications."

An indication of what "they are after" in the investigation is hinted at in Hawke's response to Sporkin's question "Has someone gone back to them, Goldman, to get the money [i.e., the \$164 million from the WOM sale they got in error] back?" Hawke says, "Well, that's what the qui tem [*sic*] action is for is to basically, -- is to -- we believe that there were false claims presented in the bid documents, and we believe that this was -- the reason why no one has gone back is because that was part of the scheme, that the people who were involved with Hamilton and on behalf of HUD were involved with covering that up."

November 19, 1998

Contract signed by Midwest, Bechtel & Battelle with DOE to operate the National Renewable Energy Laboratory in Golden, Colorado. Contract was awarded for next 5 years-total value is \$800MM.

25-Nov-98

Status hearing in the PTE case is scheduled for this date (this appears to have been postponed to December 3, even though the record does not show a postponement).

1-Dec-98

Hamilton files a supplemental memorandum in opposition to the petition for summary enforcement of administrative subpoenas.

3-Dec-98

Status hearing before Judge Sporkin in the PTE case.

4-Dec-98

In the matter of case Misc. No. 98-262, *C. Austin Fitts v. The United States Department of HUD*, Judge Sporkin's Order (1) denies Movant's opposition to Respondent's filing of pleadings in camera; (2) denies the Movant's request that Fitts be furnished with a copy of the Respondent's in camera filings; and (3) denies Fitts' Motion for Order pursuant to customer challenge provisions of the Right to Financial Privacy Act of 1978.

5-Dec-98

In the matter of case Misc. No. 98-347, *C. Austin Fitts v. The United States Department of HUD*, Judge Sporkin's Order (1) denies Movant's opposition to Respondent's filing of pleadings in camera; (2) denies the Movant's request that Fitts be furnished with a copy of the Respondent's in camera filings; and (3) denies Fitts Motion for Order pursuant to customer challenge provisions of the Right to Financial Privacy Act of 1978.

9-Dec-98

Hamilton files a motion to quash subpoena or for a protective order in the PTE case.

December 11, 1998

The Federal Bureau of Prisons released a RFP, PCC-OOO4, for a contractor owned and operated secure correctional institution for an estimated population of 1,200 low-security male District of Columbia sentenced felons.

17-Dec-98

GAO decision in the matter of Ervin & Associates where Ervin protests the exclusion of its proposal from the competitive range under an RFP issued by HUD for property inspection services in connection with HUD-held mortgages, properties for which HUD acts as the Section 8 contract administrator and properties owned by public housing agencies. GAO denies the protest. Ervin represented himself. Bruce Kasson of HUD OGC represented HUD.

18-Dec-98

Judge Sporkin issues an order that the parties will split expenses of having the special masters review assertions of privilege and non-responsiveness and that the government shall pay for other work performed by the special master; the 4/29/98 order is vacated.

19-Dec-98

Clinton is impeached by the House of Representatives on grounds of perjury and obstruction of justice. His trial begins on January 7, 1999 and the Senate acquits him of all charges on February 12, 1999.

21-Dec-98

Stearns Building Limited Partnership v. The Hamilton Securities Group, Inc. (1:97-04955), US Bankruptcy Court of Michigan was settled by Goldman Sachs and the suit was dropped. Judge Graves dismissed the complaint filed by Stearns against Hamilton with prejudice, but without costs.

23-Dec-98

Gaffney files a motion to strike Hamilton's motion to quash subpoena in the PTE case.

1999 Steeplechase Films produces a seven-part history of NY for PBS financed by Chase Manhattan Bank, JP Morgan, Ford Foundation, Rosalind Water and others. Great attention is used to describe the Triangle fire in which hundreds of women working in a sweatshop were locked in and died in the fire – many jumped to the ground. Significant attention is given to the bystander's response to the thud of burning bodies hitting the ground and bodies unable to be identified. The fire inspires a Commission and the resulting proposals for factory and working conditions is the political basis for significant legislation written and pushed through the NY legislature by Al Smith who eventually rises to Governor as a result of his role in engineering progressive legislation. There is only a bare mention of John D. Rockefeller and the role of Standard Oil in the life and economy of New York.

1999 Charles Thomas, a professor of the University of Florida and founder of Private Corrections Project, a source of academic support for prison privatization is fined by the Florida Commission on Ethics for his conduct vis-à-vis the private prison companies. He retires from his University post as well.

January 1999

John D Hawke begins serving as Comptroller of the Currency through a recess appointment.

Jan-99

From The Wilderness breaks the story of the October 8, 1998 CIA Inspector General impeachment ploy.

Jan-99

American Spectator runs an article on Andrew Cuomo's past involvement with financial fraud, including the role of Arco, now HUD's largest multifamily servicer. The article includes a description of OTS not pursuing the case of financial fraud when Cuomo's subordinate, Nic Retsinas, was acting head of OTS, reporting to Jerry Hawke, comptroller of the currency.

Jan-1-99 CCA merges with Prison Realty Trust

Jan-1-99 Introduction of the Euro currency

5-Jan-99

District Court Judge Sporkin's Order in the matter of *Gaffney v. Hamilton* 1:98-MS-0092, (1) grants Gaffney's motion to strike, (2) grants Gaffney's motion for protective order, (3) and

strikes Hamilton's motion to quash subpoena or in the alternative motion for protective order.

6-Jan-99

Hamilton files a response to Gaffney's motion to strike the motion to quash subpoena and motion for protective order in the PTE case.

7-1-99 US Senate opens formal impeachment trial against Bill Clinton

13-Jan-98

Judge Sporkin orders the payment of \$5,800 in expenses to the special master in the PTE case.

28-Jan-99

Ervin & Associates submits a Freedom of Information Act request seeking information regarding Ernst & Young contracts through GSA for work under the HUD Mark to Market program.

29-Jan-99

A hearing is held in the qui tam action before Judge Sporkin. Anthony Alexis, Judith Hetherton, Daniel Hawke and Wayne Travell are in attendance. Alexis requests a continuation of the seal for 90 days. Hawke agrees but says he wants a conference in 60 days. The next hearing is scheduled for March 29.

9-Feb-99

Federal Register publication of 24 CFR Part 291 Disposition of HUD-Acquired Single Family Property; Final Rule; SUMMARY: On May 29, 1998, HUD published for public comment a proposed rule that would amend HUD's regulations for the disposition of HUD-acquired single family properties.

12-Feb-99

US Senate clears Bill Clinton of perjury and perverting the course of justice.

18-Feb-99

Hamilton appeals District Court Judge Sporkin's January 5, 1999 order striking Hamilton's motion to quash subpoena or in the alternative motion for protective order. [*Susan Gaffney, HUD IG v. The Hamilton Securities Group*, D.C. District Court of Appeals, 99-5046.] On March 22, R. Craig Lawrence, Daniel Van Horn and Wilma Lewis enter an appearance with the court in this matter.

27-Feb-99

U.S. District Court Judge Warren Urbom finds former Franklin S&L manager Lawrence E. King guilty of numerous crimes committed against Paul A. Bonacci. Bonacci's story has been described by John DeCamp in his book "*The Franklin Cover U*", including an appendix regarding William Colby's advice to DeCamp regarding DeCamp's efforts to investigate the use of pedophilia rings during Iran Contra to manipulate and blackmail high level business and government leaders.

Mar-99

GAO affirms that HUD remains on the "High Risk" agency list. HUD gets its "first ever" clean audit opinion.

Mar-99

AEW is selected as Financial Advisor for the Permanent Mark-to-Market Program of the Office of Multifamily Housing Assistance Restructuring (OMHAR). The Mark-to-Market program was created under Congressional mandate to ensure the preservation of affordable housing; reform the operation and improve the efficiency of federal rental housing assistance programs; address the problems of financially and physically troubled properties; and encourage owners to restructure loans while limiting the cost to the government of the pertinent housing and mortgage insurance programs. Over the course of the next several years, OMHAR is expected to oversee activities related to the restructuring of as many as 4,000 loans with principal balances of about \$6.0 billion. AEW is also one of the largest shareholders in AIMCO, the largest HUD landlord who will be the beneficiary of the policies developed. As of the end of the year 2000, AEW owned 2.5 million shares of AIMCO valued at \$124.3 million.

7-March 1999

Tim Egan publishes an article on prisons in the New York Times, prompting Catherine's Letter to the Editors proposing a roundtable on the feasibility of America investing our retirement savings in private prison stocks when the industry is promoting an uneconomic model that "forces failure." When the New York Times does not publish it, Catherine begins her tradition of publishing all articles to the editors of corporate media.

Spring 1999

Catherine publishes memorandum to the Solari team regarding the neighborhood-by-neighborhood competition between organizations that make money from people succeeding vs. organizations that make money from forcing failure. It is entitled "A Simple Whole World Setting for Convergence of Community Development and Drug Related Covert Operations."

12-Mar-99

The HUD Office of Inspector General issues the first unqualified opinion regarding the financial statements for the 1998 federal fiscal year. KPMG LLP performed the audit.

15-Mar-99

Rosemary Lyons and Olivia Woods file a Complaint for Damages, Injunctive Relief, and Declaratory Relief against the Central Intelligence Agency, United States Department of Justice, Estate of William Casey, Robert Gates, John Deutch, George Tenet, Estate of William French Smith (former US Attorney General), Edwin Meese, Richard Thornburgh, and Janet Reno for selling or facilitating the sale of drugs in several Los Angeles communities.

16-March-99

The Dow-Jones breaks through the 10,000 point level for the first time.

23-Mar-99

HUD Inspector General Susan Gaffney testifies before the Senate Subcommittee on Housing and Transportation (chaired by Senator Allard) on Management and Performance Issues Facing HUD and Nancy Cooper, District Inspector General for the Southeast/Caribbean District testifies before the House Government Reform Committee (chaired by Congressman Burton) on Preliminary Results of the Audit of HUD's Property Management and Disposition Activities.

24-Mar-99

Judge Sporkin orders the payment of \$13,000 expenses to the special master in the PTE case.

24-Mar-99

NATO begins Air strikes against Kosovo, Yugoslavia which last until June.

26-Mar-99

The General Accounting Office reported to Attorney General Janet Reno that the Department of Justice's Asset Forfeiture program has been designated a high-risk area by the Comptroller General because it has been characterized by mismanagement and internal control weaknesses. "Over the years, we have reported on the existence of major operational problems relating to the management and disposition of seized and forfeited property that resulted in unnecessary losses to the government. "

29-Mar-99

Ervin & Associates submits a Freedom of Information Act request seeking comprehensive, project-by-project information regarding HUD Mark to Market restructurings and related databases.

29-Mar-99

A status hearing is held before Judge Sporkin in the qui tam case. Anthony Alexis, Wayne Travell, Dan Hawke and Judith Hetherton attend the hearing. Alexis reports on the status of the investigation, "In terms of who we actually want to interview, we've approached some people, but we've come up against the proverbial stone wall, and there is no way that at this particular time I can evaluate until we a) have some documents and –" The judge asks what kind of a stone wall and Alexis says, "They're not going to talk, based on advice of counsel, and we can't give them immunity, because we may be giving the wrong person immunity. And if I sit them down for a civil –" Alexis says he doesn't want to put someone in a deposition and have the person invoke the Fifth Amendment. It appears that by "they" Alexis is referring to Kathryn Rock, former HUD Comptroller, who had retained counsel. Alexis asks for an additional 60 days. They schedule a hearing the second day after Memorial Day.

29-Mar-99

HUD awards seven companies a total of 16 contracts to handle most aspects of its property disposition program across the country with respect to approximately two-thirds of HUD's total inventory at the time. The contracts are to handle foreclosed homes/single family properties as a result of growing inventories from increased volumes and cancellation of loan sales. Now, with no loan sales, government asset purchasers buy real estate, not mortgages,

and the mortgage files are not assigned. HUD estimated that it would spend \$927 million over a 5-year period for these contracts.

1999

Congressman Jerry Lewis is promoted from Chairman of HUD appropriations subcommittee to Chairman of Defense Subcommittee.

April 2, 1999

The Federal Bureau of Prisons awards a contract for the management and operation of a contractor owned and operated secure correctional institution. The contract has been awarded to Cornell Corrections, Incorporated for performance in Phillipsburg, Pennsylvania. The potential term of the contract is 10 years encompassing a three-year base period and 7 one-year options. The contract price for the 10-year period is \$342,692,498. The Request for Proposal (RFP) was issued in February 1998 to meet the requirements of The National Capital Revitalization and Self-Government Improvement Act of 1997.

The RFP was issued in February 1998 and calls for the housing of 350 minimum security male offenders, 350 various security male offenders; 350 various security male offenders sentenced pursuant to the DC male offenders; 350 various security male offenders sentenced pursuant to the DC Youth Rehabilitation Act and 300 female offenders of various security issues.

5-Apr-99

Claude Goddard files a notice of change of address with the Court of Claims when he joins the law firm of Wickwire, Gavin.

5 Apr-99

Gaffney files a motion for summary affirmance in the appeal of the PTE case.

16-Apr-99

Judge Sporkin issues an order allowing the Special Masters to allow Hamilton to take possession of Item 209 of the Special Master's Inventory.

21-Apr-99

Hamilton's attorney, Michael McManus of Drinker Biddle & Reath, requests that the PCIE reopen the file on Hamilton's request that HUD IG Susan Gaffney be investigated for conduct of the investigation. Letters are also sent to Senator Fred Thompson, Chair of Senate Government Affairs Committee, and Senator Dan Burton, Chair of House Government Reform Committee. These letters contain detail regarding HUD's destruction of the Denver audit and persecution of the auditor who concluded that allegations against Hamilton were unfounded. Copies are provided to DOJ and GAO.

27-Apr-99

Judge Marian Blank Horn denies the government's motion to dismiss the Court of Claims Case for lack of subject matter jurisdiction in a published decision.

27-Apr-99

Hamilton files an opposition to Gaffney's motion for summary affirmance and moves for a summary reversal in the PTE appeal case.

April/May 1999 (Est.)

Frank Hunger, Al Gore's brother-in-law, leaves the Department of Justice for private practice. Hunger had been head of the Civil Division and was the lead attorney on numerous of DOJ filings in connection with the Ervin qui tam lawsuit.

May 1999

Former President George Herbert Walker Bush visits South Korea on behalf of Carlyle, cultivating business and political ties that result in Carlyle's investing more than \$1 billion in South Korea's struggling economy. (The Iron Triangle)

May 1999

Prison Reality Trust (the combined CCA and CCA Prison REIT) arranges a \$1 billion credit agreement through Lehman Brothers. During the same period the REIT was hit with a wave of shareholder lawsuits charging that the REIT was paying an artificially high management fee to its operating subsidiary CCA.

May 3, 1999

Kelly O'Meara publishes her first story, "Is Justice for Sale" in a series on the corruption in the LA court financial system. A later article indicates that the County of Los Angeles has a Countywide Accounting and Purchasing System (CAPS) that is a product of AMS, which LA has been using since 1987.

5-May-99

Judge Marian Blank Horn orders a joint status report deadline of 5/24/99 in the Court of Claims case.

5-May-99

The sale of Fraser Court, Catherine Austin Fitts' home in Washington, is consummated, ending a period of prolonged physical harassment and surveillance.

5-May-99

Gaffney files a reply to Hamilton's response to motion for summary affirmance and an opposition to the motion for summary reversal in the PTE appeal case.

7-May-99

In the matter of *Hamilton Securities Advisory Services, Inc. v. The United States* (98-CV-169)(the Court of Claims case), the government files a motion to extend time to respond to the complaint until May 27. This order is granted on May 10. The government files an answer to and Counterclaim to Hamilton's complaint alleging that Hamilton owes the government for its losses.

7-May-99

Hamilton files a motion to seal attachment B to Hamilton's exception to recommendation of the special masters regarding certain privileged documents. Hamilton also files an exception to the recommendation of the special masters regarding certain privileged documents in the PTE case.

May 12, 1999

Robert Rubin resigns as Secretary of the Treasury. Soon thereafter he joins the board of directors of LISC, a New York based national not-for-profit organization active in the affordable housing area. Thereafter, he joins Citicorp, where he heads the Executive Committee. (A key congressional staffer informs Fitts during this period that they will not consider private equity investment in communities. They want to see only equity investment controlled by LISC and Enterprise).

12-May-99

Hamilton files a motion to extend time to file a joint status report until June 9 in the Court of Claims case. The judge grants the order and extends the deadline to June 9.

17-May-99

Hamilton files a reply to the response to the motion for summary reversal in the PTE action appeal.

20-May-99

Hamilton files a Motion to Unseal Qui Tam in Federal District Court for the District of Columbia (*United States ex. rel. vs. The Hamilton Securities, Group, Inc. and Hamilton Securities Advisory Services, et al.* 1:96-CV-1258 Sealed).

20-May-99

Mike McManus (Hamilton's counsel) has a meeting with Dick Chapman, an Assistant US Attorney in the Criminal Division in Washington, DC, in which McManus is told that (1) DOJ has declined to prosecute Hamilton on the criminal side and (2) a meeting with AUSA Tony Alexis will take place in two weeks to report whether the civil investigation will be dropped. In a subsequent meeting with Alexis, Mike is told that, so far, none of the civil charges raised by Ervin have panned out, but it is difficult to drop the investigation, given that other parties are targets, too. Mike reports that Dan Burton replied to the DBR letter by saying that the HUD OIG is authorized to conduct the investigation of Hamilton.

21-May-98

Gaffney files a response in opposition to the recommendation of the Special Master regarding certain privileged documents.

25-May-99

Hamilton is informed that Ervin seeks extension of the statute of limitations in connection with certain allegations in the Bivens lawsuit and has threatened to file suit against Rock, Chris Greer and others if the extension is not granted. By the second week in June, Hamilton is informed that Ervin has filed suit against him. Other named defendants include Annette Hancock, Hamilton's HUD Contract Officer and Kathy Rock.

25-May-99

The House Select Committee on Intelligence holds a closed-door hearing, purportedly on the subject of the CIA and drugs in LA. Maxine Waters, the Congressional member representing LA, is barred from the hearing. It turns out that the hearing was, in fact, a hearing on Volume II of the report of Inspector General Bromwich, which both houses of Congress had promised would be public. Volume II purportedly includes disclosure about the infamous "Memorandum of Understanding" or "MOU" between the Department of Justice and the CIA in which Justice provided assurances that agents of the CIA were not bound by obligations of other federal employees to disclose evidence of illegality. The hearing comes right after the delivery of the May issue of the *From the Wilderness* newsletter, which includes an article by Catherine Fitts accompanied by the HUD money map of South Central LA that was used to illustrate the 1996 Boston Neighborhood Networks speech that Fitts had made.

26-May-99

Recommendation of the Special Masters is filed in the PTE case.

27-May-99

The government files its answer to Hamilton's complaint in the Court of Claims case and makes a counterclaim against Hamilton.

27-May-99

Judge Sporkin orders the payment of \$13,200 to the Special Master in the PTE case.

27-May-99

Former George H. W. Bush, now an advisor to Carlyle Group, goes to South Korea for a business trip with newspapers hailing his arrival, excited about the possibilities of American investment in Korea in the wake of the Asian economic crisis of 1998. Carlyle was really starting to get busy in Korea at this point; having hired Michael Kim a Harvard educated native Korean to open its Seoul offices. Kim is the son in law of Park Tai-joon. Immediately following Bush's visit Korean newspapers lauded an announced \$1 billion investment in Korea by Carlyle. (Iron Triangle) (See Michel Chossudovsky's book *The Globalization of Poverty and the New World Order* for the description of economic warfare and covert operations targeting Korea at this point)

28-May-99

Ervin files a complaint and jury demand in US District Court. The named defendants are Chris Greer, (represented by Richard Henry Gordin of Tighe, Patton & Babbin); Kathryn Rock (represented by Robert Powel Trout of Trout & Richards and Mary Hampton Mason of the Department of Justice Torts Branch, Civil Division); Annette Hancock (represented by Mary Hampton Mason and Paul Lawrence Knight); A. Delores Ammons-Barnett (represented by Richard Henry Gordin and Mary Hampton Mason); George Chabot (represented by Mary Hampton Mason and Paul Lawrence Knight); Lawrence Gnessin (represented by Richard Henry Gordin and Mary Hampton Mason); and unknown agents. Summonses are issued to the defendants.

30-May-99

Catherine Austin Fitts writes a letter to Maxine Waters. No response was ever received.

1-Jun-99

Hamilton's counsel receives a letter from Thomas J. Pickard, Chairman of the President's Counsel on Integrity and Efficiency ("PCIE") that Hamilton's complaint about the HUD IG has been reopened. (IC #212)

1-June-99

Warburg Dillon Read (part of UBS) opens its new trading floor in Switzerland, which is the largest in Europe with 650 workstations spread over 4745 square meters.

Russell Andrews publishes *Gideon*, a fictional novel about a First Lady who tries to remove her husband from power and engineer herself into the VP spot. There are hundreds of coincidental references to people, places and events in Catherine's life.

2-Jun-99

Qui tam hearing before Judge Sporkin. The transcripts of the hearing reflect the following exchange: "*Mr. Travell*: Our allegations are that Hamilton was in cooperation with the Wall Street merchant banks... and was able to tip them with inside information which allowed huge blocks of these mortgage notes to be sold at a fraction of their value. ... In several cases, the real winner was not awarded the contract, and we know it because Hamilton's admitted that much. They actually awarded the contract to one of their favorite merchant banks, and not to the real winner. *The Court*: Was there a quid pro quo? *Mr. Travell*: We believe there is, Your Honor. *The Court*: You don't know where it's at, though? *Mr. Travell*: Well, that's one of the things I think the investigation is trying to crack. *The Court*: Well, I don't even think they have touched the surface on that, though. That's the problem. *Mr. Travell*: Your Honor, I have to defer to Mr. Alexis on that aspect of it." The next hearing is scheduled for September 8. Hamilton has been unable to obtain transcripts of this hearing or any subsequent hearings that may have been held because the tapes of the hearings are unavailable. Hamilton is trying to ascertain what hearings occurred and whether the tapes are "missing."

4-Jun-99

Hamilton files suit alleging tortious interference with business relations and abuse of process in DC Superior Court against John Ervin and Ervin & Associates. [*The Hamilton Securities Group, Inc v. Ervin and Associates, et al*, 1:99-CA-003864, Superior Court of the District of Columbia, Judge Susan R. Winfield.]

4-Jun-99

The President's Counsel on Integrity and Efficiency reopens the Hamilton Gaffney complaint file.

4-Jun-99

Judge Sporkin orders payment of \$3,000 of Special Master expenses in the PTE case.

9-Jun-99

Hamilton and HUD file a Joint Status Report in the Court of Claims in which HUD maintains that it needs at least a ten-month discovery period, which would mean no trial date would be set until at least April 9, 2000. *Hamilton Securities Advisory Services, Inc. v. The United States*, 98-CV-169

11-Jun-99

Ervin & Associates files a response to Hamilton's motion to unseal the qui tam file and the USA moves to extend time to 5/1/00 in which to file a supplemental pleading. Hamilton learns of these after the file is unsealed in April-May 2000.

