

CHAPTER IX

LITIGATION

Chapter nine investigates the litigation which took place immediately after The Brothers ceded to the Mexican government the nine major production plants of ELSA. This chapter pieces together the underlying drama which occurred in and out of United States and Mexican law offices and courtrooms, leading to enmity between the extended Longoria family.

The law suits brought against The Brothers by Chito led to innumerable counter-suits by The Brothers and eventually brought new claims against The Brothers, this time by the Longoria Sisters.¹ From 1975 on, the animosity aroused by the five brothers turned cousin against cousin

¹ The three Longoria sisters, Laura, Lelia, and Hortencia were married and lived with their families around Nuevo Laredo. Laura died in 1975, shortly before the litigation ensued. In connection with the trials, the interests of The Sisters were pursued on behalf of Lelia, Hortencia and the children of Laura. The children of the three sisters took enormous interest in the litigation themselves expecting to be the beneficiaries of any recovery that their mothers might obtain. This entire group is referred to hereinafter as "The Sisters".

and sister against brother. The family never reconciled and the bitterness continues to the present.

This chapter examines the ethics of Mexican business and political procedures, which when taken to the fullest extent, left the players in a "catch 22" situation. It questions the role of José López Portillo in the Longoria litigation. What was the reason for López Portillo's extraordinary interest in the outcome of the Longoria litigation?

After his resignation from ELSA, Chito lost access to most of his personal assets, which were held within the corporate structure of ELSA. As mentioned in previous chapters, in order to make the balance sheets of ELSA look better to the foreign bankers, he had deposited within ELSA many of his private assets, such as the stock of Bosques de las Lomas, Union National Bank stock, and other holdings and properties which were the sole property of Chito.

When José López Portillo as Secretary of the Treasury sided with The Brothers and declared that ELSA (and Banco Longoria) belonged to the five brothers "in equal shares", The Brothers gained control of a goodly portion of Chito's personal assets. The Brothers, as the acting managers of ELSA, declared that since the various shares had been placed in the corporate structure, the shares now belonged to the five brothers "in equal shares".

In the meantime, Chito became despondent. He stopped speaking and stared into space day after day. Jeanette called several doctors who diagnosed Chito as being in a profound state of depression. One doctor in 1974 went so far as to call Alfredo, the youngest brother, and beg him to put Chito back to work. The doctor felt that work might bring Chito out of his depression. Naturally, Alfredo declined, since The Brothers were no longer speaking to him.² For the better part of a year, Chito lapsed in and out of depression, snapping out of it when he thought there was hope and sinking back when things looked bleak.³

In the spring of 1975, Chito was forced to engage a new Mexico City attorney named Hevevich. By a curious turn of events, his previous attorney, Salvador Trueba, was lured from Chito's employ and hired by The Brothers.⁴ Did ready cash play an important part in Trueba's change of employ? Nevertheless, Chito through Hevevich filed a lawsuit against The Brothers and SOMEX shortly after he was informed by Trueba of the "sale" of the nine plants to CONASUPO.

² Deposition, Alfredo Longoria, 10-12-77, p. 291.

³ Telephone interview, JH de L. 8-17-89.

⁴ Deposition, OLL., Vol. I, P. 490. The cannons of ethics of the American Bar Association would doubtless have prevented such a switch in the United States.

Hevevich and Chito travelled to the state of Durango, where ELSA had originally been incorporated, and tried to stop the "sale". Their attempt was futile. With the support of López Portillo and SOMEX, The Brothers were the controlling majority.

While in Durango, Chito received word that his mother had died. He had lost an important ally. With her death, there was no longer a need for any of the five brothers to try and keep peace within the family or hide their animosity. Chito did not return to Nuevo Laredo on the day of her death to pay his respects, but remained in Durango to try and stop the "sale" of ELSA. In the opinion of The Brothers, Chito's one-day delay was yet another reason to consider him an anathema.

After his mother's funeral, Chito returned to Mexico City and held a press conference at his home in Bosques de las Lomas on April 21, 1975. His prepared statement, carried by the Associated Press in the United States, accused The Brothers and "three government functionaries" of stealing ELSA from him. He declared that there was no reason for the government to have ever involved itself in ELSA's affairs and that the corporation had always been

solvent. Chito announced plans for legal action against his brothers and the government.⁵

To obtain a response from the Mexican government, AP submitted to López Portillo and his Treasury secretariat Chito's statement and six questions. Through his press secretary, López Portillo stated that ELSA was heavily in debt to foreign banks and that most of the ceded plants had been closed for the last four years. Furthermore, he asserted that if the government not taken ELSA's plants in exchange for the foreign obligations, several of the United States banks would be forced into bankruptcy.⁶ Apparently, both sides had chosen to ignore the truth.

Neither statement was carried by the media of Mexico City. The story appeared only in two papers in Northern Mexico, El Imparcial of Hermosillo, Sonora, and El Sol of Nuevo Laredo. Both versions appeared in full in many newspapers in the United States, including the New York Times and the Wall Street Journal. The Brothers remained silent.⁷

⁵ Associated Press wire printout, by Charles Green and Vicente Morales. Mexico City, 4-21-75.

⁶ Ibid.

⁷ Contingent upon any more published broadsides from their brother Chito, The Brothers had prepared a press release presenting their version of the history of ELSA and the Longoria family. They declared that Chito was mentally ill, incapable of conducting business, and under the care of doctors. It concluded with the hope that he would one

The only Longoria brother mentioned in the Mexican newspapers in the month of April, 1975, was Alfredo, who was arrested on April 18 in front of his home, by Mexican Judicial Police for non-payment of a bill for construction completed at the super-plant at Tuxtla. After a few hours of detention, Alfredo was released. He returned for a hearing before the judge with a phalanx of attorneys who "convinced" the judge that the warrant for his arrest was an error.⁸ Federico accused Chito of arranging for Alfredo's arrest.⁹

Seeking other avenues of retaliation and in need of funds for future litigation against the government and his brothers, Chito started asking his children if they could help him financially. Not only did he have to pay Hevevich his retainer, he had to pay for access to the records of ELSA and therefore his own files which remained at ELSA and in the hands of The Brothers.

Sara Alicia, Chito's daughter, mentioned in passing that there was a safe in the dining room of her house, in

day be "cured" and become once again their loving brother. Apparently the press release was never issued, but the statement was found among the litigation documents. Doc. 17057.

⁸ Excelsior, Mexico City, 4-19-75.

⁹ Deposition, Lelia Longoria de Slaughter, Vol. I, p. 116-118.

Nuevo Laredo, which Chito had installed years before.¹⁰ She thought there might be something of value in the safe. Sara Alicia did not have the combination.

Jeanette retrieved the combination of the safe from Chito. In the dead of night, with a borrowed plane and pilot, she flew with Teri Escobar, her secretary, to Nuevo Laredo to investigate the contents of the safe. Teri and Jeanette feared that The Brothers might hear of the safe and stop them from taking whatever they found back to Mexico City. The Brothers could very easily claim, as they had with everything else, that they were entitled to one fifth of the contents of the safe.

Upon their arrival, Jeanette and Teri discovered hundreds of gold pesos within the safe. They had been so worried about being caught that they did not bring anything in which to carry the treasure. They scooped the coins

¹⁰ The house had originally been built by Chito and his first wife Alice, and was located in Colonia Longoria, the housing development that Chito had created in the 1950's in Nuevo Laredo. The house was ante-bellum in style, made of Indiana limestone, and enormous. It had a striking resemblance to the design of the original Banco Longoria. The home occupied an entire city block and was landscaped with lush gardens, a pool, cabaña, and tennis court. It was clearly the most elegant home in Nuevo Laredo and obviously constituted Chito's 1950 statement of success to his fellow citizens. In later years, The Brothers and their children built homes nearby, but none rivaled the position and perhaps arrogance of Chito's home. Chito gave the house to Sara Alicia when he moved to Mexico City, after Alice's death. Sara Alicia and her family reside in the aging mansion today.

into several large lady's handbags and departed for Mexico City as stealthily as they had arrived.¹¹ The ladies were elated. For once, they had outwitted The Brothers.¹² *

Chito was not pleased when he saw the gold. Still in a state of depression, he was sure that the gold was his last tangible asset.¹³ He accused Jeanette and Teri of wanting the gold for themselves. Nevertheless, Jeanette used some of the gold to pay his attorneys and other outstanding obligations which had accumulated.¹⁴

Teri and Jeanette recalled that they paid Hevevich twenty-five gold coins, which appeared to be satisfactory at the time, but later he complained that the price of gold had decreased on the open market and that he expected Chito to make up the difference. Chito dismissed him, since he

11 Interview, Maria Theresa de Escobar, private secretary of Jeanette Herrmann de Longoria, 3-5-82. Tape 1, transcription p.1.

