

A REPORT TO THE
NEBRASKA LEGISLATURE
CONCERNING THE THREE (3) FAILED FINANCIAL
INSTITUTIONS OF COMMONWEALTH SAVINGS COMPANY,
STATE SECURITY SAVINGS COMPANY,
AND
AMERICAN SAVINGS COMPANY

SUBMITTED BY: REUBEN WORSTER

DATED: APRIL 3, 1990

INTRODUCTION

This report to the Nebraska Legislature is the second supplement to a previous report submitted by Reuben Worster concerning the three (3) failed financial institutions of Commonwealth Savings Company, State Security Savings Company and American Savings Company, dated December 28, 1989.

This report is limited to a discussion of the plan by Governor Robert Kerrey and others to cause a "run" on the deposits of Commonwealth Savings Company, the passage of certain Legislation which would allow certain political and banking figures to control and/or own assets and stock in that failed financial institution and William Harris' involvement with Governor Kerrey.

DISCUSSION

We have established in our first report to the Nebraska Legislature, dated December 28, 1989, that Governor Robert Kerrey knew in January, 1983, that many financial institutions throughout the State of Nebraska were experiencing financial difficulties and that the Commonwealth Savings Company was one of several institutions which then Director of Banking and Finance, Paul Amen, had listed on what he referred to as the Departments "trouble" list. This fact was verified through the testimony of Paul Amen during the investigations into the failure of both Commonwealth Savings and State Security Savings.

We have previously established, in the December 28, 1989 report, that as of May, 1983, certain Kerrey political supporters, advisors and business partners...some of whom were local bankers,

also knew that the Commonwealth Savings was experiencing financial difficulties. This fact is verified in the Domina Report and more specifically, through the testimony of Barry Lake, who at the time, was legal counsel to the Nebraska Department of Banking and Finance. This is further verified by the fact that by May and August, 1983, these same bankers obtained collateral on all previously unsecured Copple loans. And more specifically, these bankers were National Bank of Commerce (James Stuart), State Security Savings (Bill Wright), and First National Lincoln.

In the same month of May, 1983, that these bankers were obtaining security on all Copple loans, Governor Kerrey appointed a task force of nineteen (19) individuals to determine a need for the creation of a small business development authority which would be a quasi-governmental body headed by a nine member board appointed by the Governor. Three members would be appointed from state government and six from the general public. This bill was intended to provide technical assistance to persons who wished to establish or expand small business in Nebraska. It would also provide equity financing to viable small business when equity financing was not available elsewhere.

It is our belief that Governor Kerrey's intentions were to gain control of all Commonwealth assets through the implementation of LB 1117. This bill was the result of the study by the task force, appointed by Kerrey, and we believe, was done in preparation announcement that the Commonwealth was being monitored by the State.

Finally, it is common knowledge that on October, 31, 1983, Governor Kerrey announced to the State of Nebraska that the Commonwealth Savings Company was being monitored by the Department of Banking. The following day, November 1, 1983, there was, of course, a run on the deposits of the Commonwealth and the institution was taken into Receivership by the State.

It was never understood...until now...why Governor Kerrey would deliberately cause a run on the Commonwealth. Kerrey's actions in this matter were and are, unprecedented.

It is now our belief that Governor Kerrey, James Stuart, Bill

Wright and William Harris, and perhaps others, had a plan. With the realization that the Commonwealth was in financial trouble and that certain Copple family members were under investigation by the FBI, we believe that these individuals conspired together, devising a plan which would eventually allow them to own and/or control the valuable Commonwealth assets which included a multi-million dollar tax loss carry forward.

Many circumstances were favorable to pulling off such a scam...the intrigue of the FBI investigation into Copple related banking matters in Beatrice, Nebraska, guaranteed the automatic loss of public credibility for the Copples...the association of then Attorney General, Paul Douglas, to Commonwealth and clandestine loan activities...and the linking of the FBI investigation in Beatrice to the Commonwealth. This information was known to the Governor and his cohorts long before the Governor publicly announced the problems at the Commonwealth...but, as they knew, timing was the key in order for their plan to work.

Certain things had to happen before this plan could become a reality. The unsecured Copple loans were secured by Kerrey's banker friends, Wright and Stuart...LB 241 was passed so that First National of Omaha could buy the failed Beatrice institutions (owned by Copple family members) which indicates to us that Kerrey knew in early 1983 that the FBI was investigating the Beatrice financial institutions...certain individuals had to be evaluated for future appointments by the Governor to key positions...and finally, a task force would have to be appointed by the Governor to give credibility to the "plan" which would be accomplished through LB 1117. Each of these things were accomplished by August, 1983. And two months later, Kerrey announced the troubles at the Commonwealth.

Within two weeks of the Commonwealth failure, Kerrey began making his appointments...John Miller and David Domina came first. They would watch over the Commonwealth assets and keep the depositors at bay with words of wisdom and hope. They would also encourage depositors to refrain from lawsuits while Kerrey was

secretly and diligently working on his "plan".

