

AM-Whitewater-Conflicts,750

Regulators Raised Conflicts Issue But Were Overruled, Documents Show
Eds: Also in Monday AMs report.

By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) Two federal regulators raised concerns in 1989 that Hillary Rodham Clinton's law firm had conflicts of interest in representing the government in an Arkansas savings and loan failure, documents show.

Their worries, however, were overruled by Federal Deposit Insurance Corp. lawyer April Breslaw who wrote: "On these facts, I am not inclined to take a \$10 million case away from counsel that has obtained fine results for me on other matters."

Sen. Alfonse D'Amato of New York, ranking Republican on the Senate Banking Committee, released the documents, saying they raise new questions about the FDIC's recent finding that cleared the Rose Law Firm, where Mrs. Clinton worked, of any conflicts.

Rose's work in the case of Madison Guaranty Savings and Loan has now become part of the special prosecutor's investigation of the Whitewater affair and the first family's business dealings. The Clintons were partners in the Whitewater real estate venture with James McDougal, who headed the failed S&L.

D'Amato demanded the FDIC's inspector general investigate the agency's earlier findings.

Andrew C. Hove Jr., acting chairman of the FDIC, responded Friday by instructing the IG to examine whether the Rose firm had "any conflicts of interest or other improprieties..." when it helped the government sue S&L wrongdoers.

The FDIC's decision to reconsider the conflicts issue was a victory for Republicans who incessantly attacked the issue during a Senate Banking Committee hearing Thursday.

One of the potential conflicts cited by Hove involved Mrs. Clinton's representation of federal regulators in a savings and loan case against a family friend and political supporter.

The FDIC previously concluded that Mrs. Clinton spent just two hours of work on the case. Her activities appeared to involve reviewing an amended complaint, in which the judgment being sought was reduced from \$3 million to \$200,000, the FDIC said.

The FDIC also concluded this month that it could find no evidence of a conflict in the Madison case.

The government had taken control of Madison after it failed in 1989 and had hired Mrs. Clinton's firm to sue Madison's former accountants for negligence and breach of contract. The case was handled by Rose partner Webster Hubbell, now the No. 3 official in the U.S. Justice Department.

Four years before the contract was awarded, Rose firm lawyers, including Mrs. Clinton, worked for Madison in regards to its failure on a state regulatory matter.

But it was a second matter in the Madison case that caught the attention of regulators.

FDIC lawyer Paul A. Jeddelloh wrote Breslaw in a June 8, 1989 memo that Hubbell's father-in-law, Seth Ward, had extensive financial dealings with the S&L and had recently won a \$447,000 judgment against it.

In addition, Hubbell's brother-in-law, Seth Ward II, has also sued Madison, Jeddelloh noted,

"I offer this information because there appears to be a conflict in representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interests in the Seth Ward matter" in which the FDIC was appealing the judgment, the memo said.

On Aug. 10, 1989 a federal credit specialist, Ken K. Schneck, wrote an FDIC official that in the suit against the Madison accountants, information on the institution's practices would be made available to Hubbell.

"To believe that none of this information will make it back to his family is naive," the letter said. "I do not know whether or not any information

upcoming will be damaging. However, I would like someone with a wide scope of authority to review the situation and possibly eliminate this conflict.'

Breslaw, the FDIC attorney who received the warnings, rejected them, writing a regulator in charge of Madison that it was ``important to keep things in perspective.'

She said Hubbell was not representing his in-laws against the government and was ``involved only in an indirect way'' in working for government regulators. Another partner in the Rose firm was the primary lawyer in representing the government, Breslaw said.

Under the regulations in place at the time, regulators could disqualify a contractor if they learned of an actual conflict like a law firm helping sue bank or S&L officials they once represented.

Today, the conflict scrutiny includes an examination of both actual and potential conflicts.

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^bc-whitewater

^GOP SENATORS SEEKING<

MORE WHITEWATER INFORMATION<

By JOHN HANCHETTE=

Gannett News Service=

WASHINGTON Angry Republicans hijacked what might have been a routine Senate Banking Committee hearing Thursday and for hours directly accused Democratic counterparts of a coverup in defense of the White House.

At issue: the questionable Whitewater realty deal in Arkansas that continues to plague Bill and Hillary Rodham Clinton, who 16 years ago went 50-50 with some friends on an Ozark land venture that turned sour.

Led by the panel's ranking Republican, New York's Sen. Alfonse D'Amato, the GOP members fired volley after rancorous volley at the Democratic leadership, claiming the majority party is purposely ignoring possible criminal behavior for partisan reasons.

"If the shoe was on the other foot," claimed Sen. Pete Domenici, R-N.M., "there is no doubt in my mind there would be a special team here in the United States Congress investigating this. If these facts that are already out were out on a Republican, with the Democrats in control, there would be hearings scheduled."

The door left open for the GOP complaints was the behavior of the Clinton friends Whitewater business partners James and Susan McDougal, who owned and ran Madison Guaranty Savings & Loan, an Arkansas thrift seized by federal regulators in 1989 at a bailout cost of about \$60 million to taxpayers. Republicans are suspicious that Madison funds have ended up benefiting Whitewater.

Thursday's hearing was supposed to review the behavior and needs of Resolution Trust Corp., the federal agency charged with cleaning up the savings and loan failures of the 1980s, which cost taxpayers \$150 billion. Because Madison Guaranty was one of those failures, and because federal regulators warned long before its demise that the troubled thrift was insolvent, the Senate panel can look into it.

With such luminaries as Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan cooling heels while waiting to testify about basic bookkeeping, D'Amato turned inquisitor.

He was particularly irate that the RTC for weeks ignored his request for documents, then waited until late Wednesday night to deliver several boxes of information on Madison Guaranty.

"I call it the 'midnight delivery' and it's totally unacceptable," railed D'Amato. "It is quite deplorable. It's wrong, and it's unfair to the American people."

Buried in the midnight material was an RTC report from that agency's investigations branch concerning a conflict-of-interest probe of The Rose Law Firm of Little Rock. Mrs. Clinton's old firm.

Republicans blasting the RTC report claimed Mrs. Clinton and former Rose partner Webb Hubbell, now the number three lawyer in the Justice Department, were in conflict because at different times they represented both Madison Guaranty and then the federal government in trying to recover funds to cushion the S&L bailout.

The RTC report shows that the Rose firm received \$400,000 in federal fees for suing Madison Guaranty's auditors for "negligence and accounting malpractice," even though Hillary Clinton had used the same auditor's figures to persuade state regulators the thrift should stay alive and even though Hubbell's father-in-law was a Madison official, and Hubbell's

brother-in-law had sued Madison.

Despite the previous insistence of Rose officials and Hubbell that federal regulators had been notified, the RTC report concluded:

"Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC or the RTC. Further, it (Rose) did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell, staff attorney at Rose."

The RTC report, dated Feb. 8, 1994, was basically kicked over to the Federal Deposit Insurance Corp., which last week issued a similar eight-page report that exonerated the Rose firm and Hubbell of any conflict of interest.

This infuriated Sen. D.M. Faircloth, R-N.C., who charged the FDIC exoneration "basically lists eight pages of memory lapses, and could be called an eight-page FDIC plea of insanity."

"What it does not do," Faircloth said, "is change the fact the Rose Law Firm and Webb Hubbell and Hillary Clinton profited from both ends of the Madison Guaranty Savings & Loan case."

Faircloth and D'Amato were particularly irate over an admission in the RTC report that "interviews of current or former Rose Law Firm attorneys who may be knowledgeable of this matter were not conducted."

Observed D'Amato sarcastically: "That is one heck of a thorough report."

Sen. John Kerry, D-Mass., accused the GOP of "piling on" for political reasons, and mounted a vigorous defense of the Clintons. He had an aide hold up huge flip cards showing that of all the thrift failures in the 1980s, Madison Guaranty ranked 194th in cost to the taxpayer and that five S&Ls in Arkansas alone were seized as insolvent at greater taxpayer expense than Madison.

Kerry, and most of his colleagues, claimed that congressional investigations at this juncture would only impede the work of newly appointed special counsel Robert Fiske, who is staffing a formal and lengthy Whitewater probe for Justice.

D'Amato, with continual pestering of RTC and FDIC officials who appeared before the banking panel, was finally able to elicit vague promises of Inspector General investigations of those agencies and their role in the Madison Guaranty affair.

GOP Senators Whitewater

(HAS TRIMS)

By Richard Whittle

Dallas Morning News

WASHINGTON Republicans provoked a verbal brawl over the Whitewater affair at a Senate hearing Thursday, hurling charges of a Clinton administration "cover-up" while Democrats questioned Republican motives.

"It seems to me that this committee has an obligation to get out all the facts," said Sen. Alfonse M. D'Amato, R-N.Y., who launched the debate at a Banking Committee hearing by raising the issue of President Clinton's and Hillary Rodham Clinton's business dealings in Arkansas.

"I see a cover-up here. I see a whitewash here," said D'Amato, using a routine hearing on the federal agency created to clean up the collapse of the savings and loan industry to attack the administration's response to congressional questions on Whitewater.

But committee chairman Donald W. Riegle Jr. of Michigan and other Democrats argued that a congressional inquiry could interfere with the work of independent counsel Robert B. Fiske Jr.

"I don't think we can justify doing that," Riegle said.

Fiske is to examine allegations of improper financial dealings and favoritism in connection with Madison Guaranty Savings & Loan Association. The Arkansas S&L collapsed in 1989 at a cost to taxpayers of \$47 million. On Wednesday, Fiske named a team of eight lawyers who will work in Washington and Little Rock, Ark. on the investigation.

Madison was run by James McDougal, the Clintons' business partner in a money-losing resort venture called Whitewater Development Corp. Clinton was governor of Arkansas at the time, which has prompted accusations of favoritism and questions about whether money from the S&L might have been improperly funneled to his campaign for governor.

In addition, a Little Rock law firm in which Hillary Clinton and several other top administration officials were partners did legal work for Madison, raising conflict-of-interest questions.

Fiske, who was appointed last month, is also investigating the death of deputy White House counsel Vince Foster, a friend of the Clintons who had worked on Whitewater matters. Authorities ruled his death a suicide.

D'Amato and the committee's other Republicans contended that the Federal Deposit Insurance Corp. had resisted their efforts to pursue a separate inquiry into the tangled tale of Madison and Whitewater.

Sen. John Kerry, D-Mass., adopted the role of the administration's chief defender, accusing the Republicans of "piling on in a partisan fashion" despite the appointment of the special counsel.

"This has nothing to do with federal policy on savings and loans," Kerry said, complaining that the Republicans were disingenuous to use the hearing on the Resolution Trust Corp. to launch their salvos.

Treasury Secretary Lloyd Bentsen, Federal Reserve Board Chairman Alan Greenspan and other senior officials called to testify on the RTC's progress in selling off assets of failed S&Ls had to sit through the 90-minute fight on the Whitewater issue before they spoke.

Bentsen was never asked about Whitewater. Greenspan, who with Bentsen sits on a committee that oversees the RTC, was asked by Riegle whether he was satisfied with the agency's work on Madison. He said he had "not followed it in any manner which would allow me to respond."

Kerry noted that the cost of Madison's failure to the federal government made it 194th among failed S&Ls, "and that's the only one they're

asking questions about."

He said the Republicans would be asking about bigger S&L failures if they were sincerely interested in policy rather than just trying to wound Clinton.

Sen. Phil Gramm of Texas said he and other Republican members of the committee simply wanted to "clear the air" by getting out information that "the American public desperately wants."

(EDITORS: BEGIN OPTIONAL TRIM)

Gramm contended that the Democrats would have created a special congressional investigating committee if similar issues had been raised about former President Ronald Reagan.

Other Republicans argued that they were asking for the same kind of treatment accorded in the past to members of their party, such as former President George Bush's son Neil, whose involvement in a Denver savings and loan association prompted hearings.

The only concession the Republicans won was a promise from the head of the FDIC to have the agency's inspector general examine a recent report on the role of Hillary Clinton's former law firm.

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The Rose law firm of Little Rock, in which Foster and Associate Attorney General Webster Hubbell were also partners, represented Madison when it was failing and wanted a state agency's approval of a plan to raise more capital. The FDIC later hired the law firm to sue Madison's accounting firm.

FDIC officials recently questioned whether the law firm adequately disclosed the fact that Hubbell and Clinton had done legal work for Madison and that Hubbell's father-in-law had sued Madison over his financial dealings with the S&L.

An FDIC report issued last week, however, found that while the Rose firm would have been in violation of current conflict-of-interest rules, the regulations in effect at the time were more lenient.

D'Amato called that report "the most incredible whitewash of Whitewatergate that I've seen." Sen. D.M. "Lauch" Faircloth, R-N.C., said it was "an eight-page plea of insanity."

Acting FDIC Chairman Andrew Hove countered that the lawsuit against Madison by Hubbell's father-in-law had been decided by the time the FDIC hired the Rose firm, making it impossible for Hubbell to exploit any inside knowledge.

(EDITORS: STORY CAN END HERE)

D'Amato also criticized the RTC, which he castigated for getting documents to him late Wednesday that he said had been available for delivery since Feb. 8.

"Even if you took an Evelyn Wood speed-reading course, you'd have trouble getting through it," he said, describing the material as "boxes" of documents. "That's not fair to us, and it's not fair to the American people."

Republicans will try to focus the spotlight again on Whitewater next month when the House Banking Committee holds a similar hearing on the RTC.

Committee Chairman Henry B. Gonzalez, D-Texas, has rejected calls for special hearings on Whitewater. But the ranking Republican on the committee, Jim Leach of Iowa, has been among the most vocal critics of the administration's handling of the affair.

Meanwhile on Thursday, Rep. William F. Clinger Jr. of Pennsylvania, ranking Republican on the Government Operations Committee,

announced that his staff would review federal agencies' handling of the investigation of Foster's death.

