



A true story of unknowingly becoming part of
a fraud scandal, receiving a presidential pardon, and
being surprised by a spiritual awakening

EMBRACING THE ABYSS

JOHN SMITH

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by John Smith

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PROLOGUE

The Boy

The boy was only three when he and his parents went to visit his grandparents, Pap and Mammy. They lived in the country in southern Kentucky where they were sharecroppers. On the first night at Pap and Mammy's place, the boy and his father fell asleep in the same bed. When his father got out of bed, the boy woke up. "Where you going, Daddy?"

"Going out to the barn to pee, Johnny. I'll be right back."

The boy fell into a deep sleep, comfortable in the knowledge that his Daddy would be there for him through the night.

When the boy awoke the next morning, he couldn't find either of his parents. Pap and Mammy broke the news that they had left for a short vacation, taking his baby sister with them. The boy was completely crushed and began crying. He sobbed harder and harder, uncontrollably, until he could barely catch his breath. Soon he was hysterical.

Pap and Mammy tried consoling the boy, even asking the boy's favorite uncle over to try and cheer him up. But to no avail. The boy had become inconsolable sobbing and stumbling, barely seeing through swollen eyes, the boy could not understand why his parents had left without him. Was he no longer loved?

The boy wasn't sleeping much, hardly any. His weeping and wailing were non-stop. Pap and Mammy begged for relief.

John Smith

His parents cut short their vacation after two days. They returned and rescued him.

Upon leaving Pap and Mammy's house, the boy began a long journey. A life sentence of figuring out what he had done wrong that had caused his parents to leave him behind.

INTRODUCTION

Opening Speech

My name really is John Smith. Three days from now I will stand in federal court before US District Judge Robert Maloney and be sentenced on a charge of fraud for my involvement as a high-ranking officer of Vernon Savings and Loan. I want to share with you how this happened to me so that you might remember, should it come close to happening to you; perish the thought.

In some respects, as I look back, I still don't believe it. But I live with it every day. I don't have any other choice. How could I have been so stupid?

This is not a story about your small-town banker that dips into the cash drawer every now and then for himself or his girlfriend. It's not a story about the guy who worked in the back room and had never been promoted, the guy who was mad at his boss—mad at the whole world—who thought he deserved a self-reward by socking away a little cash every chance he got.

Savings and loans (S&Ls) at the beginning of the 1980s were a struggling industry. They were not the same as banks, because they were primarily limited to making loans for home ownership. The model worked by offering low interest rates on long-term mortgage loans. Prospective home owners who couldn't afford a loan from a regular bank could come to an S&L and get a cheaper mortgage. But by the early 1980s, the

financial playing field was changing. Interest rates had risen to double digits, meaning S&Ls had to pay depositors more for their funds. This left S&Ls in the impossible situation of paying double digits on deposits, while offering only single digits on home loans.

Federal regulators were searching for a solution to this problem. They began looking at real estate entrepreneurs. The real estate industry in Texas had been successful. After all, real estate developers with large balance sheets, appeared to know what they were doing, and they had significant experience with real estate loans.

The regulators' theory was that if these real estate entrepreneurs were able to borrow money, then they ought to be able to lend money. So, the federal regulations for savings and loans were changed to allow ownership of S&Ls by real estate developers and entrepreneurs, after their state commissioners reviewed and approved the transaction.

This loosening of the reins, or deregulation, brought the entrepreneurs aboard, and it worked for a while. But within two to three years, the plan went awry, primarily because of greed leading to fraud. The regulators' decision to deregulate would ultimately produce a moral hazard and what's known as zombie financial institutions. There was stupidity, yes on my part, too, but also a lack of awareness and consciousness, snuffed out by a plethora of pretense and a deluge of denial.

Embracing The Abyss

I consider myself a regular guy. I was born in Nashville, Tennessee to God-loving parents from the country in Tennessee and Kentucky. I grew up some in Oklahoma City and then moved when I was a high school sophomore to Dallas, Texas.

In 1965, the summer before my senior year, my friend's dad got us jobs at the Texas school book depository warehouse. In case you don't remember, in November 1963, JFK was shot by Lee Harvey Oswald from a sixth-floor window of the Texas school book depository office building.