Domina would investigate...showing the public that Barry Lake and Paul Amen of the Department of Banking and Finance, had done a deplorable job with regard to the handling of the Commonwealth. He would show us that our Attorney General, Paul Douglas was a crook, and that many and varied shady dealings took place between the Commonwealth and the Beatrice institutions... enabling the FBI investigation to enter the Commonwealth scenario.

All in all, as we now see it, these two men were put in place to disrupt public confidence...sending us chasing after shadows that never really existed.

Next we have the appointment of Neil West to replace Barry Lake as Deputy Receiver. Lake had to be gotten rid of because he was establishing high monetary values on the Commonwealth assets through the court.

Mr. West had an important job. It appears that West was to make certain all Commonwealth assets were devalued and that no assets were sold. Mr. West would also be the one to present the Governor's "plan" to the Legislature. The plan had three parts...and on March 16, 1984, Neil West appeared before a special Commonwealth Committee to testify about the condition of the Commonwealth and the value of the institution's assets.

Mr. West indicated to the Committee that he and Phil Meyers had determined that they had to "devalue the assets by fifty-four (54) percent". (We must remember, the lower the value of the assets, the more valuable the loss carry forward to the future controller...a value of multi-millions.)

On that same day, Mr. West submitted what we believe to have been Governor Kerrey's plan to take over the Commonwealth assets and to "pay off" the depositors. The plan was as follows;

1. A bank holding company would be organized under which there would be three subsidiary corporations.
2. The first corporation was to have been a state

chartered FDIC insured bank. The bank would have been capitalized with Five Million (\$5,000,000.00) Dollars which would be raised by private investors who wanted to buy stock. (It should be noted that Mr. West made it clear to the special committee that this stock would be available to only a select few. Had the plan succeeded, we guess that Stuart, Wright and Kerrey's brother-in-law, Rasmussen, would have been included in that select group.)

3. The second corporation was to have been the Commonwealth Savings Company. It was to become a real estate holding company which would be a liquidating company to liquidate the Commonwealth assets over ten (10) years.
4. The third corporation was the "magic" and vital corporation. This was the Small Business Development Authority (LB 1117) promoted by Governor Kerrey. The passage of this bill, in its original form, was tantamount to the realization of Kerrey's plan.
5. The final part of the plan included the infusion of Fifty-Seven Million (\$57,000,000.00) Dollars by the State of Nebraska. These funds were to be paid to the Commonwealth depositors, up to the NDIGC insured amount, over three (3) years in quarterly phase outs.

According to Neil West in his testimony before the Special Commonwealth Committee, Governor Kerrey would appoint West to the position of Chief Executive Officer for the bank holding company. We consider this appointment a significant "pay off" for West's part in the entire scheme.

Governor Kerrey's plan failed. The depositors lost their Tort Claim against the State of Nebraska which eliminated the Fifty-Seven Million (\$57,000,000.00) Dollar infusion that Mr. West indicated was needed to facilitate the "plan". Also, Senator Jerome Warner and others amended LB 1117 to such a degree that it became useless to Kerrey's plan.

Had Kerrey's plan been successful, he and his partners would have had available to them an untold fortune. With the

Commonwealth as a liquidating company and all assets having been devalued, Kerrey and his partners would have been able to buy any of the Commonwealth assets they chose at below market prices, they could develop the properties with funds borrowed from the small Business Development Authority, and we are certain they would have figured out how to own the multi-million dollar loss carry forward available as the result of the devaluation of the Commonwealth assets. As Governor, Kerrey would make all appointments to the nine member board which would control who would and wouldn't receive loans through the Small Business Development Authority (LB 1117).

It is important to note that Kerrey had appointed James Stuart to the Advisory Committee to the Department of Economic Development, and on February 7, 1984, Stuart was confirmed by The Banking, Commerce and Insurance Committee.

On February 7, 1984, in his presentation to the Committee on Banking Commerce and Insurance, James Stuart stated the following;

"I might say that we on the committee (Advisory Committee to Department of Economic Development) are trying to be as helpful and supportive as we can. We aren't doing very much at the moment, I think there's a valid reason for that and that is that Governor Kerrey has been trying to get the committee right so that he can talk to us and share his views with us without having it whip-sawed on him politically and I think he's getting closer. I think the committee's got some good folks on it and we are ready, willing and able with energy and what we hope is talent to try and crank up some economic development in the state...."

This statement from Stuart put pressure on the Legislature for passage of LB 1117...and on March 20, 1984, during the Legislative Session, Senator Jerome Warner stated with regard to LB 1117, the following;

" Well, Mr. President, what I ought to do is file a motion to indefinitely postpone, but obviously any piece of paper that is purported to be for economic development, why we must pass

irregardless so there is no point in making the kind of argument that ought to be made...."

The end result was that after a few senators made mincemeat of LB 1117, Kerrey's plan failed and Neil West couldn't come forward and say, "We lied, those Commonwealth assets we devalued were really worth more than we told you...we just needed to devalue them to push our plan through."

There was also the multi-million dollar loss carry forward hanging out there for the taking by someone...and according to Neil West's figures, we estimate the value to be between Six Million (\$6,000,000.00) Dollars and Ten Million (\$10,000,000.00) Dollars. We have not yet discovered the names of the individuals who have benefitted from this loss carry forward...but, that information is presently under investigation.