12 Teri and Jeanette had also unknowingly outwitted the Longoria children. There are letters from Chito Jr. and Sara Alice during this period pleading for more money from Chito.

13 During an interview, Chito said that the gold pesos were payment for attendance at Banco Comercio board meetings in Mexico City. He said it was the custom to pay board members in gold coin, which he had hidden away for a "rainy day".

14 Interview, Maria Theresa de Escobar, Tape 1, transcription, p. 15.

had accomplished little during the year he was employed.¹⁵ Chito searched for other avenues by which to fight The Brothers.

Although The Brothers took the profits from the "sale" of ELSA, SOMEX still held the shares of Banco Longoria and those shares, except for four, were in Chito's name. It was always Federico's intent to retrieve the shares and save the bank. To this end, in the spring of 1975, The Brothers brought suit against SOMEX seeking the return of the bank shares and against Chito to force him to reissue the bank shares in the names of The Brothers. SOMEX refused to comply, stating that the five brothers must first legally prove ownership of Banco Longoria and the adjunct securities.

The Brothers sued Chito in Mexico City for an equal division of the bank, the finance companies, and all of the properties registered in the names of Longoria family members. Chito counter-sued against The Brothers, claiming 100% ownership of ELSA, the bank and the finance companies.

¹⁵ Telephone interview, 8-17-89, with Teri Escobar. Chito was worried that because of a hearing disability, he might miss some important conversation. Teri accompanied Chito to the meetings and took notes. She recalled that Hevevich never spoke of their pressing legal matters, but only discussed new restaurants in Mexico City and football scores. Chito was frustrated and interested in neither subject.

He also sought damages including mismanagement for the "sale" of ELSA.

The Brothers intended to bring enough pressure to bear on Chito so that he would agree to a division of the Longoria family enterprises on their terms. They had left him with no access to his funds. They planned to bring him to his knees and force him to admit that all of the Longoria assets were owned equally between the five brothers. Because of their almost absolute control, The Brothers were in a position to dictate a grossly unequal division in their favor even if Chito acknowledged equal ownership. Chito would not yield.¹⁶

In their first Mexican law suit, The Brothers maintained that all the enterprises were owned in equal shares between the five brothers. The Brothers based their claim of ownership of all Longoria enterprises in equal shares upon their father's will which was filed in 1931, shortly after his suicide. In the will, all assets owned by their father were left to his wife Sara Theriot de Longoria. The exception was Industrias Unidas, which was not listed as an asset of the estate and which, according

¹⁶ Telephone interview JH de L. 8-17-89. Jeanette recalled that Wayo (Eduardo) and Alfredo offered to change sides of the fight and join Chito if he would share the businesses equally with them. Apparently Chito rebuffed their offer declaring that neither was entitled since he had created all their assets.

to Chito, had previously been given to him in the form of bearer bonds. No one was in a position to deny Chito's claim. Significantly, the assets inherited by Sara from her husband's estate consisted of very little. Her husband's principal asset was Industrias Unidas, which Chito already held. As a private banker, O.L. Longoria Banquero had in 1931 more liabilities than assets. Their mother actually inherited a few pieces of real property. The assets which Chito and The Brothers fought over in later years were assets created after their father's death. Sara, who died on April 1, 1975, at the age of 99, apparently left no will.

In the litigation, The Brothers claimed that their mother had given them equal shares of all of the businesses during her lifetime. Their position was curiously contradictory in that their mother had inherited very little upon which they could make their claim to five equal shares to all the Longoria assets. Moreover, they produced not one shred of evidence that their mother had ever given them anything.

To gain an offensive position against The Brothers and to defend himself, Chito needed new attorneys and more money. He wired the Republic National Bank in Dallas, Texas, and Bank of America in San Francisco, California, instructing them to send him the monies which they held in

certificates of deposit in his name. The monies had been deposited in these banks in the late 1960's and the amounts had been increased regularly. The total in both banks was over 10 million dollars. Because Federico had already contacted the banks through his lawyer requesting that the monies be delivered to him, the banks refused Chito's request, indicating that there was a dispute involving ownership of the money and its derivation.¹⁷

The derivation of these funds is an interesting example of Mexican business practices. When Chito became the principal partner of Carlos Trouyet in the development of Bosques de las Lomas in Mexico City, an engineering company named Estudios de Ingeniería y Planeación (ESINPLA) was hired to lay out the infrastructure of the housing development. In late 1969, ESINPLA went broke and Trouyet bought the engineering company for a pittance. He divided the shares of ESINPLA among the shareholders of Bosques, each acquiring an amount proportional to the amount of shares they held in Bosques. Thus, Chito acquired his 40% of the shares.

From questions posed by The Brother's counsel in depositions, one might surmise that to avoid taxes, ESINPLA submitted invoices to Bosques for operating and development

¹⁷ Bank of America, Memorandum from C.J. Mc Fadden, Group Vice President. 6-6-75. Doc. 00454.

expenses that were higher than they actually were. One could infer that the profits from the engineering company were then placed in a CD in a United States bank in each shareholder's name.¹⁸ No direct evidence was ever produced in the litigation to substantiate these inferences.

In what was perhaps a second machination, probably devised to avoid paying taxes, the partners of Bosques applied to Bank of America's Panama branch for a 10 million dollar loan which was granted. In fact, the loan proceeds never left the bank but were transferred to the San Francisco branch and converted to certificates of deposit in the names of the stockholders. The CD's were held by Bank of America as security for the Bosques loan. B of A paid 7.56% interest to the partners on the CD's, and Bosques in Mexico City, paid B of A a higher interest rate of 8.3% on the borrowed money, plus a portion of the principal amount monthly. At the end of five years, the loan was paid by Bosques, and the bank's security interest in the CD's was released and the CD's became the property of the stockholders of Bosques.¹⁹

How this transaction was treated by Bosques in its accounting records was not learned in the various law

¹⁸ Deposition, OLL. Vol. III, p.1409. Questions posed by The Brother's attorney, Horace Hall.

¹⁹ Bank of America, inter-bank memorandum 4-11-73.

suits. The Bank of America concluded that the transaction in no way violated United States laws which might apply to the bank itself.²⁰ From any point of view, the Bosques shareholders received a handsome return from their investment.

Trouyet, who was in ill health, insisted that each of the partners of Bosques name on the CD's themselves and an alternate beneficiary. The reasoning was that if a stockholder were to die, with an alternative nominee, the monies could be withdrawn without litigation, and thus not incite questions.²¹ Therefore, Chito named Federico, as the executor of his will, the alternate nominee on the CD's in Dallas and in San Francisco. Chito notified Federico of the arrangement when the CD's were issued in 1970.²²

Chito fired off a law suit immediately against Republic National Bank to require it to pay him his money in August of 1975. The bank impleaded the money with the U.S. court and took the position that the court, not the bank, should resolve the disputed CD clause, which stated that the CD's were owned by Octaviano "and/or" Federico

²⁰ Bank of America, Memorandum to the General Loan Committee from John P. Moynier, Assistant Vice President. 7-27-70. Doc. 00386.

²¹ Deposition, OLL Vol. III, p. 1416.

²² Letter, OLL to Federico, 7-21-71, which mentions the transactions.

Longoria. Republic National Bank brought in as co-defendants The Brothers who had demanded that the bank pay them the funds.

In the depositions of Chito which followed this first U.S. law suit in Dallas, Texas, Chito had proof that he paid for the original purchase of the land with his own money and that of Carlos Trouyet. Manuel Senderos, the executor of Trouyet's estate and the the controlling partner of Bosques de las Lomas, also signed a sworn statement attesting to Chito's purchase and of subsequent purchases of neighboring land by the partnership. The Dallas court nonetheless declined to give Chito the money. Left unresolved was the question of where Chito got the money for the purchase of Bosques and whether or not The Brothers own four fifths of it.