14-Jun-99

AUSA Tony Alexis files opposition to Hamilton's Motion to Unseal Qui Tam and responds to Hamilton's opposition to the AG's request for further extensions of time. The filing contains many mischaracterizations and misrepresentations apparently generated by Judith Hetherington, counsel for the OIG. Ms Hetherington is a former Assistant US Attorney, with experience working for the Iran-Contra special prosecutor and Charles Russ, former DC US Attorney, DC Corporation Counsel, and currently White House Counsel.

15-Jun-99

Hamilton files a Reply to HUD's Counterclaim in the Court of Claims. *The Hamilton Securities Group, Inc. v. The United States of America*, 98-169.

15-Jun-99

GAO reports that Hamilton-designed and lead loan sales were positive for communities.

16-Jun-99

Hamilton files a Freedom of Information ("FOIA") complaint with the affidavit of former field auditor for HUD OIG who reviewed the loan sales for misconduct and found none. [*The Hamilton Securities Group, Inc v. US Department of Housing and Urban Development*, 1:99-CV-1563, US District Court, District of Columbia, Judge Stanley Sporkin.] Stacy Ludwig of the US Attorney's office is listed as counsel for the government.

16-Jun-99

Hearing before Stanley Sporkin on Holland & Knight attorney-client privilege issues.

17-Jun-99

Motion hearing is held in the PTE case. Hamilton files a supplemental memorandum regarding privileged documents.

18-Jun-99

Kathy Rock, Delores Ammons-Barnett, and Lar Gnessin file motion to extend time to August 20 to answer the complaint in the Ervin case ("Bivens #2"). Judge Bryant grants the order on June 24.

21-Jun-99

The press reports the filing of motions to suppress mistress tapes in Henry Cisneros's Case. A trial is scheduled for September.

Late June 1999

Richard Grasso, Chairman of the NYSE, flies to Colombia to "cold call" on Paul Reyes, FARC Commander. Grasso's office issues a press release that the purpose of the meeting is to "bring a message of cooperation from the US financial services" and to discuss foreign investment and the future role of US businesses in Colombia. A few day's after Grasso's trip,

BBC News reports a newly issued GAO report to congress as saying, "Colombia's cocaine and heroin production is set to rise by as much as 50 percent as the US backed drug war flounders, due largely to the growing strength of Marxist rebels."

Catherine is in Mike Ruppert's article when she receives the press release by e-mail. She writes an article for FTW called "The Ultimate New Business Cold Call." Ruppert tells her that a recent GAO report indicates that FARC now controls more than 50% of the Colombian cocaine market.

Grasso is later forced out of the NYSE, criticized for a compensation package of \$140MM year with questions being raised regarding what it was he did that was worth so much money.

21-Jun-99

The filing of Hamilton's response to Tony Alexis's Opposition To Unsealing Of Qui Tam Case. *United States ex. rel. vs. The Hamilton Securities, Group, Inc. and Hamilton Securities Advisory Services, et al.* (1:96-CV-1258) SEALED

24-Jun-99

Judge Horn issues an order setting Notice of Compliance deadline to 8/3/99 for the parties to file a joint stipulation of facts and issues of law and sets a status conference for 8/10/99/

25-Jun-99

Ervin files a Notice of Removal to Federal court in the DC Superior Court case *Hamilton Securities Group, Inc. v. Ervin and Associates, et al.*, 1:99-CA-003864. Hamilton's lawsuit against Ervin is moved into US District Court of the District of Columbia (Judge Stanley Sporkin).

25-Jun-99

Gaffney files a reply to Hamilton's response to memorandum re: privileged documents in the PTE case.

30-Jun-99

The "Independent Counsel Law" sunsets without re-authorization.

30-Jun-99

Hamilton files a Motion to Remand in an attempt to return its lawsuit against Ervin to DC Superior Court, where it was originally filed. [*Hamilton Securities Group v. Ervin and Associates, et al.*, 1:99-CV-1698, US District Court, District of Columbia, Judge Stanley Sporkin.

June 1999

Richard Grasso, Chairman of NYSE, calls on FARC in Colombia. Fitts receives press release while in FTW office and writes story about it for FTW called "The Ultimate New Business Cold Call."

July 1999

Former Connecticut State Treasurer Paul Silverster is forced to resign his new position at Park Strategies after the FBI begins an investigation into a series of investments he made with Connecticut State Pension funds before he left office. Among the investments is a \$50 million placement with Carlyle Asia. (The Iron Triangle)

1-Jul-99

The government files a motion in the Court of Claims to reschedule the status conference. On July 6, Judge Horn grants the motion and resets the status conference for 8/17/99.

2-Jul-99

Hamilton's counsel receives a letter from Bryan Saddler, Associate Counsel of the HUD IG, requesting that the affidavit of the HUD Rocky Mountain audit leader be withdrawn on the basis that it was not authorized by the IG in accordance with applicable regulations. Case law provides, in fact, for an exception in the case of a lawsuit against the Government.

2-Jul-99

A per curiam order is filed granting the government's motion for summary affirmance in the PTE appeal case. Judges Williams, Randolph and Tatel.

13-Jul-99

Ervin files a motion to extend time to July 23 to file a response to Hamilton's motion to remand in its case against Ervin.

13-Jul-99

George Chabot files a motion to extend time to answer in Bivens #2 case. Judge Bryant grants the motion on July 20.

19-July-99

GAO report confirms \$2.2 billion of savings on loan sales program prior to its cancellation in October 1997. In a later meeting with Judy England Joseph, head of the group auditing HUD at GAO, she communicates that the calculations of savings to taxpayers were, if anything, understated. This finding disproves the HUD IG position that the HUD/OMB calculation of savings of \$2.2 billion was false.

19-Jul-99

HUD files a motion to extend time to 8/2/99 to answer the FOIA complaint, which is granted.

20-Jul-99

Judge Sporkin issues an order granting motion to seal attachment B to Respondents' Exception to Recommendation of the Special Masters re: privileged documents.

July 21, 1999

John F. Kennedy, Jr. and his wife and sister in law die in a plane crash.

23-Jul-99

Ervin requests leave to file Opposition to Hamilton's Motion to Remand and for Attorneys' Fees ex parte and under seal. Hamilton Securities Group v. Ervin and Associates, et al, 1:99-CV-1698.

23-Jul-99

Ervin files an opposition to Hamilton's Motion to Remand, with portions redacted from Hamilton's copy because it contains "sealed, non-public information relating to the sealed matter" in the qui tam suit. *Hamilton Securities Group v. Ervin and Associates, et al*, 1:99-CV-1698

24-Jul-99

The date of the Declaration of Kathryn M. Rock.

27-Jul-99

Judge Sporkin grants Ervin's motion for leave to file opposition under seal in the Hamilton case against Ervin.

28-Jul-99

The Government in the Court of Claims case files a motion for leave to file a first amended counterclaim.

28-Jul-99

Ervin files a motion to extend time to file a response to the complaint in the Hamilton action against Ervin. On the 30th, Hamilton opposes this motion.

30-Jul-99

HUD files a motion to extend time to 8/12/99 to file its answer in the FOIA complaint, which is granted on 8/27/99.

2-Aug-99

Hamilton files Plaintiffs' Opposition To Defendants' Motion For Leave to File Opposition Brief ex parte and under seal in the Federal District Court for the District of Columbia. *Hamilton Securities Group v. Ervin and Associates, et al*, 1:99-CV-1698

3-Aug-99

Hamilton alerts the PCIE of the latest activities of the HUD IG. The letter states that Hamilton filed a FOIA suit (*The Hamilton Securities Group, Inc v. US Department of Housing and Urban Development*, 1:99-CV-1563) against HUD to gain access to a favorable audit conducted on Hamilton by the Denver Audit Office of Inspector General for HUD. In addition to the complaint, Hamilton filed an affidavit of the lead auditor on the audit team. July 1, 1999, Hamilton received a letter from Bryan Saddler, Associate Counsel to the Inspector General, claiming that Lead Auditor's affidavit was unauthorized and therefore must be withdrawn. Hamilton's Counsel believes Mr. Saddler knew the position advanced by the OIG in his letter is legally wrong, and further that he must have known that prior to writing his letter. The Hamilton letter to the PCIE further expresses concern about interference with the Lead Auditor. (IC # 212)

3-Aug-99

Hamilton and the government file a joint motion to extend time to file the joint stipulation of facts and joint statement of issues of law and joint status report until August 10. Judge Horn grants the motion on August 6.

6-Aug-99

Hamilton's attorneys in its civil suit against HUD in the Court of Claims have a six-hour meeting with David Gottesman regarding the joint admissions statement requested by Judge Horne. Among other things, the Government's attorney refuses to admit the loan sale credit subsidy calculations. *Hamilton Securities Group v. The United States of America*, 1:98-CV-169, US Court of Federal Claims

10-Aug-99

A Joint Stipulation of Facts, Joint Statement regarding Issues of Law and Joint Status Report are filed by Hamilton and the government in the court of claims case. The government also files a Statement of Facts.

12-Aug-99

Daniel M. Hawke files a notice of withdrawal of appearance for Ervin & Associates in the qui tam lawsuit.

Aug-99

Charles Ruff resigns as White House Counsel and returns to private practice at Covington & Burling.

12-Aug-99

Daniel M. Hawke files a notice of withdrawal from the Hamilton case against Ervin. Ervin files a surreply to Hamilton's motion for remanding for further proceedings and to collect attorney's fees against Ervin.

As Tucker Flyer is breaking up, Wayne Travell finds a partnership at Venable. The Chair of Venable, Benjamin Civiletti is a director of Wackenhut Corrections Corp and Wackenhut.

12-Aug-99

The government files a motion for leave to a portion of a memorandum of points and authorities in support of its motion to dismiss/for summary judgment under seal in the FOIA lawsuit. The motion is granted on 8/27. At that time Judge Sporkin also orders that the declaration of R. Joseph Haban shall be filed in camera.

16-Aug-99

Legal Times reports that Abbe Lowell will join Manatt, Phelps in September. Charles Manatt is the leader of the DNC. Since representing Hamilton in its Motion for a TRO against HUD, Lowell has acted as counsel for the House minority in connection with the impeachment of President Clinton.

16-Aug-99

Hamilton's FBI file, received on a FOIA request in 2000, includes a document dated August 16, 1999 entitled "(Redacted) C. Austin Fitts AntiTrust Fraud Against the Government" that concludes "Interviews of BlackRock's corporate officers, as well as those individuals who worked on the sub-contract between Hamilton and Blackrock and those directly involved in the note sales were completed. None of these interviews substantiated any of Ervin's allegations. Likewise, interviews of employees, partners and owners of Goldman Sachs & Company, Ocwen, Wilshire, National Security and others involved in the HUD note sales failed to uncover any concerns, suspicions, or evidence of collusion being involved in the sales. Even losing bidders did not attribute their lack of success to collusion, or other bidders

having inside information. Interviews of HUD personnel involved in the note sales, as well as interviews of former Hamilton employees and sub-contractors were negative. All of the information obtained during the course of this investigation was presented to Assistant US Attorney Richard Chapman, United States Attorney's Office, District of Columbia and to Senior Trial Attorney Hays Gorey, Antitrust Division, DOJ for a prosecutive opinion. Both AUSA Chapman and Senior Trial Attorney declined prosecution in this matter."

17-Aug-99

Joint Status Conference before Judge Horne in Court of Claims to hear arguments from parties re: whether Hamilton should be permitted to file a motion for summary judgment. The Government opposes this motion. *Susan Gaffney, HUD IG v. Hamilton Securities Group, Inc.*, 1:98-MS-0092. The judge returns Hamilton's response to the government's motion for leave to file an amended counterclaim due to a technical rule-of-court problem and it is refilled. The judge sets a joint status report deadline for 9/3/99 and a status conference for 9/7/99.

18-Aug-99

The Government files an amended counterclaim in the court of claims case.

20-Aug-99

Hamilton files a motion (consent) to extend time to 9/7/99 to respond to the defendant's pending motions.

23-Aug-99

A Mandate is issued in District Court of Appeals. A rehearing has to be rescheduled for 1:98-MS-0092 in District Court before a decision can be issued in this case.

25-Aug-99

A certified copy of the order filed in the USCA dated July 2, 1999 on appeal, affirming the judgment of the USDC is entered.

30-Aug-99

Judge Sporkin orders the payment of \$4,500 in expenses to the Special Masters in the PTE case.

31-Aug-99

Judge Horn directs the Clerk's Office to return Plaintiff's separate statement of facts for resubmission. The statement of facts is refiled on September 2.

September 1999

Former Connecticut State Treasurer Paul Silverster pleads guilty of to corruption. Court documents are sealed, and the identities of the private equity firms involved are kept secret by the state, awaiting Silverster's sentencing, which is ongoing.

3-Sep-99

Judith Hetherton, counsel to the HUD OIG, takes early retirement. Hetherton was the attorney responsible for efforts to pressure the Denver audit team and to falsify evidence during the seizure of Hamilton's offices. She was a former Assistant US Attorney who had experience working for Charles Ruff (former DC US Attorney, Iran Contra special

prosecutor and DC Corporation Counsel), in 1999 the White House Counsel. Bryan Saddler, Deputy General Counsel to the HUD OIG, assumes her duties with respect to the qui tam case.

3-Sep-99

Ervin & Associates files an Amended Complaint in the qui tam lawsuit. Williams Adley and Ocwen appear to have been added as defendants, since they are not listed on the original 6/6/96 filing. Included as an exhibit to the amendment is a 15-page Summary of Evidence provided to the US Attorney's Office and the HUD Inspector General under the Continuing Disclosure Obligations of 31 USC 3730(B)(2).

In addition to materials provided by Hamilton and other contractors to HUD under their contracts and publicly available information and press reports, Ervin lists as evidence transcripts of anonymous telephone calls, the 1995 Asset Strategies letter to Andrew Cuomo, an anonymous written message from the HUD Connecticut State office on Helen Dunlap's ongoing interference with HUD's contracting process, handwritten notes of meetings and phone conversations with Bill Richbourg (who had, by this date, stated in a deposition that he had no direct knowledge of wrongdoing), "printouts from Ervin's intelligence system," a letter describing anonymous phone message regarding Helen Dunlap's anti-male animus, a transcript of anonymous phone message regarding Hamilton's Democratic Party connections and \$800,000 per month crosscutter fee; a letter describing anonymous phone call alleging two instances of forced subcontracting along with transcript of anonymous message, a letter describing information received from Toni Moss regarding bids being "rigged" for BlackRock, letter disclosing allegations heard with regard to provision of EDS servicing tape to BlackRock, relationships between Kathy Rock, BlackRock and Hamilton as well as Hamilton's failure to make competitive range in the Financial Advisor 2 procurement, letter alleging that Tim Ito (a reporter at US News and World Report) has stated that Hamilton did not make the initial competitive range in the FA #2 contract, correspondence between USNWR and Hamilton received anonymously; letter alleging that Ervin has been informed by Tim Ito that Ron Hughes is leaving Williams, Adley, letter disclosing Tim Ito's inquiries into whether BlackRock may have links to organized crime or money-laundering, letter endorsing Judge Sporkin's suggestion to use SEC fraud investigators instead of an outside consultant, letter received from Tim Ito regarding BlackRock's sale of loans to Goldman immediately after the SF #2 sale and BlackRock's and Berkeley Federal's submission of "complimentary" bids in the North Central sale indicating "collusion", letter alleging GE Capital had access to the workings of the optimization model before others, and a host of other "evidence."

An interesting item is disclosure of a "copy of HUD termination letter to Hamilton, and detail of implications of the termination; letter was leaked by Howard Glaser in return for agreement not to run a story on Ernst & Young's political contribution links to HUD contracts." Also interesting is "letter passing on information received from Carl Johnston (a reporter) regarding Nic Retsinas' testimony to Congress that confidential information had been provided to one of the bidders in the sale." Also disclosed is "letter detailing Hamilton Securities' (Austin Fitts) efforts to undermine the IG investigation ... Government should seek a stay in Hamilton's litigation."

7-Sep-99

Henry Cisneros pleads guilty to a misdemeanor and is fined \$20,000 for lying to the FBI about how much he paid his former mistress after a four- year investigation by Independent Prosecutor David Barrett costing taxpayers an estimated \$10 million.

7-Sep-99

Hamilton files an answer to the government's amended counterclaim in the Court of Claims case and a status conference is held. The judge thereafter issues an order directing plaintiff to respond to interrogatories by 9/21, defendant to file a status report by 1/7/00, parties to file simultaneous briefs by 10/1/99, parties to file reply briefs by 10/15/99 and scheduling a status conference for January 12, 2000.

7-Sep-99

Hamilton files a motion (consent) to extend time to 9/17 to respond to defendant's motion to dismiss/for summary judgment and defendant's motion for leave to file in camera in the FOIA case. Judge Sporkin grants an order to this affect on September 9.

9-Sep-99

Order by Judge Sporkin in the qui tam lawsuit extending time to 11/8/99 for the US to intervene in the qui tam lawsuit or notify the Court that it declines and granting the ex parte application of the US and the seal is partially lifted for the limited purpose of allowing the US to disclose to Goldman Sachs and BlackRock Capital Finance LP the substance of the allegations of the qui tam complaint, including the fact that the US is investigating those allegations.

13-Sep-99

A Catherine Austin Fitts interview with Tony Alexis and members of HUD OIG staff indicate that there is no evidence of an understanding of loan sales, basic of facts of issues, or effort to learn these on the part of OIG personnel. For example, they admit they have not read any Loan Sale Design books provided by Hamilton to HUD setting forth the procedures followed on the loan sales. The interview reveals that the investigation lacks any forethought or factual examination. It appears that turnover on the investigation team has been high. Hamilton's attorneys prepare a follow up letter to DOJ to educate them on basic facts regarding the auctions about which they appeared to be unaware.

September 1999

Catherine joins the Board of Trustees, the Friends Select School, and serves until May, 1992.

16-Sep-99

Hamilton files a response in opposition to the government's motion to dismiss and for summary judgment in the FOIA case.

16-Sep-99

UBS acquires the firm Allegis Realty Investors LLC for its Asset Management Division. The combined entity has real estate assets under management of 9.1 billion USD and is based in Hartford Connecticut.

17-Sep-99

A status hearing is held in the qui tam case before Judge Sporkin. Tony Alexis and Wayne Travell attend the hearing. Alexis says "and in the meantime I'm making the private bar very happy. Goldman Sachs is represented by Paul Weiss and BlackRock is represented by Skadden Arps [sic] in New York." He says they have meetings to discuss the allegations with them. Alexis says since the last hearing "we filed an amended complaint which we did as a matter of right. No answer has been filed. What we did in our amended complaint is we attempted to garner all of the information that we've obtained over the past three years which is consistent with the allegations we made in the original complaint. Tony says they are going to be interviewing purchasers and he needs another extension. The judge asks what progress they are making. Tony says "yes, Your Honor. I believe we're at the end" I mean, I think that with the note sale people, it's fish or cut bait time, and I should know something probably in the next three to four weeks where we're going to go one way or the other." They agree to a status hearing on November 8, 1999. Hamilton has been able to obtain no additional transcripts because the hearing tapes are not available for hearings after this date. They appear to have been "disappeared."

21-Sep-99

Hamilton files Plaintiff's Answers to Defendant's First Set of Interrogatories. *Hamilton Securities Group v. The United States of America*, 1:98-CV-169, US Court of Federal Claims.

22-Sept-99

Russians army begins offensive in Chechnya. The war continues for the remainder of 1999 and culminates in the total destruction of the Chechen capital, Grosny.

1-Oct-99

GAO decision awarding Ervin protest costs in connection with a finding that the task order (issued in February 1995) Ervin protested improperly exceeded the contractor's scope of work. GAO recommended that HUD terminate the task order and conduct a competitive acquisition. Ervin claimed costs in excess of \$13,000, assuming an hourly rate for Ervin of \$340 per hour (for 15 hours of work) and an hourly rate for Bernard Oleniacz of \$155 (for 51 hours of work). Ervin used a 300% overhead factor, which GAO found to be unreasonable. He countered that Ervin's actual overhead rate is 2,124%, which, if applied to the hourly rates listed in the claim, would result in an increase of almost \$60,000 in claimed costs. GAO awarded Ervin only \$1,448.19.

1-Oct-99

Beginning of federal fiscal year 2000, beginning October 1, 1999. HUD refuses to publish its undocumentable adjustments. DOD has \$1.1 trillion of undocumentable adjustments. US Treasury declines to produce audited financial statements as it has every year since the requirement went into effect in 1995,

For Fiscal 1999, ending September 30, 1999 HUD has undocumentable adjustments of \$59 billion and DOD had undocumentable adjustments of \$2.3 trillion.

October 1999

Robert Rubin leave the US Treasury to join CitiGroup. Larry Summers moves up to Secretary of Treasury.

1-Oct-99

Hamilton and HUD file briefs re: motion in limine on the issue of applicability of Inspection of Services Clause and Economic Loss Rule in Court of Claims. HUD's brief is signed by Robert M. Hollis, Asst Dir., and David Gottesman, Attorney, Commercial Litigation Branch, Civil Division, US Department of Justice under the authority of David W. Ogden, Acting Assistant Attorney General and David M. Cohen, Director. Virginia Kelly Ackerman is listed as of Counsel for HUD. *Hamilton Securities Group v. The United States of America*, 1:98-CV-169, US Court of Federal Claims.

8-Oct-99

Goldman Sachs discloses in its 10-Q filed with the SEC that it has been named in Hamilton's qui tam suit in connection with the purchase of \$4.7 billion of HUD mortgage loans.

October 1999

Carlyle invests in USIS as a strategic partner in 1999.

12-Oct-99

The government files a motion (unopposed) to extend time to October 14 to file a reply memorandum in the FOIA case.

14-Oct-99

In the FOIA case, the government files a reply in support of motion for leave to file a portion of memorandum of points and authorities in support of motion to dismiss/for summary judgment under seal. The government also files a reply in support of motion to dismiss and for summary judgment, with affidavits (2) and exhibits. The government also files a motion for leave to file a small portion of its reply in support of its motion to dismiss/for summary judgment and opposition to Hamilton's request for discovery in camera. Judge Sporkin issues an order granting the extension of time on October 19.

15-Oct-99

In the FOIA suit, Hamilton and the government file responses to the briefs submitted on 10/1.

22-Oct-99

In the FOIA suit, Hamilton files a motion (consent) to extend time to October 29 to respond to the request for discovery.

24-Oct-99

Judge Sporkin orders the payment of \$3,200 to the Special Masters in the PTE case.

25-Oct-99

In the FOIA suit, Hamilton files a response (oppositions) to motion for leave to file in camera. On October 28, Judge Sporkin grants the additional time requested.

28-Oct-99

Status hearing in the Federal District Court in the Hamilton case against Ervin.