-END-OF-AUTOBREAK(1) -

-AUTOBREAK(2) -FOLLOWS

^BC-CLINTON-WHITewater 1STLD (SCHEDULED)<

^U.S. REGULATORS TO REOPEN ROSE LAW FIRM PROBE<

(Eds: Recasts lead, adds quotes, details)< By Roger Fillion<

WASHINGTON (Reuter) - Under fire from Republican lawmakers, U.S. regulators agreed Thursday to reopen their probe of First Lady Hillary Rodham Clinton's former law firm and its dealings with a failed Arkansas savings bank linked to the Whitewater affair.<

The head of the Federal Deposit Insurance Corp said he would turn over to the FDIC's top investigator a report issued last week clearing the Rose law firm of conflict-of-interest violations. Republicans have branded the report a "whitewash."<

A separate report issued Thursday by the U.S. savings and loan cleanup agency found that the Little Rock, Arkansas-based law firm failed to disclose its work for Madison Guaranty Savings and Loan, the bank linked to President and Mrs Clinton's money-losing Whitewater land deal.<

It was the first time the cleanup agency, the Resolution Trust Corp (RTC), revealed it had looked into possible conflict of interest by Rose -- where Hillary Clinton and other administration officials were partners -- when the firm was working for the RTC.

Republicans have accused Clinton administration officials overseeing the RTC of stalling the government's probe of Madison's 1989 failure.<

"Does the RTC think that there is a special category of people who are above the law?" Republican Senator Alfonse D'Amato of New York asked during a banking committee hearing on the cleanup agency.<

While Democrats favor full prosecution of any wrongdoers in the multi-billion savings and loan disaster, they accused Republicans of using the Madison case as a political football.<

"There is this outrage directed at one particular situation, and it is so obvious why," said Senator Barbara Boxer, a California Democrat.<

Boxer and other Democrats said the Madison affair should be left to the special counsel probing the case.<

But Republicans used the banking panel hearing to grill Clinton officials about the government's probe of Madison, which was run by a close associate of then-Governor Bill Clinton.<

The associate, James McDougal, also was a partner with Clinton and his wife in the Whitewater land development deal.<

Madison and Whitewater are under suspicion of having been used to hide Clinton's 1984 campaign debts from his campaign for governor.<

The FDIC's acting chairman, under pressure from Republicans, agreed to hand over the agency's report on the Rose firm to the FDIC inspector general. Republicans want to ensure the report is unbiased and complete.<

Andrew Hove, the chairman, also agreed to broaden the FDIC's search of government documents to determine Mrs. Clinton's involvement in dealings stemming from the failure of a Chicago savings and loan.<

^(ndy) (ATTN: National editors) (Includes optional trims)

^White House Was Briefed on Whitewater Probe (Washn)

^By Timothy M. Phelps= ^(c) 1994, Newsday=

WASHINGTON Deputy Treasury Secretary Roger Altman said Thursday under questioning by Senate Republicans that he held a private meeting with White House officials three weeks ago to brief them on one aspect of the Whitewater investigation.

Altman, a close friend of President Clinton and his wife, Hillary Rodham Clinton, said he requested the meeting to talk about the then-approaching deadline for a civil suit against the Clintons, Hillary Clinton's former law firm or others concerning Whitewater.

Altman is also the acting head of the Resolution Trust Corp., which is conducting a review of the Whitewater affair to see if any civil laws were violated. A separate criminal investigation has been under way for the past month.

Attending the meeting from the White House, Altman said, were White House Counsel Bernard Nussbaum; Harold Ickes, the president's political troubleshooter on Whitewater; and Margaret Williams, Hillary Clinton's chief of staff.

Sen. Alfonse D'Amato, R-N.Y., the ranking Republican on the Senate Banking Committee, said afterward that the meeting should not have occurred.

"It is totally inappropriate for an appointed head of the RTC to go over and brief the White House," D'Amato said. "It certainly has all the appearances of a cover-up."

Altman described the session as a "heads up" meeting to inform the White House of the RTC's investigation of Madison Guaranty Savings and Loan, a failed Arkansas thrift headed by James McDougal that it took over at a cost of \$47 million of taxpayers' money. Part of that investigation includes looking into the alleged diversion of depositor funds from Madison Guaranty to Whitewater, an Arkansas development in which the McDougals and Clintons were partners, or to a Clinton gubernatorial campaign. The RTC also is looking into the possibility of conflicts of interest by the Rose Law Firm or its partners, who included Hillary Clinton and Webster Hubbell, now the associate attorney general.

^(Optional add end)

At the time the statute of limitations for any civil lawsuit against Rose or its partners was less than a month away, and Altman said he told the officials that among the RTC's options were filing a civil suit before the Feb. 28 deadline or asking those involved to waive the statute of limitations. Either one would have caused renewed embarrassment for the White House.

After that meeting, Democrats in the Congress acceded to D'Amato's demand that the statute of limitations be extended until 1995.

Thursday's testimony by Altman and other administration officials came at an oversight hearing of the Banking Committee on the RTC. But committee Republicans turned it into a hearing on Whitewater.

^Distributed by the Los Angeles Times-Washington Post News Service=

The Chicago Tribune has reported that the First Lady may have concealed a conflict of interest in pursuing -- on behalf of federal banking regulators -- a legal settlement with a family friend and associate, Arkansas businessman Dan Lasater.<

Meanwhile, Deputy Treasury Secretary Roger Altman, the RTC's acting chief executive, said he will turn over the savings and loan cleanup agency's findings on the Rose firm to its inspector general.<

"It would guarantee the integrity of the review," said D'Amato, the senior Republican on the banking committee.<

The RTC probe found Rose did not disclose previous work for Madison when the law firm was working for the agency.<

It also said Rose did not disclose possible conflicts involving the brother-in-law and father-in-law of Webster Hubbell, a Rose partner who is now the third-ranking official in the Justice Department. Both had sued Madison.<

The RTC report, dated February 8, did not make any recommendations or state whether Rose acted inappropriately.<

The House Banking Committee is expected to hold an RTC hearing next month.<

Texas Chain-Saw Editing

The Texas state board of education is deleting 300 sensitive items from proposed high school health texts. They include hot-line numbers for AIDS information groups, references to anal and oral intercourse, facts about state laws against sex with minors, condom instructions and mentions of Dr. Jack Kevorkian. Critics of the changes say the board has fallen under the influence of the radical right.

And Speaking of Kevorkian

A Detroit judge declined to dismiss the last remaining charge against Dr. Jack Kevorkian, the aggressive advocate of taking one's life as an option for the terminally ill, and ordered him to stand trial in the assisted suicide of a man with Lou Gehrig's disease.

WORLD**Silence over Sarajevo?**

Under heavy pressure from NATO, the U.N., President Clinton and—most important—their Russian allies, the Bosnian Serbs pledged their compliance with a NATO ultimatum to either withdraw their weapons from within a 12-mile radius of Sarajevo or turn them over to U.N. peacekeepers. At week's end U.N. observers were reporting "very significant withdrawals of Bosnian-Serb forces." However, there were new reports of Serb atrocities in other parts of Bosnia, particularly near the town of Banja Luka. In a Saturday address, Clinton warned that "American pilots and planes stand ready" to join in NATO air strikes around Sarajevo.

Sniffing Out Nukes

After an 11-month standoff, North Korea has informed the International Atomic Energy Agency that it will permit inspection of seven nuclear sites. Not included in the arrangement: two sites in its Yongbyon complex believed to be waste

INFORMED SOURCES**Returned to Sender**

WASHINGTON—Retired U.S. Admiral **JONATHAN HOWE**, the United Nations' special representative in Somalia, has been quietly pulled out of that country by U.N. Secretary-General Boutros-Ghali. Howe headed last year's hapless effort to catch Somali strongman Mohammed Farrah Aidid, and even offered a \$25,000 reward for information leading to his capture. At the time, Boutros-Ghali vigorously condemned Aidid and called for him to be brought to justice. Nonetheless, U.N. sources say, since Aidid is now considered a key part of peace negotiations, Boutros-Ghali has decided that Howe's continued presence in Somalia would only hinder the process.

A Nobel Laureate Bets on Jordan

BANGKOK—**DAW AUNG SAN SUU KYI**, a Nobel Peace Prize laureate and the leader of the Burmese democracy movement, has been held under house arrest by the military government in Burma for more than four years. Last week, when she was allowed to break her silence and meet with U.S. Congressman Bill Richardson of New Mexico, human rights wasn't the only thing on her mind. "She asked me if I thought Michael Jordan was going to make it as a baseball player," says Richardson. "We made a friendly bet—she bet that he would make it, and I bet he wouldn't. And hopefully we will see the result of this bet after spring training, and perhaps I can return to collect on my bet."



Michael Jordan fan
Aung San Suu Kyi

SeaQuest Live

WASHINGTON—The U.S. is in a race with Russia to develop high-speed underwater projectiles. Russian researchers are said to have accelerated such projectiles at 4,270 ft. per sec.; now militia sources confirm that the U.S. NAVY has a program to fire underwater projectiles at 4,760 ft. per sec.—near the speed of sound. If they actually work, these 007-like weapons would greatly affect the strategy for any future below-the-sea conflict.



ESPY

A Cabinet That Sweats Like America

As the television audience watches the world's greatest athletes gracefully glide to victory in the pristine setting of Lillehammer, even seemingly sedentary members of the Clinton Administration think back to their own past sporting glories.



ALEXANDER

ATHLETE

MIKE ESPY
Secretary of Agriculture

HIGHLIGHT

Getting his black belt last fall in Tae Kwon Do by breaking boards with his hand

POSTGAME REPORT

"My hand hurts."

GEORGE STEPHANOPOULOS
Senior adviser to the President

Running in and finishing the Paris marathon (May 1986)

"It was a beautiful, sunny day."

DONNA SHALALA
Secretary of Health and Human Services

Playing on a Pigtail League softball team (coached by George Steinbrenner) that won a Cleveland city championship in 1950

"Steinbrenner was cute. I think I was in love with him when I was nine."

JANE ALEXANDER
Chairman of the National Endowment for the Arts

Doing all her own stunts for the 1984 television movie *Calamity Jane*

"I learned to drive a six-horse stagecoach for the film."

RON BROWN
Secretary of Commerce

Beating President Clinton in a pickup basketball game

"[My greatest triumph] was hitting a 25-ft. jump shot ... with the President in my face."

WINNERS LOSERS



DIANE SAWYER
By staying put at ABC, she gets more exposure and \$7 mil. a year

U.S. OLYMPIC ALPINE TEAM
Led by Moe and Roffe-Steinrotter, the skiers upset the Europeans

AEROSPACE WORKERS
A \$6 bil. boost from Saudi Arabia saves thousands of U.S. jobs

COKE ROBERTS
The ABC reporter is disciplined for trompe l'oeil newscast

PATTI LUPONE
High-strung actress is dropped from *Sunset Boulevard*

JOHN CHANEY
Temple hoops coach suspended for on-air expletive-laced fit



Maybe There's Something in the Juice

"Since homosexuals cannot reproduce, they must freshen their ranks with our children ... They will use money, drugs, alcohol, any means to get what they want."

—Anita Bryant, spokeswoman for the Florida Citrus Commission, 1965-80

"I say to those of you of the leftist, militant, homosexual crowd: Take it somewhere else. Get out of our schools. Get out of our churches. Take your deadly, sickly behavior and keep it to yourselves."

—Rush Limbaugh, spokesman for the Florida Citrus Commission, 1994-?



VOX POP

Money aside, do you think your family is happier than Michael Jackson's family?

HAPPIER 53%

NOT AS HAPPY 16%

ABOUT AS HAPPY 23%

From a telephone poll of 503 African Americans taken for TIME/CNN on April 16-17 by Yankelovich Partners Inc. Sampling error is ± 4.5%.

in Little Rock, Arkansas, of any conflict of interest regarding its association with the same S&L.

Tailhook Adieu
Admiral Frank B. Kelso II, Chief of Naval Operations, announced that he would retire two months early, in April, in exchange for an official tribute from the Pentagon meant to clear him of wrongdoing in the Tailhook scandal. Earlier this month, a Navy judge dismissed the last three Navy Tailhook cases on the grounds that they had been tainted by Kelso's efforts to conceal his knowledge of the affair.

A Stolen Election Returned
A federal judge nullified a November 1993 election for a Pennsylvania state-senate seat, declaring that it had been won fraudulently by a Democrat. Supporters of William G. Stinson practiced "deception, intimidation, harassment and forgery," wrote the judge. His decision returns the seat to the Republican candidate and could put the G.O.P. in control of the entire state senate.

I Confess
After maintaining his innocence for the past two years, Danny Rolling, accused of murdering five college students in Gainesville, Florida, in 1990, pleaded guilty to all charges against him. "There are some things you just can't run from, this being one of those," Rolling told the judge.

Courtroom Roundup
In San Antonio, Texas, the defense rested its case in the trial of 11 Branch Davidians charged with murdering four federal agents of the Bureau of Alcohol, Tobacco and Firearms last February. The jury is expected to get the case late this week. Meanwhile, in New York City, lawyers continued their closing arguments in the World Trade Center trial of four defendants linked to the bombing a year ago that killed six people and injured 1,000.

If nothing else, the eruption of media interest in Bill and Hillary Clinton's Whitewater investment has helped further the President's goal of bringing jobs to his home state—funded by the expense accounts of the reporters, up to 40 at any one time, who have been on the scene since the latest episode broke in December. Here are some of the things on which journalists are known to have spent their boss's money:

- ⑤ Single room, Capital Hotel, Little Rock: \$108 + \$10.26 room tax
- ⑤ One copy, *Arkansas Democrat-Gazette*: \$.35
- ⑤ Two eggs, ham, grits, biscuits and gravy, Apple Blossom Cafe, Little Rock: \$4.95
- ⑤ Midsize rental car, corporate rate, Little Rock airport: \$38 a day
- ⑤ Tire chains for trip to Whitewater Estates: \$65
- ⑤ Buffet lunch, including fried chicken, beans and apple cobbler, the Front Porch restaurant, Yellville (home of Whitewater land records): \$4.95
- ⑤ Copy of 2,582-page file on Madison Guaranty, Arkansas securities department: \$645.50
- ⑤ Dinner with Jim McDougal, the Clintons' Whitewater partner, at Western Sizzlin restaurant, Arkadelphia: \$12
- ⑤ One shot, Southern Comfort, Whitewater Tavern, Little Rock: \$3.50
- ⑤ Membership, Midnight Rodeo, Little Rock private club featuring country-western music: \$10

LEVEL 1 - 4 OF 18 STORIES

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HEADLINE: Senior Official Steps Aside in Probe Of S&L Linked to Clintons' Venture

SERIES: Occasional

BYLINE: Susan Schmidt, Charles R. Babcock, Washington Post Staff Writers

BODY:

Deputy Treasury Secretary Roger C. Altman, a political appointee serving as temporary chief of the federal thrift cleanup agency, recused himself yesterday from any further action on the investigation of an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton.