When Chito was deposed by bank attorneys concerning the origin of the monies in the certificates of deposit in the United States bank, he pleaded that he "could not remember". From questions asked of Chito at deposition, one might infer the attorney Hall had been told by The Brothers of the suspected machinations of monies by Bosques. Perhaps the deposition questions were a thinly veiled threat to Chito that The Brothers could cause real

trouble if he did not soon come to an agreement.²³ Had he admitted the source of the money, Chito might have jeopardized the other stockholders and himself by conceding that possibly the funds had been concealed from the Mexican government and transferred to the United States.

The Brothers claimed that the money in the U.S. banks was money stolen by Chito from ELSA and therefore they were entitled to all of it, which they said would be used to pay ELSA's outstanding debts. Chito could not or would not disclose the source. It was a "no win" situation for Chito.

Meanwhile, The Brothers, with Federico in the forefront, were busy changing the titles of ownership on land deeds which Chito had placed with Federico in Banco Longoria for safe keeping. Chito had some deeds in his possession in Mexico City which were beyond their reach.

The problem of property ownership among the Longoria family was complex and to this day, has never been satisfactorily resolved. From 1930 to 1978, Chito, and

²³ Deposition, OLL. Vol III, p.1409, by Horace Hall, Esq. Hall, basing his questions on information obviously supplied by Federico, helped me develop my account of what transpired. Hall: "Wasn't there a system set up by which ESINPLA would deliver false invoices for work purportedly done on behalf of Bosques?" Chito: "No sir, not that I know of". Hall: "All right sir. Do you have any explanation for the source of the three hundred and twelve million pesos that is referred to in paragraph number 1 of this memorandum?" Chito: "I don't know".

later the five Longoria brothers, had purchased property throughout Mexico. Because of agrarian laws in Mexico, the title to the properties, especially if the land were rural, was placed in the names of members of the extended Longoria family, and even in the names of trusted employees. Although the name on the deed indicated legal ownership by some other person, it was fully understood that these properties were not owned by the record owner but by some other undefined interest, sometimes called the Longoria Group. Chito understood this to mean ownership defined by him alone. The Brothers apparently understood this to mean that the five Longoria brothers owned everything in equal shares.

It was also understood that certain lands, although in the name of other family members, were deemed of special significance to one or another, and should always be viewed as the exclusive property of that certain family member. The rest of the properties were for the benefit of the five brothers, but a practicable division was never delineated. There were over two hundred pieces of property listed in this fashion and Federico was responsible for their management.

Preventing Chito from access to needed funds, Federico began removing Chito's name and that of his children from land titles so held. The Brothers still had Chito's power

of attorney, which curiously he had failed to revoke. Federico arranged for the sale of Rancho San Rafael, a ranch that Chito had purchased in 1961 and had deeded to his daughter Sara Alice and his nephew Eduardo. Federico changed the deed to the name of his nephew Eduardo alone, and ostensibly sold the ranch to pay ELSA's outstanding debts. The ranch was sold for 30 thousand pesos.²⁴

Since Federico had always collected the rents from urban properties owned solely by Chito, this continued, but the rents were no longer credited to Chito's account. Federico kept the rents and deposited the proceeds into accounts over which The Brothers had complete control.

Chito notified his tenants to pay the rents to him directly, but most of the tenants took the same position as the U.S. banks, that The Brothers must settle their disputes. In the meantime, the tenants put the rents into escrow accounts until the question of ownership was settled.

The Brothers also withheld Chito's pension from ELSA and his salary from the other Longoria enterprises. Sánchez Vargas had guaranteed Chito that he would be paid his pension if he resigned. When Federico assumed the position of chairman of ELSA, he ordered the accounting department to stop the payments to Chito. Chito complained

²⁴ Longoria Document No. 100524.

to Sánchez Vargas, who ordered them continued. Chito received payment for two more months and then the payments ceased again by Federico's order.²⁵ Coincidentally, The Brothers had increased their own salaries from 70 to 110 thousand dollars per year tax free immediately after Chito's resignation.²⁶

Another form of pressure or revenge brought to bear on Chito by The Brothers concerned Rancherías. One of Chito's great sources of pride was his ranch in Northern Mexico, commonly called Rancherías. The ranch was approximately 30 miles long and 19 miles wide. As mentioned in earlier chapters, Chito had bought the main portion of the land indirectly from the Madero family in 1931. As other contiguous ranches became available, he purchased them, and eventually the ranch reached the size it is today.

Because of its size and the related agrarian laws, Chito had divided the land into legal ranch sizes, and had placed the ranches in the name of The Brothers, cousins, and his children.²⁷ He also obtained certificates of

²⁵ Deposition, Alfredo Longoria, Vol I, p. 298.

²⁶ Deposition, Federico Longoria, Vol. V., p. 131. "We all did. Because we were working. We work. He doesn't work. He doesn't do nothing (sic) for the business. Why should we pay him?"

²⁷ Article 27 of the Mexican constitution set a maximum limit to the size of private landholdings. In arid, rural, unirrigated areas which were used for cattle, ranch sizes were limited to sufficient hectares (1 hectare = 2.4 acres)

"inaffectibility" from friendly government administrations.²⁸ These letters excluded Rancherías from the Agrarian laws for a certain number of years. The letters were always renewed during Chito's life.

The central portion of Rancherías contained wild game from Africa which was Chito's special passion and pride. He had made an arrangement with the San Antonio, Texas, Zoo to purchase and import wild game from Africa. Over twenty years, pairs of wild game were purchased by Chito, who shipped and donated them to the zoo where the game was permanently kept.²⁹ The offspring of the African animals were then sent to Chito's ranch and maintained in the central portion of the ranch which was enclosed by fences twenty feet high. The game at Rancherías included zebra, antelope, gazelle, dromedary, giraffe, wildebeest, and even a pair of African lion.

to permit the grazing of 500 head of cattle. Thus, each large ranch in northern Mexico only contains 500 head of cattle. Ask any cattle rancher how many head are on his property, and he will automatically state that there are 500.

²⁸ In order to assure an adequate supply of meat for the urban sector, the federal government granted certificates of "inaffectibility" which exempted landowners from expropriation of their lands for up to thirty years.

²⁹ Because of the quarantine laws of Mexico and the United States, African game can not be purchased and maintained by private owners. To skirt this problem, Chito donated the game to the zoo on the condition that he receive a pair of the offspring. The San Antonio Zoo was delighted with the arrangement.

To further aggravate him, The Brothers declared that according to law, they were the owners of several adjacent parcels of the ranch, and denied Chito access to the central portion. They posted guards on the adjacent pieces of land to make sure that neither Chito nor his children could gain access to the wild game or his cattle. Typical of Federico's conservative financial demeanor, he ordered the lions shot, claiming that they were too expensive to feed. To justify the destruction of the lions, The Brothers spread the rumor that the lions had mauled a young boy. Not only did these actions affect Chito's pride, it blocked him from the sale of his cattle and African game.³⁰

Portions of the ranch which were still in his children's name that might have given him access were changed to the names of The Brother's children. One of his nephews went so far as to bargain with Chito. If Chito would sign a deed of sale stating that the land in question was legally the property of the nephew, he would allow Chito access to the center of Rancherías and the wild game³¹. Chito was beside himself with rage.

³⁰ Before the five brothers declared war against each other, it had been Chito's idea to allow selected sportsmen to hunt certain wild game on Rancherías for a large fee. Several species had become too numerous. By selective hunting, they could thin the herds and make a profit at the same time.

³¹ Deposition, Eduardo Longoria, p. 14-21.

The Brothers claimed that since Chito had stolen their bank stock, they were claiming all of his assets in Northern Mexico as their own. They had resented beyond reason the construction of Chito's house in Bosques de las Lomas, and by extension, his new wife Jeanette. They were convinced that the monies Chito had used for its construction had been diverted from ELSA and because of the "theft" they had been placed in a dangerous position of debt.³²

By the end of 1975, The Brothers controlled one hundred percent of the assets of the Longoria family, but they were in Mexican and United States courts demanding that Chito recognize that they were entitled a share of twenty percent to each brother. With control of the assets, they figured they had brought Chito to his knees. All they had to do was wait until Chito ran out of money. But Chito was not finished. He snapped out of his depression. No longer was he hurt by what he considered his brother's betrayal. He was very angry. He prepared for all-out war.