29-Oct-99

Hamilton files a motion (consent) to extend time to November 5 to respond to the government's opposition to its request for discovery in the FOIA suit. Judge Sporkin grants the extension on November 2.

November 1999

Securities analyst James McDonald of First Analysis Corp. concludes re the CCA prison REIT that "the financial structure is unsustainably flawed. Ultimately, it needs to be demolished." The following month, the Chairman, Doctor Crants is ousted in response to the stock reaching record lows.

3-Nov-99

Kathryn Kuhl-Inclan, HUD Assistant Inspector General for Audit, testifies before the House Subcommittee on Criminal Justice, Drug Policy and Human Resources regarding marketing and management contracts for real estate owned activities (single family) and procurement audit. She testified that the property disposition portfolio at HUD had increased 71% (to 42,300 properties) between the end of the 1996 fiscal year and February 1999. By September 30, 1999 the inventory had grown to 51,516 properties. She reported that the build-up in properties was largely due to the inability of the contractor hired to service 40% of the portfolio, Intown Properties, to handle the work. Its contract had been terminated and the properties it serviced were awarded to the six remaining "M&M" contractors. She stated that the procurement of this work (which amounted to approximately \$927 million over 5 years) was conducted without carrying out the cost comparisons required by OMB to determine whether the contracting-out was warranted. No such procurement would have been required had the loan sales program continued.

5-Nov-99

Hamilton files a reply to the government's response to the motion for leave to file in camera in the FOIA suit.

8-Nov-99 Status conference at court hearing on qui tam on the scheduled for this date. Hamilton has not been able to ascertain in the hearing was cancelled or the tape of the hearing is not available, or "missing".

11-Nov-99

A Joint motion is filed by Hamilton and the government for a protective order in the Court of Claims case, which is granted on the 17th.

12-Nov-99

Ervin & Associates submits a Freedom of Information Act request seeking information regarding a HUD contract with Federal Asset Advisory Company to compile a questionnaire requesting feedback on HUD note sales. According to the FOIA request, the questionnaire is being conducted before proceeding with HUD note sales under Section 601 of the Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Act of 1999, which provides FHA with flexibility to choose the most cost-effective methods of paying insurance claims and disposing of acquired notes or properties under the FHA single family programs. Ervin applauds HUD's effort to "solicit feedback before proceeding with another ill conceived and possibly corrupt asset sales effort, particularly one

that appears to be being patterned after the highly suspect multifamily partially structured transaction."

24-Nov-99

Judge Sporkin issues a memorandum opinion in the Hamilton v. Ervin case and an order denying Hamilton's motion to remand and for attorneys' fees.

November 1999 WTO protests in Seattle inspire the "Dump Sodexho" campaign on US campuses

December 1999

CCA Prison's REIT announces that it has agreed to a restructuring program lead by an affiliate of Fortress Investment Group, LLC and affiliates of The Blackstone Group. These parties, along with an affiliate of Bank of America, agreed to pump \$350 million into Prison Realty, which would cease to be a REIT and help to expand its credit line.

2-Dec-99

A motion hearing in the FOIA case is scheduled for this date.

3-Dec-99

Judge Sporkin issues an order regarding the production and use of documents in other proceedings.

4-Dec-99

WTO meeting ends inconclusively in Seattle.

6-Dec-99

Hamilton is informed that AUSA Tony Alexis, who has been intimating to Hamilton's counsel for the past several months that he anticipates the government may not adopt the qui tam, has taken a regular "rotation" of assignments and dropped from the qui tam. AUSA Rudolph Contreras assumes Alexis' role. Hamilton's expectations that the qui tam will be unsealed by Thanksgiving are not realized.

6-Dec-99

Hamilton receives a request for admissions from David Gottesman.

6-Dec-99

In Zurich the Volker Committee publishes its final report on the actions of the Swiss banks in relation to dormant accounts during and after the Second World War. The banks receive a clean bill of health – they did not deliberately embezzle the assets of Holocaust victims or intentionally destroy files.

10-Dec-99

The Bergier Commission publishes its final report on Switzerland's refugee policy during WWII. Its conclusions are controversial.

10-Dec-99

Lexington Insurance requests a copy of the "Manhattan" file.

Week of 13-Dec-99

Hamilton files a request under the Freedom of Information Act seeking Hamilton's file related to the complaint filed with the President's Council on Integrity and Efficiency.

16-Dec-99

A scheduled hearing with Judge Sporkin on the FOIA appeal is postponed until January.

17-Dec-99

Some time this past week Hamilton filed a FOIA request with the Department of Justice for the Hamilton PCIE file.

December 18, 1999

The Gazette publishes Tobacco Insider Talks, regarding March 1999 guilty plea by RJR Executive Les Thompson to laundering \$72 million US from smuggling tobacco into Canada. He agrees to a seven-year sentence. He is interviewed by The Gazette and outlines a RJR campaign to funnel billions of cigarettes to flood the marketplace with black market tobacco. The strategy was planned and executed by senior executives with the knowledge and approval of their parent companies, RJR International in Geneva and RJR Nabisco in NY according to documents obtained by The Gazette.

22-Dec-99

Standard & Poor's puts the U.S. financial system on its watch list of 20 countries that are vulnerable to a credit bust. Bill Greider, now reporting for *The Nation*, says, "Aside from the stock market, the credit-rating agency observes the rapid rise in domestic debt and in non-performing loans at commercial banks." The U.S. is now a debtor nation to the tune of 18 percent of the gross domestic product. (Source: <http://www.star-telegram.com/columnist/ivins2.htm>)

31-Dec-99

The government files a motion to extend time to respond to Hamilton's discovery request. Hamilton responds on January 5th [opposing the extension]. On January 13, the judge grants the government's motion to extend time.

2000

Catherine begins correspondence with Bill Tyree, a former Special Forces member wrongfully imprisoned in state prison in Massachusetts. Tyree says that HUD has been used to facilitate CIA/NSC drug trafficking operations. HUD accounts have been used to launder drug monies (there are no CRT requirements for government accounts), HUD buildings have been used to distribute and market narcotics trafficking and ownership of HUD properties has been used to "park" and store profits. Tyree implies that significant numbers of HUD owners and managers are really CIA and DOJ proprietaries that represent laundered drug monies. In addition, mortgage securities fraud has been used to lever a significant amount of drug profits and generate additional monies—the amount of outstanding mortgage backed securities is significantly greater than real collateral – hence the importance of the destruction of Community Wizard by Sporkin, the Clintons, the Bushes, etc. Tyree's lawsuit against the CIA produces the Ferdinand Depositions regarding Al Carone's role in money laundering for the CIA, the Army, NYPD and the mob.

2000

As of 2000, the amount on deposit with private banks in the world was about US \$13 trillion. At the time, US Household financial assets were approximately \$30 trillion. (Wikipedia). Private banking is a term which covers both the services which banks give to individuals usually with liquid wealth of about 1 million dollars – and where the deposit relationship is “by invitation only.” The largest private bank in the world is Union Bank of Switzerland, UBS.

1-Jan-00

Y2K is a non-event. No logical explanation ever emerges as to why there was no problem and why there was so much divergence of opinion on what was going to happen. The federal government experiences significant systems changes done at high speed with little supervision as a result of the Y2K fears.

7-Jan-99 (is this supposed to be ‘OO?’)

Hamilton and the government file a joint status report in the Court of Claims case.

12-Jan-99 (is this supposed to be ‘OO?’)

A "settlement conference" is held in the Court of Claims case.

14-Jan-00

Judge Sporkin abruptly retires from the bench with no prior public notice. His involvement with falsifying evidence in the CIA prosecution of Ed Wilson is again first page news and his handling of the Hamilton case is increasingly troublesome. Sporkin joins Weil, Gotshal & Manges, Carla Hills old firm, and soon to be Enron’s bankruptcy counsel.

2000 According to the Center for Responsive Politics, the Carlyle Group spent more than \$1.2 million in 2000 hiring lobbying firms to wage battle on Capitol Hill on behalf of United Defense.

17-Jan-00

Former CIA head Stansfield Turner's plane crashes on a trip in Latin America, killing his wife and seriously injuring him.

18-Jan-00

The U.S. Department of Justice acknowledges that key CIA testimony connected with the 1983 conviction of Ed Wilson for weapons smuggling was perjured. That conviction involved 40,000 pounds of C-4 plastic > explosives, sent in 1977 to Libya’s Moammar Qadaffy. It occurred at a time when the Theodore Shackley was running CIA covert operations and a newly appointed Stansfield Turner was reportedly trying to reign in agency covert operations. Now, as seven of the well known members in the American legal/court system grapple with potential perjury charges, we see the death of a retired CIA Executive [the Comptroller] on January 12th, the retirement from the Federal Bench of former CIA General Counsel Stanley Sporkin on Jan 15th and the near fatal air crash involving Stansfield Turner on the 16th.

February 2000

Pacific Life Insurance Co., a large holder of Prison Realty Shares (CCA and CCA Prison REIT), proposes a competing restructuring to the BlackStone and Fortress Investment Group. Prison Realty tentatively accepts. While the terms are being ironed out, Prison Realty

falls into default under the terms of its \$1 billion credit agreement. In June 2000, talks between Prison Realty and Pacific Life break down and the prison company decides to restructure on its own. It devises a plan to merge again with CCA and cease to be a real estate investment trust. Within a few weeks, Doctor Crants is deposed as CEO and forced off the board. He is replaced by John D Ferguson, former Tennessee state commissioner of finance and administration.

2-Feb-00

Bryan Saddler, Acting Counsel to the Inspector General, informs Hamilton's counsel, Drinker Biddle & Reath, that the IG cannot take final actions until a judge is assigned to replace Judge Stanley Sporkin. Sporkin has retired with no advance notice, resulting in a delay of many months in reassigning his cases.

8-Feb-00

Bryan Saddler sends a letter to Special Master Lawrence Storch informing him that HUD has entered into a contract with a company that will capture and copy data from Hamilton's back-up tapes pursuant to Judge Sporkin's December 18, 1998 order.

14-Feb-00

Hamilton's counsel, Drinker Biddle & Reath, is informed by Special Master Lawrence Storch of the letter from Bryan Saddler to Lawrence Storch stating that HUD plans to begin to capture and copy data from Hamilton's back-up tapes. The correspondence indicates that a copy was sent to Drinker Biddle & Reath.

However, the firm never received a copy.

17-Feb-00

The HUD Inspector General testifies before the House Budget Committee, chaired by John Kasich, regarding Perspectives on Waste, Fraud and Abuse in Government.

25-Feb-00

Hamilton hears from Rudolph Contreras that DOJ expects that a new judge will be assigned to replace Judge Sporkin on the qui tam case on the following Monday.

25-Feb-00

Judge Horn rules in the Court of Claims case on the Motion in Limine that the government may proceed on its breach of contract claim. Hamilton is not greatly troubled by this ruling because it is confident the judge has made an error on the facts. Hamilton expects to be able to prevail on appeal based upon the reasoning in the opinion. Soon after this development the government realizes (1) the error in the judge's understanding of the facts (i.e., she bases her ruling on the assumption that the alleged damages are "consequential" as argued by the government, and they are not and (2) that the government has taken a different position on the issue of recoverability of consequential damages in the Yankee Atomic Power case, which is expected to be argued on appeal in the Court of Claims on May 3. The government files a brief requesting that the judge reissue her decision on alternative grounds.

28-Feb-00

Solari discovers an article in *The Washington Times* by George Archibald entitled "Justice Unable to Find Bids Worth \$5.2 Billion." The article refers to the "criminal" investigation of

Hamilton many times, even though the so-called "criminal investigation" has been dropped by the Department of Justice and FBI findings are strongly in Hamilton's favor. The article is filled with libelous material and inaccuracies, but the largest infraction of the *Times* is that it failed to contact Hamilton for comment. This is the last among many articles written by Archibald about Hamilton where he has failed to contact Hamilton for comment despite Hamilton's repeated complaints to the *Times* and has published numerous statements that are not true or are purposefully misleading. For example, Ervin's counsel is quoted in this article as suggesting there has been virtually no oversight of the loan sales by HUD, a charge that has no basis in fact. The "missing bids" referred to in the article are bid cards requested by Ervin in a FOIA request to HUD, which HUD denied, saying it did not have the cards. In all probability, some of the cards may have been included among the voluminous documents produced to the government by Hamilton in response to the OIG subpoena or may still be in the possession of one or more of HUD's other financial advisors. In any case, no one at any time contacted Hamilton to ask where the cards might have been stored.

Feb-2000

Pug Winokur is named to the seven-man board of The Harvard Corporation.

28-Feb-00

Qui tam lawsuit is reassigned to Judge Louis F. Oberdorfer.

29-Feb-00

Hamilton's counsel sends a letter to the Editor of the *Washington Times*, Wesley Pruden, demanding a meeting to discuss the ongoing inaccuracies, failure to verify alleged facts with Hamilton and libelous charges that Hamilton "admitted" to "bid rigging" in its coverage of Hamilton. Later, Hamilton's counsel receives a letter from the *Times*'s attorney proposing language for a retraction.

29-Feb-00

Gerri Salzman calls to cancel a planned dinner with Fitts, Betts and Dick Dunnells because of the *Washington Times* article that appeared on February 28 about Hamilton and HUD. The dinner is never rescheduled.

Mar-00

Solari launches its litigation website with most Hamilton legal history linked to most legal documents with chronology of legal events, lists of all audits, investigations, and inquiries as well as all suspicious events related to physical harassment and surveillance. Notices of the launching of the website, with links to the site, are e-mailed to approximately 200 individuals affected by or interested in the case. Traffic to the site over the year includes visits from HUD, four separate servers at DOJ, Lockheed Martin, DynCorp, the Executive Office of the President, several US Government military groups, O'Melveny & Myers, the primary law firm representing the Gore campaign and various interests of Pug Winokur (per SEC filings), and numerous other government and government contractor entities.

Mar-00

GAO issues a report entitled "Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by Management and Marketing Contractors." The subject of the report is approximately \$927 million in contracts for the management of approximately

2/3 of HUD's inventory of properties. GAO reports that, since the contracts became effective in April 1999, 6 of the

7 contractors had had significant problems with carrying out their responsibilities, particularly in regard to securing and properly maintaining the properties assigned to them (for example, Intown Management Group, which had 7 of the 16 contracts involving about 40 percent of the properties, had problems with meeting almost all of HUD's performance requirements. After trying unsuccessfully to secure better performance from InTown, HUD terminated all seven of the firm's contracts and selected three replacement contractors from among the remaining firms to absorb most of Intown's workload. However, two of the three contractors that HUD selected were already having performance problems under their existing contracts. The report states HUD staff have limited contractor incentives or tools available -- short of terminating contracts -- to enforce contractors' compliance and improve performance. HUD's inventory of acquired single-family properties at the end of fiscal year 1999 was 32 percent higher than it was a year earlier and over 100 percent higher than it was at the end of FY 1996. HUD's new management and marketing contractors increased the total number of properties sold from the inventory during FY 1999, and the total number of properties in the inventory had begun to decline; however, the contractors had made relatively little progress disposing of older properties -- properties in the inventory 6 months or longer. In fact, as of February 2000, about 20,000 of HUD's properties were in the inventory 6 months or longer--up from 13,000 properties in April 1999, the first month of the contracts

9-Mar-00

Order by Judge Oberdorfer in the qui tam lawsuit directing that a status conference and a hearing on defendant's motion to unseal the file be scheduled for 4/18/00.

14-Mar-00

RJ Reynolds Tobacco Holdings, Inc. files its first Proxy since the KKR buyout in 1989. KMPG is the auditor -- same as HUD. One of the board members, who has been a board member since 1994 until June 14, 1999 of RJR Nabisco and since June 14, 1999 of RJ Reynolds is John T. Chain Jr. a retired Commander in Chief of the Strategic Air Command (General Dougherty is on DynCorp's board in the 90's -- also a retired Commander in Chief of the Strategic Air Command). Andrew Schindler is the President of CEO since 1995, a director of RJR Tobacco since 1989 and Chairman of the Board of RJR and RJR Tobacco since 1999. Schindler became SVP Operations of RJR Tobacco in June 1989 and EVP Operations of RJR Tobacco in 1991. The largest shareholders are Capital Research and Management Company in LA with 14.1%, FMR Corp (Fidelity) with 11.3% and Ross Financial Corporation with 14.2%

14-Mar-00

HUD responds to Hamilton's December 13, 1999 FOIA request for copies of FOIA requests and related correspondence by Ervin & Associates. The FOIA requests are voluminous (166 separate FOIA numbers are assigned) and date back to February 1996. Copies of these requests and correspondence between Ervin and HUD regarding these requests number about 300 pages. One single request, which is not atypical, asks for copies of Form HUD-720 Justification for the Use of Advisory and Assistance Services, for 23 named contracts. Another request asks for copies of "all status reports submitted by

Hamilton Securities under the [DU100C000018161] contract." Another request quotes a *Wall Street Journal* article about two hosts for Democratic fundraising events who subsequently were selected for a major lending role in a \$200 million HUD program to make federally assisted housing more efficient. Ervin requests: "all documents pertaining to the decision to enter into this agreement; the actual written arrangement itself and the federal notice outlining the loan program which mentions Energy Capital and Mr. Seigel by name; and any HUD documentation regarding the arrangement subsequent to the *Wall Street Journal*, including any press releases or termination of agreement, that occurred." Another request, dated March 27, 1997, asks for copies of all electronic mail messages sent from Helen Dunlap, C. Austin Fitts (Hamilton Securities), Kathy Rock and Chris Greer since June 1993.

15-Mar-00

Judge Horn in the matter of *Hamilton Securities v. The United States of America* (98-169, Court of Federal Claims) issued an order allowing the government to pursue Count I of its First Amended Counterclaim for consequential damages. The court also schedules a status conference for April 5, 2000.

17-Mar-00

DynCorp announces that it has been awarded a 10-year contract by HUD OIG. DynCorp already has a HUD OIG contract announced in 1999 and is subcontractor to Lockheed on the HUD network and prime contractor on DOJ Asset Forfeiture Fund, DOJ Automation Office Network as well as DOJ Litigation Support and Case Management Contracts. The largest outside investor in DynCorp is Capricorn, which is a major investor in the largest HUD multifamily mortgage insurance company, WMF, and appears to continue to hold a significant investment in AIMCO, the largest HUD property manager and landlord. The head of Capricorn, Herbert S. Winokur, who also served as the Chairman of DynCorp, is a board member of Enron, listed by Bob Rubin as one of the 44 companies he has significant contact with while at Goldman Sachs. Winokur is on the board of Harvard Endowment, as was Rubin before he resigned to become Secretary of Treasury. During the years of the Clinton Administration, the Harvard Endowment increases in value from \$5 billion to \$19 billion.

22-Mar-00

HUD OIG, Susan Gaffney, testifies before Stephen Horn's Committee on Government Reform, Subcommittee on Government Management, Information and Technology on the Status of Financial Management at HUD and regarding her refusal to certify HUD's financial statements for 1999 as required by law. She describes missing money in FY 1998 and FY 1999 of \$17 billion and \$59 billion, respectively, along with failure in the installation of new IT systems (HUDCAPS) and unsupervised access to accounting systems and information by HUD contractors. She reports that as a result of the methods used to convert from the "old" to the "new" system, in which standard industry procedures for preservation of an audit trail were not followed, there is no audit trail on which to base an audit certification. She reports that some 240 manual entries were required in order to reconcile HUD's accounts with Treasury.

28-Mar-00

In response to Judge Horn's March 15, 2000 order, Hamilton files a Motion for Reconsideration moving the court to reconsider its Order. Hamilton also files a Motion to Certify for Interlocutory Appeal and to Stay further proceedings moving the Court to amend its Order dated March 15, 2000, to include the finding prescribed by 28 U.S.C. Section 1292(d)(2), certifying the Order and the following controlling question of law for interlocutory appeal: "Whether the inspection of Services Clause provides the exclusive remedy when the services do not conform to contract requirements and the defects cannot be corrected by re-performance?" The motion also moves the Court to stay further proceedings, including discovery, pending the conclusion of any interlocutory appeal. *Hamilton Securities v. The United States of America* (98-169, Court of Federal Claims).

March 31, 2000

Article, "HUD To Focus on Predatory Lending" describes Andrew Cuomo's initiatives on predatory lending and refers to Alan Greenspan and Jerry Hawke's statements on predatory lending the week before. Cuomo cites the explosion of sub-prime lending which he says as increased from \$20 billion to more than \$150 billion from 1993 to 1998.

March 2000

Federal Bureau of Prisons, Office of Research and Evaluation, publishes *Private Prisons in the United States, 1999* by Scott Camp and Gerald G. Gaes.

2000

Catherine is contacted by Jim Strauss, former CIA covert agent, who is considered a PROMIS expert. She is in touch with him until after 9-11 when he becomes active in anti-terrorist work for the CIA.

3-Apr-00

Government Executive Magazine reports on government efforts to meet financial statement requirements. HUD is the only agency whose grade drops; HUD is dropped from "D" to "F."

5-Apr-00

A status hearing is held in the Court of Claims case. Separately, Rudolph Contreras reports that he is meeting with his "superiors" regarding the qui tam lawsuit.

April 15, 1999

WMF Group, Ltd. Files a Form S-3 Registration group for shareholder 800 North, a Florida Corporation to sell its shares that WMF issued to 800 North on December 30, 1998.

Huntoon Williams acts as WMF's counsel. The proposed maximum price per unit is \$4.125 for a proposed maximum offering price of \$1.2375MM for up to 300,000 shares. KMPG is WMPF's auditor (same auditor at HUD) Arthur Anderson appears to be WMF's auditor for fiscal 1996 and prior. Board members are Rod Heller, Shekar Narashiman, Mohammed A. Al-Tuwairji, Michael Eisenson, Tim Palmer, John Reilly and Pug Winokur.

17-Apr-00

Assistant U.S. Attorney Rudolph Contreras reports to Hamilton's counsel that the government has elected not to adopt the Ervin & Associates qui tam case filed on June 6,

1996 and files a notice of declination with the U.S. District Court for the District of Columbia, Judge Oberdorfer presiding.

18-Apr-00

Judge Oberdorfer holds a combined hearing to unseal the qui tam case with Hamilton and to determine the status of the hearing from the government and Ervin. Ervin's counsel strenuously object to Hamilton's presence at the status hearing. Neil Getnick introduces himself to the court for the first time as co-counsel for Ervin.

