

NLWJC - Kagan

Counsel - Box 030 - Folder 004

Lawrence Suit: Larry Lawrence [1]

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	To Mary Anne Silvestri from Terry Henry re: lawsuit (6 pages)	08/07/1995	P5
002. letter	To Mary Anne Silvestri from Terry Henry re: lawsuit (6 pages)	08/07/1995	P5
003a. memo	To Elena Kagan from Terry Henry re: letter (1 page)	08/07/1995	P5
003b. letter	To Mary Anne Silvestri from Terry Henry re: lawsuit (6 pages)	08/07/1995	P5
004a. memo	To Elena from Terry re: draft letter (1 page)	08/07/1995	P5
004b. draft	Draft letter to Mary Ann Silvestri from Terry Henry re: lawsuit (6 pages)	08/07/1995	P5
005. resume	re: Joseph B. Gildenhorn (partial) (1 page)	03/1989	P6/b(6)

COLLECTION:

Clinton Presidential Records
 Counsel's Office
 Elena Kagan
 OA/Box Number: 8291

FOLDER TITLE:

Lawrence Suit: Larry Lawrence [1]

2009-1006-F
ry932

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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U.S. Department of Justice

Washington, D.C. 20530

CIVIL DIVISION
FEDERAL PROGRAMS BRANCH
FAX TRANSMITTAL COVER SHEET



DATE: 8/7/95
TO: Elena Kagan
FAX NUMBER: 456-1647
FROM: Terry Henry
FAX NUMBER(S) ROOM 900
COMMERCIAL: 202-616-8202
CONFIRMATION NO.: 202-616-8300

THERE ARE A TOTAL OF 11 PAGES INCLUDING THIS COVER PAGE IN THIS TRANSMITTAL

Here's a copy of the press release mentioned in my other fax to you. Also, since we've had ~~some~~ so much trouble with Fax's lately, I'm attaching another copy of the Staff letter.

THE WHITE HOUSE
Office of the Press Secretary

C O P Y
from ORM

For Immediate Release

January 24, 1994

STATEMENT BY THE PRESS SECRETARY

Attached are two letters forwarded to Congress by Mark A. Kuller, attorney to M. Larry Lawrence, nominee to be Ambassador to Switzerland. The letters address issues raised by the American Foreign Service Association.

KING & SPALDING

1700 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, DC
20006-4700

202/737-0500
FACSIMILE: 202/626-3737

191 PEACHTREE STREET
ATLANTA, GEORGIA 30303-1763
TELEPHONE: 404/572-4600
TELEX: 54-2917 KINGSFALD ATL
FACSIMILE: 404/572-3100

120 WEST 45TH STREET
NEW YORK, NY 10036-4003
TELEPHONE: 212/558-2100
FACSIMILE: 212/558-2223

January 24, 1994

Honorable Claiborne Pell
Chairman, Senate Foreign Relations
Committee
SR-335 Russell Senate Office Bldg.
Washington, DC 20520-3901

Dear Mr. Chairman:

I write to you to clarify the record with respect to the statement released today by the American Foreign Service Association regarding the federal tax liability of Mr. M. Larry Lawrence, the President's nominee to be United States Ambassador to Switzerland. I am a partner of King & Spalding, where I specialize in federal tax matters, and have represented Mr. Lawrence on federal tax matters for the past five years.

With respect to the November 24, 1993 Washington Post report, I refer you to my letter of January 20, 1994. With respect to Mr. Lawrence's purported gift tax liability for 1984, the examining Revenue Agent originally proposed that the fraud penalty be imposed on the purported gift tax liability. However, in our view, and in the view of Mr. Lawrence's prior tax counsel, the examining Revenue Agent established no basis whatsoever for the imposition of a fraud penalty. Moreover, the Internal Revenue Service Appeals Officer, charged with the responsibility of resolving the matter, agreed that the examining Revenue Agent had established no basis for a finding of fraud. Furthermore, the Appeals Officer offered to abate the proposed fraud penalty and all other penalties if Mr. Lawrence would agree to the underlying gift tax liability. Based on our analysis as to the merits of Mr. Lawrence's position, we have advised him not to accept the settlement offer made by the Appeals Officer. Accordingly, the matter is still pending and under discussion with the Internal Revenue Service.

Honorable Claiborne Pell
January 24, 1994
Page 2

I will be pleased to furnish you with any additional
information on this subject.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Mark A. Kuller".

Mark A. Kuller

KING & SPALDING

1730 PENNSYLVANIA AVENUE NW.
WASHINGTON DC
20006-4706

202/737-0300
FACSIMILE: 202/628-3737

191 PEACHTREE STREET
ATLANTA, GEORGIA 30303-1763
TELEPHONE: 404/572-4800
TELEX: 54-2817 KINGSPALD ATL
FACSIMILE: 404/372-3100

January 20, 1994

120 WEST 45TH STREET
NEW YORK, NY 10036-4003
TELEPHONE: 212/656-2100
FACSIMILE: 212/656-2322

Honorable Claiborne Pell
Chairman, Senate Foreign Relations
Committee
SR-335 Russell Senate Office Building
Washington, D.C. 20510-3901

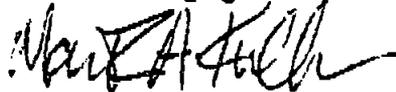
Dear Mr. Chairman:

I write to you to clarify the record with respect to certain statements that have been made in the press regarding the federal tax liability of Mr. M. Larry Lawrence, the President's nominee to be the United States Ambassador to Switzerland.

I have represented Mr. Lawrence on federal tax matters for the past five years. I am a partner of King & Spalding, where I specialize in federal tax matters. Before joining King & Spalding, I served as Special Assistant to the Chief Counsel, Internal Revenue Service (1984-1986) and on the staff of the Office of Tax Legislative Counsel, U.S. Treasury Department (1982-1984).

An article in The Washington Post (Wednesday, November 24, 1993) reported that Mr. Lawrence is challenging an Internal Revenue Service "finding" that he sold his interests in partnerships and corporations that own the Hotel del Coronado in 1987. Contrary to this report, the Internal Revenue Service has fully conceded that Mr. Lawrence never sold his interests in the Hotel del Coronado, and now acknowledges that Mr. Lawrence owes no tax whatsoever on any such sale. The examining revenue agent's preliminary finding regarding Mr. Lawrence's tax liability from purported sales of such interests ultimately was withdrawn over one year ago. I would be pleased to furnish any additional information you or your staff would like on this matter.

Very truly yours,



Mark A. Kuller

MAK:VO

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003a. memo	To Elena Kagan from Terry Henry re: letter (1 page)	08/07/1995	P5

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Counsel's Office
Elena Kagan
OA/Box Number: 8291

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Counsel's Office
Elena Kagan
OA/Box Number: 8291

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JCC

LAWRENCE FAMILY JEWISH COMMUNITY CENTERS OF SAN DIEGO COUNTY

December 15, 1993

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LIFE DIRECTORS
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M. Larry Lawrence

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- Melissa Bartell
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 - Hank Gotthell
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 - Jim Nerman
 - Roselyn Peppelbaum
 - Stanley Peppelbaum
 - Lawrence Sherman

EXECUTIVE DIRECTOR
Michael Cohen

ASSISTANT EXECUTIVE DIRECTOR
Marcia Wolochow

President Bill Clinton
The White House
Washington, D.C. 20500

Dear President Clinton:

I am writing to urge you to do all that you can to support the nomination of M. Larry Lawrence as the United States Ambassador to Switzerland.

Larry Lawrence has been active in social causes and politics for over four decades in San Diego, nationally and internationally. He has a proven track record as an innovative leader in the business community and as a person who is sensitive to the needs of his community and country. Mr. Lawrence is an experienced negotiator, who has the ability to mediate a resolution among diverse interest groups. He will bring these unique skills and abilities to his position as our Ambassador to Switzerland.

Those of us in San Diego who know the qualities and dedication that Larry Lawrence possess hope you will give your strongest support towards his nomination being approved.

Very truly yours,

Kenneth D. Polin, President
Board of Directors



LA JOLLA BRANCH & ADMINISTRATION
Mandell Weiss Eastgate City Park • 4126 Executive Drive, La Jolla, CA 92037
Branch Phone (619) 457-3030 • Administration Phone (619) 457-3161 • FAX (619) 457-2422

NORTH COUNTY BRANCH
552 South El Camino Real, Encinitas, CA 92024
Branch Phone (619) 944-0640



COMPLETED



VAP

g, Vice-Chair
 tens, Vice-Chair
 CO, CA
 ner, Vice-Chair
 nd, NJ
 R. Landa, Secretary
 Lake City, UT
 eidon Cohen, Treasurer
 Washington, D.C.

FOUNDING CHAIR

Morton L. Mandel
Cleveland, OH

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Hyman Bookbinder
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Lynn Cutler
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Executive Director

Marc Solomon
Grassroots/Political Officer

Pat Lewis
Press/Policy Officer

Shari Yost
Fundraising Officer

Brian Lazar
Data Base Administrator

Kevin Davis
Administrative Officer

Debbie Wasserman Schultz
Florida Coordinator

December 15, 1993

President Bill Clinton
 Executive Office of the President
 1600 Pennsylvania Ave. N.W.
 Washington, D.C. 20500

Dear President Clinton:

M.

We are writing to commend you on your nomination of Larry Lawrence as U.S. ambassador to Switzerland.

A successful businessman, Larry has shown through his philanthropy a lasting commitment to public service and participation. He has served as the chairman of the Southern California State Democratic Party and has been recognized several times as the San Diego Democrat of the Year. He has led the San Diego Israel Bond Committee for years, and the San Diego Jewish Community Center bears his name in recognition of his contributions. His generosity extends to virtually all areas of community life, from health services to the arts.

We believe his dedication to the values that lay at the heart of our nation's system of government make him well-suited to represent those values abroad.

Sincerely,

Monte
 Monte Friedkin
 Chair

SG
 Steve Gutow
 Executive Director

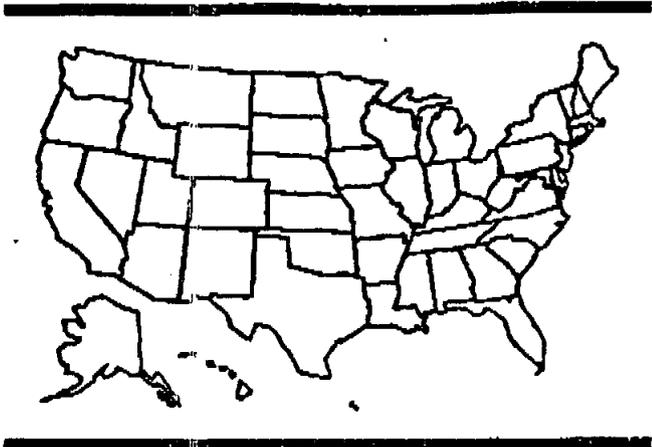
/pfl



U.S. Department of Justice

Washington, D.C. 20530

CIVIL DIVISION
FEDERAL PROGRAMS BRANCH
FAX TRANSMITTAL COVER SHEET



DATE: 8/7/95

TO: Glen Kagan

FAX NUMBER: 456-1647

FROM: Terry Henry

FAX NUMBER(S) ROOM 900
COMMERCIAL: 202-616-8202
CONFIRMATION NO.: 202-616-8300

THERE ARE A TOTAL OF 3 PAGES INCLUDING THIS COVER PAGE IN THIS TRANSMITTAL

Py

2

109120
IT

THE WHITE HOUSE
WASHINGTON

January 23, 1995

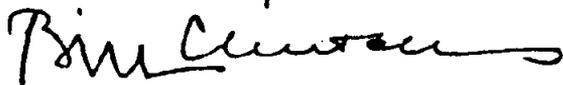
Ms. Shelia Davis Lawrence
American Embassy
Bern

Dear Shelia:

I have received your letter advising me of your resignation as Special U.S. Representative to the World Conservation Union.

I appreciate your hard work representing the people of the United States and their commitment to the principles of conservation. On behalf of all who have benefited from your service, I thank you for a job well done. Best wishes for every future success.

Sincerely,



COPY
from ORM

Shelia J. ...

PERSONAL

December 23, 1994

My dear Mr. President,

For personal reasons, I would like to submit my resignation as Special U.S. Representative to IUCN - The World Conservation Union, effective December 31, 1994.

I am grateful for the confidence you placed in me by making this appointment.

Respectfully,

Shelia

*Hi Betty - Staff Secretary 12/27/94
Hard copy of letter
faxed today. Thanks!
H.*

Potus saw fax.

20

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

October 25, 1993

NOMINATIONS SENT TO THE SENATE:

✓ M. Larry Lawrence, of California, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Switzerland.

✓ Norman E. D'Amours, of New Hampshire, to be a Member of the National Credit Union Administration Board for the term of six years expiring August 2, 1999, vice Roger William Jepsen, term expired.

The following named persons to be Members of the Assassination Records Review Board:

✓ William L. Joyce, of New Jersey (New Position)

✓ Anna K. Nelson, of the District of Columbia (New Position)

#

FILE

EXECUTIVE OFFICE OF THE PRESIDENT

25-Oct-1993 07:52pm

TO: (See Below)

FROM: Jonathan P. Gill
Office of Media Affairs

SUBJECT: Lawrence Release 1993-10-25

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

October 25, 1993

PRESIDENT NAMES LARRY AND SHELIA LAWRENCE TO POSTS IN SWITZERLAND

President Clinton announced his intention today to nominate M. Larry Lawrence to be Ambassador to Switzerland and his intention to appointed Shelia Davis Lawrence to be Special U.S. Representative to the World Conservation Union.

