

# THE ENQUIRER

Keating asks hometown to hear his side  
BY PETER BRONSON | CINCINNATI ENQUIRER STAFF WRITER

Charles H. Keating Jr. no longer wears those aviator-goggle eyeglasses that were so popular in the 1980s, but otherwise he looks just like the photos that ran in newspapers nearly two decades ago.

He has survived prison, financial ruin and a full-scale jihad by the courts, Congress and federal regulators. Yet he is still upbeat, positive and unvanquished. "I really haven't had it so bad," he said recently on a visit to his hometown. "Except for the damage to my family, I enjoy the challenge."

Keating has risen from the ashes, like the mythical bird and the city that adopted him and destroyed him. He's developing real estate again in Phoenix. Quietly. Successfully.

But in the 1980s, the meltdown of Lincoln Savings and Loan was Keating's Little Big Horn. It became a shorthand symbol of go-go '80s greed. Overnight he became America's most wanted S&L bandit.

Keating was the first national champion in any sport at the University of Cincinnati, for the 200-yard butterfly in 1946. He founded Citizens for Decent Literature in 1957, which became Citizens for Community Values. He is the older brother of Bill Keating, the former judge, congressman, councilman and one-time publisher of The Enquirer.

In the 1980s, Charlie Keating became the godfather of developers in Arizona, where housing is what black gold is to Texas. His American Continental Corp., parent of Lincoln S&L, "practically built Phoenix," he said. "We were the leading home builder in Phoenix for 19 straight years," the fifth-biggest home builder in America.

"At the time, Continental was the sixth-biggest employer in the state of Arizona," said former Arizona Sen. Dennis DeConcini, one of the "Keating Five" senators who were reprimanded for pressuring regulators to lay off Keating.

At the acme of his empire in the 1980s, American Continental pumped more than \$1 billion a year into the Arizona economy, Keating said, "a tremendous influx of capital into a state of 5 to 6 million people."

Then it collapsed in a cloud of dust, like a skyscraper wired with explosives. "I became a poster boy for the S&L holocaust," Keating said in a rare interview.

He doesn't talk much about it anymore. He said he has two lifelong enemies: The press and the government.

But before he became king of the mountain in Arizona, he was a rising star in Cincinnati. He worked 25 years for American Financial and Carl Lindner Jr., whom he calls "one of the finest human beings in the world."

## The Charles H. Keating Jr. file

Born Dec. 4, 1923.

Graduated from St. Xavier High School, then earned a bachelor's degree and a law degree from the University of Cincinnati.

Formed a law firm with his brother, Bill Keating, and John Muething in the 1950s.

Founded Citizens for Decent Literature in 1957.

Worked for Carl Lindner's American Financial Corp., 1972-76. After he left, he and the company were subjects of shareholder lawsuits and a federal investigation.

Moved to Phoenix in the late 1970s and bought American Continental Homes.

Acquired Lincoln Savings & Loan in 1984.

American Continental filed bankruptcy in April 1989, and federal thrift regulators closed Lincoln.

First convicted on state securities fraud charges in California in 1992. That conviction was overturned. Keating avoided a new trial and pleaded guilty to four counts of fraud.

Convicted on federal fraud, racketeering and conspiracy counts in 1993. Those convictions were overturned several years later.

Keating, 82 now, wants his friends in Cincinnati to hear his side of the story - how the feds took everything, counted his china and silver, seized his house, his businesses, threw him in prison and denied him bail, calling him a threat to society.

The headlines said he was convicted of 73 counts of fraud in 1993. But what many may not know or remember is that those convictions were thrown out after he served four years and nine months in prison.

The news reports said he was hit with the largest judgment against an individual in history: \$4.3 billion. But the University of Cincinnati law graduate fought that case from prison and finally won "total victory," he says.

He finally pleaded guilty to two counts of bankruptcy fraud, for giving improper bonuses to family members, and was sentenced to a fine of \$200 and time served.