April 2000 Dillon settles Lissak yield burning lawsuit for \$6.3MM along with numerous other firms

21-Apr-00

Judge Oberdorfer, who has replaced retired Judge Stanley Sporkin with respect to the Ervin & Associates qui tam action naming Hamilton and Goldman Sachs, among others, holds the first hearing with defendant Hamilton actively present in the case although not yet served. Judge Oberdorfer issues an order unsealing the qui tam complaint and grants Ervin's consent motion for admission pro hac vice of Neil V. Getnick of the law firm of Getnick & Getnick in New York City. The complaint names as sources for the complaint, among others, William Richbourg of the FHA Comptroller's Office at HUD (who, in a deposition dated July 28, 1998, admitted he knew of no wrongdoing on Hamilton's part in connection with the HUD loan sales), Terry DeWitt, President of J-Hawke Corporation of Waco, Texas, Jeff Parker of Cargill, a bidding partner of Goldman Sachs in the HUD Single Family Loan Sale # 1 and an independent bidder in the HUD Single Family Loan Sale #2, and Michael Nathans of Penn Capital, a subcontractor to the Cushman & Wakefield/Price Waterhouse financial advisory team serving HUD in other (later) loan sales and a "business associate" of Mr. Parker, Mr. DeWitt and Ervin. Because neither Ervin's counsel nor AUSA Rudolf Contreras informed the judge during the status hearing that an amended complaint existed, the judge, who was new to the case, did not include the amended complaint in his unsealing order.²⁷ & 28-Apr-00

April 2000

Dillon settles Lissak yield burning lawsuit for \$6.3MM along with numerous other firms

Ervin files a motion to alter the briefing schedule for the qui tam lawsuit and Hamilton opposes the motion.

May-00

Press sources report a rift between Lee Radek's Public Integrity Section at the Department of Justice and the FBI, which had recommended appointing a special prosecutor to investigate campaign fundraising irregularities. The Department of Justice had declined to make the appointment of a special prosecutor in October of 1998, immediately after which announcement Goldman Sachs announced that the postponement of the initial public offering of its stock had been lifted. In Senate testimony on May 24, 2000, Radek denied witness reports that he had stated there had been intense pressure on Janet Reno not to appoint the special prosecutor that threatened her reappointment as Attorney General. Carolyn Betts, Solari's in-house counsel, writes a letter to Dan Burton, Chairman of the

committee that held hearings on this matter, pointing out Radek's and the FBI's connection with the Hamilton case and asking for his help. Burton never responds.

1-May-00

Judge Oberdorfer orders that relator file its supplemental opposition to Hamilton's motion to unseal by May 5, the supplemental reply by Hamilton is due 5/15/00, the motion hearing is continued from 5/15 to 5/23/00 and directing that any and all amended complaints and the USA's declination to intervene in this matter be unsealed. USA files a motion to extend time to 5/1/00 in which to file a supplemental pleading.

May 2000

The House Permanent Select Committee on Intelligence closes down their secret, closed-door investigations into CIA drug trafficking. Several mysterious deaths follow. Staff director John Millis is "suicided" in June. Charles Ruff, Clinton's White House counsel and point man on the impeachment, accidentally dies in his shower in November. Several weeks later Julian Dixon, Afro-American ranking member of the Committee dies of a sudden heart attack. (Snider Quits, From the Wilderness, May 6, 2002)

2-May-00

Non Party USA in the qui tam lawsuit files a statement re the pending motion to unseal the file. Rudolph Contreras calls to say that the government is not opposing the unsealing of the qui tam documents.

2-May-00

Hamilton hears rumors that HUD is preparing to settle the Bivens #1 action, apparently not including claims against current HUD employees.

3-May-00

Hamilton issues a press release stating that the HUD loan sale qui tam has been unsealed after four years and HUD has declined to adopt the case. A copy of the qui tam complaint is posted on the Internet. Subsequently, Cargill's counsel and Jeff Parker, listed as sources for the allegations in the complaint, contact Hamilton's counsel to deny that Parker is a source for Ervin's allegations. Parker later tells Hamilton's counsel that he can not remember what he told DOJ – so there is no explanation as to why DOJ would pursue the case after the first 60 days required by law.

5-May-00

Hamilton received documents from a previous FOIA request for all documents in Hamilton's FBI file. The file contained a report 1999 report from the FBI noting that none of the interviews it conducted substantiated any allegations of bid rigging and insider trading in connection with the loan sales.

10-May-00

Harvard Endowment and Capricorn sell WMF, the largest HUD Multifamily mortgage broker, to Prudential.

12-May-00

Hamilton personally delivers letters to Annette Hancock, Hamilton's HUD contracting officer, seeking to convert certain accounts receivable from HUD (viz, termination settlement claims in connection with the termination for convenience of the Crosscutting Contract and certain withholds and other amounts to close out a previous contract) dating back as far as 1994, to claims under the Federal Acquisition Regulation. When she delivers the letters to Hancock, Carolyn Betts comments that HUD is about to settle with John Ervin, who caused a huge mess for HUD, when it won't pay Hamilton the amount owed under its contract.

15-May-00

Judge Oberdorfer holds a hearing on Hamilton's motion to unseal the full qui tam file.

16-May-00

Hamilton discovers that the qui tam files that have been unsealed recently have been mislabeled, which accounts for the slowness of production pursuant to court order.

May 18, 2000

Sam Smith runs missing money piece in the Progressive Review.

22-May-00

Judge Marion Blank Horn, the presiding judge of Hamilton's suit against the government in Federal Court of Claims, announced in a conference call with Hamilton's attorneys and HUD's attorneys that she was recusing herself from the case and vacating all opinions and orders issued by her to date over the past two years. The judge's explanation for her abrupt recusal was that her husband had had business dealings with Lucent Technologies, whom she believed was a potential witness in the case. She admits to Hamilton's counsel that the purported potential conflict of interest arose after one of her orders had been issued, but she nevertheless vacated the order, leaving Hamilton to start all over with a new judge.

22-May-00

Judge Gladys Kessler orders a status hearing for 5/23/00 in the qui tam lawsuit.

23-May-00

Order by Judge Oberdorfer that all papers in this case be unsealed, that transcripts of any hearings on file under seal be partially unsealed and made available to the US for the purpose of reviewing and that the US shall notify the court in writing of its position re the unsealing of the hearing transcripts within 10 days of obtaining the transcripts and that Hamilton shall have 10 days to reply to the US position re unsealing of the hearing transcripts.

26-May-99

Hamilton's attorneys call Neil Getnick re: starting the Ervin depositions in Hamilton's suit against Ervin. They also file a withdrawal of Hamilton's objection to Federal jurisdiction in the case.

May 2000

Warburg Dillon Read Securities, a part of UBS, changes its name to UBS Securities

12-Jun-00

Judge Oberdorfer unseals the entire qui tam case file with the exception of the hearing transcripts. The order is necessary because the filing desk has failed to release all documents to Hamilton as the result of the judge's second order, maintaining that the order is ambiguous.

21-Jun-00

The House votes on the HUD appropriations bill.

22-June-00

Fitts, Fitts' family members and Solari employees send letters to Congress re: HUD's refusal to pay outstanding debts to Hamilton. Staff of various members of Congress report throughout the summer and fall that HUD has not or will not respond. A staff member of a Democratic congressman reports that she has "never seen anything like this." Several staff members and interested parties report that HUD has indicated that it is stalling until after the November election and that the key HUD issue is Hamilton's lawsuit against Ervin and Cuomo's personal liability.

26-Jun-00

Ervin & Associates, relator in the qui tam lawsuit against Hamilton Securities Group, files a motion for additional time within which to make a determination whether to continue the case following the election by the Department of Justice not to adopt the case, stating as its justification the fact that the HUD Office of Inspector General is conducting discovery as part of an ongoing investigation.

27-Jun-00

Hamilton receives a call from the HUD FOIA office regarding the request for the PD&R report. The FOIA office reports that the Office of PD&R reports that it has no copy of any such report, and the FOIA officer states that she is forwarding a copy of the request to John Kennedy in the HUD Office of General Counsel (who heads the enforcement division), Hamilton's new contracting officer.

28-Jun-00

National Mortgage News reports that Apartment Investment and Management Co. (AIMCO) of Denver has entered into definitive agreements to acquire from Oxford Realty Financial Group the interests held by officers and directors in the Oxford entities that own and control the Oxford Properties, for \$301 million. Oxford, a former employer of both Ervin and William Richbourg, is located in Bethesda, Maryland, as are Ervin & Associates and Lockheed Martin.

Summer/Spring 2000

Kit Bond's chief of staff confides in Catherine that "HUD is being run as a criminal enterprise." The committee subsequently vote a large increase in HUD appropriations.

28-Jun-00

Ervin files a Motion to Dismiss or in the Alternative, for Summary Judgment in the Hamilton Action against Ervin. He relies primarily upon the argument that statements made as part of litigation are not actionable in cases of this type. Representing Ervin are both

Wayne Travell of the Venable law firm and Aaron Handleman and Craig Brodsky of Eccleston & Wolf.

29-Jun-00

Associated Press reports on the recent Senate Government Affairs Committee hearings re the growing defaulted mortgage loan portfolio at HUD. The growing inventory has resulted from the discontinuation of the loan sales program. HUD subsequently announces that it will resume loan sales using personnel on loan from FDIC. Following the first such loan sale, William Apgar, Assistant Secretary of Housing, touts the sale using taxpayer savings figures that include the credit subsidies generated by the sales conducted when Hamilton was HUD's financial advisor.

6-Jul-00

The HUD Inspector General issues a "Seven Day Letter" to Secretary Cuomo regarding the "HUD's failure to stop flagrant waste, fraud and abuse" in the Puerto Rico Public Housing Authority.

10-Jul-00

Neil Getnick files a notice of withdrawal of appearance with the DC Federal District Court. He later files an "instanter" motion > for withdrawal of appearance. According to Black's Law Dictionary > "instanter" means "instantly, at once" as in "the defendant was ordered to > file its motion instanter." Attorneys have stated that an instanter motion would be filed in order to have the effective date relate back to a previous date, indicating that Getnick was anxious to have it on record that he had withdrawn from the case before certain actions were taken by his client.

11-Jul-00

A telephone status conference is held Judge Bush in the Court of Claims case.

14-Jul-00

A status conference is held in the Petition to Enforce Subpoena case brought by Susan Gaffney against Hamilton.

15-Jul-00

Goldman Sachs Group, Inc. files an S-3 registration statement with the Securities and Exchange Commission for the offer of 46,000 shares of additional common stock with a proposed maximum offering price of \$4 billion.

19-Jul-00

A status hearing with Judge Oberdorfer is cancelled and rescheduled for a later date.

25-Jul-00

Middle East Peace Talks are broken off at Camp David, resulting in serious clashes in the occupied territories and Israel, lasting into the New Year

26-July-00

New York judge Edward Korman approves the 1.25 billion USD settlement between Swiss banks and Jewish organizations and plaintiffs in the class action lawsuit. He also requires Swiss companies to report whether they had employed forced labor in the Second World

War. The planned distribution of payments to the various plaintiff groups is approved on November 22. The Swiss bankers Association is to publish a list of names on the Internet of the holders of dormant and closed accounts dating from the Second World War who may have been victims of the Holocaust.

August 1, 2000

American Capital in Bethesda invests \$30 million in Cornell Corrections in the form of 7 year subordinated debt with warrants. American Capital discloses that Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the world's largest retirement system with \$290 billion in assets, is investing \$10 million alongside American Capital.

10-Aug-99

Judge Urbina, Motions Judge in the Federal District Court for the District of Columbia, denies Ervin's motion for additional time to determine whether to continue the qui tam suit without the government. This means that Ervin is forced to decide whether to serve a complaint on Hamilton, Goldman, BlackRock, Ocwen, and Williams Adley by the day that is 120 days from April 17, 2000 -- August 15, 2000.

14-Aug-00

The government filed with the court in the qui tam case a statement regarding Ervin's notice of dismissal.

14-Aug-00

Carolyn Betts leaves a message with Annette Hancock, Hamilton's contracting officer, to call her regarding any additional documentation required to process Hamilton's claims for amounts owed under a contract termination settlement of the Hamilton crosscutting contract and amounts owed to Hamilton previously under an earlier contract. The call is never returned.

Aug-00

Ervin serves the amended Qui Tam complaint, in the form it was filed a year earlier with the court on Hamilton and Williams Adley, a minority due diligence contractor for the HUD loan sales. Previously, Ervin's new Qui Tam counsel admitted to the case by the court in April 2000, who is a partner with a New York-based boutique, apparently high-profile, law firm specializing in this type of case withdraws from the case in a "noisy withdrawal." He then files a notice of withdrawal effective retroactively with the US District Court in DC, even though Wayne Travell had previously filed a notice of his withdrawal several weeks earlier. This action may indicate he wants to make sure that he is not associated with the complaint served on Hamilton and Williams Adley or to be a part of what Ervin is doing at that time.

15-Aug-00

Hamilton sends a letter to Marylea Byrd of the HUD Office of General Counsel regarding the Department's failure to respond to Hamilton's FOIA request for the "PD&R Report" within the time provided by law.

August 2000

Prison Realty agrees to a \$120MM settlement of shareholder litigation, paving the way for approval of its new merger plan in September.

August 2000

Indian Express Newspapers report that Carlyle has put together a \$159 million fund for Asia excluding Japan earlier this year and is all set to announce setting up a large technology specific fund for South East Asia later this month.

Summer-00

Hamilton's attorneys file FOIA requests with HUD and then Hamilton's attorney in the Court of Claims action against HUD requests from David Gottesman at the US Attorney's Office in DC a copy of the HUD PD&R report that is alleged to have concluded that the \$3.8 million optimization error was not statistically significant and is not a basis for withholding money from Hamilton. HUD at first refuses to make PD&R's materials available, based on a claim of exemption for intra-agency documents not discoverable except in an action by an agency against another agency. On administrative appeal, HUD modifies its exemption claim stating that the materials are subject to a litigation privilege. Gottesman also refuses to provide the report to Hamilton's attorney pursuant to the discovery request, referring to the FOIA request denial, and in any event states that the only documents responsive to the request consist of third party contractor studies performed for HUD during 1999. Given that the study or report by PD&R would have been created during 1998 when William Apgar served as Assistant Secretary of PD&R, this effectively denies the existence of the requested documents. Fitts' Congressman, Congressman Ed Bryant, of the Tennessee's 7th District then requests copies of the same, as does Congressman Bob Clements of the Tennessee 5th District, and John Sununu of the New Hampshire 1st District. No responses are forthcoming as of 12-31-00 to these and other congressional requests.

7-Aug-00

Hamilton mails seven FOIA requests to HUD and the Department of Justice, including a request for Dyncorp contracts and subcontracts with HUD and the HUD Office of Inspector General.

30-Aug-00

Hamilton files a Supplemental Brief on issues raised by the new judge in the Court of Claims case.

31-Aug-00

Carolyn Betts leaves a message with Annette Hancock, Hamilton's contracting officer, in the Office of Procurement Contracts at HUD regarding failure to receive any response from the

contracting office regarding documentation of amounts owed to Hamilton that was provided to HUD previously. The call is never returned.

Sept-00

Hamilton is told that Kathryn Kuhl-Inclan, Assistant Inspector General for Audit at the HUD OIG has left or taken early retirement.

2-Sept-00

The Associated Press reports that the FBI is investigating the HUD OIG in Boston, Fort Worth and DC after Internet gambling and pornography have been found on OIG staff computers and that several senior staff members of the HUD OIG has been suspended.

Sept 2000

Business Week publishes an article headlined “Private Prisons Don’t Work’: For-profit facilities face a barrage of criticism – and overbuilding has cut into profits and hurt stock prices” The article, which noted that the CCA real estate investment trust had 12,000 unfilled prison beds, concluded by suggested that “the industry’s heyday may already be history.”

Sept 2, 2000

“Bushwhacked” is lead story on Media Bypass and C. Digest websites and picked up by Netscape top picks.

Sept 5, 2000

From the Wilderness discloses possible HUD and PROMIS connections

Sept 6-8, 2000

Newsmaking News publishes the Harvard Datadump, including information on Harvard investments in HUD, Harken and Russia and Pug Winokur’s involvement with DynCorp, PROMIS and Plan Colombia.

13-Sep-00

Carolyn Betts delivers a letter to the Chief Procurement Office at HUD questioning why the HUD contracting office has not responded to Hamilton correspondence providing requested documentation for amounts owed by HUD that are not subject to litigation. No response is received.

13-Sept-00

Chase Manhattan Bank announces the takeover of JP Morgan

15-Sep-00

Hamilton discovers that the Yankee Atomic Power case has been decided. This is the case in which the government took the position opposite from the position it took in Hamilton's Court of Claims case on the issue of the availability of consequential damages under a government contract. The position the DOJ took in Hamilton's case put at risk damages in the Yankee Atomic Power case amounting to billions of dollars.

22-Sep-00

HUD conducts the first loan sale since the cancellation of Hamilton's contract in 1997. Salomon Brothers Realty Corporation was the sole winning bidder of the portfolio of single-family loans. FHA Commissioner Apgar brags, "FHA's mortgage sales have produced over \$2.25 billion dollars in budget profits since 1994. These funds continue our housing and neighborhood initiatives and help reduce the deficit. The sales also reduce the burden on HUD administrative personnel, allowing them to concentrate on expanding homeownership and protecting the health of our \$400 billion mortgage insurance portfolio." According to the HUD website, "Three private sector firms assisted HUD in this sales effort -- Myerberg & Company, L.P., a New York based investment banking firm, was the Transaction Specialist responsible for the marketing and sale of the portfolio. Gardiner, Kamy & Associates, P.C., a management consulting and certified public accounting firm located in Washington, D.C. provided Due Diligence service. Federal Asset Advisory Company, LLC., Program Financial Advisor, a joint venture real estate investment banking firm with offices in New York and New Jersey provided program oversight."

25-Sep-00

Hamilton files a Memorandum of Points and Authorities in Support of Its Motion to Dismiss or, in the Alternative, for Summary Judgment in the qui tam case.

26-Sep-00

Associated Press reports that DOJ has adopted a qui tam case against Harvard University and four associates for \$120 million on Tuesday, claiming that Harvard staffers benefited personally from a U.S.-backed program to help post-Cold War Russia make the transition to capitalism. No mention is made in the Harvard Endowment's investments in Russian bonds during the period or Secretary Rubin's prior role on the board of Harvard Management [Endowment].

27-Sept-00

Newsmaking News Harvard series is updated for announcement of Harvard Endowment gains – Harvard Endowment has now grown from \$5 billion to \$19 billion in a decade.

27-Sept-00

GAO issues report on absence of info-sovereignty at US Treasury.

30-Sept-00

The end of the federal fiscal year. The HUD OIG is required to issue a semiannual report to congress as of this date. As of December 31, 2000, no Semi-Annual Report to Congress had been posted on the Inspector General's website.

Sept-00

A visit to the website of the Hamilton project manager, now providing financial advisory services independently, shows Annette Hancock in the HUD contracting office as a reference and provides her e-mail for anyone who would like to obtain a reference. This means that HUD's contracting office is openly recommending the project manager who lead

Hamilton's role in the loan sales at the time that HUD has accused Hamilton of "gross negligence."

1-Oct-00

Beginning of federal fiscal year 2001.

Beginning of federal fiscal year 2001, beginning October 1, 2000 and ending September 30, 2001. HUD and DOD refuse to publish their undocumentable adjustments. US Treasury declines to produce audited financial statements as it has every year since the requirement went into effect in 1995, The Secretary of Army, Tom White, former Enron employee, say they can not produce audited financial statements as a result of the loss of financial personnel as a result of 911.

For Fiscal 2000, ending September 30, 2000 HUD declines to publish its undocumentable adjustments and DOD had undocumentable adjustments of \$1.1 trillion.

3-Oct-00

The HUD FOIA office refuses to release DynCorp contracts to Solari under a Freedom of Information request file on August 7, 2000 due to "prime" contractor [presumably, Lockheed Martin] refusal to respond to FOIA office requests for copies of its subcontracts with DynCorp. Regarding the HUD OIG direct contracts with DynCorp, the FOIA officer of the OIG denies that it has documents satisfying a request for RFPs, RFP responses and contracts with DynCorp notwithstanding information on the DynCorp web page indicating such contracts exist. By telephone, the FOIA officer denies stating the contracts do not exist and indicates that the OIG contracts must be held in the HUD Contracting Office. HUD Office of Procurement Contracts personnel later deny having possession of any contracts between DynCorp and the OIG.

5-Oct-00

From the Wilderness publishes article on PROMIS software, with allegation re DynCorp role in HUD's inability to produce certified financial statements and adjustment to the books of \$59 billion for fiscal 1999.

FTW PROMIS reports alleges "Nagasaki Syndrome" --- that PROMIS is being used by DynCorp to steal money through computer systems and bank accounts and this is why the \$59 billion + is missing. HUD is a test site for New World Order capacity to compromise not just private financial institutions, but governmental as well in anticipation of compromising governmental and national sovereignty worldwide.

12-Oct-00

The Senate passes the 2001 FY HUD appropriations bill.

13-Oct-00

A Stipulation of Dismissal in connection with HUD's settlement of the Bivens case is filed in US District Court. Reportedly, HUD has agreed to pay Ervin several million (\$2MM) in partial settlement of the civil litigation against HUD and current and former employees. Excluded from the settlement, reportedly, are certain intellectual property issues involving

Ervin's HUD financial statement database. It appears negotiations have been under way for a long time. The stipulation of dismissal is signed on October 6 by Wayne Travell (representing Ervin), on October 11 by Raymond Larizza of the Federal Programs Branch of DOJ (representing HUD, Cuomo and Owens), and Terry O'Donnell (representing Helen Dunlap), on October 12 by Ruth Harvey of the Commercial Litigation Branch of the Civil Division of the Department of Justice (representing HUD, Andrew Cuomo in his official capacity, Cheryl Owens in her official capacity as Acting DAS for Operations within the Housing Division)

13-Oct-00

An *Insight Magazine* article by Kelly O'Meara on HUD's failure to certify its 1999 financial statements as required by law is posted on the Internet: "Why Is \$59 Billion Missing from HUD?" Although HUD attributes the missing money to the faulty installation of a new computer system, HUD does not disclose the contractors involved and there appears to be no effort to recoup losses from these contractors. As a result of later investigation, it turns out that AMS is the lead contractor for the new software for the new system.

Cuomo's team lays siege to Insight, trying to get them to change or pull the story.

13-Oct-00

Hamilton delivers to the HUD contracting office the releases requested by HUD for the processing of Hamilton's claims for contract termination payments and amounts withheld under and other amounts due under an earlier HUD contract.

19-Oct-00

Associated Press reports that HUD IG, Susan Gaffney files a sexual harassment complaint against Andrew Cuomo and other HUD officials.

20-Oct-00

Kathleen McGuan of Reed Smith LLP files on behalf of Williams Adley in the qui tam lawsuit Defendant Williams, Adley & Company's Motion to Dismiss the First Amended Complaint and an accompanying memorandum of law.

26-Oct-00

Relator Ervin & Associates files Plaintiff/Relator's Response to Defendant Hamilton's Motion to Dismiss or, In the Alternative, for Summary Judgment in the US District Court for the District of Columbia in the qui tam lawsuit. An exhibit to the filing is a Declaration of John Ervin dated October 24, 2000 in which Ervin reveals that a major source for the qui tam lawsuit was a report by Michael Nathans of PCI, a contractor to Ervin & Associates, dated June 21, 1996, relating that Terry DeWitt of J-Hawke told him that Jeff Parker at Cargill told him that Hamilton received the Single Family Loan Sale #1 bids, Hamilton called the Goldman bidding group to encourage them to raise their offer by \$.02 to \$.74, but did not tell Goldman why, only if they raised their offer, they would be the winning bidder. On December 21, Hamilton files a response, together with an affidavit from Jeff Parker denying the truth of the allegation and stating that he had told Ervin as much in April or May, 2000, before Ervin served the qui tam complaint on Hamilton.