Our work in the warehouse consisted of packing boxes of textbooks to be sent to various school districts across Texas. One day, I was given the task of delivering an envelope to an office in the TSBD building where the shooting had occurred.

After delivering the item, I thought I might have a look around and took the freight elevator upstairs to the sixth floor. There were no barriers or cautions or warnings that would have prevented me from exploring, so I proceeded to the corner of the large room, to the window where Lee Harvey Oswald sat and waited.

I must say it was a bit spooky. From the looks of it, that corner of the room was left the way it was found. I remember seeing chicken bones and assumed that Lee Harvey Oswald had had something to eat while waiting on JFK's limousine to pass by. In front of the window was a desk that he probably used to aim his rifle. For some fun, I decided to put a chair on top of the desk. Discovering a round, three-foot-long piece of wood, I

picked it up and put it across my lap as I sat in the chair on top of the desk in front of the window.

There were tourists outside on the grassy knoll, and it wasn't but a few minutes before I was noticed by a crowd gathering below. As the crowd began to grow, many of them started pointing toward me. I realized I needed to get my ass out of there. Without delay, I was in the elevator having a downward ride, goose bumps covering both of my arms.

When I got back to the warehouse, my friends asked me how it went. I told them about the chair on the desk. They got a big kick out of that, and I guess I did, too.

When I graduated from high school, I assumed I knew everything there was to know about college. I had finished with the TSBD and was now working 50 hours a week at Collins Radio, a large manufacturer of electronic devices for the Vietnam War. I knew then that the most important thing to me was the '66 GTO convertible that I had, so I decided that I was going to get into college and get out with the least amount of trouble.

My first semester, I signed up for 21 hours of classes, plus a lab, but tried carrying that only on Mondays, Wednesdays, and Fridays so I could continue working and making money. I think I made it past Halloween, but I'm not real sure. That time in my life was somewhat of a blur as I lived it. The one thing I do know is that after I dropped out of college in the fall of 1966, only a few months from starting, I got to work more hours at Collins Radio.

The draft lottery was in effect, and I probably watched too many John Wayne movies, because even though I enjoyed working at Collins Radio, I volunteered to go into the army. I wanted to go to Vietnam, and I did. I am a decorated veteran of Vietnam. When I returned to the States after Nam, I became a “teacher” in the army. I smile when I write that, because what I mean by teacher is that I was a drill sergeant. You know, the soldiers with the Smokey the Bear hats? Hey, don’t knock it; I was the honor graduate of my drill sergeant school!

After my discharge from the army, I returned to Denton, Texas wanting another chance at college. I didn’t know what I wanted to study, but I knew I wanted a college degree. I married my first wife only three days after departing the army, and we had twin sons born during my first fall semester. The G.I. Bill and three or four part-time jobs supported us. I never knew how important \$210 a month was until then.

Now, it’s almost as though I’m reliving that prospect of poverty again. Not much is left over these days after the legal fees are paid.

When I was a college student my second go around, I became the Attorney General of the Student Government Association. I was the guy who interpreted the rules and matters of “law.” I was the one with the big paddle that spent the meetings at the back of the room as the sergeant at arms.

It was my senior year, and I still hadn’t chosen a major. I had completed almost all the hours necessary in the school of

business, but hadn't chosen a specific business major. The time had come. I could put it off no longer. I recall going around to the different departmental offices stopping in to visit, asking them why I should choose their department for my major.

One Saturday morning, I walked into the Department of Accounting office and met a man named Herschel Anderson. I didn't know him from Adam but I soon found out that Dr. Herschel Anderson was a man of quick wit with a large desire to help others.

I don't know how he did it so early in the morning, but he had one of those great big cigars in his mouth, and he could talk at the same time, too. He asked if I had taken accounting yet. I answered yes.

“Both Accounting I and II?”

I again said yes.

“What were your grades?”

I replied, “As.”

“Both I and II?”

“Yes.”

He paused, his head dropping as he looked through the floor. I was somewhat startled when all of a sudden, he looked at me with utter frustration and confusion, like I was crazy. He said, “Are you kidding me? What is wrong with you boy? Accounting is your ticket to the big show. You can't do any better than accounting. You can't make As in accounting and walk away from it!” His voice grew louder and louder. “This is

the bus you want to be on! If you think about all that stuff the other departments offer, you know they're nuts. They get part-time jobs. You're done with those other departments!"