"Larry and Shelia Lawrence are two of the most concerned, active, and able people that I know," said the President. "I look forward to the work that they will do for our country in Geneva."

M. Larry Lawrence, a licensed general contractor, real estate broker, insurance broker and agent, is Chairman of the Board, Chief Executive Officer, or partner of numerous companies. Among them are China Basin Properties, Ltd., Del Coronado Travel & Properties, and the Lawrence Investment Group, plus many others. He is also highly active in professional and community activities ranging from the Young Home Builders of America to the Urban Coalition, to the United Jewish Appeal. Lawrence, a Chicago native and graduate of the University of Arizona, has been actively involved in Democratic Party affairs for many years, serving on County and State Democratic Central Committees in California from 1952-86.

Shelia Davis Lawrence is a business, political, and civic

affairs activist. She currently serves as a board member and Senior Vice President for Public Affairs of the Hotel del Coronado in Coronado, CA, and as Chair of the Board of Directors of San Diego's Ocean Edge Corporation. Among the other business which she is involved are US Oceanics, Inc. Lawrence is also active in commercial development and historic preservation, and in Democratic politics. In 1992, she served as the Clinton/Gore campaign's Southern California Chair, directing a corps of more than 2,000 volunteers in the regions's first successful Democratic campaign since the 1940s. A native of West Virginia, she has a B.S. from East Tennessee State University.

The Lawrences live in Coronado, California.

#

Distribution:

TO: Elizabeth C. Bowyer
TO: Alison Muscatine
TO: Kohlenberger, Jim
TO: Remote Addressee
TO: Christian M. Baldia
TO: Helen H. Dickey
TO: Carter Wilkie
TO: Manager Infomgt
TO: Julie K. Anderson
TO: Barry J. Toiv
TO: Lori E. Abrams
TO: Anne M. Edwards
TO: Remote Addressee
TO: Remote Addressee
TO: Manager Infomgt
TO: Remote Addressee
TO: Jeffrey L. Eller
TO: Lisa Mortman
TO: Ernest D. Gibble
TO: Patricia A. Enright
TO: Jonathan P. Gill
TO: Richard Strauss
TO: Maria M. Tio
TO: Joshua N. Silverman
TO: Jess Sarmiento
TO: C. Patricia Cogdell
TO: Kimberly S. Hopper
TO: Elizabeth A. Bernstein
TO: Carolyn Curiel

THE WHITE HOUSE
WASHINGTON

April 5, 1993

Mr. Al From
President
Democratic Leadership Council
Suite 500
316 Pennsylvania Avenue, S.E.
Washington, D.C. 20003

Dear Al:

It was good to hear from you, and I appreciate your recommending Shelia Lawrence for a position with our Administration. Your ~~suggestions~~ are both welcome and needed as we face the challenge of structuring a government that can carry America into the twenty-first century.

I have taken the liberty of forwarding Shelia's resume to the appropriate parties, and you can be sure she will receive full consideration.

Personally,



Mack McLarty
Chief of Staff to the President

No. 7

THE WHITE HOUSE
WASHINGTON

March 17, 1994

~~Mr. Larry Lawrence~~
~~Mrs. Shelia Davis Lawrence~~
Bell House
1527 35th Street, N.W.
Washington, D.C. 20007

Dear Mr. and Mrs. Lawrence:

Thank you for inviting President Clinton to attend the reception in honor of your appointments as Ambassador of the United States to Switzerland and Special United States Representative to the IUCN - The World Conservation Union. The President appreciates your offer and is sorry that he was unable to join you on this important occasion.

Unfortunately, the tremendous demands on the President as he works to move our country forward do not give him the opportunity to accept as many invitations as he would like.

On behalf of the President, thank you again for your invitation. Please do not hesitate to contact my office if we can provide you with any further assistance.

Sincerely,



Ricki L. Seidman
Assistant to the President
Director of Scheduling and Advance

RLS/inf

Crown Manor
1500 Orange Avenue
Conorado, CA 92118

M. Larry Lawrence and Shelia Davis Lawrence
request the pleasure of your company

at his swearing-in
as Ambassador of the United States of America
to Switzerland

and
her swearing-in
as Special United States Representative
to the IUCN - The World Conservation Union

on Monday, the twenty-eighth of February
at eleven forty-five o'clock

Benjamin Franklin Room
Department of State
Twenty-second and C Streets, Northwest
In the City of Washington

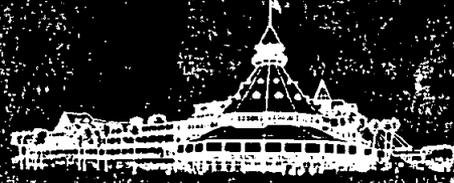
R. S. V. P.
(619) 522-8100
Fax (619) 522-8488

W. L. W. C.

Please join us for a
Celebration
at home
on
Monday, the twenty-eighth of February
at
seven o'clock

Cocktails and Dinner
R. S. V. P. (619) 522-8100
Valet Parking

Bell House
1527 Thirty-fifth Street, N. W.
Washington



Hotel del Coronado

Handwritten note:
Mr. [unclear]
[unclear]

April 15, 1993

*The President
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000*

Dear Mr. President,

As we complete our "final campaign sorting process" in beautiful Coronado, we thought you would enjoy seeing the enclosed t-shirt and subsequent letter to the t-shirt store from the Lawrences' attorney.

Needless to say, this shirt is a one-of-a-kind "treasure"... however, anytime you would like to enjoy Crown Manor as the Western White House we would be thrilled to see you in Coronado again!

On a more personal note-- those of us who worked so hard on the campaign feel a tremendous sense of pride each day of your Administration. I feel honored to have assisted in your campaign, and can't wait until we prepare for Victory '96.

With great respect,

*Ilene Sherman
Political Assistant to Shelia Davis Lawrence*

Enclosure

Non-resp

TIMOTHY R. BINDER
ATTORNEY AT LAW
1500 ORANGE AVENUE
CORONADO, CALIFORNIA 92118
TELEPHONE (619) 522-8111

November 9, 1992

Personal and ~~Confidential~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: By DATE: 6/8/12

Mr. and Mrs. Caroll Gerbel
The Sports Emporium
1111 Orange Avenue
Coronado, CA 92118

Dear Mr. and Mrs. Gerbel:

It has come to my attention that you are selling a novelty T-shirt with the outline of Crown Manor on it with the designation as the "Western White House." I know that you are doing it in good fun in light of all of the rumors which have been running rampant since Governor Clinton's election, but I wanted to share with you a couple of concerns of the Lawrences and ask your cooperation.

The rumors about Crown Manor becoming the Western White House are just that, rumors. It is mere speculation. The T-shirt, of course, just adds credence to the rumors, and there is concern that it may raise a false expectation among Coronadans. President-elect Clinton has more important concerns than worrying about where he will occasionally vacation, and people should not be disappointed if he does not vacation in Coronado.

On a more personal note, the appearance of Crown Manor on a T-shirt is really an invasion of privacy. The Lawrences enjoy their privacy, and do not appreciate the increased security problems that are created by the curiosity of some people.

It would be appreciated if you would stop selling these T-shirts. If you have any questions or concerns please call me. Thank you for your consideration.

Cordially,



Timothy R. Binder

TRB/mss

cc: Mr. and Mrs. Lawrence

C O P Y
from ORM

095485
FC00601

M. Larry Lawrence and Shelia Davis Lawrence
request the pleasure of your company

at his swearing-in
as Ambassador of the United States of America
to Switzerland

and

her swearing-in
as Special United States Representative
to the IUCN - The World Conservation Union

on Monday, the twenty-eighth of February
at eleven forty-five o'clock

Benjamin Franklin Room
Department of State
Twenty-second and C Streets, Northwest
In the City of Washington

R. S. V. P.
(619) 522-8100
Fax (619) 522-8488

Please join us for a
Celebration
at home
on
Monday, the twenty-eighth of February
at
seven o'clock

Cocktails and Dinner
R. I. V. P. (619) 522-8100
Valet Parking

Bell House
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Washington

The State Department requires the following

Full Name _____

Date of Birth _____

Social Security Number _____

All guests will be required to identify themselves by presenting approved photographic identification such as a valid U. S. photographic state drivers license or other form of valid photographic identification.

*For Swearing-in Ceremony
Please present this card
for Complimentary Valet Parking
at the C Street entrance
Department of State*



Mr. M. Larry Lawrence and Mrs. Shelia Davis Lawrence
Crown Manor
1500 Orange Avenue
Coronado, California 92118

1
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LOS ANGELES, CALIFORNIA 9007-2899
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SAN FRANCISCO, CALIFORNIA 94111-3305
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2-17-22 ARASAKA, MINATO-KU
TOKYO 107

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FACSIMILE (03) 3567-9738

AVENUE LOUISE 106
1050 BRUSSELS
TELEPHONE (02) 647-06-50
FACSIMILE (02) 646-47-29

December
28th
1 9 9 2

OUR FILE NUMBER

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1999 AVENUE OF THE STARS
LOS ANGELES, CALIFORNIA 90067-6035
TELEPHONE (310) 553-8700
FACSIMILE (310) 246-8779

610 NEWPORT CENTER DRIVE
NEWPORT BEACH, CALIFORNIA 92660-6429
TELEPHONE (714) 760-9800
FACSIMILE (714) 669-6994

555 13TH STREET, N.W.
WASHINGTON, D. C. 20004-1109
TELEPHONE (202) 383-5300
FACSIMILE (202) 383-5414

CITICORP CENTER
153 EAST 53RD STREET
NEW YORK, NEW YORK 10022-4611
TELEPHONE (212) 326-2000
FACSIMILE (212) 326-2061

WRITER'S DIRECT DIAL NUMBER

(213) 669-6310

Mr. Robert D. Paulson
McKinsey & Company, Inc.
400 South Hope Street
Los Angeles, California 90071

Dear Mr. Paulson:

Mr. Christopher has received your letter of December 17, 1992 which transmitted the resume of Larry Lawrence. He has asked me to forward Mr. Lawrence's resume to Peter Knight who has a key role in the Transition's Personnel office in Washington, D.C.

Sincerely,



Carlene Ackerman

CA:jh



Hotel del Coronado

August 17, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500-2000

Dear Mr. President,

On behalf of Shelia Davis Lawrence, M. Larry Lawrence and more than 1300 employees of the Hotel del Coronado, we are very proud to present you with this photograph of Air Force I as it flew over the Del on your most recent visit to "Paradise," May 17, 1993.

I don't know whether you realize that your visit in May came exactly one year after your first visit to the Del-- May 17, 1992.. I remember it well.

It is an honor to have you visit our Hotel, and to tell visitors from all over the world that President Bill Clinton is the fourteenth U.S. President to stay at our historical hotel.

Please return soon, and bring Hillary and Chelsea with you!

On a personal note... thank you for your intention to nominate Larry Lawrence as Ambassador to Switzerland. Mr. Lawrence will proudly and effectively serve our Country, and with Mrs. Lawrence at his side, you will have a wonderful and supportive team!

Our very best to you, as always,

Ilene Sherman
Assistant to Shelia Davis Lawrence
and M. Larry Lawrence



1500 Orange Avenue, Coronado, California 92118 (619) 435-6611

*what
did
we
decide?*

**STATEMENT OF
F. ALLEN (TEX) HARRIS
PRESIDENT, AMERICAN FOREIGN SERVICE ASSOCIATION
TO
HEARING ON AMBASSADORIAL APPOINTMENTS
COMMITTEE ON FOREIGN RELATIONS
OF THE
UNITED STATES SENATE
NOVEMBER 10, 1993**

As the elected president of the American Foreign Service Association -- AFSA, I greatly appreciate this opportunity to give this committee the association's broad view on the nominations before it and, more generally, on the selection process of which this hearing is a part. AFSA is the 11,000-member organization that represents the men and women of the United States Foreign Service both in labor-management relations and in the advancement and safeguarding of the diplomatic profession in all its aspects.

I speak today in opposition to the enduring but outmoded process -- one of the last relics of the archaic nineteenth-century spoils system -- through which our political leadership identifies and selects the people who lead more than 160 U.S. diplomatic missions around the world. It is a system that often fails to select the persons most qualified to represent the President and the American people abroad. All too often it serves not the country's needs, but rather the need to reward people for political loyalty or financial generosity, while passing over professionals with enormous knowledge and unique experience.

No educational institution, no corporation, no charity would use such a process to select its leadership. Yet the world's only superpower, facing an immensely complex, disorderly and -- yes -- dangerous world frequently sends abroad as ambassadors people whose backgrounds bear little trace of the knowledge and experience that meeting such challenges demands. The ambassadorial selection process should have one objective and one objective only -- to produce the individual best qualified to do the job, whether it is in Switzerland or Swaziland. The current system fails that test.

While AFSA's principal reason for being is to guard the integrity of the diplomatic profession and ensure equitable treatment for its members, we do not oppose political ambassadorial appointees on principle. We fully appreciate the real contribution that a number of outstanding non-career ambassadors have made and are making to our country's diplomatic presence around the world.

Indeed, we recognize the great value our country and we derive from the infusion of different perspectives and talents into American diplomacy, be it from the worlds of business, academia, or politics. In fact, a number of this country's most distinguished and respected

diplomats of the modern era have come from outside the career service -- the records of Averell Harriman, David Bruce, John Kenneth Galbraith, Arthur Burns, and Mike Mansfield, come readily to mind. We also support the right of the President to appoint as his representatives qualified people who enjoy his personal confidence and rapport.