Chito had his stash of gold coins. He also received a shareholder's dividend from Bosques de las Lomas for six million dollars which was unknown to The Brothers. With

³² Deposition, Federico Longoria, Vol. V, p. 241. "I don't care what he does. What I care is when he spends money; our money. That's when I come in."

these monies, he was able to pursue his lawsuits both in Mexico and the United States. He also sold properties in Mexico because The Brothers had failed to obtain possession of the deeds.

One may well question the need for so much money, but in Mexico, during the 1970's, if not today, lawyers and judges change sides and opinions according to how large a mordida has been offered. Consequently, lawsuits in Mexico are prohibitively expensive. Chito also had the expense of supporting his older children and their families, besides Jeanette and the baby. His son Chito Jr, and his son-in-law Tad Brittingham had been fired from their positions within the Longoria enterprises.

Chito had already filed two law suits against The Brothers and their various distant relations in Texas who were sheltering monies The Brothers were hiding from Chito in Texas banks. One suit was filed against the Republic Bank in Dallas. Another was filed in Laredo against his brothers personally, for removing him from certain businesses to which he claimed ownership in the United States. Another was planned against Bank of America in San Francisco, and there were ongoing suits in Mexico.

In one Mexican suit, Chito sued CONASUPO for the restoration of properties taken when the nine production plants of ELSA were ceded to the government. The land upon

which several of the production plants were sited was Chito's personal property, and never ceded, mortgaged or loaned to the government. The Mexican government simply ignored him, and The Brothers claimed they could do nothing. The "sale" had already been consummated.

Chito retaliated against The Brothers in the United States, because he thought his efforts would be more effective on the U.S. side of the border. On the Mexican side, The Brothers controlled all of the assets and therefore had more money to deal with lawyers, judges, and politicians. Chito had fewer resources.

The Brothers had their power base in Tamaulipas and they were most effective in that state. Chito's diminished power base was in Mexico City, and it was in that city that he tried to have all the cases against The Brothers heard. Yet he was short of money. Taking on The Brothers was one thing, but challenging the Mexican government was quite another. Chito's chances of victory in Mexico were slim, to say the least.

Chito sought legal advice in California in order to bring a law suit against Bank of America. At this time, late in 1975, Chito contacted George H. Link, a partner in the California law firm of Brobeck Phleger and Harrison. Chito was referred to Link, a banking lawyer, by William Wilson, a close friend of then-Governor of California

Ronald Reagan. Chito requested that Link represent him in his attempt to compel the Bank of America to return of the certificates of deposit monies.

When first retained by Chito, Link and his law firm understood Chito to be a significant Mexican industrialist with a rather straightforward banking problem that could easily be resolved in an orthodox manner in litigation with Bank of America. As Link began to sort through documents and understand the scenario, it became apparent that the only way to solve the question of the CD ownership was to establish that Chito was the legal owner of Bosques. That drove the inquiry to the very beginning. Did The Brothers own everything in five equal parts or did Chito own certain entities, including Bosques, personally? By means of legal discovery procedure, the lawyers and the United States District Courts could ascertain to whom the money in the CD's really belonged.

To this end, Link was asked by Chito to consolidate all of the law suits pending within the United States and take a leading role in the overall attack/defense against The Brothers.

In 1976, suits were expanded, amended, and refiled. Depositions were noticed against The Brothers in San Francisco, Dallas, and Laredo. All of the United States suits were consolidated by the Multi District Panel of the

United States District Court. Happily for Chito, Judge Sarah Hughes of Dallas was assigned the case. This nonsense judge made hard but fair decisions which allowed Chito to receive the judicial help he so desperately needed.

As discovery progressed, Link requested that the Dallas Court grant Chito access to the files of ELSA, Price Waterhouse of Mexico City, Bosques de las Lomas, and other business entities in which members of the Longoria family may have had interests. He also requested a list of the contents of the bank vaults of Banco Longoria, contents of the private safes of all The Brothers, and a list of all properties held by The Brothers. Safe and vault contents were requested because they allegedly contained documents which reflected ownership of all Longoria enterprises. The Brothers in their depositions "could not recall" where any of the deeds, bonds and shares of the various Longoria enterprises were located.

The Brothers declined to produce the documents, declaring that they had no bearing on the ownership of the CD's held by the banks in Dallas and San Francisco and that the U.S. court had no jurisdiction to order the production of documents located in Mexico. Judge Hughes of Dallas ruled against The Brothers and ordered all documents to be produced.

To discover the origins of ownership, subpoenas were issued to the principal loan officers of U.S. banks and lending institutions that had in the past loaned money to IU and later, ELSA. Some were issued by Chito and others by The Brothers. Both knew what they were looking for. Records of the lending institutions as they applied to IU or ELSA were also subpoenaed. This included Ford Foundation, Irving Trust, Hartford National Bank, United California Bank, Bank of America, and Republic National Bank of Dallas, Texas.

The bank loan contracts, correspondence and depositions of the principal bank officers were proof that Chito made the arrangements for loans not only to ELSA but also to other Longoria holdings. The subpoenaed documents clearly proved that Chito was the mastermind behind the phenomenal expansion of the Longoria enterprises, the financier, and the hardest worker. The documents also presented a dilemma for both sides. On the one hand, the banks produced several documents signed by The Brothers stating that Chito was 100% owner of Banco Longoria. On the other hand, the banks also produced letters from Chito in which he described the Longoria enterprises as belonging to the five brothers.

By giving his brothers 20% each of the stock of ELSA and placing them as directors of the corporation, when he

consolidated his industries in 1965, Chito had given The Brothers ostensible legal ownership of 80% of the corporation. The seeds of their disputes had begun decades earlier when Chito had made them directors because of his notion that outside directors could never be trusted.

The original bearer stock of Industrias Unidas was stored in Chito's home in Mexico City. During the litigation, Federico swore that his father had given it to him, not Chito, and that Chito had stolen the stock.³³ The person who has possession of bearer stock is considered the legal owner. Unfortunately for Chito, the original stock had been superseded by the newly issued ELSA stock. The original stock was merely evidence that Chito originally owned it all.

Property deeds were also subpoenaed, and depositions taken of the vendors of the properties. In each instance, the vendor testified that Chito had purchased many of the properties with money they understood to be his own, but as the deeds were placed in the names of other family members, the issue was cloudy at best.

Subpoenas were issued for the bonds and stocks which corresponded to ownership in investments in Northern Mexico, but Federico, who held them "could not remember" where the bonds and stocks were located. In fact, in

³³ Ibid, Vol. V., p. 294.

answer to most questions relating to the location of said bonds, Federico "could not remember". In one instance in his deposition he "could not remember" 16 consecutive times.³⁴

While discovery for the United States law suits progressed, taking almost two full years, the law suits in Mexico languished. It was The Brothers' intent to have the U.S. court dismiss the suits brought in the United States, declaring that actions which occurred in Mexico were not within the jurisdiction of the United States judicial system. Luckily for Chito, enough transgressions by The Brothers and their children had transpired in the U.S., so that The Brothers could not get a dismissal of Chito's law suits. The Brothers had seized ranch lands in Texas which belonged to Chito's late wife and sold them. They had also taken possession of the Laredo Lumber Company, which also belonged to Chito and closed it. Also, there was the problem of the CD's in San Francisco and Dallas to be decided. The court concluded that proof of ownership could only be established by examining evidence that was being withheld by The Brothers in Mexico.

Neither Chito nor his brothers had been idle in Mexico. Each had taken various properties, cash, stocks

³⁴ Deposition, Federico Longoria, Vol. I, pps. 52-56, 88-94.

and bonds, and transferred them into the names of residents of the United States, or, if the assets were in Mexico, to the names of persons unknown to the other brothers.

In Chito's case, he transferred title to his home at Las Brisas, in Acapulco, to Morris Jaffe, his wife Jeanette's first husband. The title to his home in Bosques was still held by SOMEX. He invested in several of Morris' business ventures during his hiatus from ELSA, putting money into oil wells, ranches around San Antonio, Texas, and stock in companies of which Morris was a principal. In return, Morris advanced Chito money for the costly litigation on both sides of the border. The Brothers would have a hard time recapturing monies already spent.

