

## Angels get new look up middle

Infield nod to DiSarcina, Rose/C1

## Guild has hobby sewn up

Local group loves to stitch/G1



## Ballet in prelude to OC

Royal troupe stages festival/D4

## Women's firms flourish

Females providing work/E1

T H E O R A N G E C O U N T Y

# Register

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23 CENTS

# Settlement gives Lincoln patrons \$87 million more

Two major defendants in Keating bond case will reimburse them

By Elliot Blair Smith  
The Orange County Register

Two major defendants in the American Continental Corp. civil trial agreed Monday to settlements totaling \$87 million, representing recovery of one-third of the bondholders' losses.

The dramatic breakthrough came after a flurry of weekend activity and signals a substantial turnabout for 17,000 mostly elderly bondholders who lost \$250 million when American Continental and its Irvine-based Lincoln Savings & Loan subsidiary failed in April 1989.

The Ernst & Young accounting company will pay \$63 million, and the Jones, Day, Reavis & Pogue law firm \$24 million. The work the firms performed for American Continental's former owner Charles H. Keating Jr was criticized in the bondholders' lawsuit.

"We think ultimately a jury ver-

■ **Q&A:** How much money will bank customers get back?/18

■ **BONDHOLDERS:** Investors had low expectations/18

dict would have (yielded) a greater (award). But then you go through years of legal appeals and that doesn't help the victims," said bondholder attorney Ron Rus.

Rus added: "We felt that these numbers were significant enough, given the alternative of waiting several years down the road."

Investors seemed to agree.

"That's fabulous," said Ginny Saunders of Laguna Niguel, who lost \$60,000 on her American Continental bonds.

"That's good. Maybe we'll get a decent share back," agreed Jim Leach of Sun City, who lost \$25,000 in retirement savings.

Settlements now total about \$150 million in the bondholders' class-action lawsuit, being tried in federal court in Tucson. An additional \$80 million is anticipated shortly from imprisoned junk-bond financier Michael Milken and Drexel

Please see KEATING/18

## KEATING: More bond-case defendants settle

FROM 1

Burnham Lambert Inc.

Keating, already convicted of securities fraud in a state court in Los Angeles, is not testifying or presenting an active defense.

Bondholder attorneys charge that Keating, American Continental's former owner, employed a series of prestigious national law, accounting and investment firms to surround his high-risk investments with an aura of legitimacy.

The American Continental bonds proved worthless after Lincoln Savings was seized by government regulators.

Representatives for Ernst & Young and Jones, Day said they settled because of concern that their complex arguments would be lost amid the emotion of the case.

"You had a very sympathetic group of plaintiffs, and some uncertainty with respect to whether or not our conduct could be evaluated separately, or whether it would simply be overwhelmed by the nature of the Keating wrongdoing," said John L. Strauch, a senior partner with Jones, Day.

"Any professional who accepted an engagement for Mr. Keating is going to have an exceedingly difficult time before a lay jury to show that they conducted their professional duties properly," said Laurence Popofsky, defense attorney for Ernst & Young.

Before Monday's announcements, the accounting firm Arthur Andersen & Co. agreed to pay \$30 million to be excused from the

case. And Minneapolis-based O'ferman & Co., underwriter for some of the bonds, settled last Friday for about \$1.5 million.

The remaining defendants appear determined to contest the litigation to its conclusion, and one defense attorney even welcomed the settlements.

"It is both what we've always expected, and it's far better for my purposes to be the only accountant there," said John Behrendt, a lawyer for the Deloitte & Touche accounting firm.

The remaining active defendants are Deloitte & Touche; Chicago-based Lexecon Inc., an economic advisory service; and Societe Bretonneau, a French-owned banking combine.

## Bondholders glad for whatever they can recoup

By Elliot Blair Smith  
The Orange County Register

For American Continental Corp. bondholders, the \$87 million in settlements announced Monday come better late than never.

The bondholders' class-action civil trial, under way in Tucson, has now generated \$150 million in settlements, a portion of which could be distributed as early as this summer.

But these investors doubt they'll ever recoup the full \$250 million in high-risk American Continental bonds they acquired through Irvine-based Lincoln Savings & Loan.

"I'm just going to take whatever they give me. Whatever it is, it's better than not getting anything," said Jim Leach, 72, of Sun City, owner of \$25,000 in now-worthless American Continental securities.

"At this point, we've just thrown up our hands and figured that was gone money," said Ginny Saunders of Laguna Niguel, who invested

\$60,000, mostly for the college educations of her children.

The subordinated bond investment, designed to resemble government-insured certificates of deposit, became worthless when Lincoln was seized by government regulators in April 1989.

Ralph Woodside, 78, of San Juan Capistrano welcomed the decision by two more defendants to settle bondholder claims. That means he will get back a little more of the \$24,000 he invested in American Continental.

But Woodside still wants to see American Continental's former owner, Charles H. Keating Jr., punished for selling the bonds.

"I want to see Charlie Keating get his comeuppance."

Saunders acknowledges that he did not pay enough attention to Lincoln Savings' financial condition when she renewed her bond in December 1988. Lincoln was seized by the government just four months later.

"We really didn't do our homework even to see any danger signs," she said.

"I've never been that mad at Charlie Keating. He paid us right up to the end," Saunders said. "The people I'm mad at are the Keating Five — our senators — who should have shut that operation down, if it was that bad, a long time ago."

For years, Saunders was a neighbor of the first wife of Arizona Sen. John McCain, one of the so-called Keating Five senators who intervened with regulators on Lincoln's behalf. Saunders knew Keating's wife when McCain was a prisoner of war in Vietnam.

McCain, a former Keating friend and beneficiary, testified Monday that he was aware as early as 1987 that there might be problems at Lincoln and American Continental. But he denies making any improper inquiries on Lincoln's behalf.