But what we need is an ambassadorial selection process which is guided by the overriding principle articulated by President Carter: "Why not the best?"

The law of the land has it right. The Foreign Service Act of 1980 states clearly that "an individual appointed or assigned to be a chief of mission should possess clearly demonstrated competence to perform the duties of a chief of mission, including ... a useful knowledge of the principal language or dialect of the country in which the individual is to serve, and knowledge and understanding of the history, the culture, the economic and political institutions, and the interests of that country and its people." It adds, importantly, that "contributions to political campaigns should not be a factor in the appointment of an individual as chief of mission."

Similarly, Secretary of State Christopher had it right when he promised, in his first meeting with the Foreign Service; "Recommendations for ambassadorships will be based upon qualifications that extend beyond campaign participation and will require some real expertise with respect to the appointment."

Notwithstanding those laudable criteria -- enshrined in law -- far too many people are nominated as ambassadors not for their experience in international issues, nor for their specialized knowledge about a particular country or region, nor even for their demonstrated acumen in international business. They are selected only because they, their spouses, their children, and their friends have made and/or raised generous financial contributions to political campaigns.

My AFSA Board colleague Dennis Kux, head of the Senior Foreign Service Association, will address the nomination now before this Committee of M. Larry Lawrence which AFSA opposes. With my time, I would like to outline why we think the current system is so flawed and how we think it could be improved.

POLITICAL REFORM

The President and Vice President are embarked on a major campaign to reinvent the federal government. The American people subscribe to that effort. A recent Wall Street Journal/NBC poll found that 37 percent of Americans think that reinventing government should be the Clinton administration's top priority. Health care was named by 33 percent, and NAFTA by a mere 5 percent.

AFSA wholeheartedly supports this breakthrough effort. We are acting as full partners with the Secretary of State and the heads of the other foreign-affairs agencies to streamline our operations, prioritize our programs, eliminate wasteful, duplicative programs and excessive bureaucracy, and to do our most important tasks better, with less. While reinventing government is being conscientiously implemented within the agencies, when it comes to selecting those who lead our missions abroad, it cannot be business as usual.

Choosing the best to represent America overseas, free from the considerations of political contributions, must be central to the ongoing effort to reform how our Foreign Affairs Agencies do business. The congressional debate on campaign financing and "soft money" must also encompass abuse of such funding to "buy" ambassadorships. Our national political genius can surely devise a better way to reward political fundraising than by entrusting the politically generous with stewardship of diplomatic missions that demand knowledge and skills that only years of extensive involvement in international affairs can afford.

Let me give you three conditions of contemporary diplomacy that render the appointment of inexperienced and unqualified ambassadors harmful to our national interests.

Complexity. The days when the main job of an ambassador was to cultivate and entertain the political elite, or to deliver routine diplomatic messages from his government, or even to report on political intrigue or economic trends are long, long gone. The vast reach of our international concerns, amplified by instant communications, have made the job of an ambassador far more complex and important than ever.

U.S. interests today include trade promotion, economic development, information and culture, military assistance, democratization, labor, human rights, narcotics, environment, multilateral peacekeeping, regional security, and on and on. That is a full plate for even the most seasoned professional. For an amateur, someone whose productive years have been spent running a domestic business or practicing local politics, it is well-nigh indigestible.

Efficiency. As a result, such appointees generally spend their first year -- or longer -- learning the ropes, grasping the principles of operating in a foreign environment, and figuring out the critical power relationships in their host country. During this on-the-job training, the ambassador is most often "carried" by the Foreign Service officer who is his deputy chief of mission and effectively runs the embassy.

In times past when our missions abroad were relatively few and more generously staffed, we could afford this luxury. No more. Our foreign-affairs resources are under relentless pressure to produce more with less. In a two-year period when we have opened nearly twenty new embassies abroad, the State Department's budget has been cut by ten percent, with more cuts to come.

I would liken the old-fashioned embassy headed by a political appointee to a palanquin, in which the ambassador is carried through his tour of duty by a dedicated team of professionals. In the "reinventing government" mode, the appropriate metaphor must be an eight-person rowing shell, with the ambassador pulling his or her oar both as the leader and as a significant contributor to the team effort of a leaner, more efficient and productive embassy. The Foreign Service is losing its carrying capacity in the major retrenchment now under way.

Accountability. It is true that the present system has occasionally produced brilliant and inspired non-career envoys, such as the patriarchs I cited earlier. What is far less well known is that in even greater numbers the system has sent abroad envoys who have been truly disasters, not only as representatives of United States interests, but as exemplars of the moral standards which we would expect of any American official: no-shows, drunks, playboys, sexual athletes and even drug abusers. Thanks to the discretion of the Foreign Service professionals who bail them out, these cases rarely make it into the public's awareness.

Between these extremes are the two large categories of political ambassadors: those whose intellectual and interpersonal skills allow them to absorb the retraining adequately enough to do a creditable job ... after a while; and those who effectively fail, but go along gracefully and -- in the words of one veteran FSO -- "stay out of the way."

The ambassadorial appointment system must have a feed-back loop of performance accountability. We cannot afford no-shows and marginal performers who are currently protected by the spoils system. We certainly do not maintain that all career appointees are superstars; the Foreign Service too has its underachievers. But we need a system that establishes an equal test for both career and political appointees: "Why not the best?"

The American Foreign Service Association calls upon this Committee, the Congress as a whole, and the President, as they approach the issue of political reform, to put the core question of how we choose American leadership abroad on the reinventing government agenda. This is a critical time of change in both the direction and structure of American foreign policy. It is important that we be able to say clearly and correctly that we have changed the way we choose our ambassadors -- and that we are choosing the best. ##

*For
the Laurences* (1-6)

ORIGINAL

Stenographic Transcript of

HEARINGS

Before the

dtko

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

AMBASSADORIAL NOMINATIONS

Washington, D.C.

July 19, 1989

ALDERSON REPORTING COMPANY

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STATEMENT OF:

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Hon. Thomas Patrick Melady,
of Connecticut,

To be Ambassador to the Holy See

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Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004a. memo	To Elena from Terry re: draft letter (1 page)	08/07/1995	P5

COLLECTION:

Clinton Presidential Records
Counsel's Office
Elena Kagan
OA/Box Number: 8291

FOLDER TITLE:

Lawrence Suit: Larry Lawrence [1]

2009-1006-F
ry932

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004b. draft	Draft letter to Mary Ann Sillvestri from Terry Henry re: lawsuit (6 pages)	08/07/1995	P5

COLLECTION:

Clinton Presidential Records
Counsel's Office
Elena Kagan
OA/Box Number: 8291

FOLDER TITLE:

Lawrence Suit: Larry Lawrence [1]

2009-1006-F
ry932

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. resume	re: Joseph B. Gildenhorn (partial) (1 page)	03/1989	P6/b(6)

COLLECTION:

Clinton Presidential Records
Counsel's Office
Elena Kagan
OA/Box Number: 8291

FOLDER TITLE:

Lawrence Suit: Larry Lawrence [1]

2009-1006-F
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Tel. log #1

17
④

JOSEPH B. GILDENHORN

Position for which considered: Ambassador to Switzerland

Present Position: Partner, JBG Companies

Office Address: 1250 Connecticut Avenue, N.W., #500, Washington, D.C. 20036

Born: P6/(b)(6)

[005]

Legal Residence: District of Columbia

Marital Status: Married

Family: Wife: Alma Lee
Children: Carol A.
Michael S.

Home Address: P6/(b)(6)

Education: B.A. 1951, University of Maryland
LL.B.; J.D. 1954, Yale University Law School

Experience:

0 0 4
Military
0 1954-56 U.S. Army

0 0 5
Non-Government
1956-58

0 1958-present Attorney, Office of the General Counsel, Securities and Exchange
0 1962-present Commission, Washington, D.C.
0 1962-present Senior Partner, Brown, Gildenhorn & Jacobs, Washington, D.C.
0 1962-present President and Director, JBG Real Estate Associates, Inc.
0 1962-present President and Director, JBG Properties, Inc.
0 1962-present Director of Sovran Financial Corporation and Vice Chairman,
Board of Directors of Sovran Bank/D.C. National

Awards: Humanitarian Award from B'nai B'rith, 1985
David Ben Gurion Award (Israel), 1977
Man of the Year, Hebrew Home of Greater Washington
Goldsmith Award (Community Services), Hebrew Home of
Greater Washington

Memberships: Member of the Bar - District of Columbia, State of Maryland,
Supreme Court, U.S. Court of Military Appeals
Member, Bar Associates of District of Columbia, State of
Maryland, Montgomery County, Maryland, American Bar
Republican Eagles, Team 100
National Jewish Coalition
American Israel Public Affairs Committee
B'nai B'rith
National Conference on Soviet Jewry
Council of Jewish Federations
Greater Washington Jewish Community Foundation
United Jewish Appeal Federation of Greater Washington

March 1989

1 STATEMENT OF JOSEPH BERNARD GILDENHORN, OF THE DISTRICT
2 OF COLUMBIA, TO BE AMBASSADOR TO SWITZERLAND

3 Mr. Gildenhorn: Thank you.

4 I am honored by the President's confidence in nominating
5 me to be Ambassador to Switzerland, and I am grateful for the
6 privilege of appearing before you today.

7 If the Senate chooses to confirm my nomination, I would
8 hope to make a positive contribution by preserving and
9 enhancing the already excellent U.S.-Swiss relationship. The
10 ties between our two nations grow out of shared values of
11 economic and political freedom.

12 From this foundation of interests, both moral and
13 practical, we have found the basis for important and mutually
14 beneficial cooperation.

15 For example, as we approach 1992, the United States and
16 Switzerland share a vital common interest in assuring that
17 the European Community deals fairly and openly with its
18 non-EC trade partners.

19 There is a clear role for both countries to monitor the
20 development of the Unified European Market and seek assurance
21 that the EC does not discriminate against nonmembers.

22 In another key area, the fight against illegal drugs, the
23 United States is helped by a Mutual Legal Assistance Treaty
24 with Switzerland, which allows mutual access to bank and
25 corporate records where information is needed for a criminal

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1 prosecution.

2 We are also pleased that Berne has increased the size of
3 its anti-narcotics force on a federal level, and is now
4 considering legislation that, for the first time, would make
5 money laundering, per se, a criminal offense.

6 In addition, bilateral negotiations on a new, more
7 efficient extradition treaty should produce an agreement
8 ready for signature this fall.

9 Among the most important aspects of the U.S.-Swiss
10 relationship are the private economic bonds between our
11 nations.

12 The international strength of Swiss industry and
13 financial institutions makes possible a substantial flow of
14 trade and investment between our countries despite their very
15 different sizes. Two-way trade last year amounted to \$9
16 billion, while direct investments at the present time have
17 book values of some \$34 billion.

18 If confirmed by the Senate, I would make the continued
19 expansion of U.S. exports to Switzerland one of my top
20 priorities.

21 On a wide range of issues, the United States and
22 Switzerland on a continuing basis have been able to have an
23 effective interchange. In U.S.-Swiss relations, any current
24 problems we may have are relatively small in proportion to
25 our many areas of shared values and policies.

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1 Above all, the friendship between the United States and
2 Switzerland is secure because it rests firmly upon the moral,
3 political, and economic ideals of the West.

4 Before I conclude my remarks, I would like to say a few
5 words about my background and experience in the political
6 arena and in international matters which has brought me to
7 this nomination procedure.

8 In addition to my extensive background as an attorney,
9 businessman and banker, which I will comment on in a little
10 more detail in a later part of these remarks, I have
11 experience in international affairs which I feel will be
12 valuable to me if I am confirmed as the Ambassador to
13 Switzerland.

14 As a leader in the Jewish community, both locally and
15 nationally, I have had extensive dialogue with Israeli
16 leaders on substantive issues involving the United States,
17 the Jewish community, and the State of Israel. I have met
18 and consulted with Prime Minister Shamir, former Prime
19 Minister Perez, and former Prime Minister Rabin on many
20 occasions.

21 Over the past two years, in my position as President of
22 the United Jewish Appeal Federation of Greater Washington, an
23 umbrella organization representing over 160,000 Jews in this
24 area, I became deeply involved in the issue of human rights,
25 with special reference to Soviet Jewry emigration. I visited

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1 the Soviet Union last October, and met with refugee
 2 families in Moscow and Leningrad, and I had the privilege of
 3 attending the opening of the first Jewish cultural center in
 4 Moscow as a representative of the Jewish community in
 5 Washington.

6 I have had consultations with officials in the State
 7 Department concerning problems involving Soviet
 8 resettlements.

9 I also had the unique opportunity to travel with the
 10 then-Vice President Bush and Mrs. Bush to Israel on an
 11 official mission in the summer of 1986. I was one of seven
 12 Jewish leaders selected from throughout the country who were
 13 afforded this honor.

14 On this fact-finding mission, we met with Israeli
 15 political leaders, including the Prime Minister and members
 16 of the Knesset. By spending the better part of six days
 17 together, I really had the opportunity of cementing a warm
 18 friendship with the then-Vice President and Mrs. Bush, which
 19 carries forward to this day.

20 I wish to point out that I have travelled to over 25
 21 countries in all parts of the world. I have visited almost
 22 every country in Western Europe and have been to Switzerland
 23 on at least six occasions. My wife and I lived in Germany in
 24 1956, when I served in the U.S. Army.