Altman announced he was taking the step one day after revealing during congressional questioning that he recently briefed White House officials on how his agency would proceed with potential civil claims growing out of the failure of Madison Guaranty Savings & Loan. Altman's disclosure, under questioning from Republican senators, was criticized as evidence that the White House is improperly interfering in a case that directly affects the Clintons.

Altman also said he will step down as interim head of the Resolution Trust Corp. at the end of March. The administration is expected to nominate a permanent chief soon for the RTC, which by law is supposed to be an independent federal agency. Treasury officials said Altman did not believe the Madison investigation presented a conflict for him but realized there was the appearance of conflict and decided to recuse himself for that reason.

The RTC is disposing of failed S&Ls and pursuing civil and criminal cases against officers, directors, lawyers, accountants, borrowers and others. Hillary Clinton and her former associates at the Rose Law Firm in Little Rock, Ark., represented Madison before state regulators in the mid-1980s.

Altman told the Senate Banking Committee that he contacted White House counsel Bernard Nussbaum about three weeks ago and offered to meet with him to explain what the RTC would do as the deadline for filing civil claims in the Madison probe neared. That deadline was Feb. 28, but Congress has extended it until the end of 1995.

Altman said he met with Nussbaum; Margaret Williams, Hillary Clinton's chief of staff; and the president's deputy chief of staff, Harold Ickes, who has been assigned the task of damage control in the Whitewater probe.

White House officials yesterday defended the meeting. "There's nothing improper about it," said White House press secretary Dee Dee Myers. "He basically informed the White House -- as he did Congress, as he did the press. It was strictly a procedural briefing. There was nothing available that was

The Washington Post, February 26, 1994

not available to members of the press or Congress."

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In a memo to minority committee members, Leach said McDougal's comments "appear to indicate that the Clintons lost no money in Whitewater" and "suggest that the tax consequences which emanate from this venture merit careful scrutiny."

Leach, who has been gathering documents for hearings he plans to hold next month on the Whitewater matter, said in an interview yesterday that he considered McDougal's comments important because, "he is sitting down with book ledgers, which lends it great credibility." The tape was made during a talk McDougal had in the spring of 1992 with Sheffield Nelson, who ran for governor against Clinton in 1990 and was himself an investor in a project financed through the McDougal-owned Madison Guaranty Savings & Loan.

The Clintons claimed in their 1980 federal tax returns that they made \$ 9,000 in interest payments to McDougal related to the Whitewater venture. "They didn't pay me. . . . They have never paid me a penny's interest," McDougal said.

In recent weeks, McDougal has said that he could recall the Clintons putting about \$ 13,500 into Whitewater, not the \$ 68,900 they claimed when the investment became an issue in the 1992 presidential primaries and since.

Referring to the 1992 taped conversation, Bruce Lindsey, a senior White House aide, said yesterday, "I think he [McDougal] is confused. He has said he is relying on his memory with these amounts, and his memory is mistaken."

Lindsey said in an earlier interview that he believed the Clintons paid McDougal \$ 9,000 in 1980 to compensate him for interest he had paid on a joint loan used to finance the Whitewater venture.

Special counsel Robert B. Fiske Jr. is now trying to sort out Whitewater's finances as part of an intense Justice Department investigation.

In the taped conversation with Nelson, apparently just after the Clinton campaign released a report about the Whitewater investment, McDougal said: "I could sink it [the \$ 68,900 figure] quicker than they could lie about it if I could get in a position so I wouldn't have my head beaten off. And Bill knows that."

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lot and model home on the Whitewater property. Lindsey said the Clintons made some payments on the lot.

Last night, McDougal said a transcript read to him "sounds fabricated." He told the Associated Press, "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available."

In another development, Sen. Alfonse M. D'Amato (R-N.Y.) accused Democratic National Committee Chairman David Wilhelm of using "political intimidation tactics" in a letter criticizing D'Amato for leading the GOP charge on Whitewater.

In the Feb. 25 letter, Wilhelm said D'Amato's own actions "present a clear pattern of conflict of interest over savings and loans and other business interests." As one example, he cited a Senate ethics committee probe of D'Amato's conduct in permitting his brother Armand to send letters under his name to the Pentagon to lobby for a contract.

D'Amato's reply said the letter "reconfirms my suspicion that something is rotten in Little Rock."

Staff writer Ruth Marcus contributed to this report.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

LEVEL 1 - 5 OF 18 STORIES

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February 25, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A9

LENGTH: 962 words

HEADLINE: Agencies Accused of 'Whitewash' on Whitewater

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY:

In a sometimes heated debate over the Whitewater investigation, Senate Republicans yesterday questioned top officials of two federal banking agencies whether they are allowing partisan politics to interfere with the inquiry.

In a hearing before the Banking Committee, Sen. Alfonse M. D'Amato (N.Y.), the panel's ranking Republican, lambasted the Federal Deposit Insurance Corp. chairman for his agency's recent report clearing the Rose Law Firm of conflicts of interest, calling it "an incredible whitewash." The Rose firm, whose former partners included Hillary Rodham Clinton, represented the failed Madison Guaranty Savings & Loan before state regulators when Bill Clinton was governor of Arkansas. Acting FDIC Chairman Andrew C. Hove Jr. agreed to have his inspector general investigate the origins of the report.

Republicans also sharply questioned Deputy Treasury Secretary Roger C. Altman, the appointed acting chief of the Resolution Trust Corp., on his meeting three weeks ago with White House counsel Bernard Nussbaum and other Clinton aides to brief them on the RTC's procedures should it decide to file civil claims in the Whitewater investigation.

Altman said he initiated the meeting to give the White House a "heads up" on how the agency would proceed on potential civil claims arising out of the Madison's failure, which cost taxpayers an estimated \$ 60 million. Clinton and his wife were joint owners of the Whitewater real estate venture with Madison owner James McDougal, and the Rose Law Firm, where Hillary Clinton was a partner, representing the S&L in the mid-1980s.

Altman said in a meeting with Nussbaum, Hillary Clinton's chief of staff Margaret Williams and White House deputy chief of staff Harold Ickes, he outlined various courses the RTC could take as it approached a Feb. 28 deadline for filing civil claims against Madison officers, directors and lawyers. Since then, Congress has extended the deadline to the end of 1995.

Altman said he told the White House aides the RTC would have to decide whether there was a basis to bring civil claims and, if so, whether to file suit immediately or seek a voluntary extension of the deadline from possible defendants.

"It was solely to be sure that [Nussbaum] understood the legal and procedural framework," Altman told the committee. He said he felt a briefing was

The Washington Post, February 25, 1994

justified because he had been giving such information to inquiring members of Congress.

D'Amato, who praised some aspects of the RTC's Madison investigation yesterday, had urged Altman to recuse himself from the Whitewater probe because it involves the president, who named Altman to his job.

Present at yesterday's session, nominally an oversight hearing on the RTC, were the five top-level officials on a board that oversees the agency. In addition to Altman and Hove, they included Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan.

Republicans used the session to turn a harsh light on the Whitewater inquiry and complain about the Democratic majority's refusal to hold hearings on the issue. Democrats, led by Sen. John F. Kerry (Mass.), argued Republicans were engaged in "very partisan singling out of one institution."

They maintained Congress does not need to hold hearings because Whitewater and Madison are subjects of an extensive investigation by Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno.

Much of the hearing was devoted to discussion of a report on the Rose Law Firm released last week by the FDIC's legal division, which examined whether Rose lawyers properly disclosed involvement with Madison when they were hired by the government in 1989 to press a lawsuit against Madison's former accountants.

The FDIC legal division, which originally hired the firm, found there was no conflict of interest. It reached that conclusion despite evidence the firm never disclosed it represented Madison before state regulators, and had cited the accountant's audit work in seeking certain regulatory approvals. Hillary Clinton was one of the attorneys representing Madison.

The FDIC lawyers also decided they would have preferred to know that Rose's lead attorney on the case -- Webster L. Hubbell, now associate attorney general -- had relatives involved in litigation with the government over hundreds of thousands of dollars in Madison loans and commissions. But, they said, under their relatively lax 1989 rules, Hubbell's actions did not constitute a conflict.

"This is the most incredible whitewash," D'Amato told Hove. "I mean, are you serious?"

The RTC has prepared a separate report on the conflicts question that was released by D'Amato. It found the Rose firm failed to disclose potential conflicts of interest, and the study has been sent to the RTC general counsel for review.

The FDIC report said there was not a conflict because Rose lawyers imposed an internal "fire wall" to keep Madison information from Hubbell about his father-in-law, Seth Ward. "That's an Arkansas fire wall," said Sen. Lauch Faircloth (R-N.C.). "You could strike a match behind it, hear the scratch, see the glow and feel the heat."

Hove reluctantly agreed to seek an inspector general's investigation of the report and the handling of another case involving Hillary Clinton. In that

The Washington Post, February 25, 1994

case, also an S&L matter, she signed court documents on behalf of her partner and the lead attorney on the case, former deputy White House counsel Vincent Foster, a leading Rose attorney. The case was against Dan Lasater, a Clinton friend and supporter.

Hillary Clinton signed an amended complaint that reduced damages sought by the government from \$ 3.3 million to \$ 1.3 million. She was not involved in the final \$ 200,000 settlement, according to the FDIC.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

LEVEL 2 - 1 OF 2 STORIES

The Associated Press

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February 25, 1994, Friday, PM cycle

SECTION: Washington Dateline

LENGTH: 777 words

HEADLINE: Altman Admits Briefing White House On Procedures in Madison S&L Probe

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY:

A Clinton administration official acknowledges he briefed White House aides on the progress of a probe into a failed Arkansas savings and loan with ties to the first family.

In addition, a top federal regulator asked his inspector general today to examine whether Hillary Rodham Clinton's former law firm had "any conflicts of interest or other improprieties..." when it helped the government sue S&L wrongdoers.

Andrew C. Hove Jr., acting chairman of the Federal Deposit Insurance Corp., wrote that "because of the serious nature of this matter, please try to complete your investigation ... within 90 days." The letter to Inspector General James Renick was released by Sen. Alfonse D'Amato, R-N.Y.

At a Senate Banking Committee hearing Thursday, Roger Altman, acting head of the Resolution Trust Corp., revealed that he and a top Treasury Department official briefed White House counsel Bernard Nussbaum and other top administration aides on the procedures the RTC was using to investigate the failure of Madison Guaranty Savings and Loan.

Altman said he initiated the meeting three weeks ago - nearly a month after a special counsel began a criminal probe of Madison's failure - to explain how the agency commonly proceeds when the deadline for filing civil charges in a case is approaching. Also attending the session were Margaret Williams, Mrs. Clinton's chief of staff, and White House attorney Harold Ickes, Altman revealed.

Madison was owned by James McDougal, who along with his then-wife Susan, was a co-investor with the Clintons in the Whitewater Development Corp., a real estate venture. Special Counsel Robert Fiske has launched a criminal probe into whether funds from Madison, whose failure will cost taxpayers at least \$ 47 million, were either diverted to Whitewater or used to help pay Clinton's political campaign debts.

The Associated Press, February 25, 1994

"It was solely to be sure that he understood the legal and procedural framework in which the RTC was working," Altman said of his meeting with Nussbaum. "It was a heads-up."

At the time, the deadline for filing civil claims in the case of Madison Guaranty S&L was set to expire at the end of February. Congress has since extended the deadline for another two years.

Under questioning from Sen. Alfonse D'Amato, R-N.Y., Altman conceded that the session was awkward.

"It was a very stiff conversation," Altman added.

Meanwhile, in Little Rock, Ark., the State Bank Department acknowledged it received a subpoena last month for documents involving several Arkansas banks, including four where President and Mrs. Clinton took out loans for his campaign or their Whitewater venture.

The Jan. 13 subpoena was requested by federal prosecutors who did the initial work in the probe of Whitewater and Madison before it was turned over to Fiske.

Altman's admission came in a hearing where Republicans repeatedly claimed the White House has been unable to remain impartial on the matter or open it up to public scrutiny.

"Give the public the information that the public desperately wants," said Sen. Phil Gramm, R-Texas. "I believe that if the president does that, he can free himself of a very heavy burden, and free us too."

GOP lawmakers also won assurances from Hove that the agency's inspector general will review how the agency concluded that the Rose Law Firm of Little Rock, Ark., had not violated conflict of interest rules when it helped sue Madison's former accountants.

Rose had previously represented the S&L when it sought approval from state regulators for a recapitalization plan - and relied in part on the accounting firm's audits.

The FDIC concluded last week in an 8-page report that it could find no written record indicating whether Rose attorney Webster Hubbell, now the No. 3 Justice Department official, notified regulators about the firm's prior work for Madison.

But acting FDIC chairman Andrew Hove pledged to D'Amato that the agency's inspector general would review the matter to make sure it was handled appropriately.

The pledge by Hove - a holdover appointee from the Bush administration - came even though the FDIC has made clear in the past week that the strict conflict-of-interest regulations that now govern the conduct of agency contractors were not in place when Rose sought work in the Madison failure.

"At that time, we were looking only at actual conflicts of interest," Hove said. "Now, we're required to look at the appearance of a conflict as well."

The Associated Press, February 25, 1994

"I find your response totally unacceptable," D'Amato told Hove in criticizing the report.

The RTC concluded on Feb. 8 that it found no evidence that Hubbell or others at Rose revealed the possible conflicts.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

Whitewater spurs raucous debate at Senate hearing

GOP charges 'coverup'; Democrats question motives

By Richard Whittle

Washington Bureau of The Dallas Morning News

WASHINGTON — Republicans provoked a verbal brawl over the Whitewater affair at a Senate hearing Thursday, hurling charges of a Clinton administration "coverup" while Democrats questioned GOP motives.

