

## at-Largely

by Larisa Alexandrovna: For journalists and others who like examining the landscape of investigative reporting.

September 16, 2008

### What is Jeb Bush's role in the Lehman Brothers meltdown?



Lehman Brothers was founded in 1850. The firm managed to get through the Civil War, WWI, and WWII, the Great Depression, and the attacks of September 11, 2001. Yet after hiring Jeb Bush in late August of 2007, the firm suddenly goes belly up in a year. It also should be noted that in 2006, George H. Walker IV was also hired by Lehman Brothers.

Now, let's take a walk down memory lane, shall we?

Neil Bush: The brother of the current president, son of the elder Bush, and another do-nothing embezzler was part of yet another huge financial meltdown. This was known as the Savings and Loan scandal (S&L). From Salon:

Long before that, in the late 1980s, Neil Bush made bigger news for his controversial role as a director of Silverado Savings and Loan, which collapsed and cost taxpayers roughly \$1 billion. (Federal regulators accused Bush of various conflicts of interests, but he was never charged. A civil suit against Bush and other Silverado officers was later settled for \$26.5 million.)

Also from WaPo, a great summary of Neil's sleazy life, including the S&L scandal:

In the late '80s and early '90s, Bush embarrassed his father, George H.W. Bush, with his shady dealings as a board member of the infamous Silverado Savings and Loan, whose collapse cost taxpayers \$1 billion.

Now back to Jeb:

From Mother Jones: Early Years, Medicaid fraud, his own S&L, and allegations of drugs:

After graduating from Texas University, Jeb Bush served a short apprenticeship at the Venezuelan branch of Texas Commerce Bank in Caracas before settling in Miami, in 1980, to work on his father's unsuccessful primary bid against Ronald Reagan. Campaigning for Dad was hardly a paying job. But Jeb was about to learn that being one of George Bush's sons means never having to circulate a résumé.

In the next few years, financial support flowed to Jeb through Miami's right-wing Cuban community. Republican party politics and a series of business scandals -- including Medicaid fraud and shady S&L deals -- were inextricably intertwined. A former federal prosecutor told MJ that, when he looked into Jeb's lucrative business dealings with a now-fugitive Cuban, he considered two possibilities -- Jeb was either crooked or stupid. At the time, he concluded Jeb was merely stupid.

<snip>

Like so many of those who would attach themselves to the Bush sons over the years, Padreda brought some hefty luggage with him. In 1982, four years before teaming up with Jeb, Padreda, along with another right-wing Cuban exile, Hernandez Cartaya, was indicted and accused of looting Jefferson Savings and Loan Association in McAllen, Texas. The federal indictment charged that the pair had embezzled over \$500,000 from the thrift. (Cartaya was also charged with drug smuggling, money laundering, and gun running.) But the Jefferson Savings case would never go to trial.

Soon after the indictment, FBI officials got a call from someone at the CIA warning the agents that Cartaya was one of their own -- a veteran of the failed Bay of Pigs invasion -- according to a prosecutor who worked on the case. In short order, the charges against Padreda were dropped and the charges against Cartaya were reduced to a single count of tax evasion. (Assistant U.S. Attorney Jerome Sanford was furious and filed a demand with the CIA, under the Freedom of Information Act, for all documents relating to the agency's interference in his case. The CIA, citing national-security reasons, denied Sanford's request.)

<snip>

IMC was run by Cuban-American Miguel Recarey, a character with a host of idiosyncrasies. He carried a 9-mm Heckler & Koch semiautomatic pistol under his suit coat and kept a small arsenal of AR-15 and Uzi assault rifles at his Miami estate, where his bedroom was protected by bullet-proof windows and a steel door. It apparently wasn't his enemies Recarey feared so much as his friends. He had a long-standing relationship with Miami Mafia godfather Santo Trafficante, Jr., and had participated in the illfated, CIA-inspired mob assassination plot against Fidel Castro in the early 1960s. (Associates of Recarey add that Trafficante was the money behind Recarey's business ventures.)