25 I have been involved in the political process for many

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1 years, as an active supporter of President Reagan, President
2 Bush, and many Members of Congress. I began my political
3 role as a supporter of the Reagan-Bush ticket in 1980, and
4 became involved in the activities of the Republican Party at
5 that time.

6 After the 1984 election, I joined with a group of
7 national Jewish leaders in an informal committee for the
8 purpose of advising the then-Vice President, Bush, on a wide
9 range of issues affecting the Jewish community. After the
10 Vice President formally announced his candidacy, I became a
11 member of the Steering Committee of the National Jewish
12 Campaign Committee, a politically active group, which
13 consulted with the then-vice President, Bush, and his
14 advisors on a continuing basis throughout his campaign.

15 In addition, I was appointed Co-Chairman of the
16 Bush-Quayle Finance Committee for Washington, D.C.

17 I have had the opportunity over the past nine years to
18 meet and attend briefings on national and international
19 issues with the President, Vice President, and Cabinet
20 Members. I am proud of my involvement, my participation, and
21 my commitment in the political process, which has now become
22 an important part of my life.

23 As a final comment, I feel that I have been unfairly
24 characterized by the American Academy of Diplomacy as being
25 "unqualified" to serve as an ambassador, and that unique

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emphasis has been placed on the magnitude of my political contributions, made by me over the past five years.

Let me say that I have always considered myself "qualified" in all of my life's endeavors, whether in my education, graduating from honors from the University of Maryland and Yale Law School Order of the Coif and Editorial Board of the Yale Law Journal, in my profession, where I practiced law successfully, both at the Securities and Exchange Commission and in private practice for over 30 years, in the corporate securities and real estate field, in my business, where I helped found and have been active as President and CEO of a major real estate company, with over 450 employees and development properties valued in excess of \$500 million, or in my banking background, where I have played an active role as Vice Chairman of Sovran-D.C. National Bank, a local bank which has grown dramatically since I became involved and has now merged with Sovran Finance Corporation, a \$23 billion bank, of which I am a Director.

I have a strong record of involvement in the community and in a host of charitable and civic projects, which have benefitted others.

I am proud of my accomplishments. I am grateful that I have achieved financial success through hard work over the years.

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1 Being blessed with this success has mandated to me that
2 repay in some measure the good fortune that has been mine.
3 I feel that there is no higher and better way to do this than
4 to serve my country.

5 I feel privileged to know President Bush and to be
6 considered his friend. Indeed, nothing that I have done in
7 my life, outside of my family, has given me more satisfaction
8 or a greater sense of pride than to have been able to
9 participate in the election of George Bush as President.

10 I am honored that he has nominated me to be Ambassador to
11 Switzerland and that he considers me qualified to represent
12 him and the United States overseas.

13 I stand by my record of achievements and feel confident
14 that I have the ability to do a professional and competent
15 job as Ambassador to Switzerland.

16 Thank you.

17 I would be glad to respond to your questions.

18 Senator Bicen: Thank you.

19 I have a number of questions, but I so dominated the
20 first round that I will yield to my colleague from Maryland,
21 Senator Sarbanes, who also chairs the Joint Committee on
22 Economics as well, and has great concern about matters
23 relating to Switzerland.

24 With that, I will yield to my colleague from Maryland.

25 Senator Sarbanes: Thank you very much, Mr. Chairman.

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1 Mr. Gildenhorn, we are pleased to have you before the
2 Committee today.

3 Let me say first of all, because I detect a certain edge
4 in your statement, that we receive these recommendations of
5 the American Academy of Diplomacy, which, of course, is a
6 private group -- actually, Mrs. Black is the Vice President
7 and Secretary of the Academy, interestingly enough.

8 Mr. Gildennorn: I'll have to talk to her.

9 Senator Sarbanes: We receive their statements and use
10 them as information which is helpful to the Committee. I
11 don't know that any of us follows their recommendations or
12 their conclusions to the letter, and I, in fact, on occasion
13 have voted to confirm people that they did not think should
14 be confirmed.

15 So I think we ought to just establish that at the
16 outset.

17 I would like to probe a bit some of your activities,
18 first, as a banker, which, it seems to me, is a rather
19 relevant matter as far as an assignment to Switzerland is
20 concerned. After all in many ways it is a banking center.

21 How long have you been in the banking field, and maybe
22 you could detail that out for us without me having to pursue
23 the details.

24 Mr. Gildenhorn: I will.

25 I started with a bank known as D.C. National Bank on a

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1 local level approximately nine years ago, and was elected as
2 Vice Chairman of that bank.

3 Senator Sarbanes: At that time?

4 Mr. Gildenhorn: At that time, yes.

5 The bank had approximately \$120 million in assets and
6 today has approximately \$1 billion in assets. So the bank
7 has grown substantially.

8 Approximately three or four years ago, the bank merged
9 with Sovran Financial Corporation, a \$23 billion bank, and I
10 was asked to serve on the Board of Sovran Financial
11 Corporation, the holding company, which is located in
12 Norfolk.

13 But I have had an active participation in the local bank
14 on the Loan Committee, Executive Committee, and have been
15 vitally involved with the growth of that bank.

16 Senator Sarbanes: Has that carried over to Sovran
17 Financial Corporation?

18 How active has your involvement been in recent years?

19 Mr. Gildenhorn: I have been an active Director and
20 member of the Audit Committee. I go to meetings. I am not
21 part of management, so I am not there on a day by day basis.
22 But I do have a great familiarity with the bank.

23 Senator Sarbanes: Now we have important dealings with
24 the Swiss on banking matters.

25 Are you familiar with those issues?

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1 Mr. Gildenhorn: I am, sir.

2 Senator Sarbanes: How do you see the current situation?

3 Mr. Gildenhorn: I think a very important development has
4 happened recently, where there has been a law which has just
5 been proposed involving money laundering. It was proposed by
6 the Swiss in May of this year.

7 It really is a very important piece of legislation,
8 where, basically, it is a "know your customer" type of
9 legislation. If a bank should receive money that is
10 involved, for example, in drugs, the banker will be possibly
11 guilty of a criminal violation.

12 If this type of law passes, I think it will be very, very
13 important in drug enforcement.

14 They also are proposing certain reporting requirements,
15 too, in addition to that.

16 Senator Sarbanes: Actually, I think that was a provision
17 that Senator Biden was instrumental in putting into the
18 Anti-Drug Abuse Act of 1988, requiring the Secretary of
19 Treasury to enter into negotiations to reach International
20 agreements to insure that foreign banks maintain adequate
21 records of large United States currency transactions.

22 Mr. Gildenhorn: Correct.

23 Senator Sarbanes: Is it your understanding that the
24 current ambassador has been at all involved in this matter or
25 not? Do you know?

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1 Mr. Gildenhorn: Yes, I think he has monitored the
2 legislation and has been very helpful in getting the
3 legislation proposed. I think he feels very optimistic that
4 it will be passed sometime near the end of this year or early
5 next year.

6 Senator Sarbanes: So he has been interrelating with the
7 Swiss authorities with respect to this matter?

8 Mr. Gildenhorn: Yes, sir.

9 Senator Sarbanes: And if you went as Ambassador, that is
10 something you would expect to pick on, obviously.

11 Mr. Gildenhorn: I think it is very important and I would
12 expect to do so, if confirmed.

13 Senator Sarbanes: I am interested and I ask this
14 question of most nominees, just how this nomination came
15 about.

16 Mr. Gildenhorn: After President Bush was elected as
17 President, I decided I would make a commitment to leave the
18 private sector and serve my country. You know, leaving the
19 private sector was a very difficult commitment for me because
20 it has been very good to me. But I felt it was important in
21 my life to serve my country, and I decided to file with the
22 transition department, to submit my resume with the
23 possibility of being considered as an ambassador. That is
24 what I did.

25 Senator Sarbanes: So you indicated to the Transition

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1 team that you had an interest in going as an ambassador?

2 Mr. Gildenhorn: That's correct, sir.

3 Senator Sarbanes: To Switzerland, or just generally?

4 Mr. Gildennhorn: Well, Switzerland was my first choice.

5 Senator Sarbanes: It was your first choice?

6 Mr. Gildenhorn: Yes, it was.

7 Senator Sarbanes: Why was that?

8 Mr. Gildennhorn: Because I feel with my background in
9 banking, law, and business, this would give me the background
10 and the credentials to do an effective job in Switzerland.
11 Free enterprise in Switzerland is extremely important. Their
12 banking obviously is very important, and I feel that I have
13 the background and the credentials to be very proficient in
14 my job in Switzerland.

15 Senator Sarbanes: Are you familiar with the problems
16 that arose in the U.S. Embassy in Berne during the tenure of
17 Ambassador Whittlesey?

18 Mr. Gildenhorn: I have just a very scant knowledge of
19 it. I don't have the specifics. I know that there were some
20 questions of funds for entertainment, or whatever. But I
21 truly don't know and I really don't want to get into that
22 because I don't know the facts.

23 Senator Sarbanes: Well, of course, for a while it led to
24 an investigation of her. In fact, in the end, nothing
25 further was done, although there has been a call from the

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1 Congress for an independent prosecutor. The State Department
2 then issued some regulations thereafter in order to preclude
3 the kinds of practices in which she had engaged.

4 I only mention it because there has been a little bit of
5 a stormy history to that embassy, and therefore there is some
6 particular concern about it and about how business there is
7 conducted.

8 Mr. Chairman, I have probably used my first round and I
9 will defer to Senator Boschwitz if he wants to go ahead.

10 Senator Boschwitz: But I have to leave to take a call.

11 Senator Sarbanes: I would like to come back with some
12 additional questions, Mr. Chairman. Why don't you go ahead.

13 Senator Biden: All right.

14 The difficulty we have had with Swiss banking laws,
15 particularly as relating to drug money, have been immense.
16 Back several years ago, when I wrote the provision attempting
17 to get -- and there was some reluctance, by the way, to get
18 movement, not only on the part of the Swiss, but on the part
19 of the United States to press the Swiss early-on. It almost
20 all relates to the laundering of drug money.

21 It is estimated that the illegal profits from drug sales,
22 from controlled substances, as we call them, worldwide, was
23 \$500 billion last year. In the United States alone, it was
24 \$180 billion last year. This is more than the profit of all
25 the Fortune 500 companies combined.

1 Now, are you at all familiar with the workings of the
2 organized crime units that operate in this country and how
3 they launder their money?

4 Do you have any background or knowledge of that as a
5 banker, as to how money laundering takes place?

6 Mr. Glidenhorn: Well, I have been briefed by many
7 agencies. It seems like every agency in the government is
8 concerned about the drug situation, from Customs to State to
9 the Drug Administration, and so on.

10 But I really have not gotten the particulars about how,
11 when a drug is sold here, in Washington, D.C., for example,
12 the money is accumulated and eventually goes to banks
13 overseas, whether to Switzerland or some other country. The
14 answer is I really don't have the specifics at this time on
15 that matter.

16 Senator Biden: well, if you are, in fact, confirmed as
17 ambassador, I would respectfully suggest that you spend not a
18 little time but a great deal of time being briefed by the
19 Drug Enforcement Agency on what we know and what we would
20 like to know about the operation of drug units, drug
21 organizations, and their suspected and/or actual relationship
22 and involvement with depositing large amounts of currency in
23 Swiss banks.

24 Mr. Glidenhorn: If I may comment, the Swiss have
25 increased their federal anti-narcotics enforcement force

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1 substantially. They now are obviously really concerned about
2 the drug situation, and they are really cooperating with our
3 government in trying to police this.

4 Senator Biden: Were you surprised when you learned that
5 the American Academy of Diplomacy recommended that you were
6 "not qualified" to be ambassador?

7 Mr. Gildenhorn: Yes, sir.

8 Senator Biden: Having been involved in the political
9 arena and the political process, notwithstanding your
10 qualifications or lack thereof, could you comment for us on
11 whether or not you are aware of why there seems to be a
12 rising concern, particularly in this administration, about
13 the number of people being appointed to significant posts who
14 seem, in addition to having been successful in their careers
15 unrelated to diplomacy, their only remaining qualification
16 seems to be their significant political involvement and
17 financial contributions?

18 Mr. Gildenhorn: Well, I guess I can comment by saying
19 that I think in our country, everybody has something to
20 offer.

21 I have been dealing with career Foreign Service people
22 for the last five months, and I am very impressed with the
23 caliber of these people, their background, their loyalty. I
24 really have worked with them very closely. I think they
25 would make excellent ambassadors.

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1 By the same token, people in the private sector have an
2 awful lot to offer. They bring a lot to the table.

3 I think someone with my background -- I think you have to
4 look at each case separately -- but I think someone with my
5 background, who has done it all on his own, in business and
6 in banking, and also in my civic affairs -- I mean, I have
7 worked all my life helping others.

8 Senator Bicen: Excuse me. I am not at this point
9 questioning your involvement. But you are a politician.

10 Once you are in the process, you are a politician. Don't
11 tell me you can be the chairperson for the re-elect committee
12 or the election committee of a presidential candidate who
13 decides that Willie Horton is who he is running against and
14 you are not a politician. It is not possible.

15 So please do me the favor of acknowledging, at least of
16 not denying, that you cannot be involved in the fund raising
17 process and not be a politician. You cannot be involved in
18 the campaign process and not be a politician.

19 You could more likely be a candidate and not be a
20 politician than be either of those two things and not be a
21 politician.