"It seems to me that this committee has an obligation to get out all the facts," said Sen. Alfonse D'Amato, R-N.Y., who launched the debate at a Senate Banking Committee hearing by raising the issue of past business dealings in Arkansas of President Clinton and his wife, Hillary Rodham Clinton.

"I see a coverup here. I see a whitewash here," said Mr. D'Amato, using a routine hearing on the federal agency

created to clean up the savings and loan collapse to attack the administration's response to congressional questions on Whitewater.

But committee chairman Sen. Donald Riegle of Michigan and other Democrats argued that a congressional inquiry could interfere with the work of independent counsel Robert B. Fiske Jr.

"I don't think we can justify doing that," Mr. Riegle said.

Mr. Fiske is to examine allegations of improper financial dealings and favoritism in connection with the failed Madison Guaranty Savings & Loan. The Arkansas S&L collapsed in 1989 at a cost to taxpayers of \$47 million. On Please see PARTISAN on Page 22A.

Partisan debate erupts over Whitewater affair

Continued from Page 1A.

Wednesday, Mr. Fiske named a team of eight lawyers who will work in Washington and Little Rock, Ark., on the investigation.

Madison was run by James McDougal, the Clintons' business partner in a money-losing resort venture called Whitewater Development Corp. Mr. Clinton was governor of Arkansas at the time, which has prompted charges of favoritism and questions about whether money from the S&L might have been improperly funneled to his gubernatorial campaign.

In addition, a Little Rock law firm in which first lady Hillary Rodham Clinton and several other top administration officials were partners did legal work for Madison, raising conflict-of-interest questions.

The special counsel, appointed last month, is also investigating the death of deputy White House counsel Vince Foster, a friend of the Clintons who had worked on Whitewater matters. Authorities ruled his death a suicide.

Mr. D'Amato and the committee's other Republicans contended that the Federal Deposit Insurance Corp. had resisted their efforts to pursue a separate inquiry into the tangled tale of money and Whitewater.

Sen. John Kerry, D-Mass., adopted the role of the administration's chief defender, accusing the Republicans of "piling on in a partisan fashion" despite the appointment of the special counsel.

"This has nothing to do with federal policy on savings and loans," Mr. Kerry said, complaining that the Re-

publicans were disingenuous to use the hearing on the Resolution Trust Corp. to launch their salvo.

Treasury Secretary Lloyd Bentsen, Federal Reserve Chairman Alan Greenspan and other senior officials called to testify on the RTC's progress in selling off assets of failed S&Ls had to sit through the 90-minute fight on the Whitewater issue before they spoke.

Mr. Bentsen was never asked about Whitewater. Mr. Greenspan, who with Mr. Bentsen sits on a committee that oversees the RTC, was asked by Mr. Riegle whether he was satisfied with the agency's work on Madison. He said he had "not followed it in any manner which would allow me to respond."

Mr. Kerry noted the cost of Madison's failure to the federal government made it 194th among failed S&Ls, "and that's the only one they're asking questions about."

He said the Republicans would be asking about bigger S&L failures if they were sincerely interested in policy rather than just trying to wound Mr. Clinton.

Sen. Phil Gramm of Texas said he and other GOP members of the committee simply wanted to "clear the air" by getting out information that "the American public desperately wants."

Mr. Gramm contended that the Democrats would have created a special congressional investigating committee if similar issues had been raised about former President Ronald Reagan.

Other Republicans argued that they were asking for the same kind of

treatment accorded in the past to members of their party, such as former President George Bush's son, Neil, whose involvement in a Denver savings and loan prompted hearings.

The only concession the Republicans won was a promise from the head of the FDIC to have the agency's inspector general examine a recent report on the role of Mrs. Clinton's former law firm.

The Rose law firm of Little Rock, in which Mr. Foster and Associates Attorney General Webster Hubbell were also partners, represented Madison when it was failing and wanted a state agency's approval of a plan to raise more capital. The law firm later was hired by the FDIC to sue Madison's accounting firm.

FDIC officials recently questioned whether the law firm adequately disclosed the fact that Mr. Hubbell and Mrs. Clinton had done legal work for Madison and that Mr. Hubbell's father-in-law had sued Madison over his financial dealings with the S&L.

An FDIC report issued last week, however, found that while the Rose firm would have been in violation of current conflict-of-interest rules, the regulations in effect at the time were more lenient.

Mr. D'Amato called that report "the most incredible whitewash of Whitewatergate that I've seen." Sen. Lauch Faircloth, R-N.C., said it was "an eight-page pile of insanity."

FDIC Acting Chairman Andrew Hove countered that the lawsuit against Madison by Mr. Hubbell's father-in-law had been decided by the

time the FDIC hired the Rose firm making it impossible for Mr. Hubbell to exploit any inside knowledge gained.

Mr. D'Amato was also critical of the RTC, which he castigated for getting documents to him late Wednesday that he said had been available for delivery since Feb. 8.

"Even if you took an 18-hour speed-reading course you'd have trouble getting through it," he said, describing the material as "a jumble of documents." "That's not fair to us and it's not fair to the American people."

Republicans will try to focus the

spotlight again on Whitewater next month when the House Banking Committee holds a similar hearing on the RTC.

Committee chairman Henry Gonzalez, D-San Antonio, has rejected calls for special hearings on Whitewater. But the ranking Republican on the committee, Rep. Jim Leach of Iowa, has been among the most vocal critics of the administration's handling of the affair.

Also on Thursday Rep. Bill Clinger of Pennsylvania, ranking Republican on the House Government Operations Committee, announced that his staff

would review federal agencies' handling of the investigation of White House aide Foster's death.

Mr. Foster, whose work at the White House had included filing a set of delinquent tax returns for Whitewater Development Corp., was killed dead of a gunshot wound to the chest last July in a Potomac River park. The investigation was conducted by the U.S. Park Police.

The administration has acknowledged that White House aide searched Mr. Foster's office after his death and removed some documents related to Whitewater.

Dallas Morning News 2-25-94

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(Risen, Times) (National)
xxx the issue.

In another development at the hearing Thursday, Altman acknowledged that he had met privately with White House officials three weeks ago to brief them on an aspect of the RTC's Whitewater investigation. He said the purpose of the meeting was to inform the White House about the RTC's options in view of the impending expiration of statutes of limitation on civil lawsuits involving Whitewater- and Madison Guaranty-related issues.

Some Republicans raised the question of whether the meeting was improper, given his role as acting chairman of the RTC, which is supposed to be an independent regulatory agency.

It was solely to be sure that (White House counsel Bernard Nussbaum) understood the legal and procedural framework," Altman told the committee. He said he felt a briefing was justified because he had been giving such information to inquiring members of Congress.

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GOP persuades regulators to reopen probe of Rose

By Tony Munroe
THE WASHINGTON TIMES

Under pressure from Republican lawmakers, U.S. regulators agreed yesterday to reopen their probe of Hillary Rodham Clinton's former law firm and its dealings with a failed Arkansas savings bank linked to the Whitewater-Madison affair.

The acting head of the Federal Deposit Insurance Corp. said he would turn over to the FDIC's top investigator a report issued last week clearing Little Rock's Rose Law Firm of conflict-of-interest violations.

Republicans branded that report a "whitewash" during a contentious, 4½-hour hearing in which they lit into their Democratic counterparts for not pursuing the matter.

Minutes after the opening gavel in what was scheduled as a routine hearing on the savings and loan cleanup, Sen. Alfonse M. D'Amato, New York Republican, accused federal regulators of "stonewalling" Republicans in their efforts to determine what happened in the Whitewater-Madison case.

"I see a cover-up here. I see a whitewash here," he said.

Democrats countered that the Republicans were using President Clinton's Whitewater real estate investment for political profit.

"This has nothing to do with fed-

eral policy on savings and loans," said Sen. John Kerry, Massachusetts Democrat. "What we're doing now is piling on in a clearly partisan fashion."

High-level officials, including Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan, sat and watched the partisan sparring for 90 minutes before they were called on to speak.

Mr. D'Amato chided the Resolution Trust Corp. (RTC) for its eight-page report examining whether there was a conflict of interest involving Mrs. Clinton and the Rose firm, where she was a partner.

Rose represented Madison Guaranty Savings and Loan Association before it failed, then represented the government in a suit that accused Frost & Co., Madison's accounting firm, of negligence in failing to detect Madison's troubles.

In its report, the RTC said: "Interviews of current and former Rose Law Firm attorneys who may be knowledgeable on this matter were not conducted."

"This is really one heck of a thorough report," a sarcastic Mr. D'Amato said at yesterday's hearing.

Mr. D'Amato also blasted the FDIC report, calling it "sophomoric, legalistic mumbo-jumbo that doesn't hold water."

Sen. Lauch Faircloth, North Carolina Republican, called the FDIC report "an eight-page insanity plea."

Acting FDIC Chairman Andrew C. Hove explained that under the rules at the time Rose was awarded the contract, only clear conflicts of interest, not apparent conflicts, were investigated.

Mr. D'Amato asked that the agency's inspector general investigate the matter, to which Mr. Hove agreed.

Sen. Richard C. Shelby, Alabama Democrat, said that while unanswered questions remain, Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno to look into the Whitewater-Madison affair, will handle them.

Leading the Democrats' counterstrike, Mr. Kerry made a show of charts listing 193 failed thrifts that cost taxpayers more than the \$50 million it cost to bail out Madison, which was seized by federal regulators in 1989.

Mr. Kerry also recalled hearings held last year on fraud and mismanagement at the RTC, when there was "no hue and cry from my colleagues across the aisle."

But Sen. Pete V. Domenici, New Mexico Republican, cited hearings called by Democrats when President Bush's son, Neil, was involved in the failure of Denver-based Silverado Savings & Loan,



Photo by Ruth Fremson/The Washington Times

Treasury Secretary Lloyd Bentsen appears weary of waiting to testify before the Senate Banking Committee.

and asked for the appointment of a Senate committee to investigate Whitewater-Madison.

Democrats responded that a Senate investigation would be redundant, and any findings could prejudice the investigation already in progress under Mr. Fiske.

"It seems to me we put the matter where it ought to be put," said Sen. Paul S. Sarbanes, Maryland Democrat.

Republicans on the House side will get a crack at Whitewater-Madison during the third week of

March when the House Banking Committee plans to hold a hearing on the RTC cleanup job.

Mr. Fiske is investigating Madison and its financial ties to Whitewater Development Corp., an Arkansas land partnership involving President and Mrs. Clinton and Madison owner James B. McDougal and his wife, Susan.

In 1985, Mrs. Clinton was being paid \$2,000 a month by Mr. McDougal to represent the failing S&L before state regulators, who

sought to close it because of insolvency. She presented a stock preferred plan based on an audit by the Frost firm. The government said four years later that the plan was fraudulent.

Mr. McDougal, who bought Madison Guaranty in 1982, is under investigation by federal authorities for accusations that he manipulated \$250,000 in loans through the S&L and diverted other money to the campaigns of several Arkansas politicians, including Mr. Clinton.

He pig home ess veterans

Summit seeks ways to help estimated 250,000 on the street appear we're making any progress.

WASHINGTON — At an unprecedented federal "summit meeting" on homeless veterans, top Clinton administration officials said government must do more for the estimated 250,000 veterans homeless on any given night. "We've used that number of 250,000 for five or ten years, and the VA's been spending maybe \$50 million a year — and I have to ask myself, what are we doing?" said Veterans Affairs Secretary Jesse Brown, who convened the summit of about 700 veterans' advocates. "It doesn't

But at the two-day summit that concludes today, Brown warned that "no government program can solve this problem alone." He said the VA should funnel more money and responsibility to local governments and vets-helping-vets programs.

For the VA to solicit private groups' help to solve the problem "is a phenomenal breakthrough," said Richard Fitzpatrick, executive director of the National Coalition for Homeless Veterans. "It's a major first step."

An estimated one in three homeless U.S. men is a veter-

an, driven to the streets by some combination of bad luck, joblessness, substance abuse, war-related stress and mental illness.

Housing and Urban Development's Andrew Cuomo told the summit, "We want to get the money out of Washington, back to the community."

but stopped short of specifying increased HUD spending for homeless vets.

Brown noted VA spending on the homeless had risen from \$50 million to \$70 million since last year — and that for the first time, the VA has \$5.5 million to award to non-government vets groups.

Bronx veteran Joseph Wil-



By Agence France-Presse
BROWN: Government alone can't solve problem

son, recovering from homelessness and drug addiction, told summit participants there's no time to waste. "As long as veterans are out there on the street," he said, "they're going to keep dying."

USA TODAY • FRIDAY, FEBRUARY 25, 1994 •

GOP makes hay on Whitewater

S&L hearings in Senate

By Dennis Cauchon
USA TODAY

WASHINGTON — Senate Republicans hijacked a savings and loan hearing Thursday and turned it into a forum on the Whitewater controversy.

In the process, the Republicans uncovered new details on Whitewater and scored some political points.

Led by a loud and aggressive Sen. Alfonse D'Amato, R-N.Y., the Republicans won an agreement by savings and loan regulators to have two more government watchdogs look into aspects of Whitewater.

In addition, the regulators acknowledged they had recently discussed Whitewater with top White House officials, although the contacts appear to be minor and not improper.

"We're talking about a cover-up," D'Amato replied.

The Whitewater fight came

during what was to be a routine hearing on the status of the \$150 billion S&L bailout.

Sen. John Kerry, D-Mass., asked the Republicans why they only show up for S&L hearings when they want to put on a political show.

"This is why the taxpayers get so fed up, because all we do is dig into politics," Kerry said. "We're not talking about where the \$150 billion went."

The Whitewater controversy involves a wide range of question, centering on a vacation property called Whitewater.

President Clinton and his wife, Hillary, were partners in the property with James McDougal, owner of the failed Madison Guaranty Savings. Special prosecutor Robert Fiske is investigating if the Clintons did anything wrong.