Fortuitously, Jaffe and Chito had remained friends after Jeanette's divorce from Jaffe. In fact they were such good friends that Jaffe spent many afternoons at Jeanette and Chito's apartment in San Antonio playing backgammon. Jokingly, Jaffe often congratulated Chito for taking "the most expensive woman in the United States" off his hands. Jeanette was so annoyed by this turn of events that she had a private entry built to Chito's rooms in order that Jaffe could visit Chito without having to see her.

In another counter-attack, Chito enlisted the support of his three sisters, who intervened in the U.S. law suits

against The Brothers late in 1976. The Sisters argued that because The Brothers were claiming that their father left the businesses to their mother, Sara Theriot de Longoria, lately deceased and seemingly intestate, then legally all eight children were entitled to 1/8 share of all Longoria enterprises. The Sisters claimed that Sara constantly stated that she was the owner of all the Longoria enterprises, "Todo es mio, yo soy la dueña"³⁵, and that all her children, upon her death, should inherit the enterprises in equal shares. In return for his sister's support, Chito offered to pay his sister's legal expenses and share with them an undetermined portion of his share of the Longoria enterprises on the proviso that he won the legal battle against his four younger brothers.³⁶

By late 1977, The Brothers were deposed for the final time by Link of California. The depositions lasted for months. One of the interesting highlights of the law suits filed in the United States, especially those in Laredo,

³⁵ Lelia Longoria de Slaughter, Vol. I, p. 49-50.

³⁶ Chito did not believe that The Sisters actually had a claim to a portion of the Longoria enterprises. It is highly doubtful that The Sisters did either. It is clear that they joined the law suit in order to be of some help to Chito. When Chito was in control of the enterprises, he had sent his sisters money annually. When Federico assumed that position, the payments ceased and The Sisters were annoyed. Apparently Federico had threatened The Sisters by suggesting that they would not be able to keep certain properties already in their name, but managed by The Brothers.

Texas, was the nature of the relationships between the attorneys hired by all five brothers. Because Laredo and Nuevo Laredo are separated only by the Rio Grande and are often considered by the residents to be one small city, many services overlap and are interchangeable. All the Laredo, Texas, attorneys, hired by different Longoria factions, with the exception of Link, had performed legal duties for, or personally known the Longoria family for years.

When The Brothers were deposed by the Laredo lawyers, there was a tone of respect in regard to the way questions were posed to each brother. The brothers, all five, called the attorneys by their first names. When a brother, no matter whether Chito or The Brothers, "could not remember", the opposing consul accepted the response, even though the lawyer knew very well from previous employ by the Longorias that the statement was not accurate. With this respectful attitude, and an arrogance displayed by all five brothers, the depositions could have gone on indefinitely, with the truth, or at least a definitive answer, never obtained.

This stalemate ended when Link became Chito's attorney. Link did not live on the border and had nothing to lose if he gained the wrath of the four younger Longoria brothers. He had no intention of permanently practicing law in Laredo, Texas.

During the depositions of The Brothers, which were conducted by Link, emotions ran high. At one point, Federico suggested that Link and he step outside and settle the question with their fists.³⁷ At the time, 1977, Federico was seventy-one years old. Shelby threatened to have Link "terminated".³⁸

The Brothers all testified that they were the moving forces behind the success of the Longoria enterprises. It was they who had bought Rancherías in 1931 (Wayo and Alfredo were 18 and 15 years old), built the house, and stocked the ranch with cattle and African game. When questioned about the amount paid for Rancherías, Federico vehemently claimed that each brother had contributed his share. Asked how much that was, and he replied, "My part of it".³⁹ Pressed harder to name the amount, Federico responded, "One fifth".⁴⁰ Cornered by a series of endless questions concerning the origin of his alleged contribution of 30,000 pesos of the capital necessary to charter Banco Longoria in 1932, he stated that he had always had private and ample money from gifts from his father, his late uncle,

³⁷ Deposition, Federico Longoria, Vol II, p. 557.

³⁸ Interview, GHL, 7-2-83.

³⁹ Ibid, Vol. V, p. 210.

⁴⁰ Ibid.

and other funds earned by selling hamburgers to his siblings.⁴¹

Each claimed that they had only tolerated Chito as head of the family because he was the eldest, that they had worked the hardest and longest hours.

When questioned why they, although claiming only four fifths of the enterprises, had not given Chito his share of the enterprises, nor the profits thereof, they claimed that he deserved none, since he had not worked since he had resigned from ELSA.⁴² They also claimed that he had stolen the shares of Banco Longoria from them (the shares were still held in trust by SOMEX). They also stated time and again that Chito had made them lose millions of dollars (The Brothers had pocketed a profit of 240 million pesos by the "sale" of ELSA). That they had spent millions of dollars saving what they could of ELSA, (they admitted that they had not spent one peso on ELSA's salvage.⁴³)

When questioned closely about the mechanics of several business ventures, such as acquisition of the government charter of Banco Longoria, creation of Bosques de las Lomas, and relationships with Mexican politicians, The Brothers became vague, argumentative, and tried to change

⁴¹ Ibid , Vol I, p. 305.

⁴² Ibid, Vol. V, p. 170.

⁴³ Ibid, p. 172.

the subject. Their main response to any difficult or unanswerable question was that Chito, their misguided brother had lost all of their money, by his profligate expenditures on ELSA, Bosques, and his wife. Chito deserved nothing but their contempt.

One of the first of The Brothers to be deposed was Eduardo, who was familiarly called "Wayo". Wayo was chosen first to be deposed because he was perceived to be the most sensitive of The Brothers. It was thought that if any of The Brothers were to break rank, Wayo would be the most likely. On this assumption, his deposition commenced, and after a few hours of questions, he lost his composure and "spilled the beans".

The saga of the "spilled beans" gives an insight to the intricate corporate obfuscation of profits in the Longoria enterprises. The saga also underlines the incredible complexities involved in The Brothers and Chito's lawsuits. It was another "Catch 22", this time to the detriment of The Brothers.

From the time of O.L. Longoria, senior, profits and ownership of the fledgling enterprises had been obscured. Undoubtedly he gave Chito the bearer bonds of Industrias Unidas to keep the government from taxing the business.

When questioned about Longoria accounting procedures, Wayo became flustered and described in detail the

procedures involved in maintaining two sets of books. He admitted that the special book or "little book" was not under the control of the Longoria auditors, nor was the government aware of its existence.⁴⁴ The extra monies that went into the little book were from inflated salaries and bonuses to their employees and dividends issued to family stock holders of the enterprises. They forced their employees to return half of their year-end bonuses, and family members were required to return their dividends to Federico.⁴⁵ The Brothers paid taxes on the funds so issued but they kept the money. It was through this type of machination and others like it, that large amounts of monies were channeled into other new or less profitable Longoria enterprises. In this fashion, the more profitable enterprises did not reflect a profit.

Closely questioned by Lawrence Mann, The Sisters' attorney, Wayo admitted that he kept two sets of ledgers for businesses under his control.

Mann: "Yet I gather from your testimony that you are satisfied that the method by which you did your total record keeping with two sets of books in the auto agencies was pretty well the pattern throughout the entire Longoria operations. Is that right?"

⁴⁴ Deposition, Eduardo Longoria, Vol. II, p. 466.

⁴⁵ Ibid, p. 480.

Wayo: "Well, the other one is just a little book. A common fund."

Mann: "All right sir. My question is: To the best of your knowledge and belief, was the method by which you kept track of your entire operations in the auto agencies, one official set of books and one, as you say, a little book or the common fund?"

Wayo: "Yes."

Mann: "Was that the pattern used throughout the entire Longoria operation?"

Wayo: "I don't know. That's what I did. What I do."

Mann: "Do you have any reason to believe it was any different in the rest of the family operations?"

Wayo: "I don't know how they do it. But they have it."⁴⁶

At the end of Wayo's second day of depositions, he was placed under a doctor's care for "a nervous condition" and hospitalized. The other three brothers denied the existence of the second set of books, but asserted that if they did possibly exist, indeed, they were entitled to their one fifth share.