22 But having said that, one of the things that concerns
23 some of us, led by Senator Sarbanes and others, is that
24 people from the private sector, who are being brought in to
25 take on significant ambassadorial positions, there has never

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1 been objection to that. That has always occurred in past
2 administrations.

3 Now I may be mistaken, but I don't know of any
4 ambassadorial nominee from the private sector who has been
5 brought in who also coincidentally wasn't a major fund
6 raiser. There must be some private sector people out there
7 who are extremely qualified, who have no background in
8 diplomacy, but also no background in fund raising.

9 That, quite bluntly, is what is the concern here. It's
10 not that people in the private sector are not fully capable,
11 and in many cases, by the way, bring a perspective that is
12 fresher, that is more innovative, and a background of
13 managing people and enterprises that is superior to those who
14 have already served as professional diplomats.

15 I don't want you wonder, if you are, in fact, truly
16 wondering, and I don't want you to be surprised as to why
17 this concern has been raised.

18 Some of us, quite frankly, expected it more from previous
19 administrations and less from this administration. This
20 administration has a history of a professional diplomat, if
21 you will, who is now President. So it has come as a bit of a
22 surprise.

23 That is the reason why the questions are raised.

24 Do you have any fluency in either French, German, or
25 Italian, for that matter, languages that would be of any

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1 value to you in Switzerland, beyond English?

2 Mr. Gildenhorn: The answer is no. but I will say this:
3 in consultation with people in Switzerland, with our embassy
4 in Berne, English is used universally and I will not be
5 adversely affected in my negotiations and in my contacts with
6 the Swiss.

7 I will say this. I do intend to take French and
8 hopefully German, though I am not sure I can take it all at
9 the same time. but I do intend, and I sincerely mean that,
10 when I get to Berne, if confirmed, to do that.

11 Senator Biden: You are obviously a very, very bright
12 man. It is presumptuous of me to even offer that. but, as
13 you know our professional diplomats with similar
14 intelligence, who may not have a proficiency in the language
15 that is spoken in the country to which they are going, make
16 routinely the commitment to take these crash courses in that
17 language.

18 Is that what you are suggesting to us you are going to
19 do? What are you going to do? You said you were going to
20 try to deal with French a little bit.

21 Mr. Gildenhorn: Well, no, I didn't say that. I will
22 take French lessons if confirmed, at the Embassy in Berne.
23 Whether it is a crash course, I cannot say right now. It
24 depends on my schedule and what my time situation is. I am
25 not saying this cavalierly. I do intend to take French. I

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1 am not trying to appease you. That is my intent.

2 Senator Biden: Well, I took it for a long time and I
3 can't speak it.

4 [General laughter]

5 Senator Biden: But then, again, I don't want to be
6 ambassador.

7 The coming economic integration of Europe, which, by the
8 way, I would argue is already a fait accompli, In Europe 1992
9 certain directives may or may not be implemented. But there
10 is a momentum. There is a dynamic that has already begun.

11 This so-called Europe 1992 could leave the Swiss
12 increasingly isolated on their own continent. While it seems
13 very unlikely that Switzerland would ultimately seek to join
14 the European Community, it is certain that it would seek some
15 preferential trading arrangements with the EEC.

16 Are such negotiations underway between the EEC and the
17 Swiss, to the best of your knowledge?

18 Is there any danger of the U.S. trade with Switzerland
19 being threatened as a consequence of these negotiations?

20 Mr. Glidenhorn: The answer to your first question is
21 yes. The Swiss realize the importance of the Economic
22 Community, the integration of the Community and now powerful
23 it will be. They are making arrangements with the EC on a
24 bilateral basis.

25 In fact, over 100 bilateral agreements have been made

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1 between Switzerland and the EC. In addition, most of the
2 large companies in Switzerland, from what I understand, have
3 a presence in the EC -- many of the large companies.

4 The fact that Switzerland is not a member of the EC
5 really puts them on the same side of the fence as we are. I
6 think it behooves both of our countries to monitor what
7 happens as this process goes forward.

8 Senator Biden: Unless they, in fact, seek and get
9 preferential trading agreements.

10 Mr. Gildennorn: Well, I think they are very sensitive to
11 the EC, and being that they are so close, they are going into
12 lots of arrangements with the EC. I think it is probably
13 something that we ought to be considering. I am sure we are
14 making our own arrangements with the EC also.

15 But I think we are on the same side of the fence, and I
16 think that cooperation exists between our country and
17 Switzerland vis-a-vis the 1992 process.

18 Senator Biden: Do you know much about Switzerland, I
19 mean, about their history of neutrality and the divisions
20 within Switzerland based upon language, and the rationale for
21 that division, and the problems that that causes in terms of
22 unity within Switzerland?

23 Are they things that you have taken the time to learn? I
24 mean, when you said you thought you were particularly suited
25 to Switzerland, is it because you also know something about

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1 the history and culture of Switzerland, or is it because it
2 is so predominantly known as a banking nation that you
3 thought yourself qualified?

4 Mr. Gildenhorn: I have made an attempt to learn
5 something about its history. I find it a very unique
6 country. It is really a country of consensus because there
7 are so many different segments to Switzerland.

8 We mentioned languages, you know, Italian, German, and
9 French, and Romansch. It is an amazing country, where so
10 much power rests in the cantons.

11 I guess I would say that the federal government is
12 probably, well, I would not call them weak, but they don't
13 have as much power as, for example, the Federal Government
14 has in this country.

15 Through the referendum and initiative system, a great
16 deal of power rests in the people, and if someone wants to
17 oppose a particular law, by getting a petition of 50,000
18 people, they can have a referendum on almost any law that
19 comes out.

20 I am not sure that you are answering your question.

21 Senator Biden: Yes, you are. You are.

22 The Swiss are neutral. Tell me about their military.

23 Mr. Gildenhorn: Well, they have a militia army and can
24 mobilize over 600,000 people within 48 hours, from what I
25 have been told. I hope this is not secret. But they are

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1 very strong.

2 Everybody serves and they go to training every year, up
3 until the time they are 50 years old. I believe officers go
4 until they are 55 years old.

5 But they also have advance equipment.

6 In fact, right now we are trying to sell them 34 F-18
7 airplanes from McDonnell Douglas. Hopefully, that will be
8 one of my emphases if I should get to Switzerland, if
9 confirmed.

10 They fit very well within the scheme of things with NATO,
11 even though they are neutral and are going to protect their
12 own country. I think they fit well because they coincide
13 with our views in the West. But they do have a strong army.

14 Senator Biden: If confirmed, would you commit to become
15 -- and I am not suggesting that you should have been prepared
16 for this -- but would you commit to become more knowledgeable
17 about and involved in the whole international drug
18 trafficking network and system, to understand it and to be
19 able, in my view, to make a stronger case to the Swiss than
20 has already been made? It is going to have to be
21 consistently made, in my view.

22 Would you commit to become more knowledgeable about and
23 involved in international drug issues?

24 Mr. Glidenhorn: Absolutely. I will commit. I find that
25 I will have to do that to be effective. I will commit.

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1 You know, it is a cancer spreading across the entire
 2 world. It is something which I feel is extremely serious and
 3 it is something which I will commit to. I think it has to be
 4 stopped.

5 Senator Biden: My last question is this. Having been as
 6 involved as you were in the political process, in the fund
 7 raising process of the Republican Party, which is admirable
 8 -- there is nothing bad about that. The only thing that is
 9 wrong about it is it is not in the Democratic Party.

10 [General laughter]

11 Senator Biden: In and of itself, it is an admirable
 12 undertaking. Having thought about the need to raise money
 13 nationally on one occasion myself, I occasionally ran into
 14 people who, by implication, by inference, would suggest that
 15 their involvement might or might not depend upon what they
 16 might or might be available for after the election.

17 I find the thing that interests most people, if anything
 18 in government interests people who get involved in the fund
 19 raising side, is an ambassadorship. That is the question
 20 that is raised most often.

21 Now, maybe that was just my slight sojourn into
 22 presidential politics, that I occasionally bumped up against
 23 that.

24 But can you indicate to the Committee whether or not
 25 there was any commitment made to you or to you on behalf of

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1 the President during the campaign, on behalf of the
2 then-candidate, any commitment made, directly or indirectly,
3 to any individual, who was involved in the process, that
4 because of their involvement they would, in fact, either be
5 appointed as or get special consideration for appointment as
6 ambassador to any country?

7 Mr. Gildenhorn: No commitment was ever made, sir.

8 Senator Biden: Did you ever discuss this issue, about
9 being an ambassador, prior to your putting out and submitting
10 your application to the Transition Team?

11 Mr. Gildenhorn: I don't believe so, sir.

12 Senator Biden: You don't believe so.

13 You don't know so or you don't believe so?

14 I have not put you under oath. If it would help you for
15 the record, I could do that.

16 Mr. Gildenhorn: After the election, I --

17 Senator Biden: Not after. Before the election.

18 Mr. Gildenhorn: Before the election, I had no -- first
19 of all, I was very happy in the private sector. As I said
20 earlier, I really had no desire to do anything other than to
21 work for the election of the President. Afterwards, I came
22 to the conclusion that I would want to. But I had no private
23 dealings with anybody.

24 Senator Biden: But I mean before the election results in
25 November, was there anyone that you spoke to in the

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1 candidate's organization, to whom you suggested that you
2 would like very much an ambassadorial appointment, or in any
3 way imply that your work for the candidate and fund raising
4 was, if not conditioned upon, it was as a consequence, in
5 hope or in expectation that you would be considered as an
6 ambassador?

7 Mr. Glidenhorn: Senator, I had no such discussions.

8 Senator Bicen: I yield to my colleague from Minnesota.

9 Senator Boschwitz: Mr. Chairman, I have just been told
10 that I am going to have to leave here quite quickly. But you
11 have asked most of the questions, about banking, about drug
12 laundering of money and so forth. I might say that in my
13 many conversations with Mr. Glidenhorn, certainly he never
14 mentioned to me any interest in serving as an ambassador.

15 I continue to admire him, as I have said in my
16 introduction, and I think he will be a very capable
17 ambassador. I say that and my wife is a citizen of
18 Switzerland, having been born there, and I lived there when I
19 was a little boy.

20 I just know Joe Glidenhorn as a man of enormous
21 competency and achievement, and I think you have asked him
22 the right questions, in the right areas. I understand also
23 the questions about financial giving.

24 Financial giving, on the other hand, is an indication of
25 some achievement. People who are able to do that have,

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1 almost by definition, achieved something in life, and Mr.
2 Gildenhorn did it all by himself.

3 So, I think that participation in that way is worthy of
4 examination, as the Senator from Maryland has done in this
5 and other cases, and it is worthy of comment. But it is also
6 worth noting that it is a sign of considerable achievement.

7 It is also a proper and legitimate participation in the
8 political process.

9 I noted the humor with which you expressed it, saying too
10 bad he didn't go it on your side. I suppose somewhere in our
11 careers we'll see some of those folks before us as well.

12 Senator Bluen: Uh, we have in the past.

13 Senator Boschwitz: Sure.

14 But I continue to speak in the highest possible tones of
15 Mr. Gildenhorn. I think he will serve our country well.
16 There is no question that he will have much to learn in his
17 new role. But he will certainly be capable of mastering
18 that, and quickly.

19 Senator Bluen: Thank you.

20 Senator Sarbanes.

21 Senator Sarbanes: Mr. Chairman, I have only a couple of
22 more questions.

23 Mr. Gildenhorn, you say in your statement that you are
24 proud of your political involvement and your participation
25 and commitment in the political process. I, in fact, on

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1 occasion have commended people for their involvement.
 2 Citizens ought to be involved in the political process. And
 3 many ambassadors have been sent over who have had a heavy
 4 political involvement. We have approved some just recently
 5 here, but they also brought other dimensions, which were
 6 important.

7 You then go on and say, "In the political process, which
 8 now has become an important part of my life" -- I want to
 9 pursue a rather tricky area.

10 There have been some ambassadorial posts that I think
 11 objective observers would feel have been used politically
 12 once the nominee, the ambassador, arrived in the post. In
 13 other words, they became almost "political outposts," so to
 14 speak.

15 We have had testimony here on occasion about that, that
 16 large givers in previous campaigns received special treatment
 17 at the embassies, in terms of hospitality, even staying at
 18 the embassies, and so forth and so on.

19 So the question I want to put to you, quite obviously, is
 20 if you were to go as ambassador, would this political
 21 process, which has now become an important part of your life,
 22 would you be able to separate it so that there would be some
 23 assurance that the embassy was going to be used for
 24 governmental purposes and there would be no use of the
 25 embassy or the position for political purposes.

0000510048

1 Mr. Gildenhorn: The short answer to that question is
2 yes. Once I go, if I go to Berne, if confirmed, I will spent
3 100 percent of my time trying to be an effective ambassaoor
4 in working with U.S.-Swiss relationships, in representing our
5 country and our administration effectively.

6 when I say it is an important part of my life, it has
7 been an important part of my life. But I have no -- the
8 answer is I really have no ulterior motives other than to
9 become an effective ambassador and do a competent job.

10 Senator Sarbanes: Well, you would not expect, and I
11 expect you could assure us, that the embassy is not going to
12 become sort of a way-station for political types passing
13 through Europe, who have been involved in heavy political
14 giving. That has happened on occasion.

15 Mr. Gildenhorn: I would hope not, sir.

16 Senator Sarbanes: I take it that means that it would not
17 happen.

18 Mr. Gildenhorn: It would not happen.

19 Senator Boschwitz: If the Senator would yield, from my
20 background and knowledge of Mr. Gildenhorn, that would be
21 very unlikely to happen.