At the Senate hearing:

► Resolution Trust Corp. acting chairman Robert Altman



By John Duricka, AP

CITES 'COVER-UP': Sen. Alfonse D'Amato, R-N.Y., left, questions a witness Thursday. At right is Sen. Don Riegle, D-Mich.

acknowledged he met three weeks ago with top White House officials to discuss the RTC probe of Madison.

The RTC is the agency that handles failed S&Ls.

Altman said he met with White House Counsel Bernard

Nussbaum, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff, Margaret Williams. "I describe it as a heads-up and a very stiff conversation," said Altman, who is also deputy Treasury secretary.

He said he discussed RTC policy on a legal deadline that required all Madison-related lawsuits to be filed by Feb. 28. Congress later extended the deadline, giving the RTC more time to file suits against the Clintons, if appropriate.

► David Kendall, the Clintons' personal lawyer, called the Federal Deposit Insurance Corp. on Feb. 16, said FDIC official Alan Whitney, who took the call. Kendall wanted to know if the FDIC had issued a statement responding to a Chicago Tribune article on Hillary Clinton's role representing the government in a suit against a Clinton family friend. Whitney said the call lasted just seconds.

► The RTC and FDIC agreed to have their inspectors-general probe whether Hillary Clinton and Justice Department official Web Hubbell broke conflict of interest rules. Hillary Clinton and Hubbell were partners in the Rose law firm, which represented both Madison and S&L regulators.

Agencies Accused of 'Whitewash' on Whitewater

By Susan Schmidt
Washington Post Staff Writer

In a sometimes heated debate over the Whitewater investigation, Senate Republicans yesterday questioned top officials of two federal banking agencies whether they are allowing partisan politics to interfere with the inquiry.

In a hearing before the Banking Committee, Sen. Alfonse M. D'Amato (N.Y.), the panel's ranking Republican, lambasted the Federal Deposit Insurance Corp. chairman for his agency's recent report clearing the Rose Law Firm of conflicts of interest, calling it "an incredible whitewash." The Rose firm, whose former partners included Hillary Rodham Clinton, represented the failed Madison Guaranty Savings & Loan before state regulators when Bill Clinton was governor of Arkansas. Acting FDIC Chairman Andrew C. Hove Jr. agreed to have his inspector general investigate the origins of the report.

Republicans also sharply questioned Deputy Treasury Secretary Roger C. Altman, the appointed acting chief of the Resolution Trust Corp., on his meeting three weeks ago with White House counsel Bernard Nussbaum and other Clinton aides to brief them on the RTC's procedures should it decide to file civil claims in the Whitewater investigation.

Altman said he initiated the meeting to give the White House a "heads up" on how the agency would

proceed on potential civil claims arising out of the Madison's failure, which cost taxpayers an estimated \$60 million. Clinton and his wife were joint owners of the Whitewater real estate venture with Madison owner James McDougal, and the Rose Law Firm, where Hillary Clinton was a partner, representing the S&L in the mid-1980s.

Altman said that in a meeting with Nussbaum, Hillary Clinton's chief of staff Margaret Williams and health care advisor Harold Ickes, he outlined various courses the RTC could take as it approached a Feb. 28 deadline for filing civil claims against Madison officers, directors and lawyers. Since then, Congress has extended the deadline to the end of 1995.

Altman said he told the White House aides the RTC would have to decide whether there was a basis to bring civil claims and, if so, whether to file suit immediately or seek a voluntary extension of the deadline from possible defendants.

"It was solely to be sure that [Nussbaum] understood the legal and procedural framework," Altman told the committee. He said he felt a briefing was justified because he had been giving such information to inquiring members of Congress.

D'Amato, who praised some aspects of the RTC's Madison investigation yesterday, had urged Altman to recuse himself from the Whitewater probe because it involves the president, who named Altman to his job.

Present at yesterday's session, nominally an oversight hearing on the RTC, were the five top-level officials on a board that oversees the agency. In addition to Altman and Hove, they included Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan.

Republicans used the session to turn a harsh light on the Whitewater inquiry and complain about the Democratic majority's refusal to hold hearings on the issue. Democrats, led by Sen. John F. Kerry (Mass.), argued Republicans were engaged in "very partisan singling out of one institution."

They maintained Congress does not need to hold hearings because Whitewater and Madison are subjects of an extensive investigation by Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno.

Much of the hearing was devoted to discussion of a report on the Rose Law Firm released last week by the FDIC's legal division, which examined whether Rose lawyers properly disclosed involvement with Madison when they were hired by the government in 1989 to press a lawsuit against Madison's former accountants.

The FDIC legal division, which originally hired the firm, found there was no conflict of interest. It reached that conclusion despite evidence the firm never disclosed it represented Madison before state regulators, and had cited the accountant's audit work in seeking certain regulatory approvals. Hillary Clinton was one of the attorneys representing Madison.

The FDIC lawyers also decided they would have preferred to know that Rose's lead attorney on the case—Webster L. Hubbell, now associate attorney general—had relatives involved in litigation with the government over hundreds of thousands of dollars in Madison loans and commissions. But, they said, under their relatively lax 1989 rules, Hubbell's actions did not constitute a conflict.

"This is the most incredible whitewash," D'Amato told Hove. "I mean, are you serious?"

The RTC has prepared a separate report on the conflicts question that was released by D'Amato. It found the Rose firm failed to disclose potential conflicts of interest, and the study has been sent to the RTC general counsel for review.

The FDIC report said there was not a conflict because Rose lawyers imposed an internal "fire wall" to keep Madison information from Hubbell about his father-in-law, Seth Ward. "That's an Arkansas fire wall," said Sen. Lauch Faircloth (R-N.C.) "You could strike a match behind it, hear the scratch, see the glow and feel the heat."

Hove reluctantly agreed to seek an inspector general's investigation of the report and the handling of another case involving Hillary Clinton. In that case, also an S&L matter, she signed court documents on behalf of her partner and the lead attorney on the case, former deputy White House counsel Vincent Foster, a leading Rose attorney. The case was against Dan Lasater, a Clinton friend and supporter.

Hillary Clinton signed an amended complaint that reduced damages sought by the government from \$3.3 million to \$1.3 million. She was not involved in the final \$200,000 settlement, according to the FDIC.

Bill seen lifting sick ban

Platz Cacerria, the lawyer for Adreth Amos, said his client had thus far declined to co-operate and would plead not guilty. A detention hearing for the Amoses, who are being held without bail, is scheduled for today but was put off Tuesday in federal court in Alexandria, Va.

OC-whitewater times - al825

(ATTN: National editors) (Includes optional trims)

Republicans Attack Handling of Whitewater, Demand Review (Washn)

By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON Republican lawmakers mounted a furious attack on the Clinton administration's handling of the Whitewater controversy Thursday and succeeded in pressuring federal regulators into reviewing their investigation of the role Hillary Rodham Clinton and her former law firm played.

Andrew Hove, acting chairman of the Federal Deposit Insurance Corp., agreed to call on the FDIC's inspector general to review the agency's investigation of the Rose Law Firm of Little Rock, Ark., where Mrs. Clinton was a partner. Last week, the FDIC cleared the firm of any conflict of interest in connection with the tangled real estate venture. It was the first formal government report to be issued in connection with the Whitewater controversy.

Hove's decision came in the midst of a Senate Banking, Housing and Urban Affairs Committee hearing marked by a bitter partisan split over Whitewater.

Besides seeking a renewed investigation by banking regulators, Republicans, led by Sen. Alfonse D'Amato, R-N.Y., also demanded that the White House and the regulators release all documents related to the scandal. But the administration refused, claiming that to do so would interfere with the ongoing investigation by Whitewater Special Counsel Robert B. Fiske Jr.

Democrats on the committee, meanwhile, dismissed Republican demands for formal hearings on Whitewater, arguing that those too would interfere with Fiske's work.

"I truly believe what we're doing is piling on in a partisan fashion," argued Sen. John Kerry, D-Mass.

Thursday's hearing had been called to review the status of the federal government's bailout of the savings and loan industry. But Republicans used the occasion to grill administration officials and the heads of the major banking regulatory agencies for the first time publicly about Whitewater.

"We have an obligation to get to the bottom of this sorry affair," D'Amato said. "And we have reasonable concerns about the integrity of the investigation" by federal regulators, he added. "Something smells rotten in Little Rock."

They charged that Clinton political appointees like Roger Altman, deputy Treasury secretary and acting head of the Resolution Trust Corp., were blocking public access to critical documents in the case, and complained that congressional Democrats were unwilling to undertake an investigation of the Whitewater affair because of political allegiance to President Clinton.

"Trying to get information out of the White House about Whitewater is like trying to eat ice cream with knitting needles," said Sen. Lauch Faircloth, R-N.C.

The GOP senators pointedly referred to instances in the past in which Democrats had conducted congressional hearings into other scandals while criminal investigations were under way such as the inquiry into the role of Neil Bush, son of former President Bush, in the failure in Colorado of Silverado Savings and Loan. Congressional hearings also were held in the Iran-Contra scandal at the same time that a special counsel was probing the Reagan administration's handling of the matter.

(Optional add end)

"If an aide to President Reagan had been found dead, and another Reagan aide went through his papers, you can bet that the Democrats would be calling for a congressional investigation," said Sen. Phil Gramm, R-Texas, referring to the mystery surrounding the apparent suicide in July of then-Deputy White House Counsel Vincent Foster.

D'Amato charged that the FDIC's eight-page report on its investigation in Whitewater was nothing more than an "inept whitewash of Whitewatergate."

He also noted that a separate, newly released RTC report on Rose's involvement in the case showed that regulators had not contacted "former or current" attorneys at the firm who were knowledgeable about the issue.

**** filed by:LAWP(--) on 02/25/94 at 02:19EST ****
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\$283,000 in loans to Clintons probed

By Jerry Seper
THE WASHINGTON TIMES

A1

Whitewater counsel subpoenas bank records

LITTLE ROCK, Ark. — Federal investigators looking into the Whitewater-Madison affair have subpoenaed records describing more than \$283,000 in personal loans to President and Mrs. Clinton from four rural Arkansas banks, The Washington Times has learned.

The bank records were sought by special counsel Robert B. Fiske Jr., who issued a request for "all documents" outlining the Clintons' involvement with the four banks during an 11-year period beginning in 1978, the year the

Whitewater Development Corp. was formed.

The subpoena, delivered to the Arkansas Bank Department, sought department records, regulatory examinations and other documents concerning the Bank of Cherry Valley, Citizens Bank & Trust of Flippin, the Bank of Kingston and Security Bank of Paragould.

It also asked for records involving the First Bank of Arkansas and the First National Bank, both in Wynn. Those financial institutions

bought the Bank of Cherry Valley, Citizens Bank and the Bank of Kingston.

The subpoena was delivered Jan. 14 to Arkansas Bank Commissioner Bill Ford, who was unavailable for comment yesterday.

The department's legal counsel, Candace Franks, confirmed that the subpoena had been received and that the documents had been turned over to Mr. Fiske's investigators. She declined to say how many records were involved but acknowledged that "numerous"

papers had been released.

Attorney General Janet Reno last month assigned Mr. Fiske to investigate allegations of financial irregularity involving the Clintons, Madison Guaranty Savings and Loan Association, Madison owner James B. McDougal and the Whitewater project — a 230-acre real estate development in northern Arkansas jointly owned by the Clintons, Mr. McDougal and his wife at the time, Susan.

Mr. McDougal, who owned the Bank of Kingston before he pur-

chased Madison, is suspected of diverting depositor money from Madison to Mr. Clinton's 1984 gubernatorial re-election campaign using overdrawn accounts and Madison-approved loans. He also is accused of diverting the S&L's money to Whitewater.

The Clintons and McDougals have denied any wrongdoing in connection with the Whitewater project and the defunct S&L.

According to state banking records, the Clintons borrowed \$283,411 from the four Arkansas banks between 1978 and 1984. The loans included:

see LOANS, page A12

LOANS

From page A1

• A \$182,611 loan to the Clintons and McDougals in 1978 from Citizens Bank that was used to purchase 230 acres of land along the White River in the Ozarks. That land became the Whitewater project. The couples had intended to build vacation homes on 42 plots, but the venture failed.

A \$20,000 unsecured loan from Union National Bank in Little Rock to Mr. Clinton and Mr. McDougal was used for the Whitewater down payment but was not

included in the document request.

• A \$50,000 personal loan to the Clintons from the Bank of Cherry Valley in 1984 for Mr. Clinton's gubernatorial campaign. The bank was then owned by Maurice Smith, a longtime supporter of Mr. Clinton's and his financial adviser in the 1984 race.

Mr. McDougal, during an April 1985 fund-raiser at Madison's Little Rock office, raised \$35,000 to help the Clintons repay the Bank of Cherry Valley loan. Federal law enforcement sources say investigators are trying to determine whether Whitewater or Madison money was used to help retire the Clinton debt.

At least one of the purported contributors at the April 1985 fund-raiser — Ken Peacock, then a 24-year-old college student — has said he did not sign a \$3,000 check to Mr. Clinton. His father, Charles Peacock, a Madison official at the time, recently told The Washington Times that he made the contribution in his son's name without his son's knowledge.

• A \$30,000 loan to Hillary Rodham Clinton in 1980 from the Bank of Kingston, then owned by Mr. McDougal, Jim Guy Tucker, who is now governor of Arkansas, and four others. The money, borrowed at a 20 percent interest rate, was

used to build a model home on a Whitewater plot owned by Mrs. Clinton.

Ten days after the loan was made, a \$30,000 deposit was made in the Kingston bank's Whitewater account, which showed a balance at the time of \$456. Records show that the Clintons took tax deductions for interest on the loan but that Whitewater paid the interest.

• A \$20,800 loan in 1983 to Mr. Clinton from Security Bank of Paragould that was used to help pay the balance on Mrs. Clinton's Bank of Kingston note. The owner of Security Bank was Marlin Jackson, a Clinton supporter whom the

governor named state bank commissioner after receiving the loan.

In November 1985, Mr. McDougal sent a \$7,322 check to Charles Campbell, vice president of Security Bank, saying in an attached note that the money was to be used to pay off the \$20,800 Clinton note. The check was drawn on a Whitewater account that had a balance of \$12.49. The check was covered the next day when a Madison subsidiary deposited \$7,500 in the Whitewater account.