Recarey's brother, Jorge, also had ties to the CIA. So it was no surprise that IMC crawled with former spooks. Employee résumés were studded with references to the CIA, the Defense Intelligence Agency, and the Cuban Intelligence agency; there was even a fellow who claimed to have been a KGB agent. An agent with the U.S. Office of Labor Racketeering in Miami would later describe IMC as a company in which "a criminal enterprise interfaced with intelligence operations."

Recarey also surrounded himself with those who could influence the political system. He hired Jeb Bush as IMC's "real-estate consultant." Though Jeb would never close a single real-estate deal, his contract called for him to earn up to \$250,000 (he actually received \$75,000). Jeb's real value to Recarey was not in real estate but in his help in facilitating the largest HMO Medicare fraud in U.S. history.

Jeb phoned top Health and Human Services officials in Washington in 1985 to lobby for a special exemption from HHS rules for IMC. This highly unusual waiver was critical to Recarey's scam. Without it, the company would have been limited to a Medicare patient load of 50 percent. The balance of IMC's patients would have had to be private -- that is, paying -- customers. Recarey preferred the steady flow of federal Medicare money to the thought of actually running a real HMO. Former HHS chief of staff McClain Haddow (who later became a paid consultant to IMC) testified in 1987 that Jeb directly phoned then-HHS secretary Margaret Heckler and that it was that call that swung the decision to approve IMC's waiver.

<snip>

Manuel C. Diaz, another Jeb Bush business associate, runs a commercial nursery with headquarters in Homestead, Florida. Manny Diaz's previous business sidekick, Charles Keating, Jr., is now sitting in a California prison. But during Keating's days at the helm of the \$6 billion Lincoln Savings, Diaz became a Keating insider, confidant, and beneficiary. For example, in 1987, as federal regulators closed in on his crumbling empire, Keating instructed his attorneys to transfer a large chunk of prime Phoenix real estate to Diaz, for just \$1. And right before filing for personal bankruptcy, Keating transferred his \$2 million mansion on the island of Cat Cay in the Bahamas to Diaz.

At the same time Diaz was palling around with Keating, Jeb, then serving as Florida's secretary of commerce, arranged a private meeting for Diaz with Florida's Republican governor Bob Martinez. Promptly afterward, Diaz Farms landed a lucrative, \$1.72 million, state-highway-landscaping contract -- despite the fact that Diaz had little prior highway-landscaping experience. This raised howls of protest and charges of political influence-peddling from other contractors. But state officials explained that the extraordinary speed in issuing the contract had occurred because the state was anxious to spruce up 113 miles of freeway for the coming visit of the pope.

Did Jeb know about Diaz's business association with Charles Keating? Did he have reason to believe Diaz was qualified for the Florida highway contract that he helped Diaz land? These are the kinds of detailed questions that the Florida chairman of the Bush re-election campaign refuses to answer.

#### NYT 2002 Enron-Florida Pension Fund Scandal:

The Enron scandal, which has become the consuming interest in Washington and around the country, is starting to have a particular resonance in Florida, where it is touching another Bush: Governor Jeb Bush.

Florida's state pension fund lost \$335 million from its Enron holdings. Enron has spread lavish campaign donations on local politicians, including Mr. Bush. Earlier this month, Mr. Bush startled some by holding a fundraiser at the Houston home of a former Enron executive. Florida is also home to thousands of Enron

investors and retired employees, who have seen their Enron shares become worthless.

#### New Times 2004 the North Broward Hospital District Scandal:

Gov. Jeb Bush will likely be pulled into a federal grand jury investigation of the North Broward Hospital District, the \$800 million-a-year, tax-subsidized public health powerhouse that serves as one of his chief political fiefdoms.

The grand jury is looking into a project by the nation's sixth-largest public hospital system, which runs four hospitals and numerous clinics, to build a \$30 million medical office building in Fort Lauderdale. The deal is marked by apparent insider dealing and an estimated \$100 million of inflated profits for a few well-connected businessmen, including Bush supporter Austin Forman, a scion of the county's most prominent family.

#### CBS News 2007 MWI Scandal:

When the Army Corps of Engineers solicited bids for drainage pumps for New Orleans, it copied the specifications — typos and all — from the catalog of the manufacturer that ultimately won the \$32 million contract, a review of documents by The Associated Press found.