22 Senator Sarbanes: Putting the question was not meant to
23 suggest it.

24 Senator Boschwitz: I understand.

25 Senator Sarbanes: I just want to get the assurance

000051-0491

1 because, after all, he has been very heavily involved in this
2 process, and a very large giver, and, by his own statement,
3 he has said that it is now an important part of his life, and
4 I want to make sure that it can be separated out.

5 Senator Boschwitz: I would only say to the Senator from
6 my knowledge, it wouldn't characterize him. I hope he does
7 welcome Senators, however.

8 [General laughter]

9 Mr. Gildenhorn: Only during ski season.

10 [General laughter]

11 Senator Sarbanes: Well, that is part of his governmental
12 responsibility.

13 [General laughter]

14 Senator Sarbanes: Did you ever see the certification of
15 demonstrated competency that the administration is required
16 to submit with ambassadorial nominations to the Committee?

17 Mr. Gildenhorn: I have not seen it, sir.

18 Senator Sarbanes: Well, the law under which they are
19 supposed to submit it states very clearly that contributions
20 to political campaigns should not be a factor, should not be
21 a factor in the appointment of an individual as a Chief of
22 Mission.

23 You have not been well served because part of what they
24 put here is this political giving which, by law, as I read
25 it, ought not to be a factor and, therefore, ought not to be

002051-00491

1 mentioned. They really ought to be looking elsewhere in your
2 resume in order to provide the certificate of demonstrated
3 competency.

4 You mention in your statement, "I have a strong record of
5 involvement in the community and a host of charitable and
6 civic projects which have benefitted others." That is an
7 important matter. I think if there are matters of
8 consequence not previously set out in your statement, you
9 ought to submit them to the Committee in writing.

10 How large is your law firm, Mr. Gildenhorn?

11 Mr. Gildenhorn: Five attorneys, sir.

12 Senator Sarbanes: Is it a broad, general practice, or is
13 it primarily devoted to serving your real estate and business
14 interests?

15 Mr. Gildenhorn: It is primarily devoted to serving real
16 estate and business.

17 Senator Sarbanes: And how long have you had that firm?

18 Mr. Gildenhorn: Since 1956.

19 Senator Sarbanes: So you finished Yale Law School as a
20 member of the Law Review and then went to work for the
21 Securities and Exchange Commission?

22 Mr. Gildenhorn: After the Army, sir.

23 Senator Sarbanes: How long were you in the Army?

24 Mr. Gildenhorn: Two years.

25 Senator Sarbanes: And you were in Europe during that

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time?

Mr. Gildenhorn: One year I was in Germany.

Senator Sarbanes: And then you came back to the
Securities and Exchange Commission.

How long were with the SEC?

Mr. Gildenhorn: Two years.

Senator Sarbanes: And then you went into private work.

Is that correct?

Mr. Gildenhorn: That's correct.

Senator Sarbanes: And you established a law firm at that
time?

Mr. Gildenhorn: Yes.

Senator Sarbanes: I have no other questions.

Thank you very much, sir.

Mr. Gildenhorn: Thank you.

Senator Biden: There may be several questions that will
be submitted in writing, Mr. Gildenhorn, and if there are, it
would serve you well to answer them as quickly as possible.

Thank you very much.

Mr. Gildenhorn: I will do so, sir, and thank you.

Senator Biden: Our next witness will be Ms. Shirley
Temple Black, of California, to be Ambassador to
Czechoslovakia.

Welcome again, Ms. Black.

Are there any family members that you wish to introduce?

00105100493

1 Ambassador Black: Yes, Senator Biden. My husband,
2 Charles Black, is here.

3 Senator Biden: Welcome again, Mr. Black.

4 Ambassador Black: It is 39 years of marriage, sir.

5 Senator Biden: Uh. I thought that was his age.

6 Ambassador Black: My granddaughter in California has 1
7 fingers crossed for me, and my three children have their
8 fingers crossed for me.

9 Other than that, we are the only ones here, sir.

10 Senator Biden: Well, welcome back to the Committee,
11 Ambassador Black. Do you have an opening statement?

12 Ambassador Black: Yes, I do, Senator.

13 Senator Biden: Please proceed.

14 [The biographical sketch of Ambassador Black follows:]

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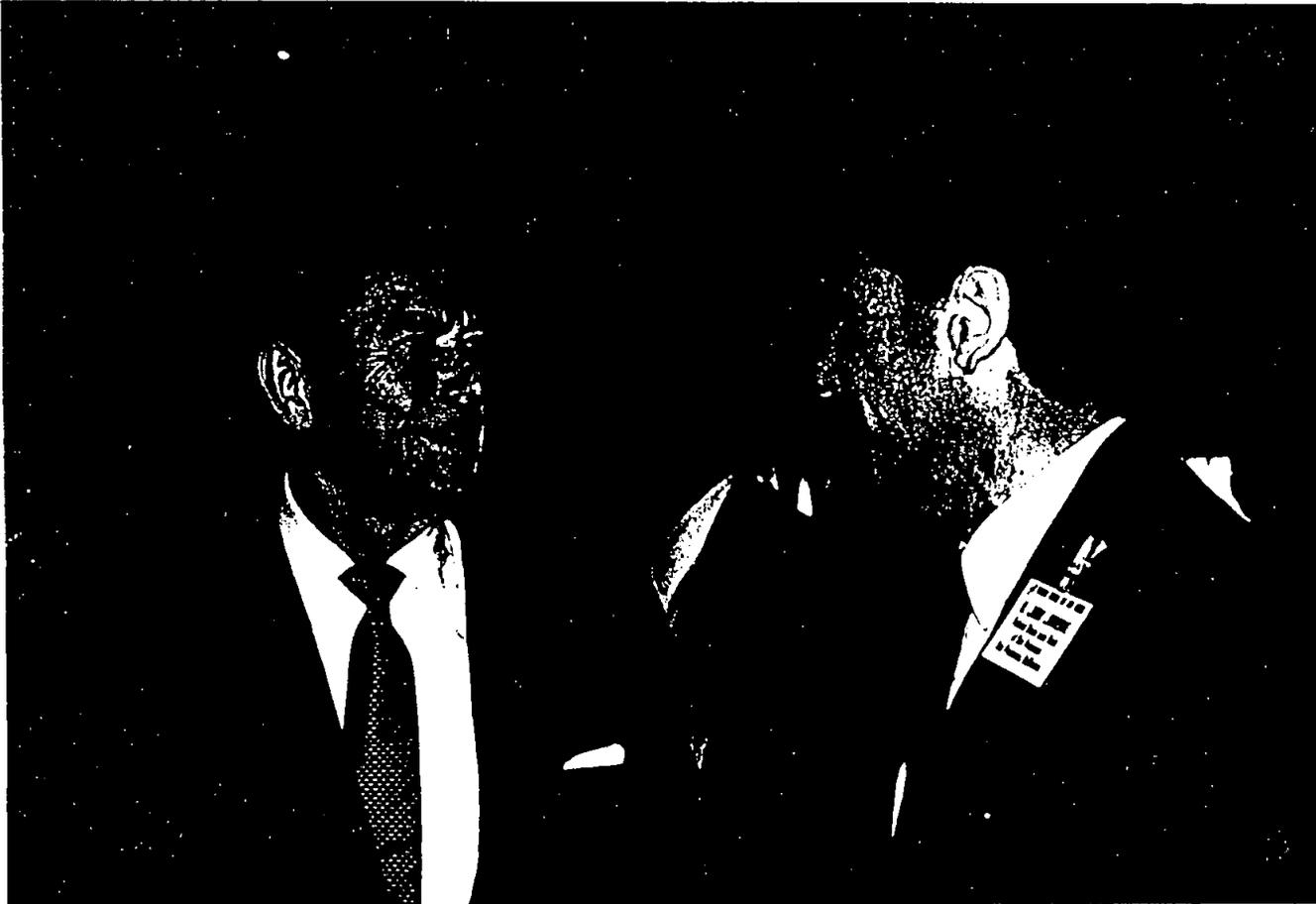
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ditto

1979 document

C · O · P · Y
from ORM

1979



Chairman of the Board M. Larry
Lawrence welcomes another Hollywood
Personality to the Hotel Del
Coronado

THE DEPUTY SECRETARY OF STATE
WASHINGTON

May 14, 1979

Dear Larry:

It was good to hear from you again.
I appreciated your writing.

Bare survival requires that I keep
my nose close to the foreign policy
grindstone. However, if I see an oppor-
tunity to be helpful on the other matters
you mentioned, I will certainly try to
put in my oar.

With regards.

Sincerely,



Warren Christopher

Mr. Larry Lawrence,
Hotel Del Coronado,
1500 Orange Avenue,
Coronado, California.

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552

Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

ROBERT H. MCKINNEY, Chairman

January 12, 1979

Mr. M. Larry Lawrence
Chairman of the Board
Hotel del Coronado Corporation
1500 Orange Avenue
Coronado, California 92118

Dear Mr. Lawrence:

It gives me great pleasure to confirm your appointment as a Director of the Federal Home Loan Bank of San Francisco for a four-year term ending December 31, 1982.

The Bank Board extends a cordial welcome to you as a member of the Board of Directors of the Bank. Your willingness to serve as a Director is very much appreciated. We feel certain that you will find your service a rewarding experience, and we look forward to working with you from time to time in the future.

Your Bank President, Milt Feinerman, has been informed of your appointment and I'm sure that he will be in touch with you very soon. A certificate evidencing your appointment will be transmitted to you by the Bank Board's Secretary in the near future.

Sincerely,

Chairman

cc: Mr. Milton Feinerman

Seven Israeli professors seek help in penning constitution

Seven professors from Tel Aviv University in Israel spent two days in late October conferring with USD law faculty, seeking help in their quest to establish a constitution for their country.

Israel has been governed without a constitution since it declared its freedom from England in 1948.

Among the topics addressed by both the Israeli and USD professors were judicial review, social rights and constitutional rights, state and religion, privacy and the constitutional rights of arrested persons.

USD law professor Maimon Schwarzschild, conference chairman, says a constitution for Israel could help prevent civil strife.

"There is a growing divide between orthodox Jews and the non-orthodox, and Israel's position in the Middle East always adds to the strain," he ex-



Larry Lawrence meets Israeli Dean Uriel Reichman.

plains. Schwarzschild lived in Israel as a student, has visited there many times and has family in the country.

The political problem of drafting a constitution is compounded, according to Schwarzschild, by the fact that Israel is made up of people from at least 70 different countries, including a large Arab population.

The Israeli professors who participated in the visit were Uriel Reichman,

Amos Shapira, Ruth Ben-Israel, Ariel Rosen-Zvi, Baruch Bracha, Daniel More and Yoram Shachar.

Also participating were former state Supreme Court Justice Joseph Grodin, Ninth Circuit Court of Appeals Judge Alex Kozinski, USD law dean Sheldon Krantz and faculty members Bernard Siegan and Charles Wiggins.



JIMMY CARTER

6/24/90

To Larry Lawrence

Once again, we have thoroughly enjoyed our stay at Del Coronado. Your generosity and leadership have made possible a wonderful week of sharing between rich and poor, Mexicans & Americans.

There are 107 families with decent homes. You can be proud!

We're praying for your speedy recovery from your operation, so you can visit some of them.

It's great to have you as our friend!

Jimmy Carter
& Rosalynn

THE WHITE HOUSE

WASHINGTON

December 21, 1982

Dear Mr. Lawrence:

I want to thank you for your special assistance on my behalf during my visit to California. Your efforts to ensure that everything went smoothly were an important factor in making my stay as rewarding as possible.

Again, thank you for your support. Nancy joins me in sending our best wishes for the New Year.

Sincerely,

Ronald Reagan

Mr. M. Larry Lawrence
Chairman of the Board
Hotel del Coronado
Corporation
1500 Orange Avenue
Coronado, California 92118



STATE OF ISRAEL BONDS

DEVELOPMENT CORPORATION FOR ISRAEL

SUITE 203 • 6363 EL CAJON BOULEVARD • SAN DIEGO, CA 92115-2695
SAN DIEGO (619) 287-4143 FAX (619) 287-6257 ORANGE COUNTY (714) 832-2920

March 25, 1991

Larry Lawrence
Hotel Del Coronado
1500 Orange Avenue
Coronado, CA 92118

Dear Mr. Lawrence,

On behalf of State of Israel Bonds, I would like to thank you for your graciousness in hosting the breakfast briefing by Ambassador Yoram Aridor at the Hotel Del Coronado. Both the Ambassador and his wife enjoyed the breakfast meeting and the opportunity to answer questions from community leaders in San Diego. I am sure you will agree the exchange of questions and answers was very beneficial. It was nice to welcome the Ambassador with such a nice setting.

I would also like to take this opportunity to thank you for the hotel rooms for the Ambassador and his wife and for me during our stay at the Hotel Del Coronado. The Ambassador's wife commented on the beautiful view she had from her room. I must echo her sentiments as well; it was breathtaking. Your hospitality is truly appreciated.

Once again, our sincere gratitude for all you continue to do on behalf of State of Israel Bonds. Best wishes to you and your family.

Sincerely,



Ira N. Unterman
Field Representative

BUILDING
ISRAEL'S
ECONOMY

40
YEARS

\$10 BILLION

Page 14 May 21, 1992

Economic integration, trade and investment explored at Pacific Rim Forum

By Tracy Moran
Journal Reporter

The America's Cup races weren't the only event drawing international visitors to Coronado last week.