Federal authorities confirmed yesterday that hundreds of documents had been received from the state Bank Department and

that an "extensive review" was under way.

The federal government shut down Madison in 1989 at a cost of \$50 million. Mr. McDougal was indicted that year on fraud charges related to Madison loans but was acquitted in 1990.

The Clintons, who sold their half-share in Whitewater to Mr. McDougal in 1992 for \$1,000, have said they lost \$68,900 on the real estate venture over 14 years, but there are no records to support the claim.

In recent TV interviews with ABC and CNN, Mr. McDougal said the Clintons lost about \$13,500.

LEVEL 2 - 2 OF 2 STORIES

The Associated Press

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February 24, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 856 words

HEADLINE: Senate Republicans Get Chance to Air Whitewater Case

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY:

Senate Republicans mounted a furious attack Thursday on the Whitewater affair, accusing Democrats of failing to vigorously pursue the case and raising questions about possible political interference.

Under questioning by GOP members of the Senate Banking Committee, the acting head of the savings and loan cleanup agency acknowledged he recently briefed top White House officials on his agency's investigation of a failed Arkansas thrift at the center of the controversy.

Roger Altman, acting chief executive of the Resolution Trust Corp., said he used the meeting three weeks ago to explain to White House Counsel Bernard Nussbaum how the agency commonly proceeds when the deadline for filing charges in a case is approaching.

At the time, the deadline for filing civil claims in the case of Madison Guaranty S&L was set to expire at the end of February. Congress has since extended the deadline for another two years.

"It was solely to be sure that he understood the legal and procedural framework in which the RTC was working," Altman said of his meeting with Nussbaum.

Altman stressed that such briefings are typical with actual and potential targets of such probes. He characterized the session with Nussbaum, "a very stiff conversation."

Much of the hearing, originally designed to review the RTC's work in general, was dominated by political sniping over the investigation into President and Mrs. Clinton's Whitewater investment and their ties to the failed S&L.

Republicans accused Democrats of failing to vigorously pursue the case. Democrats fired right back, contending that any congressional action on Whitewater could jeopardize a criminal investigation now being conducted by special counsel Robert Fiske.

The Associated Press, February 24, 1994

They also accused the GOP of ignoring the S&L crisis until they could use it for political gain by embarrassing the president.

"We're not talking about where the \$ 150 billion in the S&L crisis went," said Sen. John Kerry, D-Mass. "This is why the taxpayers get so fed up - all we do is dig into politics."

As this played out, high-powered witnesses like Federal Reserve Chairman Alan Greenspan and Treasury Secretary Lloyd Bentsen sat and waited.

Sen. Alfonse D'Amato of New York, the panel's ranking Republican, set the tone, criticizing the RTC for not delivering until Wednesday evening a set of documents related to the failure of Madison Guaranty Savings and Loan.

Then he assailed an RTC report into possible conflicts at the Rose Law Firm in Little Rock, Ark., because regulators did not contact "former and current" lawyers at the firm who were knowledgeable about the matter.

"This is really one heck of a thorough report," he said sarcastically.

The firm, including Mrs. Clinton, worked for Madison during the mid-1980s when the troubled S&L sought state approval for a plan to raise new capital. Later, after Madison's failure, the Rose firm was hired by regulators to sue the S&L's accountants. The S&L was owned by James McDougal, a partner with the Clintons in the Whitewater Development Corp., a real estate venture.

Democrats were having none of it.

Kerry, long an RTC critic, came armed with charts showing 193 thrift failures that each cost taxpayers more than the \$ 47 million bailout attached to Madison. He also said GOP committee members took little interest in those failures or other problems within the RTC, including when agency whistleblowers testified in a hearing last fall that waste, fraud and incompetence run rampant in the agency.

"Not one Republican cared enough to come ... when those whistleblowers were here to talk to us," Kerry said.

"Can we talk about a coverup?" D'Amato shot back, zeroing in on Whitewater. "It's a whitewash."

Recently, Federal Deposit Insurance Corp. officials investigated whether Rose adequately disclosed potential conflicts, including its prior work for Madison and the fact that the father-in-law of one of its senior partners, Justice Department official Webster Hubbell, had extensive financial dealings with the thrift.

The FDIC ruled last week there was insufficient evidence to take action, saying that the applicable conflict of interest rules weren't enacted until after Rose got the contract.

Sen. Lauch Faircloth, R-N.C., sharply criticized the FDIC report, saying it suffered from "memory lapses" and amounted to "an eight-page plea of insanity."

The Associated Press, February 24, 1994

Regulators heatedly reminded him that under the rules applicable then, only a clear conflict of interest, not simply the appearance of one, would prevent a prospective contractor from working for the government.

Republicans contended that Democrats would have vigorously pursued such a case had it involved a Republican administration, recalling the congressional inquiries into a failed S&L tied to former President Bush's son, Neil.

Sen. Don Riegle, D-Mich., the committee chairman, said a congressional investigation into Whitewater was unnecessary because Fiske has already begun his probe.

"Any effort to undertake a full-blown inquiry would be time consuming and conflict with the legal process," Riegle said. "I don't think we can justify doing that."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

WASHINGTON

WASHINGTON

GOP senators to tackle Whitewater

Senate Republicans today get a chance to air questions about the Whitewater controversy. They plan to use a banking committee hearing on the Resolution Trust Corp. to quiz administration officials about President Clinton's links to Madison Guaranty Savings & Loan, an Arkansas thrift that failed in 1989. Madison was owned by James McDougal, the Clintons' partner in Whitewater Development Co. Inc. Today's hearing is a semiannual report on the RTC, created to dispose of failed S&Ls' assets. Sen. Alfonse D'Amato, R-N.Y., says he'll ask about the RTC's probe of Madison: "What are they doing? ... What are they pursuing? What about the documents?"

POSTAL PROBE: The House — bowing to the U.S. attorney's office — agreed to hold off on a decision whether to investigate its post office. Prosecutor Eric Holder, in seeking the delay, said his investigation is in its "final stages and will be concluded in the near future." That could be good news for one target of the probe: House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill. His role in the post office — reportedly involving cash for stamps — is one of the points rivals are hitting in advance of a March 15 primary election. The delay would mean the probe likely will not end before the election.

WELFARE REFORM: The Clinton administration will send a welfare-reform proposal to Congress by April 1, budget director Leon Panetta told the Senate Finance Committee. He said the administration is still "looking at about 30 to 40 options" for reform. "Very impressive — he gave us a date," said Chairman Daniel Patrick Moynihan, D-N.Y.

PAYBACKS: Two of President Clinton's friends are in line for ambassadorial posts, The Associated Press reported. Retired admiral William Crowe, former head of the Joint Chiefs of Staff, would go to England. Former Mississippi governor Ray Mabus would head to Saudi Arabia.

Clean Water Act faces revisions

Farmers expect 'painful' changes

By Kevin Johnson and Rae Tyson
USA TODAY

CEDAR LAKE, Ind. — Most farmers keep an eye on Congress for changes in agriculture policy, and Chuck Howkinson is no exception.

On Wednesday, as he milked his cows, Howkinson knew the Senate was beginning a clean-water debate that could have widespread implications for the nation's farmers — and nearly every other American.

At the center of the debate is a plan to cut agricultural pollution by amending the Clean Water Act — passed by Congress 22 years ago with the goal of making all of the nation's waterways safe for fishing and swimming by 1983.

There's been dramatic progress since then — but the law hasn't covered all the problems.

"For all the Clean Water Act has accomplished, it does not address the largest single source of water pollution" — farm runoff of silt, pesticides and manure, says Sen. Max Baucus, D-Mont., chairman of the Environment and Public Works Committee.

Howkinson worries about the cost of the changes. "It's going to be painful for a lot of farmers," says Howkinson, 48, who raises 140 cows on 200 acres in northwestern Indiana.

Despite amazing turnarounds with waterways like the Cuyahoga River in

Ohio, poor water quality remains:

► Antiquated sewage systems in 1,100 cities still dump poorly treated sewage into rivers, lakes and streams.

► Millions of pounds of toxic chemicals are dumped into the water annually by unregulated industries.

► In 1991 and 1992, 28 million people faced unhealthy drinking water.

► Since 1988, more than 7,700 beaches have been closed to swimming.

► Fish caught in more than 1,400 separate waterways are unsafe to eat because of high levels of pesticides and

other toxic substances.

"Despite the progress we've made, the nation still has serious water pollution problems," Baucus says.

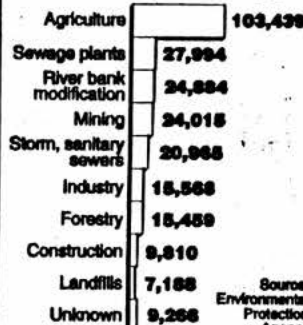
Farm runoff isn't the only target for regulation. The Senate is considering cuts in polluted urban runoff and tighter restrictions on toxic industrial pollutants. Among other potential changes are greater wetlands protection and tougher penalties for polluters.

Luckily for Howkinson, he anticipated the need for changes.

He and his dad, David, used to spread

Farming biggest river polluter

Miles of river polluted, by source of pollution:



Source: Environmental Protection Agency

By Marty Baumann, USA TODAY

untreated cow manure on fields. The problem, especially in winter, Howkinson says, was manure and bacteria could run off the frozen ground, straight into Cedar Lake, less than a mile away.

Now he uses a mechanized system — he would say only it was expensive — that collects and pumps manure into a pond, where it's stored until spring. The liquefied waste becomes fertilizer.

Though Howkinson is prepared, others are worried about the impact.

"Farmers are very concerned," says Roger Nanney, a Agriculture Department conservationist.

New Clinton aide takes the bull by the horns

By Adam Nagourney
USA TODAY

Thirty minutes after the Congressional Budget Office issued a potentially devastating verdict Feb. 8 on President Clinton's health-care plan, suggesting it would explode the deficit and raise taxes, Harold Ickes called an emergency meeting of White House aides.

With the precision of a corporate board — and in just 35 minutes, lightning-fast by the usual standards of this White House — the new deputy chief of staff and 20 senior aides thumbed through fresh copies of the document, deciding on what to say and how to say it.

And within a day, the decisions — to treat the report not as a hostile document but instead play up slivers of positive news for the administration — helped lessen the effect of what was highly potent ammunition for opponents.

On paper, at least, the person who orchestrated the response was simply a deputy chief of staff, overseeing the campaign to win approval of Clinton's health-care plan and run the political operation.

But Ickes' appointment is more significant than that.

To a White House long on congeniality but short on discipline, the addition of Ickes — who spent his first years out of high school as a cowboy on Western ranches — brings a level of efficiency and intensity that has often seemed missing. At 54, he brings the maturity and experience of someone who grew up in a political family and was schooled in tough New York politics.

Most important, though, Ickes (ICK eez) was always supposed to be in this White House. He was a friend of Bill and Hillary Clinton for 20 years, a member of the original campaign planning group, and he remains close friends with the president and first lady, also key to his influence.

His appointment was detailed on the eve of the new ad-

ministration because of a suddenly disclosed investigation into his law firm's defense of a mob-linked union that eventually produced nothing.

Ickes' early and constant involvement in the campaign earned him a level of loyalty and trust among those who are now at the core of the Clinton

command that such newcomers as counselor David Gergen never enjoyed. It is why, despite a manner that could at times charitably be called ruthless, he quickly and painlessly integrated himself into the White House staff.

In the inner circle, he has, openly at least, no enemies.

The praise that one hears of Ickes these days, that he has brought a new level of order and discipline and efficiency to a relentlessly chaotic White House, is by any measure an

implicit criticism of the current operation. No matter.

Chief of staff Thomas "Mack" McLarty, who is Ickes' immediate supervisor, said he began a year ago to urge Ickes to stand ready to join the White House once the probe was over. "Harold's a strong motivator," said McLarty. "I don't think Harold manages by fear or intimidation. But he's demanding."

Added Robert Boorstin, a senior health aide "I would rather work for someone who's di-

rect and who tells you when you screw up then someone who lets things slide."

About two years ago, Ickes decided to learn to sail. He bought a 19-foot sail boat, read a few books, and listened to advice from some sailor-friends. Then last summer, Ickes entered an amateur race off

New York's Fire Island.

As Ickes' boat came upon a buoy, another boat approached from the inside. Ickes, at the mainsail, barked an order: "Just pull it over! Pull it over right next to the buoy!"

The maneuver forced the approaching boat into the buoy. "We just came right over on him," Ickes said, fingering his trademark floral-print ties and cackling at the story over breakfast in the White House.

The judges did not take kindly to this violation of nautical

etiquette and disqualified him. Still, the event — the sheer, and perhaps disproportionate, aggressiveness this inexperienced sailor brought to a friendly competition between summering New Yorkers — tells much about Ickes' style.

When *The New Republic*, an influential yet relatively small (circ. 101,828) weekly, brutalized the Clinton health-care plan, the White House responded with a nine-page line-by-line response.

Similarly, when the White House got word that the Business Roundtable might oppose the health-care plan, the president and first lady led a personal though unsuccessful attempt to dissuade it.

"Harold Ickes doesn't practice turn-the-other-cheek politics," said Clinton political adviser Paul Begala.

When Ickes arrived on Jan. 3, McLarty gave him an unexpected assignment: to get a handle on Whitewater, the land investigation in Arkansas that was turning into a major political distraction.

Ickes had barely followed the story. "I knew very little about it: It was very complex."

The assignment made sense, though, because in New York, Ickes worked closely with Mayor David Dinkins in a probe of a stock transaction. Both cases involved public officials who grow prickly at questions about private dealings.

"Typically, these things are very personal to people," Ickes said. "They're reluctant, as all of us are, to let others get involved. But at some point, you really have to."

Ten days after Ickes got involved, the Clintons agreed to a special prosecutor.

On the day President Clinton was sworn in, Harold and Laura Ickes stood at the southwest gate of the White House. As members of the new president's staff streamed in with their new credentials for a private celebration, a subdued Ickes waited for guards to clear him for a day visit.

Ickes made little effort to hide his disappointment. But when the investigation was over, Ickes wasn't sure he wanted to come back. He disputes reports he was holding out for more authority, and says he was reluctant to turn his life around again after settling back into his law practice.