Week of October 25, 2000

Fox does series on HUD missing Money

Nov-00

AIMCO announces an agreement with HUD for expedited processing of its mark to market restructurings. One of its largest investors, AEW, is serving as financial advisor to HUD-s market-to-market program.

10-15-00 China becomes the third country to launch a man into space

Nov-00

Denver local news reports that Phil Winn, former HUD official and ambassador to Switzerland, is under investigation.

5-Nov-00

Rocky Mountain News reports an FBI raid on the HUD field office in Denver.

5-Nov-00

CBS *60 Minutes* reports on a Florida insurance fraud scheme mentioning Andrew and Mario Cuomo and New York Mob and includes on-camera interviews with the FBI on the ongoing criminal investigation.

9-Nov-00

Ruth J. Simmons, President of Smith College, is named the 18th President of Brown University, to begin duties on July 1, 2001. Simmons is the first African American to lead an Ivy League Institution.

13-Nov-00

Hearing before Judge Oberdorfer in the Hamilton v Ervin lawsuit on the subject of Hamilton's motion to remand to Superior Court and Ervin's motion to consolidate the Hamilton lawsuit against Ervin with the qui tam lawsuit. Ultimately, the judge consolidates the case against Ervin with the qui tam lawsuit.

21-Nov-00

Clinton pardons Phil Winn, former HUD Assistant Secretary of Housing-Federal Housing Commissioner for involvement in HUD related Iran-Contra fraud.

25-Nov-00

Fox series on "missing money" mentions HUD adjustments of \$59 billion.

November 2000

CCA (formerly Prison Realty) restructures its \$1 billion credit agreement to avoid default and is now obligated to raise \$100 MM in new capital. Despite this boost, CCA reported that in 2000 it had lost an astonishing \$730 million, reflecting a huge write down of asset values. To shore up its stock price, which had fallen below \$1, raising the danger of being delisted from the New York Stock Exchange, CCA implements a 1-for-10 reverse stock split in May 2001.

November 26, 2000

Greg Palast begins his investigative reports on how the Florida elections were rigged with the help of cleansing hundreds of thousands of votes from the Florida roles on the pretext

of their criminal records. It appears that hundreds of thousands of Afro-Americans have been disenfranchised. (see www.gregpalast.com Columns on Theft of Presidency)

Dec-00

Fitts receives a tip that alleges that Gore's staff and brother-in-law were key players in the targeting of Hamilton — specifically, Quinn, Fabiani, Lehane and Hunger. Fabiani and Lehane both attended Harvard Law School, as did Howard Glaser, Cuomo's counsel. Fabiani is reported in campaign coverage to be a former Deputy Mayor of LA. A review of legal documents indicates that Hunger appears to have been the lead attorney in the DOJ Civil Division until his resignation from DOJ in the spring of 1999. The Washington Post in November 2000 has suggested on a possible Gore transition that Hunger is a likely candidate for Attorney General, describing him as Gore's "closest confidant." This raises the possibility that Hunger, Cuomo and Gaffney were cognizant that their efforts to destroy Hamilton and to falsify evidence and smear the firm would have led to a major fundraising scandal regarding Goldman and PNC at the same time that the Presidential impeachment process was under way. Qui Tam transcripts unsealed this month add to the growing evidence that all parties understand that the allegations were not true.

12-Dec-00

National Mortgage News reports that HUD's Office of Multifamily Housing Assistance Restructuring has struck a deal with AIMCO, a large apartment real estate investment trust in Denver, to expedite the restructuring of its properties receiving federal rental subsidies.

13-Dec-00

US Supreme court rules that George W. Bush is the President, despite the fact that he lost the presidential election. Later Greg Palast proves that the Florida elections were fraudulently fixed to produce a Bush victory.

4th Quarter, 2000

Cornell Corrections stock craters.

15-Dec-00

Hamilton receives a FOIA response from an Assistant General Counsel in the FOIA division in reply to an August 7, 2000 request

21-Dec-00

Hamilton files its reply to the Motion to Dismiss the Hamilton lawsuit against Ervin in the US District Court for DC (Judge Oberdorfer), including an affidavit by Catherine Fitts providing the Hamilton side of the story and an affidavit, declared under penalty of perjury, by Jeff Parker of Cargill, Inc., an alleged source for key Ervin allegations of insider trading. The affidavit states, "During that period in 1995, I spoke with Terry DeWitt at J-Hawk regularly, I have no recollection of stating that Hamilton Securities encouraged the Goldman/BlackRock/Cargill bidding group to raise its offer to \$0.74, or any other figure, to win the bid. Approximately six months ago (around April or May 2000), John Ervin contacted me by telephone.... He asked me to confirm the statement that I allegedly made to Terry DeWitt, and I told him that I had not recollection of that comment. I have no knowledge that anyone at Hamilton provided information to the

Goldman/BlackRock/Cargill bidding group or to anyone else during the single-family No. 1 loan sale".

December 2000

Louis V. Gerstner retires from the chairmanship of IBM.

2000/01

David Shippers book on the impeachment illuminates efforts by Cisneros and HUD to asset Gore and Elaine Kamark with the use of INS to create Democratic votes in 1996 campaign, including gaining help from a group in LA. No mention is made of the INS attorney who disappeared at the same time that Hamilton's office was seized and the former White house intern was assassinated.

3-Jan-01

Hamilton receives a call from the HUD contract manager for the Lockheed contracts. She reports that, in response to Hamilton's FOIA request for a copy of subcontracts with Dyncorp under Lockheed's prime contract with HUD, she had requested a copy from the prime contractor. The prime contractor would not provide a copy to HUD. She also stated that she had no knowledge of a Dyncorp contract with the HUD OIG or where copies of OIG contracts are held. She reported, however, that the HUD OIG probably used a contracting vehicle with another agency, given the "relationship" between HUD and the HUD OIG. She said that a contract manager at HUD for a GSA master contract with a HUD task order would ordinarily have a copy of the master contract, since HUD issues the task order thereunder.

2001 Ariel Sharon is elected Prime Minister of Israel

4-Jan-01

DAVID SHUSTER, FOX NEWS: Senior staff working for Attorney General Janet Reno have threatened to fire an independent counsel investigating a possible cover-up at the Justice Department, Fox News has learned. Independent Counsel Dave Barrett led the investigation of former Clinton housing secretary Henry Cisneros, who admitted lying to the FBI. According to sources, for the last 10 months Barrett has been presenting his grand jury with new evidence alleging that officials at the Justice Department improperly tried to influence actions by the Internal Revenue Service. Barrett was warned by senior Justice Department officials to halt his investigation . . . During his investigation, Barrett uncovered evidence of possible tax fraud by Cisneros. But Justice Department officials, along with the IRS, said that aspect of the Cisneros record was beyond the independent counsel's jurisdiction. After looking at the evidence themselves, the Justice Department and IRS both refused to pursue the matter. According to well-placed sources, last year a top lawyer within the IRS alleged that senior Justice Department officials were attempting to protect Cisneros.

Jan-01

SBC Communications, a Carlyle client, wins FCC approval to offer long-distance phone service in Texas, Oklahoma, and Kansas, after the Justice Department had rejected the

company's request. The approval is given on the last day of FCC Chairman William Kennard's tenure. Three months later, Kennard is given a job at Carlyle.

4-Jan-01

The scheduled bid date for the HUD multifamily and health care note sale, which originally had been scheduled to go up for bid in November, 2000. Members of the loan sales team include Secured Capital as Multifamily Transaction Specialist (Financial Advisor) and Williams, Adley as Due Diligence Contractor. As of January 26, no posting on the HUD website announced the completion of the bid offering. The sales brochure indicates that potential bidders may review the Asset Review Files by appointment at a computer network system located at a Washington, DC due diligence facility scheduled to open on October 25 or may purchase the files on CD. Bidders were permitted to bid on any combination of loans. The sales brochure anticipated that the size of the portfolio to be offered was \$800 million UPB.

Unknown Date to be determined

In the government's Memorandum of Points and Authorities in Support of Defendant's Motion to Dismiss and for Summary Judgment in the FOIA appeal case, filed in camera, the following statement is made, redacted in the original version provided to Hamilton:

"Subsequently, on June 6, 1996, pursuant to 31 USC 3729 et seq. a qui tam complaint, which is referenced above, was filed under seal in this Court. About a month later, the Civil Division of the United States Attorney's Office for the District of Columbia contacted the HUD OIG and requested the OIG's assistance in investigating the allegations in the qui tam action. Thereafter, the OIG commenced an investigation." This is interesting in light of the representation in an August 16, 1996 filing in the qui tam action, where the government states that based upon the relator's statement of material evidence supplied to the government with the qui tam complaint and the allegations in the related Bivens action, the Inspector General of HUD opened an investigation and, as a result of that investigation, a referral of the allegations in the Bivens complaint was made to the Criminal Division of the US Attorney's Office for DC, which opened a criminal investigation in the matter.

8-Jan-01

Hamilton files a Supplemental Memorandum in support of Its Motion to Dismiss or, in the alternative, for Summary Judgment, which incorporates information obtained from the transcripts of the qui tam hearings, which have just been unsealed and transcribed.

8-Jan-00

Hamilton receives a call from the HUD FOIA office reporting that it finally has located the HUD/Dyncorp contract requested in an August FOIA request.

12-Jan-01

Ervin files a response to Hamilton's supplemental memorandum in the qui tam lawsuit.

January 15, 2001

Clinton creates the Federal Interagency Task Force on the District of Columbia and directs it to – in effect – complete the takeover of the District by the federal government.

After the Clinton Administration ends, Eric Holder joins Covington and Burling, Charles Ruff's firm. His Covington and Burling resume indicates that he is a long time member of

“Concerned Black Men, a group that seeks to help the youth of the District of Columbia with problems ranging from teenage pregnancy to sub-par academic achievement. He graduated from Columbia and Columbia law.

17-Jan-01

HUD Secretary Designate Mel Martinez testifies before Congress.

17-Jan-01

HUD issues a press release headlined "Success of HUD Management Reforms Confirmed by GAO -- Department Removed from High Risk List" It says "The General Accounting Office (GAO) has taken the Department of Housing and Urban Development off its "high risk" list as a result of significant management reforms set in place under Secretary Andrew Cuomo's leadership." In fact, GAO removed the Community Planning and Development Office from its high risk list but affirmed the high risk status of HUD's Single Family Mortgage Insurance and Rental Housing Assistance Program ---approximately 75% of HUD's financial responsibilities. The release also highlights the Department's achievements while Andrew Cuomo served as Secretary, including "The HUD Office of Inspector General issued the first clean audit of HUD's financial statements in the Department's history in March 1999. This means that for the first time, the Department's financial statements are in complete compliance with all applicable federal requirements." It does not mention that HUD failed to produce audited financial statements for the 1999 fiscal year as required by law and that the Inspector General had testified before a Congressional Committee that \$59 billion was unaccounted for during 1999. It quotes Congressman Jim Leach (IA), former Chair, House Banking Committee, "Some years ago there was a movement among some to abolish the Department of Housing and Urban Development. Led by Secretary Cuomo and supporters in Congress, that initiative was turned back. Most importantly, HUD now is considered an agency that's on its feet, doing well, and doing wonderful public service for people in the housing and urban development arena."

19-Jan-01

Outgoing President Clinton issues a series of pardons that include Marc Rich and Henry Cisneros.

19-Jan-01

David Kass, HUD Deputy Assistant Secretary for Congressional and Intergovernmental Affairs, sends a nearly identical letter of response to inquiries from Senator Robb's office on behalf of two Solari employees. Regarding the Court of Claims case, he states, "The parties have raised several complex legal issues that bear on their entitlement to recovery and the scope of damages recoverable. Until the rights and liabilities of the parties are adjudicated by the court, final disposition of any monies withheld (and any additional moneys owed by Hamilton to the Government) would be premature. Moreover, the Government's decision not to participate in the Ervin litigation does not resolve the issues pending before the Court of Federal Claims since these are unrelated to the Ervin allegations." No explanation is given as to why the Office of Procurement Contracts purported to deny Hamilton the right to convert certain contract receivables to a claim, explaining that HUD and Hamilton had not reached an "impasse" regarding these amounts. The conversion of receivables to a claim is required before Hamilton can sue for such amounts or is entitled to interest on such amounts under the Federal Acquisition Regulation.

David Kass also sends a letter to Congressman Clement's office that says that PD&R never did a study of the \$3.8 million optimization error. This is not a truthful statement.

20-Jan-01

George W. Bush is inaugurated.

Jan-01

The Washington Post reports that Cuomo has announced his race for New York Governor and that the announcement was moved from the home of the ex-wife of Marc Rich to a Kenneth Cole store due to the controversy around Marc Rich's pardon. Cuomo is expected to run against Carl McCall, NY State Comptroller, in the Democratic primary.

31-Jan-01

Hearing in front of Judge Oberdorfer in the US District Court for DC on the Hamilton and Williams, Adley motions to dismiss qui tam lawsuit and Ervin's motion to dismiss the Hamilton v. Ervin lawsuit.

Feb 2001

George W. Bush, a month into his presidency, reverses America's policy of diplomacy toward North Korea, angering North and South Koreans alike, and threatening Carlyle's extensive investments in the region.

1-Feb-01

Susan Gaffney, HUD IG, issues a memo to all OIG employees entitled, "Final Disciplinary Actions for 2000" documenting wrongdoing by the HUD OIG staff. This document sets forth the charges made in connection with 20 reprimands, six suspensions and four "removals." The infractions by OIG personnel include making false statements, misuse of appropriated funds, altering prices, misuse of government monies and funds, use of government computers to access internet pornography and unauthorized contracting and violation of federal procurement regulations.

5-Feb-01

In accordance with Judge Oberdorfer's request at the January 31 hearing, Ervin's counsel submit to the court a "Timeline of Karen Burstein Letter" and a "Chris Greer Timeline." The judge rules before Hamilton has an opportunity to dispute certain inaccuracies in and omissions from the timelines.

9-Feb-01

Judge Oberdorfer issues rulings (1) denying Ervin's motion to dismiss Hamilton's case against it and (2) denying Hamilton's and Williams Adley's motions to dismiss the qui tam lawsuit. In the latter order, the judge includes a footnote "Discovery may lead to evidence of pre-filing law enforcement actions and public disclosure not now on the record." According to the order, Ervin's allegations that Hamilton "provided false invoices to the government to support exaggerated cost estimates" on their face allege an adequate level of specificity in order to justify not dismissing the claims. However, nowhere in the order does the judge mention Ervin's allegations of bid-rigging and insider trading. With respect to Hamilton's

suit against Ervin, the judge states that, "Hamilton may be able to prove that Ervin's wrongful actions did cause HUD's cancellation [of Hamilton's contract]." And "If Hamilton proves that John Ervin acted with malice or improper purpose outside the scope of his employment, he may be liable personally in tort."

9-Feb-01

Kelly O'Meara's story "Cuomo Leaves HUD in a Shambles" in *Insight Magazine* is released on the magazine's website. Among other things, the article reports that Cuomo had engaged in "mendacity" in stating that HUD's high risk rating by GAO had been dropped.

2001

From *The Private Prison Industry*, Paul Wright, Prison Nation, p. 137, -- "After the private prison industry almost imploded in 2001 due to poor management, scandal and financial chicanery, the federal government rescued the industry from collapse through sweetheart contracts and subsidies.

March 2001 Kelly O'Meara/Insight Magazine publishes "Cuomo leaves HUD in shambles."

May 2001 Mediation begun on Qui Tam and Hamilton vs Ervin & Consolidated Cases with DOJ and Hamilton E&O Carrier AIG-Lexington

April –September 2001 John Berlau/Insight Magazine publish six stories on Charles Rossotti, former Chairman of AMS, who has become IRS Commissioner and –along with his wife--is continuing to keep AMS stock (Between \$16MM-80MM worth – all thanks to a waiver from White House provided by Eizenstat) while the IRS is giving more contracts/task orders to AMS and hiring more AMS employees and clients. This means that Rossotti is making money from AMS being kept on after \$59 billion is missing from HUD. The stories mention:

- Rossotti worked as a whiz kid in McNamara's office of System Analysis (Pug Winokur was also a McNamara whiz kid)
- The IRS says that the agency signed three new contracts with AMS in 2000 that will pay the company more than \$17 million this year. (Rossotti had told Grassley's committee that he would divest his AMS stock if AMS did additional business with the IRS)
- Various problems that clients are having with AMS, and how the various people who hire AMS, then get hired by IRS.
- Rossotti's wife, Barbara, is a partner at Shaw Pittman which represented AMS in connection with the Mississippi lawsuit. Barbara Rossotti plays an active role in the lawsuit while her husband is at the IRS.
- During the mid-1990's the IRS engaged in what appear to be politically motivated audits.

May 21, 2001

John DeVault publishes his story "Convicted Swindler in City Housing Deals" about Scott Nordheimer's role in Mid-City Urban, Gene Ford's Bethesda real estate company despite his criminal record.

21-May, 2000

The May 21 Insight Magazine cover story is "Thankless Task" re the government's prosecution of Catherine Austin Fitts and Hamilton. The day after the story is posted on the Internet, World Net Daily picks it up and it is a top story on the Internet all weekend. The following Tuesday, Susan Gaffney, HUD IG, unexpectedly announces her resignation. The article notes that Gaffney has never looked at Ervin.

There is no mention that – as comes out later in depositions – Ervin is feeding Gaffney and DOJ equity skimming and other case – he estimates as approximately \$40MM worth.

May 22 2001

CCA announces that Sodhexo had reached an agreement to sell its CCA shares and Sodexho executive Jean Pierre Cuny has resigned from the CCA board of directors.

June 2001

Former President George H. W. Bush urges his son to reconsider his stance on North Korea, reminding him, among other things, of the US business interests in the Korea peninsula, George W. Bush subsequently reverses his policy toward North Korea.

June 2001

Kelly O'Meara/Insight publish "Inside HUD's Financial Fiasco" It describes AMS' sale of its Federal Financial System, now HUDCAPS to HUD in 1993 and support to HUDCAPS since for which AMS has been paid \$206MM. HUDCAPS is given as the reason that HUD refuses to publish audited statements for FY 1999 and is missing billions. The article states "AMS is managing to become the premier software company to the federal government." It's software is being employed in 65 federal agencies, including the Departments of State, Defense, Treasury (including the IRS), Agriculture and the Interior, as well as the US Customers Service, the GAO, OPM, SEC and the FDIC. The story discloses that AMS is having trouble with state clients. Including Kansas and Mississippi. Mississippi is suing AMS.

In preparation for this article, Fitts helps O'Meara craft questions for the Acting Inspector General of HUD (Gaffney having resigned in May) O'Meara e-mails the questions to the IG's offices about the latest audit report. Approximately three hours later, the HUD IG's offices faxes Catherine's attorneys to notify them that all HUD IG investigations of Catherine are being dropped.

July 2001

Former President George H. W. Bush personally calls Crown Prince Abdullah of Saudi Arabia, reassuring the heir to Saudi Arabia that his son is "going to do the right thing" and "his heart is in the right place." The call is in response to George W. Bush upsetting the Saudi prince with his policy toward the Israeli-Palestinian conflict. It also helps protect Carlyle's extensive business in the region.

July 2001

Kelly O'Meara/Insight publishes "A Financial Fiasco in the Making,"

July 30 2001

Paul Rodriguez/Insight Magazine do a follow up to their May cover story 'Thankless Task', describing HUD's closing with prejudice the five year investigation of Hamilton Securities. The article states: "The decision of HUD's Office of the Inspector General to close the case followed by weeks an investigative cover story by Insight that explored details of this affair many insider both HUD and the Justice Department regarded as a political vendetta against Fitts."

Summer 2001

Defense subcommittees fail to report out appropriations – the pig cannot get through the snake. Bush supporters want payback after the election. Senator Byrd speaks openly of the missing money issue.

Newhouse News Service publishes "Pentagon's Unreliable Bookkeeping stands as obstacle to Bush Reforms." – indicating the problem Bush will have getting money for upgrading military.

June 2001

Queen Elizabeth II confers an honorary knighthood on Lou Gerstner, retired chair of IBM and RJR Nabisco.

June 22, 2001

Resident group of the Arthur Capper and Carrolsburg Dwellings, located near Capital Hill and the Navy Yard in Southeast Washington, along with supporters from other public housing projects and the broader community, file a request with HUD that HUD refuse a bid for a Hope VI grand from DCHA and Mid-City Urban. Mid-City and its various affiliates are lead – as a practical matter – by Scott Nordheimer, who has a felony record. (DCHA Tenants ask to Manage Complex by John DeVault, July 2, 2001, Common Denominator.)

July 17, 2001

The Federal Retirement Thrift Investment Board files a lawsuit against AMS. AMS is now experiencing also a lawsuit and investigation in Ohio and Vermont. Last year they settled a lawsuit for \$185MM with Mississippi – all over their financial software.

The pile on of lawsuits and bad press causes AMS to lose significant stock market value and to later be sold in two pieces – one to CACI, the leading provider of GIS software and place based data to the US government. (Richard Secord is a former board member?) CACI is the contractor providing litigation support to the DOJ commercial litigation branch handling the litigation. CACI is later implicated in the torture at Abu Grahbi.

July 17, 2001

An action brought by the European Union against RJR Tobacco and its affiliates under RICO statutes relating to cigarette smuggling is dismissed by the US District Court for the Eastern District of New York. The EU requests reinstatement in August which is denied in October. After appears, the EU petitions the US Supreme Court on April 2004. In the meantime, the EU files a separate complaint with ten member states on October 30, 2002.

(See Notes to Consolidated Financial Statements, Reynolds American 2004 10-K, dated May 19, 2005)

August 1, 2001

Darby Overseas Investments issues press release: “Calling hard times the right time to step up investments in Latin America, former US Treasury Secretary Nicholas F. Brady, father of the “Brady Bond” bailout of the region a decade ago, on Wednesday unveiled a new technology venture company with backing from IBM and Comcast....Partners in the venture include.....Bechtel....Darby is working with IBM to set up technology service centers in four cities around the region to provide entrepreneurs with all the equipment and office services required to nurse new ventures to life....In addition to its equity stake, IBM will act as the preferred supplier of hardware and software to Darby.