In that span of ten minutes or so, Herschel made his message clear to me. "If you do this, then from this you can do anything else. You can do all that other stuff when you want to. If you choose that other stuff now, you're going to have a tough time with this road if you change your mind." Herschel was candid, and his message poured from his heart straight into mine.

Of course, I'm glad now for what he said. I believed him then, and I believe it now. I was one lucky guy to have stumbled into Dr. Anderson that Saturday morning, big cigar and all.

I maintained a 4.0 GPA, and graduated magna cum laude with a degree in accounting. I got into an argument with the people in administration about why I shouldn't have been classified summa cum laude, the higher honor, for my 4.0. They reminded me of the four deadly withdrawal/failings I'd had my first time at college. Surprised, I said, "Oh, those still count?" Well, shut my mouth.

When the recruiters came to campus, I interviewed and received offers of employment, but I accepted the one that I thought would be able to provide the best post-college education. I chose Alford Meroney & Co, the largest regional public accounting firm in the southwest.

I spent five years at Alford Meroney & Co (AM & Co) and feel fortunate that I got the education I wanted. With them, I was able to work with a variety of clients in a variety of businesses, large and small. I dealt with audits, all types of taxation, including individual, corporate, and estate planning projections. I was also involved with the computer services department, also known as management information services.

It was almost too good to be true. I believed I was being prepared for something more important, possibly a career requiring collective experience for advancement and success.

For most of my life, when my head was on right, my intuition provided a flow of information that kept challenging what I thought I could be and what I ultimately would be. My mindset was usually geared for success, and I spent most of my waking minutes analyzing how to make these thoughts become reality.

I enjoyed public accounting. At AM & Co, there was a great deal of camaraderie, respect for each other, and good friendship. I received the professional education I sought. I realized that your college education is your foundation. The critical part of learning takes place out there in the real world, but you can't get there unless you go through basic training in college. Funny how that works.

After five years of public accounting, I committed the ultimate sin: I went to work for a client for bigger money. I learned a lot about closely-owned family businesses. Namely, if

you find yourself on the wrong side of the family that controls the business, you're going to be history sooner than later. After working five years straight in public accounting, in the ensuing two years, I had four jobs.

Finally, I found a job with Dondi, a startup construction-development firm. I felt lucky. Dondi had plans to build condos in the Dallas-Fort Worth (DFW) area, Louisiana, and Florida. I recall thinking that this was a company where things were going to be done right. I worked hard; I'd been given a new opportunity in something I knew about, which was real estate with taxation, partnerships, and corporate reporting. These are the things that I had cut my teeth on in public accounting. I was counting on taking a large step upward after proving my capabilities. I felt confident that I could do this, even though uncertainty often interrupted my thought process of a real world education.

But the real lessons I would learn weren't the ones I was expecting. Those came only through the Abyss.

THE ABYSS

Being a part of your soul, the Abyss is not something you recognize right away. It's a part of you that you don't come in touch with very often. It seems unreachable at first, until you feel its presence and know it's you. It resides in the area inside you that's parked a ways away in a safe place, resting under a Do Not Disturb sign.

This is your own sacred ground for times when you reach the point where you can no longer answer to yourself, when you've exhausted all efforts at rationalization. This is the time when you need something deep from within, something strong to support yourself. It's the place where you engage in the ultimate struggle for truth, where you're aching for a lasting answer.

Often, in an attempt to expedite things, you may be able to disguise the true answer, the real answer, by fooling yourself with a quick, fleeting fix. You do this because you are trying to protect the image of you, the one you have of yourself. You are trying to protect your self-image: the unstained version of yourself that you still covet and caress.

If you have not recently traveled into and through your soul for a visit, know that the Abyss, as gatekeeper, may not notice you at first. You identify with and respond to karma at the Abyss. Your depth and breadth of consciousness increases, leading to a greater awareness that protects you.

John Smith

Sincerely bestow the breath from deep within you; grasp the abyss, embrace it, and hold on for dear life.

CHAPTER 1

The On-Deck Circle

Dallas, Texas, October 13, 1988

Couldn't complain about the weather. It was in the mid-70s and not much wind for an October day in Dallas. I was supposed to meet my attorney and friend, Steve Brutsché, at the Justice Department office on the third floor of the Earle Cabell Federal Building downtown. He had wanted to talk with the Justice Department attorneys in person before the judge passed sentence on me, but they turned us down. Our last hour appeal to them, to hopefully soften their view of my receiving time behind bars, went unheard.

