

THE WHITE HOUSE

WASHINGTON

September 12, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Lipshutz *BL*

SUBJECT: Bert Lance Matter

In addition to the information submitted to you in another memorandum of this date, with various attachments, I wish to advise of the following.

One of the major on-going investigations of Bert Lance relates to his use of the National Bank of Georgia airplane. The Justice Department has permitted Senate staff members to read the Comptroller's report, which had been referred to the Justice Department, on September 10, 1977.

It appears that this use of the airplane is being investigated very thoroughly by the following departments and agencies:

1. Justice Department apparently is reviewing it to determine if there is a criminal law violation by the bank and/or Bert Lance for "misapplication of bank funds" by using the plane for non-business purposes, including both personal uses and political uses.
2. Internal Revenue Service might very well assess substantial additional income tax against Bert Lance. Furthermore, they certainly will analyze it thoroughly to ascertain if there should be fraud penalties and/or criminal prosecution. Because of the very large number of trips involved, we should not minimize the seriousness of this.
3. Securities and Exchange Commission is investigating recent sale of stock by the National Bank of Georgia, presumably to ascertain if there were any misrepresentation or significant omissions by the bank in its stock offering. We previously were aware of the question being raised concerning alleged personal use of the airplane by Bert Lance as one

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possible problem. However, I have just been advised on a very confidential basis that there is another much more serious question being looked in to quite diligently relative to the stock offering and sale!

4. Federal Election Commission is very likely to find that both Lance and the Committee for Jimmy Carter violated the campaign law in regard to the four trips about which you already are aware. I do not know if there are any other trips involving the campaign, but we are conducting a very thorough review to try and ascertain if there still are any outstanding private airplane trips, National Bank of Georgia or otherwise, for which we have not properly accounted.

Concerning the use of the airplane, these additional factors seem to be significant. The records kept regarding the use of this airplane and other entertainment expenses apparently are quite sloppy and incomplete. Regarding the authorization by the bank to Bert Lance for the use of this plane: (a) for the first three or four months after Bert went to the National Bank of Georgia, the bank leased the plane from Lancelot and paid for its use; (b) the bank purchased the plane pursuant to a Board resolution which appears to be proper; (c) no formal or written action was taken by the Board of the bank to define Lance's authorized uses of the plane, nor did his earlier employment agreement with the bank make any reference to this usage; (d) the "after the fact" letter of authorization from four officers-directors of the bank relating to his almost unlimited right to use the plane is not completely consistent with depositions of the pilot and of the bank officer, Bill Green.

BECAUSE OF THE POSSIBLE SERIOUSNESS OF THIS ENTIRE MATTER, I URGE THAT YOU AND OTHER MEMBERS OF THE WHITE HOUSE STAFF REFRAIN FROM COMMENTING ON THE MATTER WHILE IT IS STILL UNDER INVESTIGATION BY THE JUSTICE DEPARTMENT AND IRS AND OTHER GOVERNMENT AGENCIES.

Some additional, embarrassing documents have been shown by the Comptroller to the staff of the Senate Committee relating to examiner's reports in 1972, 1973 and 1974 of the Calhoun National Bank. In addition to the usual bank examination reports, which go into a great deal of detail about loans, policies, etc., there is a very derogatory "confidential" memorandum from the examiner as to Bert Lance's competence as a banker; it has been described to me as being "intemperate". It does not, however, question his integrity.

The law allows the Comptroller to publish such reports only "in the public interest", but it also authorizes Congress to see these examination reports. The law is silent as to the right of the President to see such reports, it apparently never having been attempted in the past.

Another new matter which has come into question relates to the three checks written by Bert dated December 31, 1976, but which follow in sequence two other checks on the same account dated January 7, 1977. These three checks were for payment of interest and principal on bank loans and did not actually clear the bank until about mid-January; the bank account apparently did not have sufficient funds to have covered them if they had been presented earlier. The purpose of these checks has not yet been explained, but I assume that Bert will do so at the hearing on Thursday of this week. Senator Percy has alluded to the possible improper attempt to use them as deductions on a 1976 income tax return.

I have preliminary information on another item which has not yet been fully investigated and reported. This relates to a sale by Bert Lance on about December 30, 1976, of some of his Calhoun bank stock to [REDACTED]

[REDACTED] Problems which might arise relating to this transaction are: (a) a portion of this sale was financed by a loan made to the purchaser by the National Bank of Georgia, and there may not be any evidence of the bank's having been advised that Lance himself was a "beneficiary" of that loan, it having been used as part of the purchase price of this stock from him; (b) the other portion of the purchase price apparently was financed by a loan at the Citizens and Southern National Bank, but there was a four day delay in getting the funds from C&S to be deposited in the purchaser's checking account at the National Bank of Georgia, and in the meantime the check from the purchaser to Lance was deposited by Lance and apparently cleared by the National Bank of Georgia even though it created a four-day overdraft in the purchaser's checking account.

You are aware of the news reports concerning Billy Lee Campbell. After the initial visit to Campbell and his new attorney by some of the Senate staff members, some other staff members (who presumably were most skeptical about the allegations) went down and visited with the attorney, although not with Campbell himself, and came

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away from that meeting presumably feeling that there may be something to this matter even though they still apparently have no specific allegations of criminal or illegal actions concerning Lance.

You are familiar with the charge of Bert's having pledged the same stock on two different loans at the same time. This relates to a stock dividend which had not actually been delivered when the agreement was made by Lance with the Manufacturers Hanover to pledge this stock dividend. In fact he did not ever deliver the stock dividend shares to Manufacturers Hanover, but about seven months after making the loan used these shares as collateral at another bank. This matter has proved embarrassing to both Lance and Manufacturers Hanover, but presumably no action will be taken -- this loan, as you are aware, was paid in full in January, 1977, with proceeds of the loan from the Chicago bank.