August 2001

Cornell Companies announces the completion of a sale/leaseback deal under which it transferred ownership of 11 of its facilities to a shell corporation called Municipal Corrections Finance, LP, created by Provident Foundation, a not for profit founded by former Shearson Lehman and Dillon Read municipal bond officer, Joe H. Torrence, Baton Rouge bond lawyer, Steve Hicks who had served as a member of the national finance committee for the Clinton Gore campaign in 1992. Other board members were Thomas H. Hudson, former chief of staff to US Sen. John Breaux of Louisiana and a partner in the Washington office of the law firm Brownstein, Hyatt & Farber as well as Dan Hall III, first vice president of private-client investment in UBS Paine Webber in Atlanta. (UBS is the Swiss bank that bought Swiss Bank Corporation, the bank that bought Dillon Read.) The deal yielded approximately \$173 million that Cornell used to pay off debt. At the time, the former Cornell CFO Steve Logan is now Chairman and CEO of the company. Logan is a former employee of Arthur Anderson, Cornell’s auditor. Cornell pays Lehman a \$3.7MM retainer. Lehman also gets financing fee, including \$2MM for selling the bonds. – then arranges a \$8.2MM limited partnership investment by Lehman. Logan cuts a side deal with the Lehman financed Municipal Corrections Finance which compromises the off balance sheet treatment when it later becomes known.. The Lehman fees are significant.

News of the deal when it was pending drove Cornell’s stock to new highs. Cornell’s shares, which had traded for as little as \$3.50 in the fourth quarter of 2000, were trading for more than \$17 a year later. In November 2001, Cornell sold another \$3.4 million shares with Lehman collecting a \$2.2 MM fee per SEC documents. Although publicly traded, Cornell stock is held by relatively few investors. As of March 31, there were only 34 common stockholders of record. Among them were Mr. Logan and a group of private investment funds based in Cayman Islands and Bermuda.

(Charity Lends a Hand to Prisons with Murky Off the Books deals by Joseph T.Hallinan, Wall Street Journal.)

September 2001

American Prospect publishes “Bailing out Private Jails” by Judith Greene, republished in Prison Nation, page 138:

“By 2000, not a single state solicited private prison contracts. Many existing contracts were rolled back or even rescinded. The companies’ stock prices went through the floor... Moreover, the financial advantage that may have been most attractive to state legislators-- the private companies ability to construct prisons unhindered by public debt limits or by the need to get voter approval for bonds – has turned out to be the industry's downfall. From 1991 to 1998, according to Charles Thomas's data (unfortunately, the only data available), the growth in private adult prison beds averaged 36 percent per year. But with the states pulling back from the trouble plagued facilities and Wall Street reacting even more strongly to the deaths and scandals, the companies have found themselves overleveraged and undercapitalized. CCA, for example, built new prisons “on spec,” assuming that contracts to fill them would follow, and by my estimate the company had more than 8,500 prison beds standing empty in 2001. The firm came close to a financial meltdown: its stock lost 93 percent of its value in 2000 and its accountants reported a fourth quarter loss of more than a third of a billion dollars. ...A national wave of student protests on college campuses last year forced Sodexho Alliance, CCA's largest corporate shareholder, to divest its shares.

First Week of September 2001

Jerry Hawke does not return Catherine Austin Fitts’ phone call. His secretary later tells CAF that he told her that he had returned the call.

Catherine tells Kelly O’Meara who is working on a cover story for September on the \$4 trillion missing from the US government, “nothing can stop this story from going mainstream now.”

September 3, 2001

Kelly O’Meara/Insight publishes “Rumsfeld Inherits Financial Mess.”

September 10, 2001

Rumsfeld is asked about the missing money at a press conference.

September 11, 2001

WTC & Pentagon Attacked/Bombed while Air Force Stands down 3 or 4 times. Event is used as justification to go to war in the Middle East and pass the Patriot Act.

The attacks would lead to a massive increase in defense spending. A week after the attacks, Anthrax-laced letters are found throughout the East Coast, leading to heightened fears, and unexpected new contracts for Carlyle companies. (The Iron Triangle) This included IT Group, a Pittsburgh, Pennsylvania environmental and hazardous waste cleanup specialist that Carlyle owned 25 % in. At the time of the anthrax attacks, IT was in bad shape and on the verge of declaring bankruptcy. In the wake of the anthrax attacks, IT Group has scored a number of clean up contracts, including the Hart Senate Office Building and the Trenton postal facility as well as winning contracts with GSA, the Army Corp of Engineers, and others. However the company still did not make it.

Carlyle also benefited through USIS – US Investigations, United Defense and others. Their real estate funds later appear to be active in NY.

The day of the attack, Carlyle is having a meeting with their networks and investors in Washington, including the Bin Laden family.

The day before the attack, Rumsfeld is grilled at a press conference about money missing from Pentagon.

Greatest unanswered questions of the event is who got the money missing from the US government and what was the change in inventory of the vaults of the COMEX, the NY Fed and other storage places below Wall Street before and after. The Life and Times of Henry Kissinger later describes the headline on Kissinger and the Pinochet case on September 11 and shows a video clip of Kissinger's visit to ground zero with Gulliani – looking exceptionally pleased.

2001

John Birkelund's trusteeship at Brown University (since 1984) ends after 17 years.

September 17, 2001

Fitts publishes Cui Bono? In Narco News

Kelly O'Meara/Insight Magazine publishes Total Lack of Trust about money missing from Indian Trust Funds at Interior.

October 2001

Carlyle is forced to liquidate its holdings from the Bin Laden family as news reports of the company's association with the Bin Laden family grow in the press. (The Iron Triangle)

October & November 2001

Fitts publishes Narco Dollars for Dummies in Narco News in three parts. The hits and republications are significant and the article is translated into numerous languages.

October 22, 2001

United Defense, maker of the Crusader, with lead investor Carlyle, files its S1 with the SEC. It listed the following reasons for selling shares to the public:

- The US defense budget submission for fiscal 2002 reflects an 11% increase over 2001.
- Defense procurement and development accounts are growing proportionately with overall national security spending and are expected to continue growing in the near future.
- The Bush administration's recently published Quadrennial Defense Review calls for retaining the current force structure and increasing investment in next generation technologies and capabilities to enable US military forces to more effectively counter emerging threats
- The terrorist attacks of September 11, 2001 have generated strong congressional support for increased defense spending.

(The Iron Triangle)

October 22, 2001

John DeVault publishes "Metro Miscue" about Scott Nordheimer role in receiving millions of federal and DC tax dollars despite his felony record.

Kelly O'Meara/Insight Magazine publish Wasted Riches, with table on how much money is missing per person by state.

October 22-00

Alliance Capital Management on behalf of the Florida pension fund (Jeb Bush governor) buys 2.2 million Enron shares after October 22 when it was announced that the SEC was investigating Enron. The American Federation of State, County and Municipal Employees (AFSCME) AFL-CIO reports that the total loss by the Florida State Pension Fund was \$335 million. Nation wide, AFSCME's 1.3 million members lost more than \$1.5 billion of their retirement assets as a result of the Enron scandal through their participation in the 150 public pension systems.

October 25, 2000

FOIA of Ginnie Mae (HUD) by Solari shows October 1998 awards of sole source contracts to Ervin & Associates, Asset Strategies and Grace Morgan's company, Touchstone. It also shows big contracts with Chase Manhattan, Arthur Anderson, Williams Adley, KPMG, Price Waterhouse, Huntoon Williams, CIT (for manufactured housing servicing), Deloitte, & Ernst & Young.

October 30, 2001

Cornell Corrections files an offering statement with the SEC lead by Lehman Brothers, Jefferies & Co, First Analysis Securities and Fidelity Capital Markets to sell 3,000,000 shares of common stock.

The offering document shows:

Adult Secure Institutional Facilities 7313 (Service capacity or beds or heads)

Juvenile Treatment, Educational and Detention Facilities 1,838

Juvenile Non Residential 2,333

Pre-Release Residential 1997

Pre-Release Non Residential 1,760

Total 15,241 (69 facilities) Of this amount 4,601 are in Pennsylvania...or 30%

The last reported sale as of October 26 was \$17.90 a share. Common stock to be outstanding after the offering will be 12,430,790 shares. Assuming 9,430,790 shares before the offering, Cornell's market valuation is \$168.811MM

Or \$11,075 per service capacity.

November 2001

Catherine Austin Fitts publishes The Myth of the Rule of Law with Sanders Research and presents the paper at their Annual Conference in London.

November 30-00

Alliance Capital Management on behalf of the Florida pension fund (Jeb Bush governor) sells all 7.6 million Enron shares, two days before Enron declares bankruptcy. One of Alliance's executives, Frank Savage, is a board member of Lockheed Martin, lead HUD contractor, and Enron.

December 2001

Enron files for bankruptcy.

Carlyle takes United Defense public after newly approved defense spending temporarily secures the Crusader's future. The company earns \$237 million in one day on the sale of shares, and on paper made more than \$800 million.

Kelly O'Meara/Insight Magazine publish Bureaucrats Circle Their Wagons about monies missing from the Indian Trust funds at Interior.

December 2001

Fitts is attacked viciously by a consortium of Soros-funded War on Drugs groups, lead by Sanho Tree. The result is to ensure that many of the anti War on Drugs players will not work with Solari or look deeply at the economics.

January 2002

Scorpio Partnership Survey confirms UBS as the largest private bank in the world in 2001 with \$433.5 billion in assets under management, up from \$416 billion in 2000.

January 2002

Catherine Austin Fitts agrees to present the thesis of Narco Dollars on the New York Times Policy Forum. In short order, Milton Friedman living in San Francisco, a member of the Hoover Institute, with George Schultz, agrees to participate on the debate. When the audience supports Fitts, he leaves early in a huff.

Early 2002 George Schultz along with Lockheed executive Bruce Jackson set up Committee for the Liberation of Iraq, including Perle and Woolsey

January 8, 2002

Dan Briody publishes "Carlyle's Way – making a mint inside the "iron triangle" of defense, government and industry, in Red Herring. It is later to involve into a book.

January 29, 2002

Donald Rumsfeld confirms on CBS News " According to some estimates we can not confirm \$2.3 trillion in transactions." This is the same number as the FY 1999 undocumentable transactions at DOD.

February 6, 2002

...Cornell Corrections.... said it was examining its off balance sheet transactions and that its past financial reports, which had been audited by Arthur Anderson, might have to be revised. Cornell's shares fell 43 percent on the news.

Market Watch: Scandal's Ripple Effect: Earnings Under Threat by Gretchen Morgenson, NY Times – on the impact of the Enron bankruptcy and scandal—including Enron's auditor Arthur Anderson (also the auditor of Cornell Corrections, Wackenhut and CCA) on the market.

January 14, 2002

Kelly O'Meara/Insight Magazine publishes "DynCorp Disgrace" regarding sex slavery and pedophilia engaged in with the Serbian mafia by DynCorp employees, including the official site supervisor, in connection with its contract in Kosovo as described by a former employee of the company who has filed a RICO lawsuit against the company. The article includes quotes from US Army Criminal Investigation reports that document key allegations. Allegations about poor performance and negligence on aircraft maintenance by DynCorp are frightening. The article mentions another lawsuit regarding DynCorp employee involvement in sex slavery in connection with a peacekeeping contract through the UN in Eastern Europe.

DynCorp keeps its contracts.

Despite the Magazine with this cover story being delivered to every member of Congress and being e-mailed to heads of Information Systems and many contracting officials government wide, shortly thereafter DynCorp is awarded a contract by State to run IT systems for consulates and embassy's worldwide and a large contract by Navy.

2002 Kevin Pranis in "Campus Activism.." Lehman brothers is trying to pull off the biggest ever private prison financing bailout by helping CCA refinance a \$1 billion credit agreement. (Refers to Lehman's earlier special purpose entity for Cornell Corrections that netted the prison company \$217 million in additional capital.)

Feb-April 2002

Catherine Austin Fitts does a series of radio shows "Enron--Anatomy of a CoverUp" with Dennis Bernstein of KPFA Radio, culminating with a national show played in Washington. Fitts continues to ask about the missing money from HUD and the fact that all the people running HUD, including Arthur Anderson, were running Enron. Immediately after the national show, an additional amount to broker a settlement is offered which Fitts declines. Subsequently, Arthur Anderson is indicted.

Arthur Anderson was the Hamilton auditor that appears to have attempted to defraud Fitts and Hamilton in connection with Franklin National Bank's alleged plan to steal Hamilton tax return proceeds as part of fraudulent management of the Hamilton accounts. He signed on as Hamilton's auditor after Price Waterhouse drops in 1996 as part of the effort to target Hamilton. At the time, Arthur Anderson is auditor to Wackenhut, Cornell Corrections, DynCorp, Enron, CCA, NHP and WMF and has large contracts at HUD – where Kemp had promoted their use – at one point trying to engineer them in as auditor.

Arthur Anderson was headquartered in Chicago.

The introduction to Arthur Anderson's audit team in 1996 was made by a Susan Winn, whose husband is the managing partner of (I thought it was Morgan Lewis) in Washington. As of 2005, he is at Ballard Spahr. Both Morgan and Ballard are Philadelphia firms.

Allan R. Winn | *Partner*

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Additional Practice Areas

[Bankruptcy, Reorganization and Capital Recovery](#)

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Licensed To Practice In

District of Columbia 1974

New York 1969

Education

Cornell Law School J.D. 1969

University of Rochester A.B. 1966

Allan R. Winn is a partner in the Real Estate Department and Managing Partner of the firm's Washington, D.C. office. Mr. Winn is a member of the Bankruptcy, Reorganization and Capital Recovery Group, Housing Group, Securitization Group, and the Transactional Finance Group. He heads the Washington Real Estate practice and concentrates in real estate finance and development, with an emphasis on commercial real estate finance, multifamily housing, and default loan situations. Mr. Winn has over twenty-five years of experience with HUD, Fannie Mae, FHLMC, and other secondary market programs. He represents a number of the nation's best known commercial and multifamily lenders and has frequently lectured and written in his areas of expertise.

Mr. Winn is a member of the American Bar Association and District of Columbia Bar Association.

Mr. Winn is a graduate of University of Rochester (A.B. 1966) and Cornell University (J.D. 1969)

Feb 25, 2002

Kelly O'Meara publishes "What Does it Take to Lose a Contract?" regarding Arthur Anderson's shredding of Enron Documents, the fact that Anderson has GAO reported gross contract revenues with the federal government of \$300 MM from 1996-2000, including

contracts which appear to be an umbrella effort to “standardize” government contracting offices and process government wide. Why has Arthur Anderson not been disbarred from doing business with the government? The article describes the expected POGO report that the to 43 contractors have accounted for 28 criminal convictions and are still doing business with the federal government.

February 26, 2002

DOD publishes independent audit report for Fiscal 2001, ending September 30, 2000 stating that DOD processed \$1.1 trillion in unsupported accounting entries to DOD component financial dates used to prepare departmental reports and DOD financial statements for FY 2000 and did not attempt to quantify amounts of unsupported accounting entries for FY 2001.

The report is signed by David K. Steensma, Acting Assistant Inspector General. The DOD Comptroller is Dov Zakheim, alleged by some to be an Israeli citizen.

March 7, 2002

Shareholders file a lawsuit against Cornell Corrections. The complaint alleges that Cornell issued false but favorable financial statements and made false and misleading statements about the Company’s business. As a result of these false statements, the stock traded as high as \$18.40. Defendants took advantage of this artificial inflation, selling 3.4 million shares for proceeds of over \$48 million in a November 2001 secondary offering.

March 18, 2002

Mediation closed and Oberdorfer issues scheduling order with trial scheduled for September 2003.

March 26, 2002

The US Supreme Court rules in HUD vs. Rucker that public housing authorities are permitted to evict tenants when they, their household members, or their guests are involved in illegal drug activity.

March 20, 2002 Ervin sells 51% of the Elmira Pioneers to a Japanese ownership group. Ervin’s son, Steve Ervin remains the EVP of managing company. The Japanese ownership group includes Phil Kramer, a Los Angeles attorney who is an expert in franchising and is general counsel to the Hispanic Franchise Foundation.

March 2002

Kelly O’Meara publishes “All That Glitters is Not Gold,” her first story about the manipulation in the gold market.

April 2002

Cynthia McKinney, a Democratic congresswoman from Georgia calls for an investigation into the September 11 attacks, point out the President's extensive ties with the Carlyle Group (The Iron Triangle) and describes Rumsfeld's testimony that confirmed \$2.3 trillion missing from DOD. This is an important confirmation of the missing money.

April 6, 2002

The Boston Globe reports that Pug Winokur will step down from Harvard Corporation's board in June to head off embarrassment over his ties to Enron. Harvard Watch's recent revelations regarding potential insider trading by Harvard's largest money manager Highfield's Capital who was a large short seller have gotten considerable press attention. In addition, Rubin has returned to the Corporation board and Larry Summers is now President of Harvard.

June 2002

Catherine goes on first speaking tour sponsored by KPFA radio in Berkeley – she speaks with Greg Palast and Dennis Bernstein in San Francisco and also speaks in Berkeley and in Nevada City.

In June 2002, Robert F. Stone Jr also retires after 27 years as a member of the Harvard Corporation board and the Corporations Senior Fellow since 1995. Stone was the leading light behind Harvard's oil and gas investments, which in recent years –if private equity -- were managed by Mike Eisenson and included Harken Energy. Stone is based in Greenwich, Connecticut, same as Pug Winokur. Enron was a large Harvard position managed through its largest (in terms of fees paid by Harvard)

April 8, 2002

Kelly Patricia O'Meara publishes Broken Wings about all the feedback she has gotten from current and former employees of DynCorp regarding grossly negligent and fraudulent conduct by DynCorp on federal contracts including air maintenance.

DynCorp keeps its contracts.

April 29, 2002

Kelly O'Meara/Insight Magazine publishes Government Fails Fiscal Fitness Test – about the ultimate cooked books at the federal government ---regarding the governments continued refusal to produce audited financial statements, money missing from DOD and HUD and increased profits reported by AMS for AMS.

May 2002

The Army is forced to investigate whether its own officials illegally lobbied Congress in support of the Crusader in the face of the program's cancellation. (The Iron Triangle)

May 2002

Group 4 Falck, a Danish company, merged with The Wackenhut Corporation. As a result, Group 4 Falck becomes the indirect owners of 12 million Wackenhut shares or 57% of undiluted outstanding shares.

May 14, 2002

NY Post, John Crudele, publishes “US Treasury Site Reveals Half Trillion Deficit.”

June 2002 Golden Jubilee of Queen Elizabeth II

June 11, 2002 George W. Bush names Joseph J. Grano Jr., Chairman and CEO of UBS PaineWebber to be chair of the Homeland Security Advisory Council. UBS is the world's largest private bank.

June 27, 2002

After settlement negotiations break down, US files complaint in qui tam against Harvard, asking Harvard and advisors to repay \$102MM in connection with advisory services provided in Russia in and around 1996 through US AID.

July 2002

NASDAQ has now lost 75% of its value since 2000 (USB website)

July 4, 2002

Catherine launches website re Congressman Van Hilleary's campaign for Tennessee Governor and the missing money.

August 2002

United Defense issues an official press release announcing the cancellation of the Crusader program. The same press release announces the awarding of a new contract for United Defense to build another gun for the Army, effectively replacing Crusader. (The Iron Triangle)

August 2002

Catherine publishes “Software that Steals: Mortgage Market UnAnswered Questions – Hitting on HUD”

November 2002

Lou Gerstner, former RJR Nabisco CEO under KKR and former IBM Chairman, is hired as Carlyle's chairman. The move is characterized by many in the media to change Carlyle's image from a defense oriented buyout firm to a more traditional private equity firm. Frank Carlucci stays on as Chairman Emeritus.

November 1, 2002

HBO starts their Soprano series on HUD single-family fraud, like that shown in the maps of Central LA from Community Wizard. The first is titled, “Scamming the Feds.” HBO is owned by Time Warner – board members include Carla Hills and Franklin Raines.

November 1, 2002

Bill Moyers interviews Chuck Spinney from DOD who does a masterful limited hangout on the missing money. Spinney has managed – despite his working in the Office of the Secretary at DOD – to join the advisory board of SRA where he regularly attacks Catherine.

November 26 2002

The European Community, acting on its own behalf and on behalf of the member states it has power to represent, and the Kingdom of Belgium, Republic of Finland, French Republic, Hellenic Republic, Federal Republic of Germany, Italian Republic, Grand Duchy of Luxembourg, Kingdom of the Netherlands, Portuguese Republic, and Kingdom of Spain, individually, Member states, and together with the European Community, file a lawsuit against RJR Nabisco alleging participation/knowledge of the use of its cigarette products in criminal money laundering scheme and massive criminal money laundering since approximately the KKR buyout of RJR Nabisco and the assumption of RJR Leadership by Lou Gertsner, now Chairman of Carlyle Group.

The civil action is based upon violations of the Racketeer Influenced and Corrupt Organizations Act.

Excerpt: Introduction. For more than a decade, the RJR Defendants have directed, managed and controlled money-laundering operations that extended within and/or directly damaged the Plaintiffs. The RJR Defendants have engaged in and facilitated organized crime by laundering the proceeds of narcotics trafficking and other crimes. The Defendants knowingly sell their products to organized crime, arrange for secret payments from organized crime and launder such proceeds in the United States or offshore venues known for bank secrecy. Defendants have laundered the illegal proceeds of members of Italian, Russian, and Colombian organized crime through financial institutions in New York City, including the Bank of New York, Citibank, NA and Chase Manhattan Bank. Defendants have even chosen to do business in Iraq in violation of US sanctions in transactions that financed both the Iraqi regime and terrorist groups. The RJR defendants have, at the highest level, determined that it will be a part of their operating business plan to sell cigarettes to and through criminal organizations and to accept criminal proceeds in payment for cigarettes by secret and surreptitious means, which under United States law constitutes money laundering. The officers and directors of the RJR defendants facilitated this overarching money laundering scheme by restructuring the corporate structure of the RJR defendants, for example, by establishing subsidiaries in locations known for bank secrecy such as Switzerland to direct and implement their money laundering schemes and to avoid detection by US and European law enforcement.

This overarching scheme to establish a corporate structure and business plan to sell cigarettes to criminals and to launder criminal proceeds was implemented through many subsidiary schemes across the European Community. Examples of these subsidiary schemes are described in this complaint and include (a) Laundering criminal proceeds received from the Alfred Bossert money laundering organization, (b) money laundering for Italian organized crime, (c) money laundering for Russian organized crime through the Bank of New York, (d) the Walt money laundering conspiracy, (e) money laundering through cut outs in Ireland and Belgium, (f) Laundering of the proceeds of narcotics sales throughout the European Community by way of cigarette sales to criminals in Spain, (g) laundering criminal proceeds in the UK, (h) laundering criminal proceeds through cigarette sales via Cyprus and (i) illegal cigarette sales into Iraq.

Feb 2003 Space Shuttle Columbia breaks apart during descent upon landing

Feb 2003 Catherine goes to California for the Magic and Money tour with Caroline Casey

SRA publishes The Real Deal about Enron, an interview of Catherine by Daniel Armstrong.