It was in the interest of The Brothers to deny their unique accounting procedures. If Wayo's testimony reached

⁴⁶ Ibid, p. 480-481.

the newspapers or the Mexican government, their entire fortune might have been compromised.

The Brothers could not afford to accuse Chito of cheating the Treasury Department without indicting themselves. On the one hand they had clearly warned Chito through their attorney that since Chito could not afford to admit the origins of the CD's from Bosques, he must share the money with his brothers. On the other hand, they were in mortal dread that their irregular accounting procedures operating in all of the enterprises might be exposed. Thus, Wayo was hospitalized.

In a twisted fashion, Chito was now in the "driver's seat". The Brothers controlled his assets, his home in Mexico City was still held by SOMEX, and his home in Acapulco had been deeded to his friend Morris Jaffe. Chito had nothing to lose by the revelation of irregular books in the Longoria enterprises. He had a definite option to corroborate Wayo's testimony, accuse The Brothers of bribing López Portillo, and move permanently across the Río Grande to the United States. Events began to move quickly.

As the trial dates for the various law suits loomed close, José López Portillo, the newly elected President of the United States of Mexico, sent a representative to observe and report to him the legal proceedings that were transpiring among the Longorias in depositions and in the

United States courts. The shadowy presence of the President's personal representative increased The Brother's anxiety. They had much more to lose than their despised brother Chito.

López Portillo also had a great deal to lose if the Longoria family law suits were brought to trial in the United States. He had lately been advertising himself as the reform President of Mexico who was dedicated to the elimination of graft and corruption. It would not bode well for him to be accused of accepting bribes. The Texas newspapers were already covering the brother's disputes and several major national papers also sent reporters. If the accusations of bribery of the President of Mexico surfaced, López Portillo would be powerless to stop their publication in the U.S. press. He had the ability to kill the stories in Mexico, but not in the United States.⁴⁷

The Longoria sisters' claims against The Brothers were also proceeding. It was incumbent upon The Brothers that they prove that The Sisters had no right to any of the Longoria enterprises through their mother Sara Theriot de

⁴⁷ The Mexican government controls and subsidizes the distribution of all newsprint to the Mexican press. If the government disagrees with the content of any new item within the Mexican press, it can exert pressure on that particular newspaper or magazine by the threat of withholding, or actually withhold the newsprint supply.

Longoria, who died intestate.⁴⁸ In the depositions of The Brothers and The Sisters in this regard, The Brothers took the position that their mother had given all of the businesses as gifts to the five brothers during her lifetime, but produced no written proof. The five brothers had simply run the businesses. Chito's position was that he had owned IU, which later became ELSA, and created the other businesses after the death of his father, and that there was actually very little for his mother to give to The Brothers and sisters. There was also disagreement among the siblings whether their mother had ever made a will. This part of The Brothers' disputes underlines their determination to obscure the truth and cast Chito in an unfavorable light.

Some evidence did exist that in 1937 Sara had made a will written by Lic. Tercero of Nuevo Laredo, because one was registered by a notary of the public. But no will was found at her death. On the day of Sara's death in 1975, Federico, as executor of her estate, swore that there was no will.

Later, Federico testified that there definitely was a will and insinuated that Chito took the will and destroyed it. He swore that he had been informed by Alfredo that

⁴⁸ See p. 243.

Chito kept his mother's will in his safe.⁴⁹ Federico went on to say that he knew that the will left the businesses to the five brothers in equal shares, and that his brother-in-law, Ramon Salido, had told him that he had actually held Sara's will in his hands.⁵⁰

In his deposition, Federico was was trapped by Mann. Mann produced a letter written by Chito to Federico which suggested that Federico urge their mother to make a will leaving certain properties to the brothers in order to avoid trouble with their sisters in the future. The letter was written in 1968. Asked how his brother-in-law Salido, who lived in Nuevo Laredo, could have held the will in his hands if Chito had always kept the will in his safe in Mexico City Federico lamely suggested that maybe Chito had loaned the will to Salido.⁵¹

Federico retreated to his position that Chito kept the will in his safe. He testified that because Chito was mentally unstable, Chito simply had forgotten about its existence. "Well, look, my brother has been sick a lot of times. And he forgets many things after he gets sick.

49 Deposition, Federico Longoria, Vol. V., p. 298.

50 Ibid, p. 303.

51 Ibid.

Because he had shock treatments...He doesn't remember a lot of things."⁵²

Who had the will? What were the contents? That question was never answered. Did Chito destroy the will because it specifically stated that the enterprises were to be divided equally among the five brothers, or perhaps all eight children? Possibly. The Brothers seemed to have had a stronger motive.

During her lifetime, Sara gave each of her children valuable pieces of property in or near Nuevo Laredo except for Chito. Chito stated that this was fair because his father in 1930 had already given him the bearer bonds of Industrias Unidas before his death early in 1931.

Federico was the first Longoria sibling to appear at his mother's home immediately after her death. He had ample opportunity to destroy the will if there ever was one.

Does the will matter? It certainly mattered to The Sisters if they were included. If so, they stood to gain one eighth of whatever the mother owned. Did it matter to The Brothers? If the will indicated that they had already been given valuable properties because Chito had already received title to IU, it certainly mattered. Did it matter

⁵² Ibid, p. 326. Chito had shock treatments due to severe depression shortly before the death of his first wife Alice in 1963.

to Chito? Not at all. The Brothers already controlled all assets of the Longoria enterprises and had the sworn statement of José López Portillo indicating that all should be divided equally. Again, Chito had nothing left to lose. The Sisters' attorney was simply turning up the heat.⁵³

As the trials were nearing and just before Chito's long awaited deposition, Chito's advisors had become optimistic that a big win on the United States side was imminent. Then a devastating and unexpected turn of events on the Mexican side changed everything.

A series of promissory notes signed by all five Longoria brothers and payable to Chito's children surfaced in Mexico City.⁵⁴ There was no doubt that the five brother's signatures were valid, but there was serious doubt as to whether the payees and the amounts had been filled in at some later date.⁵⁵ The details of this episode were never ferreted out by the United States

⁵³ Interview, GHL, 9-24-89. Link indicated that the mother's will was unimportant to the U.S. legal outcome other than to harass The Brothers, since she had a small estate. The dispute of the will was an attempt by Mann, the sister's attorney, to apply U.S. rules of law to Mexican tradition.

⁵⁴ Deposition, Ramon Salido Longoria, Vol. I., p. 22.

⁵⁵ Several similar blank sheets with the signatures of all five brothers were found within Chito's files. Paul Bouffier, Chito's executive vice president also mentioned that when he travelled to New York to obtain loans for ELSA, he carried several of the blank signed pages to facilitate a speedy conclusion for the loan.

lawyers but apparently Chito's Mexican lawyers and children brought criminal enforcement actions on these notes against The Brothers, who were forced to flee the capital. Similarly, The Brothers brought actions against Chito, his children and his sons-in-law in the state of Tamaulipas claiming fraud.⁵⁶

Warned that warrants had been issued for their arrest, Gloria and Mario Padilla escaped from Mexico City. Tad and Sara Alicia Brittingham hid in the back end of the car of a friend who smuggled them across the border at Laredo. The two families spent the next three months at Aspen, Colorado. Chito Jr. was not as fortunate. As he was driving from Monterrey to Nuevo Laredo, he was arrested by the State Police at the Tamaulipas border.⁵⁷ He was jailed.

With López Portillo's emissary lurking in the background, Chito's and The Brothers' attorneys held several settlement conferences. It was difficult for Chito to reach any conclusion as to the value of the enterprises located in Northern Mexico because he had been away from their operation for so many years. Much of The Brothers' depositions were responses to questions asked by Link to

⁵⁶ Stuart, José A. Perez. "Los Longoria: Escándolo" Excelsior, Mexico City, 9-23-78.

⁵⁷ Ibid.

discover the location and approximate value of businesses and real estate. All of these discussions were impacted by the criminal proceedings in Mexico about which the U.S. attorneys knew next to nothing.

On several occasions, settlement offers were proffered by The Brothers, but Chito always thought the offers were too small. He set a minimal value on items he owned and a high value on items controlled by The Brothers. The Brothers did the same. The settlement talks collapsed, and Chito Jr. remained in jail.