Nearly 500 corporate executives, opinion leaders and government policy makers representing 20 countries were in town participating in the Pacific Rim Forum held at the Hotel del Coronado.

The goal of the four-day forum was to explore key issues within the Pacific Rim and give companies insight into its rapidly changing economic environment, according to Australian business owner Alan Carroll, the event's chairman.

But Robert Lichter, president and chief executive officer of John Burnham & Co., lamented the dearth of local interest.

"The local news coverage," Lichter told the delegates on the last day, "accurately has portrayed the lack of corporate and public sector participation in this forum."

He excused this by explaining that San Diego has undergone "explosive growth" in the last decade.

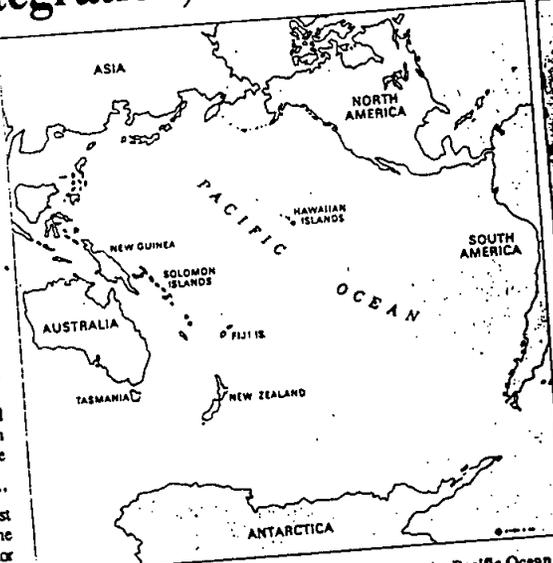
"Our city should be forgiven for its decision to stop and catch its breath."

But Lichter was not so forgiving of Mayor Maureen O'Connor's failure to address the gathering.

"The absence of our mayor here to welcome you reflects not the will of the people of San Diego," he said, "but perhaps the last hangover of the small town attitude."

Although O'Connor did not attend, Gov. Pete Wilson—a former San Diego mayor—officially opened the forum during a ceremony at the San Diego Zoo May 12.

Calling the 21st century the "century of the Pacific," Wilson



It is predicted the Pacific Rim countries, those lining the Pacific Ocean in both hemispheres, will be a powerful economic force in the 21st century.

noted that in the 1980s, the United States' trade with the Pacific Rim for the first time surpassed its trade with the European countries of the Atlantic community.

Trade was a topic broached in many of the forum sessions.

Harvard Business School professor Michael Porter and professor Hirota Takeuchi of Japan's Hitotsubashi University spoke about the "1992 Competitive Environment in Asia."

Former Singapore Prime Minister Lee Kuan Yew delivered a keynote speech on the "Dawn of the Pacific Century," calling for strong United States interest in the

Western Pacific.

Andreas van Agt, European Commission Ambassador to the United States, and Michael Moskow, Deputy U.S. Trade Representative, spoke about the direction of Europe's internal market program. Moskow voiced concern about the European Community's centralized market possibly closing opportunities to America and its trading partners.

The demise of the Cold War and the emergence of the Pacific Rim's "hot economies" was the topic of a speech by Richard Solomon, U.S. State Department Assistant Secre-



From left, Shella Davis Lawrence, M. Larry Lawrence and Pacific Rim conference director Pauline Green with Lee Kuan Yew, senior minister of the government of Singapore. Yew was a keynote speaker of the Pacific Rim Forum. Photo by Tim Stahl

tary for East Asian and Pacific Affairs.

"We are fortunate to live at a rare and promising moment in history," he said. "We are entering the age of geo-economics, with flows of trade, finance and technology shaping the power realities and the politics of a new era."

Other forum speakers included Dr. Kenichi Ohmae, chairman of McKinsey and Co., Dr. Jaime Jose Serra Pucho, Mexico's Secretary of Trade and Industry and Robert Hawke, Australia's former prime minister.

Paddy Bowie, whose Malaysian

business advises foreign investors, delivered a summary of the forum at its closing session May 16.

"I judge a conference not only by the information I gain, but the new ideas that one gets," she said. "It actually changed my own thinking. It has made me re-evaluate some of the opinions that I had."

The diversity of forum topics reinforced the idea that the Pacific Rim is a complex region that "exhibits dynamism," she said, noting that in the post-Cold War era, technology has "leveled the playing field."

Bowie concluded that "econom-

ic integration will happen through trade and investment...without government intervention."

Organizers are already planning the fifth Pacific Rim Forum for August 1993 in Jakarta. After that, Lichter said he hopes to bring it back to San Diego.

"Three years from now, we're all going to be sitting here again," he said, "and when we're re-assembled, you will be welcomed back to an entirely different town, one that is truly vibrant, one that is committed to its role in the Pacific Rim. The opportunities for us and you are enormous."

(Ireland) 1992



Sunday 16 March

Dear Mr. Lawrence.

As a member of the Irish Government
who has enjoyed the pleasure of staying at
your splendid hotel this week, I would
like to express my appreciation and
thanks to you for the special courtesy
and service of all of your staff.

May I particularly thank you
personally for your support and goodwill
for Irish organisations and special events.

If you happen to be in Ireland at any
time please contact me at 58, Eglinton Road,
Dunmaddock, Dublin 4. (Phone 2696267
(Contact Country Club 3531))

Sincerely,
Michael Kennedy



HABITAT FOR HUMANITY INTERNATIONAL

building houses in partnership with God's people in need

November 9, 1989

Mr. Larry Lawrence
Hotel del Coronado
1500 Orange Avenue
Coronado, CA 92118

Dear Larry,

Just a quick note to express deepest appreciation to you for hosting the Jimmy Carter dinner there in San Diego on Tuesday evening, October 31. I called Jeff Snider and Ken Sauder the next morning and had a good, long conversation with them about the event. Both of them were very effusive in their praise of you and of how well the event came off.

They also told me what a generous response the folks made at the dinner in terms of financial commitments. I believe we are now close to having assured the financial success of the event. If we can continue to move ahead in a good way in terms of solving the other problems, I'm sure we will have a very successful Carter Work Project both in San Diego and Tijuana next June.

Larry, Habitat for Humanity is very definitely not a charity program. We say that what the poor need is not charity, but capital. They need co-workers who are willing to stand beside them and help them bear the burdens they have. The whole idea is to elevate people and to give them not only hope, but also dignity. We are all about putting faith into practice and empowering people to be more in control of their own lives.

Again, on behalf of the entire Habitat for Humanity organization, thanks to you for your generous and very effective help and partnership in the blossoming work of Habitat for Humanity in San Diego and Tijuana.

Sincerely,

Millard Fuller
Executive Director

MF/sw (signed in his absence)

cc: President Jimmy Carter, Ken Sauder, Jeff Snider,
Dennis Briscoe, Bob Wilson

ditto

AFSA documents

C O P Y
from ORM

The Lawrence Nomination

COPY
from ORM

For many years, the American Foreign Service Association (AFSA) has opposed political ambassadors who lacked relevant qualifications for the proposed assignment, especially when the appointment appears to have been a payoff for large campaign financial contributions and fundraising. President Bill Clinton is doing better on the quality of non-career envoys, but recently some questionable nominations have been sent forward.

After a thorough review, AFSA decided to oppose the nomination of M. Larry Lawrence to Switzerland. A San Diego real estate magnate and owner of the famed Del Coronado Hotel, Lawrence lacks any discernable international affairs credentials to serve as an ambassador. AFSA President Tex Harris and Board member Dennis Rux (also Chairman of the Senior Foreign Service Officers Association) testified against Lawrence in a November 10, 1993 Senate Foreign Relations Committee hearing. They called attention to his lack of qualifications and said that he owed his nomination to his role as a major financial contributor and fund raiser.

A week later the Senate Foreign Relations Committee failed to approve Lawrence in a 10-10 tie. Voting against were Democratic Senators Sarbanes, Moynihan and Feingold and Republican Senators Helms, Lugar, Murkowski, Jeffords, Kassebaum, Pressler, and Gregg. The nomination went forward to the full Senate without recommendation. It was not acted upon before the end of the session and carries over to the new session.

AFSA testimony before the Committee that Lawrence lacked discernable qualifications has, if anything, been strengthened by his performance during the hearing. Lawrence fumbled a substantive question about how he would deal with control of sensitive exports from Switzerland—a major current issue on which he had been briefed—and unaccountably spoke of Switzerland as an "ally" of the United States. He stumbled in explaining his limited effort to learn either French or German, the main Swiss languages.

Lawrence was also sloppy in reporting his campaign finance contributions and had to amend his submissions to the Foreign Relations Committee several times. In the end, he admitted to violating the limits for 1988—a point raised in AFSA testimony—and voluntarily paid a \$6,000 fine to the Federal Election Commission. He also felt compelled to ask the Democratic National Committee to refund \$20,000 given in 1987 in order to avoid violating contribution rules. For someone whose supporters touted managerial skills as a major plus for his nomination, Lawrence's difficulty in keeping his campaign finance records straight seems surprising.

It was further revealed that Lawrence had numerous tax disputes with the IRS, including a number of unsettled cases. The November 24 Washington Post reported that for tax year 1987 the IRS was claiming Lawrence had underpaid by \$76 million. US tax court records show that in another case, dealing with 1984 taxes, the IRS is claiming that Lawrence submitted a fraudulent return in order to avoid paying gift taxes on \$1.8 million he transferred to his children.

It has also come out that a onetime partner of Lawrence in a company called Yuba Natural Resources, Richard Silberman, was jailed in 1990 after being caught in a FBI sting operation. Lawrence's partner had proposed money laundering for the Mafia through various foreign countries, including Switzerland.

AFSA Position

--- AFSA welcomes qualified non-career ambassadors. AFSA is not seeking a monopoly for the career service in chief-of-mission assignments. We do not oppose political appointees, even ones who have been major financial contributors, for example, Pamela Harriman or Swanee Hunt.

---What AFSA opposes are nominees, like Larry Lawrence, who have no evident foreign affairs qualifications and appear to owe their appointment to the size of their financial contributions and fund-raising prowess.

--- In the new environment of shrinking budgets and increasingly complex international issues, our envoys must be able to discharge their duties from day one. The resources for care and feeding of "trainee" political appointees are no longer available.

--- The United States should be represented by qualified envoys at each of our 165 missions abroad. No one has yet explained why it makes any sense to send as an ambassador someone like Larry Lawrence, who knows little about foreign affairs, does not speak the language of the country, and is not familiar with the problems with which he will have to deal.

--- In the Lawrence case, not only are professional qualifications lacking, but in addition, you have to ask whether it is appropriate to send someone to represent the US abroad with serious outstanding tax disputes, including an allegation by the IRS of fraud.

--- Secretary Christopher had it right in his confirmation hearings when he said that non-career ambassadors should bring something beyond their campaign contributions to the assignment. In our view, Larry Lawrence fails to pass the Christopher test.

1/24/94

One Year of Clinton Chief of Mission Nominations

<u>Region</u>	<u>Career</u>	<u>Non-Career</u>
Africa	18	1
East Asia	7	1
Europe	9	16
Latin America	11	3
Near East	2	1
South Asia	2	0
Multilateral Organizations	0	8
Total	49	30
Per Cent	63%	37%

Lord Fat Cat

The title may be silly, but it makes more sense than Ambassador

WASHINGTON—Like the mythological Sisyphus heaving his rock up the mountain, the American Foreign Service Association has once again gone up to Capitol Hill with its perennial complaint: The president is giving ambassadorial appointments to too many fat-cat campaign contributors, spendthrift socialites, car dealers and other reward-seeking, politically faithful clods whose knowledge of foreign affairs barely extends past knowing which is the North Pole and which is the South.

Or, as association president E. Allen Harris more delicately put it recently in testimony to the Senate Foreign Relations Committee, "No educational institution, no corporation, no charity would see such a process to select its leadership. Yet the world's only superpower, facing an immensely complex, dangerous and dangerous world, frequently sends abroad as ambassadors people whose backgrounds bear little trace of the knowledge and experience that meeting such challenges demands."

Lord knows that George Bush, Ronald Reagan and every other administration going back to Andrew Jackson loaded up our foreign missions with all manner of boobies, yahoos and other party faithful. But, despite his tame promise to "renew government," Arkansas Bill's ambassadorial boob quotient is reaching pretty high as well.

His made an ambassador of English-born Democratic Party moneybags Pamela Harriman, who has shown great talent for marrying well (Winston Churchill's grandson, millionaire Averell Har-



Pamela Harriman's main qualifications for U.S. ambassador to France appear to be knowing how to marry well and to give parties.

Michael Kitan

ritana) and throwing truly grand parties, but who may well think an *ersatz* cocktail is a cocktail.

Then there's Arkansas Bill's choice for ambassador to the bawdy Balkans: Los Angeles car dealer Sidney Williams. His chief qualification? He's the husband of Rep. Maxine Waters (D-Calif.).

The biggest wowser, though, is

M. Larry Lawrence, the San Diego real estate wholesaler and hotel mogul, who tossed 75 grand the Democratic Party's way in time for Bill's presidential campaign and who Bill and Hillary would now like to be our next ambassador to Switzerland.

As Foreign Service Association Chairman Dennis Kux told the committee, "If the president were to name a real estate mogul to run an aircraft carrier or command an Army corps, he would be regarded as deranged."