February 12, 2003

Bob Dole, former Senate Republican Leader, joins Alston & Bird, the leading Atlanta law firm. Dole's wife, Elizabeth Dole, is a Senator from North Carolina, home of RJ Reynolds.

November 18, 2003

Wackenhut Corrections changes its name to The Geo Group, Inc. per their agreement with Group 4 Falck. US and Britain invades Iraq

April 2003

Wackenhut Corrections enters into an agreement to repurchase all 12 million shares of their common held by Group 4 Falck, its majority shareholder. Lehman advises Group 4 Falck. It completes the transaction in July. On July 2, it completes the sale of its 50% interest in Premier Custodial Group Limited to its former joint venture partner in the UK, Serco Investments Limited, thus providing Wackenhut Corrections with the opportunity to pursue further growth.

During 2003, Lehman Brothers leads a deal in which Wackenhut CC issues \$150MM in notes.

April 11, 2003

FTW publishes "Where is the Money?" when Catherine, Henri Poole and Brad de Graf launch the Where is the Money website and petition.

Kelly O'Meara publishes "New DynCorp contract draws Scrutiny" about \$500MM award in Iraq to run police, courts and prisons to offshore subsidiary of DynCorp.

April 2003

Catherine publishes CSC DynCorp and the Economics of Lawlessness

April 18, 2003

Kelly O'Meara/Insight Magazine publishes HUD's Financial Woes Continue in response to the release by the GAO of a report on how HUD is doing to get its financial management systems in order. Essentially, HUD systems still do not work and it is still dependent on AMS.

Spring 2003

SRA Conference in London. Both Kelly and Catherine get sick – have horrible time. Catherine presents Solari and the Rise of the Rule of Law. Chuck Spinney attacks Catherine repeatedly and viciously. Kelly writes "Us the US Going for Broke" about the conference which publishes in July.

May 18, 2003

San Francisco Chronicle publishes "Military Waste Under Fire - \$1 trillion Missing"

July 2003

US Department of Justice, Office of Justice Programs, publishes their Bureau of Justice Statistics Bulletin, "Prisoners in 2002." (revised 8/27/03) It describes the total number of prisoners under the jurisdiction of Federal or State adult correctional authorities at yearend 2002 was 1,440,665. Overall, the US incarcerated 2,166,260 persons at yearend 2002 or the equivalent of 1 in every 143 US residents. The largest system is the federal system with

163,528 prisoners, the next is California with 162,317 prisoners and the next is Texas with 162,003 prisoners. This total represents 1,361,258 in Federal and State prisons, 16,206 in territorial prisons, 665,475 in local jails, 8,748 in facilities operated by or for Bureau of Immigration and Customs Enforcement (formerly INS), 2,377 in military facilities, 1,912 in jails in Indian country and 110,284 in juvenile facilities. This compares to total incarcerations in 1995 of 1,585,586. Since 1995, the rate of growth of women in State or Federal prisons has been 5.2%, higher than the average 3.5% increase in the male inmate population. By yearend, 2002, women accounted for 6.8%. Over a third of female prisoners were held in the 3 largest jurisdictions – Texas, the Federal system and California. At the end of 2002, 31 states and the Federal System reported 93,771 prisoners held in privately operated facilities. Private facilities held 5.8% of all State prisoners and 12.4% of Federal prisoners.

From Wikipedia, Prisons in the United States:

In 1990 the total prison population numbered only 773,905 (DOJ sited)

1 out of every 143 US residents is in prison in 2002 or roughly 699 out of every 100,000 Americans. The prison population in China is 111 per 100,000 in 2001 (sentenced prisoners only). In England and Wales, the rate is 139 persons. In Norway, it is 59 per 100,000.

July 2003 Jamie Gorelick joins Wilmer Cutler as a partner.

2003 CCA celebrates its 20th Anniversary

2003 Kathleen Hawk Sawyer, who began her career with the Federal Bureau of Prisons in 1976 as a psychologist at FCI Morgantown WV, retires as Director of the Federal Bureau Prisons, a position she has held since 1992.

2003 Richard Grasso Chair and CEO of NYSE resigns over an outcry over his pay and retirement package

September 2003 Qui tam trial is postponed

10-1-03 C. Douglas Dillon dies

10-1-03

Franklin Resources, Inc. completes acquisition of Darby Overseas Investments, Ltd.. 2005 Darby website list of clients includes IBM, Comcast, HJ Heinz, Hawaiian Electric, Prudential.

Hamilton files for Summary Judgment in the Court of Claims.

October 2003

Ervin's lead attorney, former DOJ qui tam specialist, withdraws from the case to return to HHS Fraud group. A new attorney, Joseph Hornyak of Sonnenschien, assumes the lead position on the case.

October 23, 2003

Sir George H. W. Bush resigns as a senior advisor to Carlyle as Catherine is working on the research for an "UnAnswered Questions re: Carlyle Group" She then puts the article on hold.

October 27, 2003

A Houston judge reverses the conviction of Edwin Paul Wilson and strongly criticizes the counsel at DOJ and SEC for intentionally misleading the courts in the case. This includes Stanley Sporkin who as General Counsel of the SEC played a significant role in the manipulation of documents to falsely prosecute Wilson. The court's ruling states that the government lawyers "knowingly used false evidence."

October 28, 2003

Chris Sanders publishes *Where is the Collateral?*

October 29, 2003

Hamilton qui tam goes to trial. Ervin and his new attorney Joseph Hornyak of Sonnenshien Nath & Rosenthal present their case from October 29-November 3rd. The case is very weak. Oberdorfer is very frustrated with the waste of the court's time. On one day, Hornyak left the court room and sat on the floor in the hall with his head in his hands. Judge Oberdorfer gave 2 weeks for filing 52c motions in which Hamilton asked the qui tam be dismissed.

November 1, 2003

The Washington Post reports that the Department of Justice's Office of Professional Responsibility had opened an investigation in Sporkin and other attorneys alleged misconduct along with a group of attorneys at the CIA and DOJ>

November 6, 2003

From the Wilderness publishes "Fitts Fights Back"

November 18, 2003

Wackenhut Corrections changes its name to The Geo Group, Inc. per their agreement with Group 4 Falck.

Oberdorfer hears oral arguments on the 52c motions. After the oral arguments, Oberdorfer informs the court that he has been invited to help out in the Third Circuit (Philadelphia) Court of Appeals and is leaving and does not know when he will rule on the 52(c) motions. This is a stupefying development.

January 2004

Tom Scully and William H. Jordon (senior at DOJ) join Alston & Bird

March 24, 2004

Court of Claims issues a Memorandum Opinion denying Hamilton's motion for declaratory judgment and denying the Government's motion for summary judgment because the Court determined that Hamilton did not breach its contracts. The Court invited the government to amend its counterclaim.

March 30, 2004

The government declines to amend its counterclaim in the Court of Claims case.

April 19, 2004

Final judgment issued in Hamilton's favor in Court of Claims Case, no need for trial previously scheduled for April 14-22.

June 4, 2004

Request to John Hawke to help get paid a result of Court of Claims case; copies to Congress, no replies from any parties

June 14, 2004

Government's Motion for Reconsideration Denied in Court of Claims Case

March 28, 2004

As Oberdorfer denies Hamilton's summary judgment in the qui tam, to Hamilton's amazement and surprise, Hamilton's presentation of its case is scheduled for March 28, 2004. However, resumption of Ervin v. Hamilton on March 29 is postponed. The reason given is Judge Oberdorfer's health, later rescheduled for April 27, 2004

April 23, 2004

Resumption of Ervin v. Hamilton on April 27th is postponed, later rescheduled for July 15, 2004

July 8, 2004

Hamilton files a motion for summary judgment on Count IX, the remaining qui tam count related to allegations addressed in the Court of Claims decision.

July 12 2004

Russell T. Davis is appointed administrator for Rural Housing Service, an agency within USDA. Prior to the appointment, Davis was a senior policy advisor in the Office of Sallie Mae Oversight at the US Department of the Treasury. Prior to that time, he was a founder and senior management member at e-numerate, funded by William Diefenderfer and Carlyle Group. The former Chairman of AMS, Ivan Selin is the Chair of e-numerate. Darman is on the board. William Diefenderfer is a director of Sallie Mae.

July 15, 2004

The trial is reschedule for July 19-22. On one of the reschedulings, Hamilton's attorneys inform Catherine that Oberdorfer's daughter/daughter-in-law has been in a car accident.

July 19-21, 2004

Resumption of Ervin v. Hamilton Hamilton's attorneys do a first rate job – it is clear that Ervin has no case.

August 3 & 10, 2004

US District Court -- Both Hamilton and Ervin file Briefings of Facts and Summary of Law on August 3, responses on the 10th, and anticipate that the Judge will invite closing arguments at a date to be scheduled by the court. There is no timetable by which the Judge will issue the ruling thereafter

2004

Christopher Edley, Jr. becomes Dean and Professor of Law at the University of California, Berkeley, Boalt Hall law school. Edley was the at OMB from 1993-95 and then special counsel to Clinton, where he was a leader in helping to provide the budget mechanics supporting the Clinton Administration prison privatization initiatives, before returning to Harvard. From 1999-2005 Edley served on the US Commission on Civil Rights. He is a member of the Council on Foreign Relations.

His email address is edley@law.berkeley.edu,

Dr. Elaine Kamark is the Executive Director of Visions of Governance for The Twenty First Century, a new research program at the John F. Kennedy School of Government of Harvard University. She created with Al Gore and ran the National Performance Review for Al Gore from March 1993 for four and a half years. Council on Foreign Relations? Prior to joining the Administration, Dr. Kamark was a senior fellow at the Progressive Policy Institute. She is married to Martin Kamark, an investment banker.

Jamie Gorelick's current resume at Wilmer Cutler notes that she is on the Board of LISC, Harvard's Board of Overseers, member of the Overseers' Visiting Committee to Harvard Law School. She is a frequent lecturer on corporate governance and business ethics and was the 2004 Raytheon Lecturer on Business Ethics at Bentley College. She was a member of the CIA's National Security Advisory Panel and a member on the National Commission on Terrorist Attacks Upon The United States. Her list of represented corporate clients includes Lockheed Martin. Prior to joining the Defense Department as General Counsel she was in private practice and serves as the President of the DC Bar. Her mail address is Jamie.gorelick@wilmerhale.com

Her role in the 911 Commission inspires articles describing her role in reorganizing the intelligence community. There also allegations that she instituted the cover up on TWA 800 in the summer of 1996. She replaced Philip Heyman at DOJ.

How Chinagate Led to 9/11

By [Jean Pearce](#)

FrontPageMagazine.com | May 25, 2004

As the 9/11 Commission tries to uncover what kept intelligence agencies from preventing September 11, it has overlooked two vital factors: Jamie Gorelick and Bill Clinton. Gorelick, who has browbeaten the current administration, helped erect the walls between the FBI, CIA and local investigators that made 9/11 inevitable. However, she was merely expanding the policy Bill Clinton established with Presidential Decision Directive 24. What has been underreported is *why* the policy came about: to thwart investigations into the Chinese funding of Clinton's re-election campaign, and the favors he bestowed on them in return.

In April, CNSNews.com staff writer Scott Wheeler reported that a senior U.S. government official and three other sources claimed that the 1995 memo written by Jamie Gorelick, who served as the Clinton Justice Department's deputy attorney general from 1994 to 1997, created "a roadblock" to the investigation of illegal Chinese donations to the Democratic National Committee. But the picture is much bigger than that. The Gorelick memo, which

blocked intelligence agents from sharing information that could have halted the September 11 hijacking plot, was only the mortar in a much larger maze of bureaucratic walls whose creation Gorelick personally oversaw.

It's a story the 9/11 Commission may not want to hear, and one that Gorelick – now incredibly a member of that commission – has so far refused to tell. But it is perhaps the most crucial one to understanding the intentional breakdown of intelligence that led to the September 11 disaster.

Nearly from the moment Gorelick took office in the Clinton Justice Department, she began acting as the point woman for a large-scale bureaucratic reorganization of intelligence agencies that ultimately placed the gathering of intelligence, and decisions about what – if anything – would be done with it under near-direct control of the White House. In the process, more than a dozen CIA and FBI investigations underway at the time got caught beneath the heel of the presidential boot, investigations that would ultimately reveal massive Chinese espionage as millions in illegal Chinese donations filled Democratic Party campaign coffers.

When Gorelick took office in 1994, the CIA was reeling from the news that a Russian spy had been found in CIA ranks, and Congress was hungry for a quick fix. A month after Gorelick was sworn in, Bill Clinton issued Presidential Decision Directive 24. PDD 24 put intelligence gathering under the direct control of the president's National Security Council, and ultimately the White House, through a four-level, top-down chain of command set up to govern (that is, *stifle*) intelligence sharing and cooperation between intelligence agencies. From the moment the directive was implemented, intelligence sharing became a bureaucratic nightmare that required negotiating a befuddling bureaucracy that stopped directly at the President's office.

First, the directive effectively neutered the CIA by creating a National Counterintelligence Center (NCI) to oversee the Agency. NCI was staffed by an FBI agent appointed by the Clinton administration. It also brought multiple international investigations underway at the time under direct administrative control. The job of the NCI was to “implement counterintelligence activities,” which meant that virtually everything the CIA did, from a foreign intelligence agent's report to polygraph test results, now passed through the intelligence center that PDD 24 created.

NCI reported to an administration-appointed National Counterintelligence Operations Board (NCOB) charged with “discussing counterintelligence matters.” The NCOB in turn reported to a National Intelligence Policy Board, which coordinated activities between intelligence agencies attempting to work together. The policy board reported “directly” to the president through the Assistant to the President for National Security Affairs.

The result was a massive bureaucratic roadblock for the CIA – which at the time had a vast lead on the FBI in foreign intelligence – and for the FBI itself, which was also forced to report to the NCOB. This hampered cooperation between the two entities. All this occurred at a time when both agencies were working separate ends of investigations that would eventually implicate China in technology transfers and the Democratic Party in a Chinese campaign cash grab.

And the woman charged with selling this plan to Congress, convincing the media and ultimately implementing much of it? Jamie Gorelick.

Many in Congress, including some Democrats, found the changes PDD 24 put in place baffling: they seemed to do nothing to insulate the CIA from infiltration while devastating the agency's ability to collect information. At the time, Democrat House Intelligence Chairman Dan Glickman referred to the plan as "regulatory gobbledygook." Others questioned how FBI control of CIA intelligence would foster greater communication between the lower levels of the CIA and FBI, now that all information would have to be run through a multi-tier bureaucratic maze that only went upward.

Despite their doubts, Gorelick helped the administration sell the plan on Capitol Hill. The Directive stood.

But that wasn't good enough for the Clinton administration, which wanted control over every criminal and intelligence investigation, domestic and foreign, for reasons that would become apparent in a few years. For the first time in Justice Department history, a political appointee, Richard Scruggs – an old crony of Attorney General Janet Reno's from Florida – was put in charge of the Office of Intelligence and Policy Review (OIPR). OIPR is the Justice Department agency in charge of requesting wiretap and surveillance authority for criminal and intelligence investigations on behalf of investigative agencies from the Foreign Intelligence Surveillance Act (FISA) court. The court's activities are kept secret from the public.

A year after PDD 24, with the new bureaucratic structure loaded with administration appointees, Gorelick drafted the 1995 memo Attorney General John Ashcroft mentioned while testifying before the 9/11 Commission. The Gorelick memo, and other supporting memos released in recent weeks, not only created walls within the intelligence agencies that prevented information sharing among their own agents, but *effectively walled these agencies off from each other and from outside contact with the U.S. prosecutors instrumental in helping them gather the evidence needed to make the case for criminal charges.*

The only place left to go with intelligence information – particularly for efforts to share intelligence information or obtain search warrants – was straight up Clinton and Gorelick's multi-tiered chain of command. Instead, information lethal to the Democratic Party languished inside the Justice Department, trapped behind Gorelick's walls.

The implications were enormous. In her letter of protest to Attorney General Reno over Gorelick's memo, United States Attorney Mary Jo White spelled them out: "These instructions leave entirely to OIPR and the (Justice Department) Criminal Division when, if ever, to contact affected U.S. attorneys on investigations including terrorism and espionage," White wrote. (Like OIPR, the Criminal Division is also part of the Justice Department.)

Without an enforcer, the walls Gorelick's memo put in place might not have held. But Scruggs acted as that enforcer, and he excelled at it. Scruggs maintained Gorelick's walls between the FBI and Justice's Criminal Division by threatening to automatically reject any FBI request for a wiretap or search warrant if the Bureau contacted the Justice Department's

Criminal Division without permission. This deprived the FBI, and ultimately the CIA, of gathering advice and assistance from the Criminal Division that was critical in espionage and terrorist cases.

It is no coincidence that this occurred at the same time both the FBI and the CIA were churning up evidence damaging to the Democratic Party, its fundraisers, the Chinese and ultimately the Clinton administration itself. Between 1994 and the 1996 election, as Chinese dollars poured into Democratic coffers, Clinton struggled to reopen high-tech trade to China. Had agents confirmed Chinese theft of weapons technology or its transfer of weapons technology to nations like Pakistan, Iran and Syria, Clinton would have been forced by law and international treaty to react.

Gorelick's appointment to the job at Justice in 1994 occurred during a period in which the FBI had begun to systematically investigate technology theft by foreign powers. For the first time, these investigations singled out the U.S. chemical, telecommunications, aircraft and aerospace industries for intelligence collection.

By the time Gorelick wrote the March 1995 memo that sealed off American intelligence agencies from each other and the outside world, all of the most critical Chinagate investigations by American intelligence agencies were already underway. Some of their findings were damning:

In an investigation originally instigated by the CIA, the FBI was beginning its search for the source of the leak of W-88 nuclear warhead technology to China among the more than 1,000 people who had access to the secrets. Despite Justice Department stonewalling and the Department's refusal to seek wiretap authority in 1997, the investigation eventually led to Wen Ho Lee and the Los Alamos National Laboratory.

The FBI first collected extensive evidence in 1995 linking illegal Democratic Party donations to China, according to the *Congressional Record*. But Congress and the Director of the CIA didn't find out about the Justice Department's failure to act upon that evidence until 1997, safely after the 1996 election.

According to classified CIA documents leaked to the *Washington Times*, between 1994 and 1997, the CIA learned that China sold Iran missile technology, a nuclear fission reactor, advanced air-defense radar and chemical agents. The Chinese also provided 5,000 ring magnets to Pakistan, used in producing weapons-grade uranium. The Chinese also provided uranium fuel for India's reactors.

In many cases the CIA resorted to leaking classified information to the media, in an effort to bypass the administration's blackout.

Gorelick knew these facts well. While Clinton may have refused to meet with top CIA officials, Gorelick didn't. According to a 1996 report by the legal news service *American Lawyer Media*, Gorelick and then-Deputy Director of the CIA George Tenet met every other week to discuss intelligence and intelligence sharing.

But those in the Clinton administration weren't the only ones to gain from the secrecy. In

1994, the McDonnell Douglas Corporation transferred military-use machine tools to the China National Aero-Technology Import and Export Corporation that ended up in the hands of the Chinese army. The sale occurred despite Defense Department objections. McDonnell Douglas was a client of the Miller Cassidy Larroca & Lewin, L.L.P. (now called Baker Botts), the Washington, D.C., law firm where Gorelick worked for 17 years and was a partner. Ray Larroca, another partner in the firm, represented McDonnell in the Justice Department's investigation of the technology transfer. □

In 1995, General Electric, a former client of Gorelick's, also had much to lose if the damaging information the CIA and the FBI had reached Congress. At the time, GE was publicly lobbying for a lucrative permit to assist the Chinese in replacing coal-fired power stations with nuclear plants. A 1990 law required that the president certify to Congress that China was not aiding in nuclear proliferation before U.S. companies could execute the business agreement.

Moreover, in 1995, Michael Armstrong, then the CEO of Hughes Electronics – a division of General Electric and another client of Miller Cassidy Larroca & Lewin – was publicly lobbying Clinton to switch satellite export controls from the State Department to the Commerce Department. After the controls were lifted, Hughes and another company gave sensitive data to the Chinese, equipment a Pentagon study later concluded would allow China to develop intercontinental and submarine-launched ballistic missiles aimed at American targets. Miller Cassidy Larroca & Lewin partner Randall Turk represented Hughes in the Congressional, State Department, and Justice Department investigations that resulted.

The Cox Report, which detailed Chinese espionage for Congress during the period, revealed that FBI surveillance caught Chinese officials frantically trying to keep Democratic donor Johnny Chung from divulging any information that would be damaging to Hughes Electronics. Chung funneled \$300,000 in illegal contributions from the Chinese military to the DNC between 1994 and 1996.

It was this web of investigations that led Gorelick and Bill Clinton to erect the wall between intelligence agencies that resulted in the toppling of the Twin Towers. The connections go on and on, but they all lead back to Gorelick, the one person who could best explain how the Clinton administration neutered the American intelligence agencies that could have stopped the September 11 plot. Yet another high crime will have been committed if the September 11 Commission doesn't demand testimony from her.

2004/5

Darby Overseas Investments website shows George P. Schultz as on the Advisory Board.

Feb 22, 2004

Citigroup and KorAm Bank of Korea announce that, together with an investor consortium led by Carlyle Group and JP Morgan Corsair, have signed an agreement for the acquisition of KorAm by Citigroup. For equivalent of \$2.73 billion US

April 14, 2004

Kelly O'Meara/Insight Magazine publishes Treasury Checks and Balances describing the fact that the 2003 financial statements mark the seventh year in a row that the federal

government could not audit, let alone balance the books and showing excerpts of certifications by Rubin, Summers, O'Neill and Snow refusing to produce audited financial statements.

April 2004

GovExec.com publishes a piece on the competition of prison labor with the private sector:

[Lawmakers weigh end to prison purchase rule](#) (04/07/04)

[Panel frees agencies from prison purchase requirement](#) (07/28/03)

[Acquisition reform bill sails out of House committee](#) (07/25/03)

[Lawmaker urges prison labor program to halt expansion efforts](#) (10/24/02)

Prison labor program under fire by lawmakers, private industry

By K. Daniel Glover, [National Journal](#)

ALLENWOOD, Pa. -- A 30-mile stretch of U.S. 15 on the way north to this village looks just like the road to prison. Pornography shacks, private clubs, and bars dot the landscape, and road signs blare ominous warnings like "D.U.I.: You Can't Afford It" and "Target Enforcement Area." Even the advertisement for Dr. Tom's Leather Goods features a foreboding skull with a devilish half-smile.

But those emblems are far from where the highway meanders to the Federal Correctional Complex just north of Allenwood, where officials are equally concerned about the road away from prison. More than 41,000 federal prisoners nationwide have returned to the streets in each of the past three years, and no one in the Justice Department's Bureau of Prisons wants to see them take a wrong turn onto Recidivism Road.

The desire to steer convicts away from repeat offenses is part of the rationale behind Federal Prison Industries, a quasi-governmental agency that trains inmates in various trades. FPI's goal, said Joseph D. Dubaskas Sr., the associate warden of industries at the Allenwood complex and chief of its three factories, is to employ as many prisoners as possible and to "teach them a skill [and] a work ethic that they can take with them when they go to the street."