Freddie and Dickie Longoria, Federico's sons, played an important role in their attempts to settle the disputes. Most of the family considered the law suits out of control. In each case, The Brothers, Chito, Link, Hall, Mann, Freddie and Dickie, would secretly travel to San Antonio, Texas, where they stayed at different hotels. Jack Hornberger, Chito's Laredo lawyer, rarely appeared. The nephews and the lawyers then commuted between the hotels, carrying offers back and forth. Chito estimated that he was attempting to obtain a large portion of approximately 100 million dollars, based upon his own calculations. He did not include in his calculation properties and assets in his own name. He also wanted Chito Jr. released from jail. The Brothers and Chito kept sending messages through their

lawyers and family demanding things that they really did not want. They were playing poker with their assets.

Ultimately all proposals were rejected by both sides. Mann was often included in the discussions, was on Chito's side and was very helpful to Chito. Nonetheless, no understanding between Chito and The Sisters had been reached as to a division between them in the event a settlement was achieved.

The Brothers were convinced that Chito was determined to recover ELSA, so they placed an extremely high value on it. The same was true of the Ford Agencies, which Chito wanted to recover for his son-in-law, Tad Brittingham. As to the value of Banco Longoria and the finance companies, The Brothers claimed that they were worth almost nothing.

To Chito, business was business. He had no profound sentimentality about ELSA and considered it a red herring. It was just another economic item. To underscore this point, Chito told the parable of the boy and the black sheep. A father of three sons owned 301 sheep, only one of which was black. The youngest son loved the black sheep best and kept it with him every day. The father told the three sons that when he died, the sheep should be divided into three parts, one part to each son. The father died. Because the youngest son loved the black sheep so much, the older brothers divided the sheep into three groups, two

groups of 150 sheep each and one group consisting only of the black sheep. The two older brothers told the youngest to chose the group of sheep he wanted, fully expecting him to chose the black sheep. The youngest brother went over to the black sheep and said, "You know I love you best, black sheep, but business is business". As Chito would do if given the opportunity, the boy chose the group of 150 sheep.

Meanwhile, discovery had been completed. Judge Hughes sent the Laredo law suit back to the Texas state court in Laredo for trial and the San Francisco law suit back to the California federal court for trial. The Dallas law suit remained with her. The Laredo suit was the first set to be tried. The parties, the lawyers, and the media assembled in Laredo for a sensational trial already dubbed by the Mexican media as "Danza de los Millones".⁵⁸

Link, his staff, and hundreds of thousands of documents were moved from California to Laredo, Texas. The various warring camps stayed at different hotels or homes. Chito and Link took up residence at the La Posada Hotel in Laredo rather than the El Rio Motel in Nuevo Laredo which was owned by one of the sister's sons and where they had previously stayed. Chito was worried about the warrants

⁵⁸ This title was loosely translated by the U.S. press to mean the "dance of the millions", but actually it should be translated as the "dispute of the millions".

issued for the arrest of himself and his children which were still in effect in Tamaulipas.⁵⁹

Judge Lázaro Garza-Gongora, Jr., of the Texas court, presided over the jury empanelment. The judge denied The Brothers' motions to limit the issues to only United States assets. The Brothers had lost every legal maneuver which would have prevented the court and jury from hearing the entire story.

Federico was called as a first witness. Headlines in the local papers quoted Federico as claiming that he was entitled to everything because he had worked harder than Chito or his sisters. In light of the negative publicity, The Brothers and their attorneys were apoplectic.⁶⁰ Garza-Gongora understood that settlement between the members of the family was undoubtedly the best course. He recessed the trial in order that the talks might produce results. The settlement talks resumed.

It was at this point that Chito went into another of his depressions and was unable to function. Link was prevented from facilitating a settlement with Chito in such a debilitated state of mind. Jeanette was not present and Link was desperate. Finally, Link convinced Chito's old friend Jaffe to come to Laredo and help Chito shed his

⁵⁹ Interview, GHL, 11-4-89.

⁶⁰ Ibid.

depression. Jaffe was one of Chito's most trusted advisors.⁶¹

Jaffe sat for days with Chito playing backgammon and urging Chito to snap out of his lethargy. There was too much at risk for Chito to remain in his silent and depressed condition. While Jaffe stayed with Chito, Link commuted between Judge Garza-Gongora's courtroom and the various warring Longoria factions trying to keep the settlement talks moving, never admitting that Chito was in the midst of another depression until Chito himself was called to testify. Then Link had Chito's doctor testify that he was temporarily unable to do so.⁶²

As the talks continued, Chito refused to discuss proposals for hours or even days at a time. Nevertheless, a settlement agreement began to emerge. Chito appeared willing to abandon ELSA and accept money, stock, certain substantial real properties and a business opportunity for each of his children instead. When it seemed that an accord had finally been reached, Chito abruptly changed his mind and decided that the offer was too small.⁶³

With the settlement about to abort, López Portillo's emissary reappeared and announced that the five Longoria

61 Ibid.

62 Ibid.

63 Ibid.

brothers were ordered by the President to come to Mexico City. Despite his disinclination to do so, Link accompanied Chito to Mexico City after Chito announced that unless Link accompanied him, he would not go. They flew to Mexico in the Padillas' jet and took up residence at Chito's Bosques home. Jaffe arrived a short time after. Later Chito, Link, and Jaffe were joined by Memo Rossell, the young attorney-husband of Jeanette's daughter Jana. Rossell had acted for Chito in recent matters in Mexico. His father, Guillermo Rossell de la Lama, at the time was Secretary of Tourism and later governor of the state of Morelos. He had enormous political influence in the López Portillo administration.

The Brothers, leaving their Texas attorneys behind, flew to Mexico City. The two factions and their attorneys met in Rossell's law offices the next morning at 9 AM. All of the brothers and their lawyers were situated on one floor of the building, each group located at opposite ends. In the center of the floor was a conference room which was used to float proposals of settlement. The lawyers raced between the opposite ends of the floor, proposing plans for the division of the Longoria enterprises. Discussions dragged on while Link and Jaffe carefully supported Chito

and helped him dissect each new offer. Still no agreement was reached.⁶⁴

As dusk set in, a Mexican federal officer appeared. Word spread that the building was surrounded by police, that no one would be allowed to leave until the brothers had agreed to a settlement, and that the government had issued warrants for the arrest of everybody, including the five brothers, Link and Jaffe, if a settlement was not reached. This was apparently by order of the President. Late that same night, the five brothers and the lawyers met in the central conference room and hammered out a settlement. It was basically the same proposal that they had been working on in Nuevo Laredo. By midnight, they had signed the agreement and the war of the five Longoria brothers was over.⁶⁵

Upon leaving the settlement conference, Link was predictably anxious to leave Mexico. He declined the offer of a private plane concerned that clearance procedures at the Mexico City airport would focus upon the single passenger. Instead, he opted for a Mexicana flight to Nuevo Laredo and arranged to be picked up by his California staff that were still there working on aspects of the trial. He had no idea if there was still a warrant out for

64 Ibid.

65 Ibid.

his arrest. When he arrived at the airport, he decided that it would be best not to call attention to himself, so he began to mix with a group of tourists who were boarding the same flight. At the arrival gate in Nuevo Laredo, the police stopped the group and told them that one of them was under arrest. Link was sure he was finished. In the end, a young tourist with whom Link had been speaking was singled out and arrested for possession of drugs. With great relief he went through customs, met his California cohorts and promptly crossed the Rio Grande to Texas. The California contingent celebrated.⁶⁶

The next day, while Link was already in Laredo, Texas, President López Portillo summoned Chito and The Brothers to Los Pinos. He cynically congratulated them on their settlement and lectured them that it was wrong for brother to fight against brother. He pronounced that it was in the best interests of Mexico for a family as prominent as the Longorias to make peace.

A day later, a gleaming white private jet landed in Laredo bearing Chito and Federico, who tolerated the presence of each other for the trip.

That evening the Mexican closing of the settlement took place at Federico's home. It was high drama. Chito was agitated, but resigned. Federico was officious and

⁶⁶ Ibid.

efficient. Shelby conducted himself as if he were at a cocktail party. Wayo was ignored. Alfredo earnestly discoursed with Chito's faction of the family and seemed anxious to heal the wounds. Link looked on and occasionally responded to Chito's questions, but this was the Mexican closing. The documents were in Spanish, and there was little more to do. Chito's Mexican lawyers handled the details.

