

MEMORANDUM

August 18, 1983

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To: Governor

From: Gerry Thompson

Subject: Oregonian/Division of Banking Saga

Governor, you heard Fred Heard's update in cabinet Wednesday morning. The situation continues to develop. Fred has reported that employees of the Banking Division have been receiving calls from reporters. The specific incident that he cites is a employee who is pregnant and was called at 10:15 Tuesday night at her home. The caller awakened her and she happens to be a person who arises at 4:15 a.m. either for her own work schedule or her husband's. The caller was a reporter for the Oregonian who badgered her to glean negative information about Jack Olin. His approach was that since you are pregnant and will be leaving the division, you probably have some things you would like to say and lose nothing by it. She basically told him where to get off and dismissed the caller promptly. The caller was Allan Ota.

John Hayes also is actively pursuing the computer situation in the division and Les Zaitz is actively pursuing the American Guaranty situation. At last report we now have Oregon reporters Ota, Thomas, Zaitz, Long and Hayes proceeding on what appears to be a fishing expedition.

Fred has been notified they want all records from the Housing Division giving specifics about the Clay Towers arrangement and investigation. Apparently Paula Wolnez at one time worked in the Housing Division and they are trying to make a link of her "cover-up abilities" by using the Clay Tower episode. It is interesting that Gregg Smith announced his resignation today as administrator of the Housing Division. As you will recall, we have been expecting this because Gregg many weeks ago made it known he was exploring opportunities in the private sector. I have received but not returned a call from an Oregonian reporter inquiring about Gregg's resignation. I am assuming they will now try to tie that to the overall situation.

Thomas is now demanding that there be a written statement put in the investigation file indicating he was misquoted in Paula Wolnez' report regarding Mr. Wheeler's statement disavowing his own statements about the leak. The file contains a signed notarized statement from Mr. Wheeler indicating that his comments had been represented. Now Thomas says his comments have been misrepresented. Gary Esgate has instructed Paul Wolnez to tell Thomas that if he wishes anything entered into the file, he must write that disclaimer himself.

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Zaitz called me on the premise of asking about documents attached to the Department of Commerce report. The specific question was why were there only two letters supporting Olin attached to the report. I advised him that they were two early letters that had been forwarded to Fred Heard for comment and record-keeping. Zaitz asked if any other letters had been received. I answered yes, and they are here in the Governor's office. He asked how many and I said 20-25 there we are holding for response. He asked how are they running and I said probably 50-50 for and against, further telling him that those writing in opposition were basically from the general public who were reacting to comments in the Oregonian. Those writing in opposition were from members of law firms, banks, development organizations and the general public reiterating Olin's integrity and competence.

He then asked me if any member of the Governor's office had had any discussions with Frank Brawner regarding OBA legislative plans or anything of that nature. I told him I was not aware of any such conversations. He asked if there had been any conversations at all as a result of the investigation. I said yes, that Brawner had personally discussed with me the computers to obtain documentation, historical events and copies of the information as received by Brawner and how that information was used. He asked if we planned to make any changes in the computer arrangement. I said probably now.

He then dropped the bomb and wanted to know if we were aware Olin was dying of cancer. I told him no, we weren't. He said you mean you are not aware Olin is a sick man. I told him we were aware he had been having some health problems, but was doing just fine and appeared to be perfectly OK.

It was interesting to observe that Zaitz was almost apologetic in his approach and seemed to be somewhat disgruntled.

Heard has been in touch with the AG's office regarding what could be viewed as possible harassment of division employees by Oregonian reporters. The AG's office has advised Heard that while employees are on duty for the state of Oregon during their regular working hours, they are not compelled to reply to any reporter and in fact can either refuse to answer or refer the caller to whomever has been assigned the duty to respond. After hours there is not control and there will be the employees' judgment what information they want to share.

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Heard has checked with Olin to see if he has any disgruntled employees who might be agreeable to putting in a negative word. The only one he can think of is a bank examiner who was refused a promotion. From all indications, Olin has a loyal and dedicated staff and there should be no problem.

Heard is concerned about the harassment technique, he is concerned that although Olin is handling his health problems very well, the additional stress could begin to cause some real health problems for Olin. Heard is very concerned about Olin personally.

The general opinion is that the Oregonian is now truly fishing for any way they can discredit the Commerce report. I have asked Heard to document everything and again double check all the facts in the report for any possible loophole. There is nothing we can do to control the badgering, but we should be prepared for attempts to discredit any portion of our report.

Foster Church is reportedly doing his article on Fred Heard's upcoming confirmation and I suspect the Oregonian plans to run that article before the Senate confirmation committee hearing next week. The research is going as far as calls to legislators, i.e., L. B. Day who told Foster he would not be able to support Heard's confirmation and his lack of support would be more of a reaction to his constituency rather than Heard's qualities. Foster was surprised and told L. B. he thought L.B. was a man of his own and why would he now react to his constituency and asked if he had received petitions asking him to not support Heard. L. B. admitted he had received petitions, but discounted them because they were of an organized effort, that yes, he was unusually reacting to constituents. Foster began to probe and L. B. refused to get into any further conversation.

There have also been reports of other Oregonian reporters checking into Heard, his qualities and chances for confirmation.

It is obvious to me that all of this will be linked together and an attempt made to tie to Fred's tail which could effect the confirmation proceeding. Heard is not concerned and willing to suffer consequences, however they fall.

I do believe we need to discuss the situation thoroughly and be prepared to discuss it with at least the Republican Senators involved in the confirmation process.

cc: Denny Miles