#### Forbes 2007, the Money Market scandal:

A government money market debacle unfolding in Florida is raising questions about former governor and presidential brother Jeb Bush's possible involvement in the mess.

Florida froze withdrawals from a state investment fund earlier this week when local governments withdrew billions of dollars out of concern for the fund's financial stability.

In the past few days, municipalities have withdrawn roughly \$9 billion, nearly a third of the \$28 billion fund (which is similar to a money market fund) controlled by the Florida's State Board of Administration (SBA). The run on the fund was triggered by worries that a percentage of the portfolio contained debt that had defaulted.

The pumps, supplied by Moving Water Industries Corp. of Deerfield Beach, Florida, and installed at canals before the start of the 2006 hurricane season, proved to be defective, as the AP reported in March. The matter is under investigation by the Government Accountability Office, the investigative arm of Congress.

In a letter dated April 13, Sen. David Vitter of Louisiana called on the Corps to look into how the politically connected company got the post-Hurricane Katrina contract. MWI employed former Florida Gov. Jeb Bush, President Bush's brother, to market its pumps during the 1980s, and top MWI officials have been major contributors to the Republican Party.

So, might it be possible that Jeb has some serious questions to answer about what he did at Lehman Brothers, who his "clients" were, and so forth? After all, setting up a hedge fund to launder or embezzle funds seems to be a family specialty.

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Posted by Larisa Alexandrovna on September 16, 2008 at 08:29 AM | [Permalink](#)

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Tracked on September 16, 2008 at 08:37 AM

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### MWI PUMPS PERFORMED FLAWLESSLY THROUGHOUT HURRICANES GUSTAV AND IKE

“City pumps were clearing the floodwater, the U.S. Army Corps of Engineers said on Monday”. – Reuters, September 1, 2008

“The pumps ran all night” said Colonel Jeff Bedey, the Corps Hurricane Protection Office Chief. “These pumps are out there doing exactly what they are supposed to be doing,” Bedey said. –Times Picayune, September 2, 2008.

“...the pumps that keep [New Orleans] dry never shut down”. –A.P., September 2, 2008

“There should be no doubt in anybody’s mind after the first true test of the pumps”, said Colonel Jeff Bedey of the Army Corps of Engineers. “They worked pretty much as planned and designed.” -New York Times, September 3, 2008

“The whole system ran for 36 hours,” said Randy Cephus, a corps spokesperson. “The system performed.”

“Pumps installed at new floodgates on drainage canal after Hurricane Katrina to pump water from the city into Lake Pontchartrain did not fail. The pumps were manufactured by Florida-based Moving Water Industries.” –A.P., September 4, 2008

“Much of New Orleans is below sea level and depends on the pumps, built by Florida-based Moving Water Industries Corp., to keep water flowing into Lake Pontchartrain.” –A.P., September 4, 2008

“Corps officials said...temporary pumps installed at the floodgates at the 17th Street and London Avenue canals ran without fail during the roughly 24 hours that the gates were closed against a rising Lake Pontchartrain.” -Times Picayune, September 4, 2008

“The work that’s been done to armor levees and make flood walls more resilient withstood Gustav, and that is reassuring. So was the solid performance of the pumps used to keep New Orleans dry and those that maintain safe water levels inside outfall canals. Gustav provided the first test for synchronizing those pumps with flood gates at the 17th Street and London Avenue canals. -Times Picayune Editorial, September 12, 2008

“THE PUMPS PERFORMED, THE SYSTEM HELD” -U.S. Army Corps of Engineers Report, September 9, 2008. at:  
<http://www.atlargely.com/2008/09/what-is-jeb-bus.html>

Posted by: Neal Lang | [September 16, 2008 at 11:04 AM](#)

Another top one from you, Larisa...bloody bedwetter! :-)

Is it true that Jeb Bush helped 'spirit away' some sensitive documents from a flying school in Florida just hours after 9/11?

Posted by: Matt | [September 16, 2008 at 09:28 AM](#)