The Attorney General of Tamaulipas arrived with Chito Jr. in tow. A part of the settlement was Chito Jr.'s release. Chito Jr. was a handsome athletic man who, when he appeared at the closing, was greatly changed. He was pale, drawn, and slightly disheveled. He had been in jail for over a month.

The signings began. The basic settlement document was signed by all five brothers. Documents eliminating charges against Chito Jr. as well as Sara Alicia, Tad Brittingham, Mario and Gloria Padilla were executed. Documents eliminating Chito's criminal charges against The Brothers in Mexico City were signed. Chito signed hundreds of stock certificates conveying his interest in ELSA, Banco Longoria, the automobile agencies and a multitude of small businesses to The Brothers. The Brothers signed documents conveying to Chito his beloved Rancherías, including all of the cattle and African game, stock certificates, and

businesses for his children. He also received title to Empacadora de México, which he planned to convert to an industrial park, and other important real estate throughout Mexico. Chito received the United States assets at a later closing.⁶⁷

When it was finished, Chito and Link went to Chito's old home a few blocks away. Since the Brittinghams were still safely in Aspen, Colorado, they had the run of the house. It was almost morning, and Chito dismissed the servants. He pan fried two steaks and heated up a can of pinto beans, his favorite. They drank Cuba Libres and ate in silence.

The war was not over. Chito had opened Pandora's Box by including his sisters in the litigation with The Brothers. The Sisters had begun to take seriously their claim to one eighth of all the Longoria assets. The Sister's side now consisted of sons, daughters, sons-in-law and daughters-in-law, who had developed a healthy desire for a portion of the millions being divided. Since The Sisters did not agree to the settlement of the five Longoria brothers, the trial was about to resume, this time sisters versus the five brothers.

Indeed, part of the settlement agreement hammered out by the five brothers included a stipulation that all five

⁶⁷ Ibid.

brothers would join forces against The Sisters to end their claims, which the five brothers found spurious. Another condition of the settlement was that Chito was required to make any payment to The Sisters if they gained any money through litigation of their claims against the five brothers. Federico was adamant on this point. He insisted that since Chito had unleashed The Sisters and their preposterous claims, Chito could pay for their trouble. Nevertheless, over The Brothers' strenuous opposition, the settlement had included Chito's receipt of an additional three million dollars in promissory notes from The Brothers for him to use to settle The Sisters' claims, one million dollars for each sister.⁶⁸

After the Nuevo Laredo closing and now in possession of the three million dollars in notes, Chito decided to keep the money himself and give The Sisters nothing. Link was given the unenviable task of informing The Sisters' lawyer that neither Chito nor The Brothers would pay anything. Mann was naturally outraged. Neither The Sisters nor their lawyer knew of the three million dollar part of the settlement nor of Chito's agreement to indemnify The Brothers from any greater monetary recovery by The Sisters. The Brothers were also unaware of Chito's

⁶⁸ Ibid. The Brothers insisted on promissory notes claiming that Chito had received all of the available cash in the settlement.

decision not to offer The Sisters the three million dollars or any part of it. Chito's decision created new problems.

It was true that no advance agreement had ever been reached between The Sisters and Chito. It was also true that Chito paid The Sisters' attorney fees, at least in the beginning. Nevertheless, The Sisters and their lawyer had stood with Chito in the many years of fighting.

Chito summoned The Sisters' contingent to a meeting in Garza-Gongora's court house. The judge was not anxious to resume the trial. Chito claimed that he did not get enough from his settlement with The Brothers and he would not pay The Sisters anything. He stated that Link had given The Sisters an expectation of recovery without his authority. The Sisters were furious and so was Link.

The trial was about to resume, this time The Sisters against the five brothers. Chito's ploy to keep the three million had not been successful, and he relented. He offered the three million to The Sisters who reluctantly accepted it. By this time every one was angry: Chito, The Brothers, The Sisters, the extended Longoria family, and the lawyers. Only Judge Garza-Gongora was pleased that he did not have to preside over a lengthy trial.

The next morning, the United States settlement was closed. Link met with Mann, Hall, Freddie and Dickie Longoria, and other members of the family. Dismissals of

all the United States suits were signed by the lawyers. Judgment in favor of Chito for the CD's was executed, and stocks and other U.S. assets were signed over to Chito. The Brothers' U.S. lawyers were displeased and slightly mystified by the results. They had been left out of the high drama which took place in Mexico City and did not really understand how it was that they had completely lost the U.S. law suits.

Link filed the dismissal of the Laredo suit and bid good bye to Judge Garza-Gongora, thanking him for his able assistance in bringing the gigantic problem to a close. A chagrined Link paid his respects to Hall and Mann who had done a fine job for their clients. The incredible legal struggle and changing positions of their respective clients, which their clients often opted to blame on the lawyers, produced discomfort in what otherwise would have been the conclusion of a professionally satisfying relationship.⁶⁹

Finally, Link met with Chito and gave him the U.S. closing documents. They had been together day and night for well over a month and had spent years working together. Both were exhausted.

Link flew in one of Jaffe's planes to Dallas, Texas, where he entered the judgment in Chito's favor in Judge

⁶⁹ Ibid.

Hughes' court, told the court of the settlement and arranged to have the millions from the CD's removed from the court's registry and delivered to Chito in a cashier's check. He flew on to San Francisco and filed the judgment there in Chito's favor. He dispatched a young lawyer from his firm with a cashier's check for the Bank of America millions to a waiting Chito.⁷⁰

Link finally returned to Los Angeles, vowing never again to be involved with the Longorias.⁷¹

Chito probably received about 35% of the Longoria holdings, depending largely upon the value placed on Rancherías. It was difficult to place a value on the bank and what was left of ELSA. It was also hard to be definite

⁷⁰ Document of receipt of a cashier's check from Bank of America given to Robert D. McKinley Esq. and hand delivered to Chito in San Antonio, Texas on 10-3-78. The amount was five million, eight thousand nine hundred and eighty dollars.

⁷¹ But that was not the end of it. Chito refused to pay his Laredo lawyer Jack Hornberger his attorney fees. Hornberger sued Chito in Texas and named Link as a co-defendant, claiming that Link advised Chito not to pay his fees. Link vehemently denied this. Hornberger spent years trying to justify his fees. Hornberger settled for a much reduced amount and died shortly after.

That still was not the end of it. When he stopped by San Antonio to have dinner with Chito and Jeanette in 1983, Link became embroiled into the Jaffe divorce property settlement which still had not been consummated. Later, he became involved in the sale of Jeanette's interest in the Central Park shopping mall to Jeanette's Jaffe children. As counselor for Jeanette, Link assisted in resolving these age old disputes. He vowed never again to be involved with the Longorias.

because so many of the assets had been obscured by The Brothers. Much of the real estate and assets held by Chito were never included in the Longoria enterprises and therefore not subject to the settlement.

The prolonged litigation drained all the Longorias and at its end left everyone dissatisfied. The dirty tricks played upon each brother and their families left the members hostile to each other. One person to gain satisfaction from the settlement was José López Portillo, who managed to keep the rumored part he played in the Longoria drama out of the press. Neither side thought that the settlement was equitable. The brothers refused to speak to each other.

The problems of ethics involved in the litigation on the part of all five brothers made it difficult for all of them to attain their goals in court without indicting themselves publicly. The questions of inflated salaries and double books were never proved or resolved, because the law suits were dropped when the settlement was reached. When Chito was asked by Hall, The Brothers' attorney, if President José López Portillo, had been incorrect when he swore that the enterprises had always been equally owned, Chito tried to diffuse the issue by responding that surely the President was mistaken.⁷²

⁷² Deposition, OLL., Vol.III, p. 1332.

In the end, not even the lawyers profited from the misery of the Longoria family. The Brothers refused to pay their attorneys. Chito, or rather Jeanette, paid Link, but Chito refused to pay any other attorneys, whose fees he considered astronomical. All the U.S. attorneys, save Link, had to sue the five Longoria brothers to try to gain their fees.