"Actually, I am more proud of that than anything else in my life," he said of his prison term. "It was tough. They were tough guys in there. They would take food and money away from old guys like me, but I got along fine. I had no problems."

His inspiration was his father, who was crippled with Parkinson's disease when Keating was 7. Although Charles and Bill took care of their father, "We never had an unhappy day in that family," he recalls. "He never complained. His prison was his body. I thought of him constantly."

"It's widely acknowledged the government really precipitated this crisis," former Arizona Gov. Fife Symington told the Phoenix Business Journal recently. Symington, like Keating, was pulled under by regulatory quicksand, indicted and convicted - and then his convictions were overturned.

"Once a crisis erupts, finger-pointing rather than problem-solving triggers 'herd behavior' by the media, the government and the public," said "The Savings and Loan Crisis: Lessons from Regulatory Failure," a Milken Institute analysis published in 2004. "This makes it difficult to distill reality from perception, often resulting in the wrong parties being blamed. The complex web of events that comprise what we now know as the 'savings and loan crisis' were distorted by media misrepresentations that bled into and out of the political and regulatory environment."

Keating says the worst fraud was perpetrated by Congress, regulators and the press.

His best arguments are Estrella Mountain Ranch and the Phoenician Hotel. He was accused of overvaluing both properties, but both are worth at least 10 times as much today.

"They were idiots for taking it in the first place and selling it for what they sold it for," he says of the federal Resolution Trust Corp., which liquidated S&L assets for dimes on the dollar.

If not for the seizures, Lincoln S&L investors would have been paid and no federal bailout would have been needed, Keating says.

Another Phoenix developer, Conley Wolfswinkle, told the Phoenix Business Journal, "I believe if the RTC could have put half of what was spent attempting to punish the 'bad guys' into managing the assets, there would have been no loss to taxpayers."

Keating's S&L became the "exploding Ford Pinto" of the \$190 billion S&L bailout. Nearly 2,000 stories involving Keating were published *before* his trial. Lincoln was the topic of four times more news stories than a failed California S&L six times bigger, the Milken Institute study found.

Keating has a simple explanation: "Me. I should not have been so aggressive."

DeConcini agreed. "My fault with Keating is that he was too aggressive in taking on the regulators."

Keating mocked the weak credentials of S&L regulators who could never make it in private business but told him how to run Arizona's biggest home builder. And when DeConcini, Ohio's Sen. John Glenn, Arizona Sen. John McCain and the other Keating Five senators failed to get the feds to back off, he called McCain a wimp. "That was true," he says. "That was my problem."

McCain, one of Keating's best friends before the crash, testified against him, Keating said. They no longer talk. Now the Keating Five are back in headlines, being compared to a new lobbying scandal, and McCain is urging reform.

There may be other reasons besides arrogance that Keating had a target on his back. His critics often pointed out that he was a "moral crusader" who fought pornography and gay rights. Congress needed a scapegoat for its own mistakes that turned S&L regulations into a maze of trap doors and hidden snares that triggered the crisis.

And there was his lifestyle. "I knew I was making big money and I knew I wasn't doing anything wrong," he says.

The Milken study said: "The media closely focused on Keating's lifestyle and possessions. Journalists made much of his personal airplanes and his house in the Bahamas and invited their readers to conclude that these luxuries were purchased with money siphoned off from Lincoln Savings or ACC.

"These allegations were repeated at Keating's trial, but were found to be baseless. In actuality, Keating owned the luxury homes and the airplanes for more than 10 years before he even made a bid for Lincoln Savings.

"Furthermore, accounting experts in the employ of the government testified at Keating's trial that the earnings statements of Lincoln Savings did not contain a single misreported or misstated dollar."

Charles Keating can't forget the scars. But he can point to that final paragraph as vindication: "I don't know how anybody could read that and say 'There goes the world's lowest criminal.'"

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