"If they're medically able to work and they want to work," he said, "we put them to work."

Some 200 miles away in Washington, the concept of prison labor is a far more complicated matter. Most believe that FPI serves a valuable function. The program keeps the prisoners busy and the penitentiaries more secure, and it teaches trade and business skills to people who may never have worked before. "We get people in here where their only job was to sell drugs on the street," Dubaskas said.

Yet many lawmakers and interest groups have grown increasingly unhappy with the way FPI

conducts its business. Twice in the past few years, Congress has voted to force FPI, which sells products such as furniture to the federal government, to compete with the private sector, and last fall the House overwhelmingly passed a bill that would mandate broader reforms. The measure would require FPI to compete for its contracts with federal agencies and to fulfill orders in a timely manner. It also would authorize money for inmate rehabilitation and training to address concerns that changes in FPI's procedures could force prisoner layoffs and thus put a greater strain on prison security. The competing Senate bill, which focuses on forcing FPI to compete for contracts, is expected to move through the Governmental Affairs Committee early this spring. One of the panel's subcommittees held a hearing on the bill on Wednesday. FPI has also been embroiled in a legal dispute with the Coalition for Government Procurement.

"The current management of FPI is full of deceptive, ineffective people," said Rep. Pete Hoekstra, R-Mich., a leading FPI critic. "The current management has shown no empathy in their business decisions for the impact they've had in the private sector."

Private-Sector Pain

Federal Prison Industries, also known by the trade name UNICOR, has its roots in the Great Depression. At the urging of President Franklin D. Roosevelt, Congress created FPI in 1934 and made it the "mandatory source" for products sold to federal entities. Under that system, if FPI wants a particular government contract, private businesses cannot compete for it -- even if they can offer lower prices, better quality, or faster delivery.

The system worked fairly smoothly for several decades, in part because government was smaller then and prisons were not overcrowded with inmates who needed to be kept busy. Back then, with fewer departments and agencies to buy the goods, and fewer prisoners to make them, the program's impact on the private sector was minimal. FPI's sales totaled only \$29 million in 1960.

But sales soared by more than 400 percent, to \$117 million, by 1980. The total more than doubled again, to \$238.9 million, in the next five years, and it peaked at \$678.7 million in 2002.

Some of the private-sector industries that make competitive products, meanwhile, have been in decline. Textile and office-furniture manufacturers have been hit the hardest, and they have been frustrated in their attempts to secure or keep government contracts that would help protect them from the broader economic downturn caused in part by the loss of jobs to overseas companies. FPI "decimated the textile business," Hoekstra said. He added that prison labor has also undercut companies that make signs for federal agencies.

The toll on the office-furniture business is particularly frustrating to Hoekstra, who was a furniture executive for Herman Miller before he was elected to Congress in 1992. His district is also home to two more of the nation's biggest manufacturers. As FPI has grown 25

percent, Hoekstra said, the office-furniture industry has declined 30 to 40 percent. "I've got people who make perfectly good office furniture who would love to compete for this business [but] who are laid off."

Larry Allen, executive vice president of the Coalition for Government Procurement, argued that FPI "doesn't really need mandatory-source protection in order to be successful," and he cited the program's role in manufacturing certain goods for the military as evidence. FPI, he said, has not been the mandatory source in that arena for four years, yet it still gets the work.

"This is no longer a prisoner work program," said Allen, whose coalition thus far has failed to convince a federal court that FPI has overstepped its statutory authority in producing and selling office furniture. "It really has become a sole-source government procurement program."

Years of congressional debate have generated anecdote after anecdote about companies that have fought FPI for existing or potential business. Sometimes firms have prevailed, typically after vigorous lobbying campaigns and congressional intervention. A few years ago, for instance, Glamour Glove of Long Island, N.Y., won the right to make gloves for the military. But more often than not, according to critics, companies must trim their payrolls or close shop entirely because of business lost to FPI.

During House floor debate last year, Rep. Charlie Norwood, R-Ga., recounted one of the more ironic tales about FPI. Habersham Metal Products, a company in his district, saw its work for one project cut from three months to three weeks because FPI snagged a large part of the contract. The work order called for the construction of prison doors.

"This is not an isolated incident," Norwood said. "It has happened in this company alone many other times. But beyond money and the employment concerns, where in the world is the logic for allowing inmates to build their own prison doors? It makes no sense."

Such stories have furthered the push for reform, with the U.S. Chamber of Commerce, the AFL-CIO, and the Federal Managers Association, which represents managers and supervisors in the federal government, allied against FPI. The chamber included the final floor vote on the FPI reform bill, which the House passed on a 350-65 vote, in its scorecard of how well lawmakers supported the business community in 2003.

Congress later included in the omnibus spending package for fiscal 2004 a provision that temporarily waives FPI's mandatory-source authority. As a result, federal entities cannot buy UNICOR goods or services unless UNICOR offers "the best value." The language extends to civilian agencies a rule that was imposed on the Defense Department in 2002.

Brad Miller, the manager of communications and government affairs for the Business and Institutional Furniture Manufacturer's Association, said FPI's actions have forced such steps. "We find ourselves today with a prison-factory program where the bureaucrats running it may have learned more than they have taught from some of those they imprison -- more about strong-arming their way through life than meeting the needs of customers with quality

service."

Jobs and Attitudes

Opponents of legislative mandates on FPI emphasize the program's benefits: improved prison security; lower rates of repeat criminal behavior by UNICOR workers who leave prison with new skills; jobs for small businesses that provide the raw materials for FPI products, and for the industry experts who oversee and train the prisoners; and the payment of victim restitution, fines, and even child support from the wages of FPI workers, who earn from 23 cents to \$1.15 an hour.

FPI jobs are so popular with inmates that factories tend to have long waiting lists. Allenwood has three separate factories, and all of them have far more applicants than jobs. In mid-March, the factory at Allenwood's low-security prison employed 125 prisoners and had nearly twice that number seeking work there. The medium-security prison employed 225 inmates, with 134 on the waiting list. And 129 inmates wanted jobs at the high-security penitentiary, which employed 160 at the time.

For prisoners, FPI work is more desirable than other jobs, which at times are designed just to keep them occupied. For example, 60 men -- instead of five to 10 -- are sometimes assigned to landscape the compound. "The inmates within UNICOR pretty much behave," Dubaskas said, "because if they don't, they lose the job."

FPI is also self-sufficient. The money for both raw materials and the wages of inmates and their supervisors comes solely from sales. "It's a program that works, a program that reduces crime and pays for itself," said Rep. Bobby Scott, D-Va.

Scott downplayed FPI's effect on the private sector. "In some applications, the implementation of mandatory source hasn't been perfect," he said, but the impact involves a few million dollars in industries that generate billions in sales.

He added that FPI is not the only competition for U.S. firms in sectors such as textiles. "Chances are that somebody else is going to get the work anyway.... You can't blame prison industries.... You can't blame a couple of thousand [prison jobs] for hundreds of thousands of jobs lost."

Philip W. Glover, president of the Council of Prison Locals, said that the criticisms of FPI are overblown. He called the reform effort a "labor of love" for former furniture executive Hoekstra. "The reform initiative is really more about perception than it is about fact," Glover said.

He also dismissed the argument that FPI has cornered the market for government procurement. "Our program takes up one-quarter of 1 percent of federal procurement," Glover said. The goal of his group, which represents unionized correctional officers and

others who work in prisons, is to employ as many laborers as possible without hurting private industry, he said.

FPI tries to be involved in as many product lines as possible and actually loses money on many of those fronts, Glover said. "We never worried about being in the red in certain areas; we just sort of compensated for it."

Glover and Rep. Frank Wolf, R-Va., warn that dramatic changes in the business structure of the prison labor system could have dire consequences. Glover noted that the rule requiring Defense to get the best value for goods, even if that means not contracting jobs to FPI, has forced UNICOR to idle some 2,000 jobs. The new rule that applies that approach to civilian agencies this fiscal year will worsen the impact, he said. "We're going to be in a crunch. Our feeling is that somebody's going to get hurt" in the prison system.

"If there's no work," Wolf added, "it's very dangerous for a prison guard.... If you don't have work, you lose control of the prison."

But Steve Schwalb, FPI's chief operating officer, is not as pessimistic. Some layoffs are possible in the production capacity for office furniture, he said, but he does not expect anywhere near the number of job cuts that FPI saw from fewer contracts with Defense. "I'm not as concerned about the impact being replicated. I think it will be smoother this time," Schwalb said.

Reform on the Inside

The Bush administration has refused to take a stand on legislative reform efforts -- a decision that Wolf has criticized as "morally reprehensible" -- but FPI is pursuing reforms on its own. FPI board Chairman Kenneth R. Rocks, who is national vice president of the Fraternal Order of Police, said, "We are very much cognizant of the manufacturing business in the United States dwindling" and want to strike a balance.

Rocks cited recent changes in two manufacturing sectors that seem to trigger the loudest outcry: textiles and office furniture. FPI has reduced its sales in office furniture to about \$150 million, down from a high of \$250 million, and has removed gloves from its list of clothing products for the Defense Department. The latter decision lets the three remaining private firms compete for the glove business. "What we have to do," Rocks said, "is look to other methods and means to carry out our mission."

One place where FPI is looking to expand is in the services sector. "We've seen for a long time the need to move away more and more from strictly products or predominantly products," Schwalb said. State-based prison industries began offering services such as data processing and computer recycling about 20 years ago. Schwalb said that the states' success in those areas led him to pitch the idea to FPI's board about six years ago. The services side of FPI's business has soared since then.

UNICOR had no computer-recycling factories five years ago but now has six. Inmates who work at those units get training to diagnose problems in donated computers, and the parts are then sold to small businesses. The goal is to keep the product from ending up in landfills, Schwalb said, and "it takes a lot of labor" to keep that from happening.

The foray into services, a rapidly expanding sector of the global economy, has sparked new criticisms of FPI on two points: The law that created the program authorized FPI to produce only goods, and it authorized sales of those goods only to the government. FPI is now selling services to the private sector.

Schwalb said a legal opinion from the Justice Department concluded that the law is silent on the issue of services and thus does not prohibit FPI's involvement. But he also noted that FPI must compete for such work because the mandatory-source rule does not apply, and he said the board limited FPI's role to the "repatriation" of U.S. private-sector jobs lost to other countries. Ultimately, Schwalb added, the new work returns jobs to the United States, produces work for inmates who otherwise might cause trouble in prison, and creates jobs for supervisors.

Glover said one contract to recycle parts for Dell Computer brought jobs to the United States that had been done in the Philippines until about two years ago. The contract also led to new runs for United Parcel Service and Roadway Express. Such "peripheral jobs" represent real economic growth, he said. "That's what I think people are missing in this whole thing."

The same potential exists in the market for goods, Rep. Wolf said. Citing the production of televisions as an example, he said Congress should change the rules governing FPI to try to reclaim jobs in long-dead U.S. industries. "You would in essence be repatriating jobs ... and developing high-tech skills among men in prison," who would later take those skills into private industry, he said. "Imagine what it would do for the good of this country. We could create jobs here."

Rep. Scott touted a third potential business front for FPI: Let prisoners work for charities like Habitat for Humanity, and have Congress appropriate the money to cover costs. But, he acknowledged, "the only problem is, we may not appropriate the money."

Rocks is wary of charity-related ventures for another reason, and his view reflects the complicated reality of Federal Prison Industries. "We're just creating another entity where we could be subject to more criticisms," he said, "and I'd rather deal with one controversy at a time."

The Fruits of Prison Labor

Congress created the Federal Prison Industries in 1934 and made it the "mandatory source" for federal entities. By the 1980s, the program's sales were soaring, making FPI a serious

competitor with private-sector industries.

Federal Prison Industries' Growth					
Year	Number of Factories	Sales (in millions)	FPI Workers	Total Inmates	Product Groups
1985	71	\$238.9	9,995	36,042	4
1990	80	343.2	13,724	57,331	5
1995	97	459.1	16,780	90,159	5
2000	105	546.3	21,688	128,122	5
2001	106	583.5	22,560	156,572	8
2002	111	678.7	21,778	163,436	8
2003	100	666.8	20,274	172,785	8

Source: *Federal Bureau of Prisons* **DAILY BRIEFING**
April 12, 2004

May 2004

Kelly O'Meara leaves Insight Magazine. Insight is shutting down. The Washington Times does not want to sell it or sell it to employees.

June 22, 2004

Clinton publishes his autobiography, *My Life*

July 8, 2004

Hamilton files a motion for summary judgment on Count IX, the remaining qui tam count related to allegations addressed in the Court of Claims decision.

July 2004

Chris Sanders publishes "*So Where is the Collateral*". From the article: Hamilton was attacked because with the loan sales program, Hamilton had strayed too far into forbidden territory: the land where the Federal Budget is managed and the real political struggle is over who gets to control access to the Federal credit and through it the most fantastic system of patronage and power in the history of mankind. The award of Hamilton's contract was, I believe, a blunder made by honest bureaucrats whose real mistake was to think that their job included saving the taxpayers money. The action taken to shut Hamilton down is the damage control

operation to undo that mistake. Which begs the question, what does one do when the damage control operation itself goes wrong?

On the 15th, Hamilton qui tam is supposed to go to trial.

Aug 2004

While in New Zealand, Catherine learns that Oberdorfer has ruled for Hamilton on all allegations but one, ruling against Hamilton on the North Central allegation which can only be described as stupefying, particularly given the many delays, sabbatical and other odd behavior by Oberdorfer during the trial.

August 25, 2004

Judith Rudin, former President of the University of Pennsylvania, is named President of the Rockefeller Foundation. Prior to becoming President of Penn, Dr. Rodin served as provost of Yale University, where she held appointments as a professor of psychology and a professor of medicine and psychiatry.

September 2004

Catherine goes to Philadelphia to help Georgie move and go through surgery. She is not able to attend Counter 9-11 Commission Hearings with Congresswoman McKinney.

September 2004

The Center for Public Integrity in its study Outsourcing the Pentagon reports that the Federal Prison Industries is the 72nd largest defense contractor, reporting the following revenues for the Bureau of Prisons at DOJ and their private prison company, Unicor:

FEDERAL PRISON INDUSTRIES

WASHINGTON, DC

[HTTP://WWW.UNICOR.GOV](http://www.unicor.gov)

CORPORATE PROFILE ON [HOOVERS.COM](http://hooovers.com)

FEDERAL PRISON INDUSTRIES, ALSO KNOWN AS UNICOR, USES FEDERAL PRISONERS TO MANUFACTURE A WIDE VARIETY OF PRODUCTS INCLUDING FURNITURE, CLOTHES AND ELECTRONIC EQUIPMENT. IT ALSO PROVIDES ADMINISTRATIVE SERVICES SUCH AS DATA ENTRY AND BULK MAILING. A GOVERNMENT-OWNED CORPORATION, IT OPERATES AS A PART OF THE FEDERAL BUREAU OF PRISONS AND IS THE DEFENSE DEPARTMENT'S NUMBER ONE SUPPLIER OF CLOTHING, FURNITURE, AND HOUSEHOLD FURNISHINGS.

RANK: #72 OF LARGEST DEFENSE CONTRACTORS

CONTRACTS WON BY MAJOR SUBSIDIARIES/DIVISIONS (TOTALS IN MILLIONS)

NAME	TOTAL 1998	1999	2000	2001	2002
2003					
BUREAU OF PRISONS	\$31.67	\$14.98	\$10.94	\$3.96	\$1.68
\$0.04					\$0.07
UNICOR/FEDERAL PRISON INDUSTRIES	\$609.85	0	\$0.05	\$28.51	\$231.2
\$37.80 \$312.21					

WHAT THE PENTAGON BOUGHT:

Clothing, Individual Equipment and Insignia	\$585,605,126
Furniture	\$296,136,204
Electrical and Electronic Equipment Components	\$159,973,551
Electric Wire and Power & Distribution Equipment	\$137,899,319
Household and Commercial Furnishings & Appliances	\$129,929,864
Food Preparation and Serving Equipment	\$12,758,861
Lighting Fixtures and Lamps	\$11,075,892
Communications and Detection Equipment	\$8,373,147
Hand Tools	\$7,838,655
Vehicular Equipment Components	\$7,834,662
Guided Missiles	\$7,603,963
Miscellaneous Products	\$7,336,716
Materials Handling Equipment	\$6,536,431
Fiber Optics Materials & Accessories	\$5,478,636
Utilities, Food Service, Janitorial & Housekeeping Svcs	\$4,700,197
Data Processing Equipment, Software & Supplies	\$4,435,757
Textiles, Tents, Tarps & Materials	\$4,042,311

Installation of Equipment	\$3,205,935
Professional, Administrative & Mgmt Support Services	\$3,143,650
Engine Accessories	
\$2,182,182	

October 1, 2004

Crossing the Rubicon by Mike Ruppert is published. Catherine has written the Introduction.

October 15, 2004

Catherine sends out the following Solari Action Network notice:

Hamilton filed a notice of appeal in Federal District Court, while awaiting final judgment from the Federal District Court. We look forward to commenting on Judge Oberdorfer's decision after we have received the final judgment. Until then, the world wide currency markets are speaking more eloquently to the current management of the US government and judiciary than anything we could say.

2004

Harvard Center for Design Informatics at the Harvard Design School copyrights their case study on the Cornell Corrections Donald W. Wyatt Detention Center. The Research Team is directed by Spiro Pollalis.

10-Oct-04 Jean Keating publishes Prison Treatise that claims that prisons are being financed with a bonding system where each prisoner presents an individual bond that can be securitized.

November 18, 2004

The Clinton library is dedicated in Little Rock, Arkansas. Clinton and George H. W. Bush and George W. Bush are photo-ed in many intimate and celebratory moments together.

November 22, 2004

Pataki names Clinton, George H. W. Bush and other living presidents as honorary members of the board rebuilding the WTC.

December 1, 2004

Wackenhut Corrections, now The Geo Group, sets up their UK limited office near Reading England to pursue new business opportunities in England, Scotland and Wales.

December 10, 1005

Gary Webb, author of *Dark Alliance*, is found dead of a gunshot wound to the head in his home in Sacramento County, California. The official explanation is suicide.

Jan 2005

HUD single-family program and rental housing assistance named as high-risk areas by GAO. Which means nothing has changed since `1989 when Fitts went to Washington to clean up FHA/HUD.

January 6, 2005

Congressman Jerry Lewis becomes Chair of the Full Appropriations Committee in the House.

January 2005

Sprott Asset Management publishes Road to Ruin regarding the \$11 trillion deficit in the US Government.

March 2005

Shareholders KKR, Carlyle Group and Providence Equity Partners sell a portion of their shares in their communications satellite network—PanAmSat—in an IPO while retaining 55% of the voting shares. (The Iron Triangle)

March 14, 2005

Senator Tom Daschle joins Alston & Bird, teaming with Bob Dole in the Washington office of the leading Atlanta law firm.

July 19, 2005

Arkansas Lt. Gov. Win Rockefeller abandon's his race for governor of Arkansas (a position held by his father) as a result of a blood disorder that needs immediate treatment. His is facing stiff competition from former Congressman and Homeland Security Undersecretary Asa Hutchinson. From 1981 to 1995, Rockefeller served on the Arkansas State Police Commission.

July 31, 2005

Associated Press runs "Private Prisons Experience Business Surge – Surge of Business from US Agencies Helps Private Prison Industry Rebound From Uncertain Time by David Crary. Excerpts –

Though state governments are no longer fueling a private prison boom, the industry's major companies are upbeat – thanks in large measure to a surge of business from federal agencies seeking to house fast-rising numbers of criminals and detained aliens. Since 2000, the number of federal inmates in private facilities – prisons and halfway houses – has increased by 2/3rds to more than 24,000. Thousands more detainees not convicted of crimes are confined in for-profit facilities, which now hold roughly 14 percent of all federal prisoners, compared to less than 6 percent of state inmates.... The industry expanded rapidly in the 1990's on the assumption that business in a tough-on-crime era would grow indefinitely. But escapes and violence at a few private prisons, along with questions about cost savings, tempered enthusiasm. Saddled with thousands of empty beds, CCA teetered near bankruptcy before new federal contracts helped it rebound. Since 2000, the Nashville, Tenn- based company has doubled its number of federal prisoners to 18,200 – 29 percent of its overall inmate population. "The federal government smiled on them just in time," said Judith Greene, a New York based prison-policy analyst. Business is certain to grow. Bureau of Prisons spokeswoman Traci Billingsley said the number of federal inmates is expected to rise from 185,000 to 226,000 by 2010, with private companies likely to be relied on for housing

non-citizen immigrants convicted of federal crimes. The number of people detained by US immigration officials also is increasing rapidly – up three fold in the past 10 years to more than 21,000 at a given time. In December, Congress passed a terrorism prevention bill calling for 40,000 additional beds by 2010 for aliens awaiting deportation. Many of the detainees are housed at facilities run by CCA and its main rival, GEO Group, formerly Wackenhut. Both companies anticipate their detention business will grow.

Rep. Ted Strickland, D-Ohio, a former prison psychologist, tried unsuccessfully to block privatization approval in Congress. “When the primary goal is profit, that can and probably does lead to a variety of abuse,” Strickland said. “I don’t see any end in sight.

On a state level, there is no comparable boom for private prisons, but neither is there a bust some industry critics anticipated. As of mid-2004, private prisons housed 74,285 state inmates, compared to 76,763 in mid-2001....

...The industry’s future is bright enough that GEO Group is buying rival Correctional Services Corp, but prospects hinge largely on incarceration trends. Many states have balked at funding new prisons, and now face crowding problems they could ease by using private prisons or diverting some offenders to alternatives like drug-treatment programs. “The drug war has been the main cause of profits for private prisons,” said University of North Florida criminologist Michael Hallet. “We’ve gotten so extreme in overusing incarceration that we have for-profit industries with an interest in high crime rates.”

Fall 2005

Omer Bartov, John P. Birkelund Professor of History at Brown University, teaches a course “ Modern Genocide and Other Crimes Against Humanity.” The course summary indicates that the material studied includes issues of restitution.

September 9, 2005

As the Department of Justice receives approval from the Solicitor General's office to appeal in the Court of Claims, it does and the case is scheduled to be heard on September 9, 2005. The appeal in the qui tam in the Federal District Court of Appeals is pending.

September 29, 2005

Joe Whitley, General Counsel of the Department of Homeland Security, rejoins Alston & Bird, where he was a partner until March 2003 when he joined DHS.

PARKING LOT – ADDITIONAL INFORMATION TO CONSIDER ADDING:

Various potential incidents/symptoms of physical harassment and surveillance of Catherine and people helping her

Add lists of 1994-6 Wackenhut and CCA board members

Add NHP 1995 Prospectus Data

Additional dates on RJR litigation

Add Dates on investigation of Harvard AID contract and Harvard qui tam

Various scandals, arrests and audits of HUD OIG