

Banking by John Hoefle

The Columbia S&L rip-off

The same Kissinger crowd that deliberately collapsed the U.S. economy, is now moving to pick the carcass clean.

Columbia Savings and Loan Association, the near-bankrupt institution which holds more junk bonds than any other S&L, announced July 25 that it had agreed to sell its entire portfolio of junk bonds to Gordon America L.P. of Canada.

Columbia was one of the key players in Drexel Burnham Lambert's junk bond mafia. At its peak, Columbia held junk bonds with a face value—not to be confused with real value—of \$4.5 billion; its portfolio now carries a face value of about \$3 billion.

Gordon America will pay, in theory, \$3 billion for Columbia's portfolio—but only in theory. The deal works like this: Gordon America will pay Columbia \$300 million in cash—10¢ on the dollar—down, with a note for the remaining \$2.7 billion. However, should the junk bonds default (a highly likely prospect), Gordon America can return them to Columbia and keep the \$2.7 billion. In effect, Gordon America is *leasing* Columbia's portfolio, getting a foot in the doors of over 175 companies in every sector of the U.S. economy. In return, Columbia gets \$300 million and the illusion of \$2.7 billion more.

The driving forces behind the junk bond buyout are Li Ka-Shing, the Hong Kong financier known as the "Red Fat Cat," and the Kissinger-Bronfman circles in Canada. Gordon America L.P. is a joint venture between several companies controlled by Li and Canada's Gordon Investment, with the Li family and Gordon Investment each owning 50%.

Li Ka-Shing's Cheung Kong and Hutcheson Whampoa each own 20% of Gordon America, and another of

his companies owns the remaining 10%. Li Ka-Shing is a director of the British-run Hongkong and Shanghai Bank, the premier Asian dope bank.

Gordon Investment, a merchant bank, is affiliated with Gordon Capital, one of Canada's largest institutional brokerage houses, widely known as a vehicle for the Anti-Defamation League's Bronfman family. Other groups with a piece of Gordon Investment include General Electric Capital Corp., the Kuwait Investment Office, the Canadian Imperial Bank of Commerce, and the Hollinger Corporation.

Hollinger is a nasty outfit run by Canadian Conrad Black, whose board contains Henry A. Kissinger, Peter Bronfman and Britain's Peter Lord Carrington. Adding to the incest, Li Ka-Shing owns a significant chunk of Hollinger.

Li also owns something less than 10% of the Canadian Imperial Bank of Commerce, which in turn owns 20-25% of Gordon Investment, giving Li a direct connection to Gordon America through his own companies, and indirect connections through both CIBC and Hollinger.

Finally, General Electric Capital Corp. is an arm of General Electric, which owns Henry Kissinger's National Broadcasting Company. GE also owns Kidder Peabody, the investment bank which is advising the U.S. government to allow this deal to go through.

Everywhere one turns in this deal, one finds sleaze.

Assuming for a moment that the deal is actually completed, Gordon America would wind up paying face

value for Columbia's entire portfolio of junk bonds, several times more than the junk is actually worth.

But since these parasites make their money through looting, obviously something else is going on. That something was summed up nicely by Richard Li, second son of Li Ka-Shing, who told the London *Financial Times*, "This is a very good window indeed to look for further investment in the U.S., and it is the primary reason for investing in the junk bonds."

In simple terms, the Kissinger-Bronfman-Li crowd is using dope money to buy up a large chunk of American industry at rock-bottom prices.

While Congress and the administration are hysterically screaming about the S&L "crooks" and trying to outdo each other with shrill demands for fascist reprisals to ensure that it never happens again, it *is* happening again, on a far larger scale than the thrifts.

The looting operation which began with Drexel Burnham Lambert's junk bond operation to asset-strip American corporations and then sell the worthless junk to the nation's S&Ls, has entered a new phase of the rip-off. For a mere \$300 million—forget the other \$2.7 billion, because they'll never pay it—the Dope, Inc. crowd has bought into 175 companies and plans to buy more. It's the same old rentier-financier game at work: Drive the prices down through control over economic policy, then buy up assets for pennies on the dollar.

Meanwhile, the U.S. banking system continues its inexorable collapse, heading for a blowout that will make the S&L debacle pale in significance.

Not only are the real crooks getting away scot-free so far, but even worse, they're doing it again, on an even larger scale.