The atmosphere was highly charged regarding savings and loans and anyone involved with the industry. Federal task forces in Texas had been formed with a vengeance to bring to justice members of the S&L industry not only for engaging in illegal lending practices, but also in retaliation for S&L owners seeking help from politicians who attempted to strong arm regulators and federal law enforcement. With my case being one of the first to be tried, we knew they were out for blood and headlines, as big as they could get them.

We rode the elevator to the 16th floor where the hallways leading to the judges' courtrooms and chambers all looked alike. Clearing the U. S. Marshal's security checkpoint allowed us access to the sterile hallways, walls of federal marble flanking

each step. The light grey paint added to the bleakness and to the difficulty of finding reference points as we made our way. Not saying much as we walked, I began to think that the monotony of the décor would eventually cause us to get lost, and I feared I would start to panic. I'm not a fast walker, so it wasn't easy keeping up with Steve's loping strides. Covering the ground quickly, more quickly than I would have liked, we approached the judge's courtroom. And my destiny.

Steve asked if my wife, Alex, and my sons were already in the courtroom and if Coach, my best friend, was ready to go.

I mumbled a tongue twisted, "Yes, I think so."

We opened the large double doors, trimmed with brass and covered with fingerprints left by those who had entered before us. We stepped into the courtroom and it seemed cavernous. I felt so little as I walked toward the monstrous circumstances waiting ahead, wondering if I would walk out of there with or without handcuffs. The vibrations behind the big doors were thick and heavy, feeling like low rolling thunder rumbling nearby. My heart was pounding like a movie drumroll just prior to hearing the words: ready, aim, fire. The scene was serene and surreal. My life would soon be decided, whether in my favor or not. The tense feeling along my arms stretched tight toward my neck and shoulders.

Marching toward our designated seats, my practiced focus, as a government witness during the past eight months, was to look straight ahead to the tables where the Justice

Department lawyers and FBI agents would sit. As we passed the full rows of reporters and spectators, I could feel the presence of those sitting quietly in their designated area to my right, both those who had come to show their support, and those who had come to see... but let's not think about that now.

Although the courtroom was only about 60 by 40 feet, it felt enormous. Like the time I was five years old, when I caught my hand in the teeth of an outdoor clothes ringer at the top of the Russells' backyard in Nashville. As I ran screaming down the hill, leaving a kid-sized trail of blood behind me, help at their house just 40 yards or so below seemed a mile away.

Drawing my attention to the swinging doors in the low wooden wall that separated the audience from the actors, Steve warned, "Be careful when we're called up to not let them swing after you go through. It's considered a sign of disrespect." I began to imagine my holding them for a small eternity, just to make sure they were quiet. We took our seats in the front row of the audience and waited.

"All rise," came the call, as Judge Robert Maloney entered the courtroom. I wondered if the entrance of another warm body might bring a warmer feeling into the courtroom, but I had my doubts. It felt like a tomb, where alabaster sconces met pallid, judiciary marble, paired with pale grey paint, cold and aseptic. The wood paneled walls were not enough to make the morgue-like setting any more comfortable, nor was the judge.

The judge took his seat, followed by the rest of us. The clerk began to read the case of a man not too much younger than me, who was apprehended for selling meth. After dispensing a pound or two of pointed criticism, the judge then declared, “I hereby sentence you to 78 months’ custody of the Bureau of Prisons.”

Stealthily, two U.S. Marshals had appeared out of nowhere—maybe from the cracks in the wood paneling. They were standing directly behind the man a micro-second before the judge had said, “78.”

The purpose of the immediate presence of the U.S. Marshals seemed twofold. One, to scare the bajeebers out of everyone looking on, and two, to keep the man from bolting from the courtroom in case he didn’t like the sentence the judge handed him.

The marshals quickly handcuffed him and led him to the rear of the courtroom, through a door in the corner that looked about the size of the rabbit hole Alice fell into. I imagined it led to another maze of ubiquitous hallway hell, onto prisoner processing, and then to federal prison. I somehow maintained my composure throughout all of this, although I don’t recall breathing much.

Then it hit me. *I’m up next.*