M. Larry is a more interesting mogul than most. He and his wife, Sheila, whom Bill and Hillary have also tapped as a prospective diplomat, are fighting a case in U.S. Tax Court over an Internal Revenue Service claim that they owe \$70 million in back taxes. The Senate committee is also pondering reports that the interpersonal experience of one of M. Larry's past business associates, Richard Silverman, included getting caught in an FBI sting and doing federal time for a money-laundering scheme that involved Switzerland.

The committee voted to send M. Larry's nomination to the full Senate without recommendation, but that hardly solves the problem. What will, I think, is the simple expedient of removing the provision in Article I of the Constitution that states, "The title of nobility shall be granted by the United States."

Why not a U.S. nobility? What better way for our president to reward their moneybags without clogging up the foreign service with people who might think that "ambassador" is a basic command?

Despite the constitutional prohibition, presidents have been issuing these ambassadorships as patents of nobility anyway. The boobies and boozies cling to the title of Mr. or Madame Ambassador for life. Some U.S. nobels have even accepted honorary British knightships: Casper Weinberger, Colin Powell, James Baker and, as of last week, George Bush.

Bill and Hillary could make Lawrence say, "Lord M. Larry," or we could create a new noble title of "mogul." Williams could become "the Earl of L.A." (though I think there may already be a car dealer out there who calls himself Earl). On special occasions, the boobies could even dress up in ermine robes and funny hats. I'd like that.

Silly? Ridiculous? Well, no more so than provisioning these ambassadors.



American Foreign Service Association
2101 E Street NW Washington, DC 20037 (202) 338-4045

January 21, 1994

Chairman Claiborne Pell
Committee on Foreign Relations
SD-466 Dirksen Senate Office Building
United States Senate
Washington, DC 20510-6225

Dear Mr. Chairman:

As the President of the American Foreign Service Association, I am writing you concerning the nomination pending before the United States Senate of Mr. M. Larry Lawrence as Ambassador to Switzerland. As you know, the American Foreign Service Association (AFSA) and the Senior Foreign Service Association have opposed Mr. Lawrence's confirmation.

Both organizations presented testimony before the Foreign Relations Committee on November 10, 1993 focussing on the need to "reinvent" the current system of appointing Chiefs of Mission aboard to insure that only well qualified representatives were chosen. Our testimony expressed the view that Mr. M. Larry Lawrence lacked relevant qualifications for the position of American Ambassador to Switzerland and owed his nomination to his role as a major financial contributor and fund raiser for election campaigns.

In our testimony, we suggested the desirability of further examination of questions relating to Mr. Lawrence's campaign contributions and federal taxes. Mr. Lawrence's letter of November 15, 1993 to the Committee has clarified the questions relating to his campaign contributions. We understand that these campaign contribution issues have been now been resolved with the Federal Elections Commission.

Mr. Lawrence's November 15 letter also discussed briefly his tax disputes with the Internal Revenue Service. Since the recess in late November, there has been an opportunity to examine the many cases pending or settled before the US Tax Court that involve Mr. Lawrence or his companies. Although his letter to the Committee would appear to suggest that these are relatively routine and "with one possible exception" likely to be settled short of going to trial, it is our belief - after having carefully looked at the information publicly available - that some aspects of these cases have a bearing on the consideration of Mr. Lawrence's nomination by the United States Senate and that they deserve further review by the Foreign Relations Committee.

* First, is the sheer number of disputes. Nine cases directly relate to Mr. Lawrence's personal income tax filings and twenty to filings by companies in which Mr. Lawrence has an interest. I am enclosing a list of the cases for which records are publicly available from the Clerk of the US Tax Court involving Mr. Lawrence.

* Second, are the large sums of money at dispute.

In one case (Tax Docket 9362-90), the IRS has disallowed some \$16,617,277 in operating expenses claimed by Del Properties. The Clerk of US Tax Court advises that as of January 21, 1994 this case remains open even though the Foreign Relations Committee was, we understand, informed in November that it was settled and a decision had been entered.

In another case, about which the Washington Post reported on November 24, the IRS was seeking \$76,645,314 for underpayment of 1987 income tax (Tax Docket No. 20348-91). The IRS claimed inter alia that Lawrence failed to report a large capital gain and disallowed charitable contributions of \$3,000,000. Although Mr. Lawrence's tax attorney advises that the major part of the dispute has been resolved in favor of his client, we understand there are still unresolved issues and that the case remains open before the US Tax Court.

* Third, in our view, is the character of the case which Mr. Lawrence's counsel advises may go to trial (Tax Docket No. 29880-91). At dispute is some \$1,881,600 which Mr. Lawrence made available to his three children in 1984. He claims this was a loan; while the IRS claims it was a gift. In seeking \$934,943 from Mr. Lawrence in additional taxes and penalties, the IRS has asserted:

On October 21, 1985, the petitioner (Mr. Lawrence) filed a false gift tax return for the calendar year 1984 in which the petitioner intentionally omitted the gifts to his three adult children totalling \$1,881,600 and substantially understated his correct gift tax liability.

The entire understatement of the petitioner's gift tax for the calendar year 1984 is attributable to fraud.¹

As indicated at the November 10 hearing, AFSA members do not claim any special expertise about tax matters. Like Mr. Lawrence, we are taxpayers, and therefore fully support his right to challenge unfavorable findings by the IRS. It would nonetheless, not be appropriate, in AFSA's opinion, for the Senate in fulfilling its Constitutional responsibilities to give advice and consent to an ambassadorial nominee over whose head serious federal tax questions, including an allegation of fraud, are hanging.

¹. Subparagraphs 8(i) and 8(j) of Filing by the Commissioner of Internal Revenue February 24, 1992 in answer to the petition filed by M. Larry Lawrence on December 20, 1991 in response to the deficiency notice sent by the IRS on October 15, 1991. Full text of IRS Answer is an enclosure to this letter.

When the Foreign Relations Committee considered the Lawrence nomination on November 18, it was apprised of the large number of tax cases; but, as far as we know, was not aware of all the details. AFSA believes that the additional information regarding these cases provides further reason - in addition to the key issue of the lack of relevant professional qualifications - why the Senate should not approve the nomination of Mr. Lawrence. At the very least, AFSA recommends that before the Lawrence nomination is put to a vote by the full Senate your Committee should examine the details of the tax cases in order that members can be fully apprised regarding their nature.

On behalf of the members of the American Foreign Service Association, I greatly appreciate your consideration of this information and our views.

Sincerely yours,

A handwritten signature in black ink that reads "F. Allen Harris". The signature is written in a cursive, slightly slanted style.

F. Allen Harris

cc: Senator Helms
Senator Mitchell
Senator Dole

Enclosures:

List of US Tax Court cases involving Mr. M. Larry Lawrence.
Text of Internal Revenue Service Filing of February 24, 1992 in response to Petition from
M. Larry Lawrence (Tax Docket No. 29880-91)

M Larry Lawrence Cases With the US Tax Court

Cases Involving Lawrence Directly

Docket Nos. 25481-83
2896-83
25481-83
8221-89
8222-89
5712-90
29880-91
20348-91
28680-91

Cases involving Lawrence Companies

1. China Basin Properties, Ltd.

Docket Nos. 4541-90
14213-91

2. Coronado Properties, Ltd.

Docket Nos. 8110-89
14811-89

3. Del Properties, Inc.

Docket Nos. 8111-89
9361-90
9362-90

4. HDC Properties

Docket Nos. 14299-89
9360-90
9363-90
18557-91
21851-91

5. Initial Amalgamation, Ltd.

Docket Nos. 8109-89
 11379-90
 11381-90
 18555-91
 18556-91

6. Westcoast Financial

Docket Nos. 20508-89
 20509-89

7. LC Associates

Docket No. 14979-89

6. Denies.

7. Denies generally, each and every allegation of the petition not hereinbefore specifically admitted; denied or qualified.

8. FURTHER ANSWERING THE ALLEGATIONS OF THE PETITION, and in support of the determination that the deficiency in the petitioner's gift tax for the year 1984 is attributable to fraud, the respondent alleges:

(a) On or about May 11, 1984, the petitioner made substantial gifts to his three children as follows:

(i) Leslie Caspi	\$677,200.00
(ii) Robert Lawrence	\$601,200.00
(iii) Andrea Lawrence	\$603,200.00

(b) On or about May 11, 1984, these gifts, in the form of checks drawn against the petitioner's personal bank account and executed by the petitioner or his agents, were delivered to and received by the petitioner's children.

(c) Each of the petitioner's checks which were delivered to and accepted by the petitioner's adult children bore the notation that they were in fact a "gift" on the face of the check.

(d) The petitioner or his authorized agent entered the notation on the petitioner's check register that the checks which were drawn in favor of the petitioner's adult children were intended to be gifts.

(e) The checks which were delivered to and accepted by the petitioner's adult children were deposited into the children's respective bank accounts and were used by the petitioner's adult

children for their own interests.

(f) On the petitioner's books and records the transfers to the petitioner's adult children was recorded to be a gift transaction and no offsetting liabilities in favor the petitioner were recorded.

(g) At some time prior to the filing of the petitioner's gift tax return for the year 1984 and in an effort to avoid his proper gift tax liabilities, the petitioner instructed his employees to make post facto adjusting journal entries in the petitioner's books of account so as to reflect liabilities owing the petitioner from his adult children in amounts equal to the gifts and to make other entries which would reflect that interest was due to the petitioner on these obligations.

(h) In furtherance of his efforts to avoid his correct gift tax liability, the petitioner caused his three adult children to execute promissory notes in amounts equal to the gifts which he had previously made and, after December 31, 1984, the petitioner provided his adult children with the funds necessary to make the periodic payments of the principal and interest described in the notes.

(i) On October 21, 1985, the petitioner filed a false gift tax return for the calendar year 1984 in which the petitioner intentionally omitted the gifts to his three adult children totalling \$1,881,600.00 and substantially understated his correct gift tax liability.

(j) The entire understatement of the petitioner's gift tax

for the calendar year 1984 is attributable to fraud.

(k) The petitioner is liable for additions to his gift tax for the year 1984 in an amount equal to 50% of the entire deficiency in his gift tax, pursuant to the provisions of I.R.C. § 6653(b)(1) and in an amount equal to 75% of the interest which has accrued upon the entire deficiency in the petitioner's gift tax for the year 1984 until the earlier of assessment or payment.

9. FURTHER ANSWERING THE ALLEGATIONS OF THE PETITION, and as a defense to the allegation that the assessment and collection of the deficiency in the petitioner's gift tax for the year 1984 are barred by the statute of limitations, which deficiency may be timely assessed pursuant to the provisions of I.R.C. § 6501(c)(1), the respondent alleges as follows:

(a) The respondent incorporates by reference as if fully set forth herein the allegations of subparagraphs (a) through (j), inclusive, of paragraph 8 of the answer.

(b) The petitioner's original gift tax return for the calendar year 1984 is a fraudulent return.

(c) The deficiency in the petitioner's gift tax for the year 1984 may be assessed and collected at any time pursuant to the provisions of I.R.C. § 6501(c)(1).

10. FURTHER ANSWERING THE ALLEGATIONS OF THE PETITION, and as a defense to the allegation that the assessment and collection of the deficiency in the petitioner's gift tax for the year 1984 are barred by the statute of limitations, which deficiency may be timely assessed pursuant to the provisions of I.R.C. § 6501(e)(2),

the respondent alleges as follows:

(a) The petitioner's gift tax return for the calendar year 1984 was filed with the respondent on October 21, 1985.

(b) On his gift tax return, the petitioner reported total gifts for the calendar year of \$147,435.00.

(c) The respondent has determined that the petitioner made gifts during calendar year 1984 which totalled \$1,881,600.00 and which were omitted from the petitioner's gift tax return.

(d) The value of the gifts made by the petitioner during 1984 and omitted from the petitioner's gift tax return for the calendar year 1984 exceeded an amount equal to 25% of the total gifts which were reported on the petitioner's gift tax return.

(e) The deficiency in the petitioner's gift tax for the year 1984 may be timely assessed at any time before October 21, 1991.

(f) The notice of determination of the deficiency in the petitioner's gift tax for the calendar year 1984 was sent to the petitioner via certified mail directed to his correct legal address on October 15, 1991, which date is within the six year period for the assessment of the deficiency in the petitioner's gift tax, as defined at I.R.C. § 6501(e)(2).

(g) The deficiency in the petitioner's gift tax for the year 1984 may yet be timely assessed and collected pursuant to the provisions of I.R.C. § 6501(e)(2).

WHEREFORE, it is prayed:

- (i) That the petitioner's prayer for relief be denied;
- (ii) That the respondent's determination of the petitioner's

gift tax for the calendar year 1984, including additions to tax as set forth in the notice of deficiency dated October 15, 1991, be approved: and,

(iii) That the Court determine that the deficiency in the petitioner's gift tax for the calendar year 1984 may be timely assessed and collected pursuant to I.R.C. § 6501.

JAMES J. KEIGHTLEY
Acting Chief Counsel
Internal Revenue Service

Date: 2-20-92


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CERTIFICATE OF SERVICE

This is to certify that on this date, a copy of the foregoing paper was served upon the following individuals, as counsel for the petitioner, by mailing the same in postage paid wrapper addressed to them at the address shown.

EUGENE D. SILVERMAN
BRUCE S. GLICKFELD
MICHAEL C. COHEN
DeCastro, West, Chodorow, & Burns
Eighteenth Floor
10960 Wilshire Boulevard
Los Angeles, CA 90024-3881

This is to further certify that on this date, the original was mailed to the Court.

Date: 2.20.92


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