His daughter, Charlotte Jane, who turns 8 in March, did not want to leave her friends, and asked to talk to the president so she could tell him to leave her father alone.

There's another factor. After Ickes returned to New York, he told friends the experience reminded him of the sourness he felt toward Washington because of the way his mother's celebrity status evaporated after his father, Harold Ickes, secretary of the Interior to Franklin Delano Roosevelt, died when he was 13.

It is noteworthy that Ickes has not sold his New York apartment. "I do not," he "see myself becoming part of Washington."

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(ATTN: National editors) (Includes optional trims)

Fiske Names 8 Lawyers to Help With Whitewater Probe (Little Rock)

By Sara Fritz= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Independent counsel Robert B. Fiske Jr. Wednesday appointed eight lawyers to assist in his investigation of the Whitewater affair most of them, like himself, attorneys from New York, but two of them Southerners whose style will be more familiar in President Clinton's home state of Arkansas.

While Fiske declined to discuss details of the investigation, his appointments revealed much about the strategy he intends to use in pursuing a wide-ranging investigation of President Clinton's joint investment in the Whitewater Development Corp. with James McDougal, the owner of a failed savings and loan.

For instance, Fiske made it clear that he regards as very serious the allegations that the Whitewater affair may have precipitated the apparent suicide last year of White House lawyer Vincent Foster. Files on the Whitewater deal were removed from Foster's office by Clinton aides shortly before law enforcement authorities arrived to investigate the suicide.

Fiske said that one of his appointees, Roderick C. Lankler, a New York lawyer and former prosecutor, will be located in Washington and assigned to focus strictly on events surrounding Foster's death. Once chief litigator under New York District Attorney Robert M. Morgenthau, he has assisted in several New York political corruption probes since entering private practice in 1984.

The independent counsel, appointed by Atty. Gen. Janet Reno little more than a month ago, also made it clear that he intends a fast start that will enable him to complete the investigation within a year. To that end, he said he will be ready by March 28 to prosecute former Arkansas Judge David Hale, along with two co-defendants, on loan fraud charges.

Although the charges against Hale are technically unrelated to the Whitewater case, he contends that he acted on Clinton's request when he loaned \$300,000 from his government-subsidized venture capital investment fund to Susan McDougal, James McDougal's wife and a partner in the Whitewater deal.

So far, sources said, Fiske has refused to offer Hale leniency in exchange for his testimony about the Clintons. But Fiske's decision to take responsibility for the Hale case, which was being investigated by the Justice Department, was seen by lawyers in the case as an acknowledgement of Hale's contention that the cases are related.

(Optional add end)

A partner in the prominent New York law firm of Davis Polk & Wardwell and a former U.S. attorney in Manhattan during the Ford and Carter administrations, Fiske predictably selected mostly Yankee attorneys with backgrounds similar to his own. Only three of his appointees were from outside New York.

But recognizing that his predominantly New York legal team may encounter some hostility from friends of Clinton in the President's home state of Arkansas, Fiske chose an experienced Texas trial lawyer with a thick Southern drawl, Russell "Rusty" Hardin Jr., to try Hale's case in federal court in Little Rock.

"If you heard him speak," said a source close to the investigation, "... he talks like he is from Arkansas."

Although Hardin is officially new to the team, Fiske said he does not intend to ask for a postponement of the trial while Hardin familiarizes himself with the case. He said Hardin already is working with Denis J. McInerney, a close Fiske associate who joined the investigation shortly after the independent counsel was appointed.

education.

"God knows how many phone calls I've got because Rush Limbaugh had given my phone number out," said Rep. Bill Ford, D-Mich., chairman of the Education and Labor Committee.

Ford sponsored an amendment that would remove Miller's language and insert a statement saying that nothing in the act should be construed to affect home schools.

Still, Ford insisted that the Miller provision was always intended to cover only public schools. "Somebody put two and two together and got 10."

But Gerald Solomon of New York, ranking Republican on the Rules Committee, said intent of the language "is what bureaucrats perceive it to be." He said home schoolers in his district "are justifiably terribly, terribly concerned."

The committee agreed on an open rule, meaning any member can submit an amendment when the bill is on the House floor. That opened the way for Rep. Dick Armey, R-Texas, to offer his amendment specifying that certification of teachers does not apply to any private, religious or home school that does not receive funds under the bill.

"The world is full of people anxious to have a sense of satisfaction that their safety and their freedom is protected," Armey said.

Sponsors of the bill also asked that the home school issue be taken up at the beginning of floor debate so the issue can be laid to rest.

"Our goal is to spare every member of Congress a second week of phone calls," said Rep. Steve Gunderson, R-Wis.

BC-CLINTON-WHITewater (SCHEDULED)

REPUBLICAN LAWMAKERS GET BITE AT WHITEWATER SCANDAL

By Stella Dawson

WASHINGTON (Reuter) - Questionable links among a failed Arkansas savings bank, President Clinton's gubernatorial campaign and his money-losing Whitewater land deal get their first Congressional hearing this week.

Republican lawmakers, frustrated in their efforts to investigate the Whitewater affair in Congress, have pressed for

a hearing Thursday?before?the Senate Banking Committee.

Billed as a routine event on the progress of the government's clean-up of the savings and loan?crisis,? Republicans say they plan to turn it into a show-and-tell affair exposing links between the Madison Guaranty Savings and Loan Association and Clinton's 1984 campaign for Arkansas governor.

"We know nothing. That is the problem," said one

Senate aide. "We are getting stonewalled. Their response is we will only respond to requests from the special counsel."

Not that there is evidence of wrongdoing by Madison or the Clintons. Special counsel Robert Fiske is conducting a broad investigation of Whitewater and the Clintons' finances during the mid-1980s.

But there are plenty of unanswered questions, making fertile ground for speculation.

"Everybody is making much more of a conspiracy here than there really is," said one regulatory official.

Madison's collapse under a burden of bad loans in March 1989 would have been just one of hundreds of thrift failures during get-rich-quick days of the 1980s.

Except the Clintons invested in the Whitewater real estate project with James McDougal, former head of now-failed Madison Guaranty, raising questions whether the investment funneled money illegally into Clinton's 1984 gubernatorial race.

Republicans on the House Banking panel reportedly have uncovered evidence that Madison used depositors' money to pay Clintons' Whitewater debts, raising questions about whether Madison and Whitewater were used to paper over questionable campaign financing.

Also at issue: did the savings and loan benefit from Clinton's political clout as governor of Arkansas, and did the affair have anything to do with the death of Vincent Foster, the White House aide and one-time personal attorney for the Clintons who handled their investment in Whitewater.

Foster, who was found dead in a park outside Washington last July, committed suicide, according to U.S. Park Police.

Senator Alfonse D'Amato, the senior Republican from New York on the banking committee, said he wants to find out how federal regulators handled Madison's collapse.

Those scheduled to appear before the committee Thursday are the temporary head of the Resolution Trust Corp., the savings and loan agency, Deputy Treasury Secretary Roger Altman, Federal Reserve Chairman Alan Greenspan and Treasury Secretary Lloyd Bentsen, all members of the RTC oversight board.

Among questions Republicans will push, aides said, are:

- Did regulators wink at possible fraud or professional misconduct at Madison because it was run by a friend of Clinton.

- Is Altman, as an old friend of Clinton's, blocking congressional inquiries to try and prevent civil cases from being brought against Madison executives?

- And did the Federal Deposit Insurance Corp., another regulatory agency, whitewash an inquiry that cleared Hillary Clinton's former firm of wrongdoing in its work involving Madison.

To Democratic lawmakers, however, there is a supreme irony to this investigatory zeal. It was Republican-appointed regulators who took over Madison when it failed, sold it in 1990 to two Arkansas banks leaving taxpayers with a \$47 million bill, and who brought no legal action against Madison executives to recover losses.

REUTER

Special counsel hires lawyers for Whitewater probe

LITTLE ROCK, Ark. (UPI) The special counsel in the Whitewater probe hired a homicide expert Wednesday to head the investigation into the suicide of deputy White House Counsel Vincent Foster.

Special Counsel Robert J. Fiske said Foster's death would be part of his charge to investigate charges of improper actions by President Clinton and his wife in their dealings with the failed Madison Guarantee Savings and Loan.

Fiske said he would open branch Whitewater offices in Washington and New York, but would continue to spend most of his time in Little Rock, which he has called "the center of gravity" in the probe.

Roderick C. Lankler, a 1962 graduate of Columbia Law School and 13-year veteran assistant in the Manhattan District Attorney's Office, was named head of the Washington office, which will concentrate on Foster's death.

Foster, a former partner of Hillary Clinton in a Little Rock law firm, was found shot to death in a federal park in Virginia. Questions have been raised about the actions of White House staff members in Foster's office after news of his death broke. Several files, including one concerning Whitewater, were allegedly removed from the office.

Fiske also announced he had hired Russell "Rusty" Hardin, Jr., a prosecutor for 15 years in the Harris County District Attorney's Office in Houston, to handle the government's case against former Little Rock Municipal Judge David Hale and two co-defendants.

Fiske said his office would be ready when Hale is scheduled to be tried on March 28 on charges of defrauding the Small Business Administration. Hale claims Clinton and former Madison president Jim McDougal pressured him into making a \$300,000 loan backed by the SBA to a company owned by McDougal's then-wife, Susan.

Rock music industry before Congress
By PAUL BASKEN=

that his pharmacists will not have to double as claims adjusters and insurance experts. He has 14 employees, about half of them full-time.

His wife, Linda, is in charge of private billing. His stepdaughter, Sally Gallagher, who lives in an apartment above the store, is in charge of the health and beauty aids. A second stepdaughter, Mary Anne DeFrosse, handles Medicare billing.

Kiszkiel had extra staff on duty Wednesday amid preparations for the president's visit.

Display cases of greeting cards and first-aid supplies were moved to the basement to make room for the president and his entourage. Shelves were dusted, and empty spots restocked.

Clinton is visiting the Norwich pharmacy to underscore the high cost of prescription drugs and continue his campaign for congressional approval of his health reform plan. After visiting Kiszkiel's store, Clinton will speak to a group of senior citizens at an area high school.

Kiszkiel's customers were glad the president had chosen their neighborhood pharmacist for his visit.

Louise Jaczynski, a 73-year-old widow who works as a school crossing guard, said Clinton's efforts to include prescription drugs under his health care plan would solve a dilemma for her.

She is currently covered by a state program that caps the cost of prescription drugs for senior citizens whose income does not exceed certain levels. But she said she will lose coverage March 31 because she earned \$79 more than the maximum last year.

"I don't know what to do. Maybe I'll have to quit," she said. "But I love my job and the kids."

BC-CLINTON-WHITEWATER-PROBE

SPECIAL WHITEWATER COUNSEL HIRES 8 ATTORNEYS

LITTLE ROCK, Ark, Feb 23 (Reuter) - The special counsel in the Whitewater probe said Wednesday he has hired eight attorneys to help with the investigation of President Clinton's business dealings while governor of Arkansas.

Special counsel Robert Fiske said in a statement he expects to hire "one or two" more attorneys in coming weeks.

Fiske said he expects to spend most of his time in Little Rock, where a three-year lease has been signed on a suite of offices. However, he said his investigation "is expected to be finished in significantly less time."

The new attorneys include Roderick Lankler, a partner in the New York City law firm of Lankler, Siffert and Wohl, who will lead the team of investigators probing the

death of deputy White House counsel Vincent Foster Jr, whose body was found in a park outside Washington last July.

Federal park police ruled the death a suicide.

At the time of Foster's death, files relating to investments by Clinton and his wife Hillary in the Whitewater real estate venture in Arkansas were removed from Foster's White House office. They were later forwarded to Fiske.

Lankler will be based at the Whitewater counsel's Washington, D.C. office.

Russell "Rusty" Hardin, Jr., a partner in the Houston firm of Hardin, Beers, Hagstette and Davidson, will direct the prosecution of David Hale, owner of a Little Rock firm who has been charged with defrauding the Small Business Administration.

Hale has accused Clinton and other prominent Arkansas politicians of pressuring him to make a government-guaranteed loan to Susan McDougal, then the wife of James McDougal, chairman of Madison Guaranty Savings and Loan.

Some of the loan proceeds to Susan McDougal were deposited in the account of Whitewater Development Corp., in which the Clintons invested with James McDougal.

Hale and two co-defendants, Charles Matthews and Eugene Fitzhugh, both of Little Rock, are to go to trial March 28.

Six other attorneys were hired in support positions.
REUTER

BC-CLINTON-ARREST

CLINTON ASSASSIN SUSPECT TO UNDERGO EVALUATION SOON
WASHINGTON, Feb 23 (Reuter) - The suicidal, unemployed limousine driver charged last week with threatening President Clinton's life will undergo psychiatric evaluation soon to see if he is fit to stand trial, a federal lawyer said Wednesday.

Ronald Gene Barbour, arrested last Thursday in Florida and charged with threatening to kill Clinton, will undergo psychiatric tests probably within the next two weeks to determine his ability to stand trial, said James Glazebrook, an assistant U.S. district attorney in Orlando, Florida.

Barbour, 45, allegedly "knowingly and wilfully threatened to take the life of, and to inflict bodily harm upon, the President of the United States," an indictment filed last week in U.S. District Court in Orlando said.

White House officials said Barbour staked out Clinton's usual jogging route on the National Mall, a large grassy park in central Washington, in mid-January when Clinton was on a trip to Europe and Russia.

Glazebrook said Barbour's arraignment was postponed at

Fiske brings 8 aboard his Whitewater team

By Jerry Seper
THE WASHINGTON TIMES

A1

LITTLE ROCK, Ark. — Six former federal and state prosecutors were among the eight lawyers named here yesterday by Whitewater-Madison special counsel Robert B. Fiske Jr. as the linchpins of a federal inquiry into alleged financial irregularities involving President and Mrs. Clinton.

The Whitewater-Madison team will work out of offices in Little Rock, New York City and Washington — assisted by a task force of 25 FBI agents and financial analysts.

At least two more lawyers are expected to be named in the next few weeks.