The Commonwealth assets remained devalued, and we depositors are the victims of Kerrey's greed and power and the state's unwillingness to admit, at least publicly, that the state had a gangster holding the office of governor.

Had Kerrey's plan been successful, the Commonwealth depositors would have been paid their losses within three years. We, of course, find nothing inappropriate about that part of his plan. We do, however, find many other aspects of his plan deplorable.

We can't fail to notice the emotional detachment with which Kerrey and his associates were able to pursue their devious plan...seemingly not caring that the potential failure of such a plan would result in great financial loss to the people of the State and that many lives and reputations, to include that of S.E. Copple, would be recklessly tarnished forever.

There is yet another aspect of the Kerrey dealings that we find troublesome. While the names of Stuart and Wright have been linked to Kerrey regarding shady financial dealings on a multitude of occasions...William Harris remains conspicuously vague.

William Harris has a long history of wanting to be in the

public eye. In 1964 while a young rancher in McCook, Nebraska, Harris ran for city council and lost.

By 1973, it appeared that Harris mustered up the courage to run for the office of Lieutenant Governor...he lost his courage though, and in a July 23, 1973 Journal Star press release stated the following;

"Our political process is weighted in favor of the incumbent...It is my observation that nearly all campaign spending abuses can be traced back to the incumbents....After all, they are the ones who have the ability to appeal to special interest groups and to actually collect for favors performed through their office or through legislation."

On September 17, 1975, Harris publicly announced that he might run for a unicameral seat...he didn't. On February 6, 1976, Harris publicly announced that he was considering the race for congress against Charles Thone...again, he didn't run.

A brief analysis of Harris' public announcements tells us that over a period of eleven years he very much wanted to be involved in politics. For whatever reasons, Harris could never bring himself to run for those offices for which he had expressed interest.

By June of 1982, it appears that Harris found a way to political stardom as an advisor to then Democratic Gubernatorial Candidate, Robert Kerrey. Circumventing the normal election process, Harris was appointed by Governor Kerrey as the State Senator for Lincoln's 27th District on May 27th, 1983. It would appear that Harris was able to collect on political favors from the new Governor.

Immediately following the failure of the Commonwealth Savings Harris set out to use the situation to his best interests. He became actively involved in trying to rescue the depositors...so it seemed. We didn't realize at the time that Harris had been placed in one of Kerrey's key positions.

As a State Senator, Harris would be privy to all information concerning the investigation into each of the three failed financial institutions. Harris seems to have ridden the fence

well, making the depositors feel he was deeply concerned for their welfare, while on the other hand, remaining true and loyal to his overseer, Governor Kerrey. We can only imagine the exchange of information between the men.

Harris seems to crop up everywhere we turn. He was one of the introducers of LB 1117, the legislative bill which would have enabled Kerrey to control Commonwealth assets...Harris was Kerrey's advisor prior to Kerrey's election...It was Harris who so skillfully made it appear that he was alerting the Department of Banking and Finance to possible criminal activities at State Security Savings...when in fact, the allegations were sent to the Department just in time for the statute of limitations to run on the crimes, thus, protecting his "friends".

We must also remember that Harris was a proponent for LB 1039, the legislative bill which allowed Kerrey to shift financial responsibility for his shady dealings with Bill Wright and James Stuart in the Shoppers Fair matter from himself to the financial institution.

And finally, Harris chaired the subcommittee which investigated the activities surrounding the failure of State Security Savings. Mr. Harris had many facts available to him regarding improprieties perpetrated by Governor Kerrey, James Stuart and Bill Wright...Harris knew of the millions of dollars of loss to the depositors of that financial institution caused by these men...and yet, he did not make those facts known to the public.

William Harris presently looks forward to a bright political future as Governor for the State of Nebraska. This causes great concern in the minds of many. William Harris learned his political ideologies under the tutelage of Governor Kerrey. We have observed the implementation of his political philosophies as Mayor of the city of Lincoln. It is our intent to prevent William Harris from further implementing those philosophies as the Governor for the State of Nebraska.

As of this date, the Nebraska Legislature has passed an appropriation bill which will refund depositors one half of our lost funds. We appreciate this gesture on the part of the Legislature, but we wish to inform you that we intend to vigorously pursue the collection of the outstanding balance, yet due and owing.

Respectfully Submitted,

Reuben Worster

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STATEMENT PERTAINING TO ATTACHMENTS

Facts included in this report were taken from documents and news articles footnoted in the December 28, 1989 report previously submitted by Reuben Worster.

The only exceptions are the Nebraska State Legislature Eighty-Eighth Legislature Second Session Introducer's Statement of Intent LB 1117, dated February 6, 1984; Committee on Banking, Finance and Insurance, dated February 7, 1984, March 2, 1984, March 20, 1984, March 29, 1984, and April 2, 1984.

Because these documents are too voluminous to attach to each report, Reuben Worster has been designated as Custodian of Documents. You may contact Mr. Worster at (402) 489-3106 to schedule review of the records.