Key among the appointments are Roderick C. Lankler, a former assistant district attorney in New York, who will head the Fiske inquiry of the July 20 death of White House Deputy Counsel Vincent W. Foster Jr., and Russell "Rusty" Hardin Jr., the lead prosecutor in the pending March 28 trial of a Little Rock judge who has accused Mr. Clinton of pressuring him for a fraudulent government loan.

Four of the new staffers have worked with Mr. Fiske at Davis Polk & Wardwell in New York, where he was a partner until last month, when Attorney General Janet Reno hired him to conduct an

see FISKE, page A17

FISKE

From page A1

independent investigation into the Whitewater-Madison affair.

"Based on what we've seen with these appointments, it would appear that Mr. Fiske is serious about looking into the so-called Whitewater-Madison affair," said one federal law enforcement official familiar with the investigation.

"Only time will tell if the initial reaction is a true one," the official said.

Mr. Lankler, who will work in the Washington office leased by Mr. Fiske across the street from the Justice Department, spent eight of 13 years as an assistant district attorney as the lead homicide prosecutor under New York District Attorney Frank Hogan.

He later served as chief of the trial division under New York District Attorney Robert Morgenthau and was responsible for the prosecution of all trials in that office.

By 1983, Mr. Lankler was considered a candidate for the New York Police Department's chief job, according to NYPD officials.

In 1984, Mr. Lankler — a 1962 graduate of the Columbia Law School — formed the private firm of Lankler, Siffert & Wohl, which has handled the cases of public and private firms, politicians and others accused of banking and securities fraud and other offenses.

Mr. Lankler was a member of a special mayoral panel called the Mollen Commission, assembled in 1992 to probe police corruption in New York, under former New York

Supreme Court Justice Milton Mollen.

Mr. Hardin, who has been assigned to the Little Rock office, was an assistant district attorney in Houston for 15 years, trying more than 100 jury cases, including 14 involving the death penalty. He was Texas State Prosecutor of the Year in 1989.

Mr. Hardin will handle the scheduled March 28 trial of former Little Rock Municipal Judge David A. Hale on unrelated fraud charges involving his Small Business Administration-approved lending company, Capital-Management Services Inc.

Mr. Hale has said Mr. Clinton pressured him in February 1986 for an illegal \$300,000 SBA-guaranteed loan.

The former judge pleaded not guilty again yesterday to charges that he defrauded the SBA.

He pleaded not guilty to similar charges last fall, but Mr. Fiske obtained a superseding indictment last week that made changes in the charges against Mr. Hale. Yesterday's arraignment was in response to the new indictment.

Since 1991, Mr. Hardin, a 1975 graduate of Southern Methodist University Law School, has been a senior partner in the Houston law firm of Hardin, Beers, Hasstette and Davidson. While in private practice, he was hired by two Texas counties to prosecute a district attorney and a county attorney on charges of improper conduct. Both officials later were removed.

Mr. Fiske, who will head the investigation from the Little Rock office, was assigned Jan. 20 by

Miss Reno to look into allegations of financial irregularities involving the Clintons; Madison Guaranty Savings and Loan Association; its owner, James B. McDougal; and the Whitewater Development Corp.

The special counsel, a former U.S. attorney in New York, also named six other lawyers yesterday as part of the Whitewater-Madison team. They are:

- William S. Duffey Jr., a 1977 graduate of the University of South Carolina Law School and partner in the Atlanta law firm of King and Spalding. He is considered an expert in complex civil and criminal cases and was actively involved in the investigation of E.F. Hutton after its guilty plea to mail and wire fraud and in the Exxon Valdez case.

- Denis J. McInerney, a 1984 graduate of Fordham Law School and deputy chief of the criminal division in the U.S. Attorney's Office in New York. His most recent prosecution resulted in the conviction of the Cooper Co. Inc. and Gary Singer, its former co-chairman, on charges of racketeering, money laundering and mail fraud.

From 1986 to 1989, he was an associate at the New York law firm of Davis, Polk and Wardwell.

- Julie R. O'Sullivan, a 1984 graduate of Cornell Law School and an assistant U.S. attorney in New York. She was co-counsel in the successful prosecution of Roy William Harris in the first case ever under the government's recently enacted Continuing Financial Crimes Enterprise Act.

An associate at Davis, Polk and Wardwell from 1986 to 1991, she is scheduled to join the faculty of Georgetown Law School as an associate professor in January 1995.

- Patrick J. Smith, a 1989 graduate of Columbia Law School. A former law clerk to U.S. District Judge Marvin Katz in Pennsylvania, he has been an associate at Davis, Polk and Wardwell since 1990.

- Mark J. Stein, a 1983 graduate of the University of Michigan Law School and deputy chief of the criminal division of the U.S. Attorney's Office in New York. An assistant U.S. attorney since 1989, he has investigated and prosecuted a number of complex financial crimes. He was an associate at Davis, Polk and Wardwell from 1984 to 1989.

- Carl J. Stich Jr., a Cincinnati lawyer who has served as an assistant special prosecutor for Ohio in the investigation of collapsed S&Ls and as a special assistant attorney general for Kentucky, prosecuting violations of state campaign finance laws.

He also was a special assistant attorney general in Kentucky in the investigation and prosecution of violations of state campaign finance laws.

• Michael Hedges contributed to this article, which is based in

GOP senators to press for Madison answers

REUTERS NEWS AGENCY

Questionable links among a failed Arkansas savings and loan, President Clinton's gubernatorial campaign and his money-losing Whitewater land deal get their first congressional hearing today.

Republican lawmakers, frustrated in their efforts to investigate the Whitewater-Madison affair in Congress, have pressed for a hearing before the Senate Banking Committee.

Today's hearing is billed as a routine report on the progress of the government's cleanup of the savings and loan crisis, but Republicans say they plan to turn it into a show-and-tell affair exposing links between the Madison Guaranty Savings and Loan Association and Mr. Clinton's 1984 campaign for Arkansas governor.

"We know nothing. That is the problem," said one Senate aide. "We are getting stonewalled." [The congressional Democrats']

response is: 'We will only respond to requests from the special counsel.'"

Sen. Alfonse D'Amato, New York Republican and ranking minority member of the Banking Committee, said he wants to find out how federal regulators handled Madison's collapse.

Those scheduled to appear before the committee are Federal Reserve Chairman Alan Greenspan, Treasury Secretary Lloyd Bentsen and Deputy Treasury Secretary Roger Altman, temporary head of the Resolution Trust Corp., which is responsible for cleaning up the S&Ls.

"Everybody is making much more of a conspiracy here than there really is," said one regulatory official.

But Republicans on the House banking panel have released evidence that they say shows how Madison used depositors' money to pay the Clintons' Whitewater debts.

A6 Thursday, February 24, 1994

WASHINGTON

The Atlanta Journal / The Atlanta Constitution

WASHINGTON BRIEF

Special counsel
on Whitewater
beefs up his teamBy Ernie Freda
STAFF WRITER

Whitewater independent counsel Robert Fiske filled out his staff Wednesday with eight lawyers for the investigation of President and Hillary Rodham Clinton's Arkansas financial dealings and the events surrounding the death of deputy White House counsel Vincent Foster.

Four of the lawyers are former prosecutors who have had high-profile successes in prosecuting financial fraud cases. One is William Duffey Jr., a partner in the Atlanta law firm King & Spaulding. Duffey worked on an internal investigation of the E.F. Hutton securities brokerage firm after it pleaded guilty to fraud based on its banking practices.

Fiske put Roderick Lankier, a partner in the New York firm Lankier, Siefert and Wohl, in charge of the Foster investigation. He will work out of a Washington office across the street from the Justice Department.

Fiske said he would spend most of his time in leased offices in Little Rock and oversee seven lawyers and 25 FBI agents and financial analysts.

ETHICS VOTE PUT OFF:

The House leadership of both parties agreed to a request by U.S. Attorney Eric Holder to delay an ethics investigation of the House Post Office until a federal grand jury completes its probe. Holder said the grand jury action, nearing completion, could be damaged by parallel activity in the House. House Speaker Thomas Foley (D-Wash.) suggested that resolutions to initiate the Ethics Committee probe were withdrawn because of Holder's letter, but Republicans said that had nothing to do with the decision. Instead, Republicans suggested that Democratic leaders were worried that they might appear to be sweeping the high-profile case under the rug and that they were in danger of being "embarrassed" by members of their own party who intended to vote for the GOP-sponsored resolution. Republicans said they agreed to go along with a temporary withdrawal of the resolutions in hopes of reaching a bipartisan compromise that could be approved next week.

wondered "If there is as much fakery in the event that is being celebrated as in the decor." But Neel Lattimore, deputy press secretary to Hillary Rodham Clinton, threw cold water on the allegation. There are "no gas fireplaces in the White House," he said, adding that during meetings either Clinton is apt to stoke the fire or add logs.

ELSEWHERE

A House subcommittee headed by Rep. J.J. "Jake" Pickle (D-Texas) is looking into unscrupulous schemes — involving translators, lawyers or storefront businesses — that coach thousands of immigrants to fake mental illness and retardation to

qualify for federal disability benefits. ... Retired Adm. William Crowe Jr., 69, and former Mississippi Gov. Ray Mabus, 45, who are key political supporters of President Clinton, are in line for plum ambassadorships in Britain and Saudi Arabia, according to the White House. ... Rep. William Natcher (D-Ky.), 84, chairman of the House Appropriations Committee, checked out of a hospital and arrived at Congress in a wheelchair to continue his unbroken voting record — casting two more and bringing his total to 18,393 since entering the House in January 1954. ... The Washington Post reported that the Clinton family had to call off lunch at the airy

Sequoia restaurant in Georgetown after church Sunday because a large group of unexpected patrons poured in after the Secret Service swept the place. ... Some people are just now getting part of the 95,000 Christmas cards mailed Dec. 10 by Vice President Al Gore — who a task force on government efficiency. ... Betsy Marshall, the Ohio president of the National Organization for Women, says Rep. Martin Hoke (R-Ohio) — he of the "beega breast" remark — is contrite and has promised to work with her on a town meeting for women about women's issues.

SAY IT AGAIN

"This administration's more spin-addicted than any I've ever seen. The spin level's just unbelievable." — ABC White House correspondent Brit Hume, on "Larry King Live."

COMING UP

TODAY: Surgeon () Joycelyn Elders issues the annual federal report on smoking and health.

— From staff, news services and published reports

HERE COMES THE ... First brother Roger Clinton finally has decided. He'll marry fellow Arkansan Molly Martin on March 26. Clinton broke the news on the syndicated TV show "American Journal." "This is the first time I've said it, March 26," he told Nancy Glass. He said the date was selected to accommodate President Clinton, who will be best man. He denied reports that he was refused a White House wedding, insisting that he didn't want to be part of a media event. The bride-to-be is expecting a child this spring. The program will be seen in Atlanta at 7:30 p.m. Friday on WXIA/Channel 11.

HURTS THE AVERAGE:

When the Senate took eight back-to-back roll call votes in two hours a week ago, it severely hurt the 1994 voting participation scores of seven senators. Sens. J. Bennett Johnston and John Breaux (both D-La.) were with President Clinton at a General Motors plant in Shreveport. Three others were attending funerals: John Chafee (R-R.I.), Carol Moseley-Braun (D-Ill.) and Jay Rockefeller (D-W.Va.). Phil Gramm and Kay Bailey Hutchison (both R-Texas) were back home. Gramm, according to Congressional Quarterly, was briefing constituents on crime and health care while Hutchison was on trial for alleged misuse of her state office.

FANNING THE FLAMES:

Lawrence Cranberg, president of the Texas Fireframe Co. in Austin, wrote an irate letter to The New York Times complaining about the fires in President Clinton's hearth. Not like Franklin Roosevelt's fires, which "symbolized enduring values cherished in high places." White House fires are not even wood-burning now, he added, but gas and simulated logs! And he

NATIONAL

Texan named to Whitewater staff

By David Hanners

Staff Writer of The Dallas Morning News

A former Texas prosecutor with a reputation for toughness — and for never losing a felony case — was named Wednesday to the staff investigating President Clinton's Whitewater land dealings.

Russell "Rusty" Hardin Jr. of Houston was one of eight lawyers appointed by Independent counsel Robert B. Fiske Jr. in Little Rock, Ark.

The 52-year-old graduate of the Southern Methodist University School of Law spent 15 years as an assistant district attorney in Harris County before resigning in 1990 to start his own law firm.

"I had no idea they were serious about that stuff (Whitewater). If they're putting Rusty on the staff, they're serious about it," said Mr. Hardin's former boss, Harris County District Attorney John B. Holmes.

Mr. Hardin will get a chance to show his courtroom mettle pretty quickly. He will be the government's lead prosecutor in the March 28 federal fraud trial of David Hale, a former municipal judge in Little Rock who has accused Mr. Clinton of pressuring him to lend money to a Clinton business associate.

"That is a short fuse," Mr. Hardin said of the trial date. "But that's what makes being a trial lawyer exciting. I'm looking forward to it. I don't see any problem with it being a month away. That's what we all signed on to do as trial lawyers."

In the Whitewater inquiry, Mr. Hardin will join a group of lawyers experienced in prosecuting complex cases.

Those named by Mr. Fiske included

Houstonian to prosecute Clinton accuser

ed Roderick C. Lankler, a New York lawyer who will be responsible for investigating the death of White House Deputy Counsel Vincent Foster, one of the Clintons' longtime friends from Arkansas. Mr. Foster was working on Whitewater matters. Authorities ruled his death a suicide. Mr. Lankler will work out of a Washington office.

Also named were Atlanta lawyer William S. Duffey Jr.; Denis J. McInerney, Julie R. O'Sullivan and Mark J. Stein, all of the U.S. attorney's office in the New York City borough of Manhattan; Patrick J. Smith, who is in the same New York law firm that Mr. Fiske was at before becoming special counsel; and Carl J. Stich Jr., a Cincinnati lawyer and former assistant special prosecutor in Ohio. They will work out of an office in Little Rock.

In Washington, a Senate Banking Committee hearing into Whitewater opens Thursday. And House Banking Committee Chairman Henry B. Gonzalez, D-San Antonio, announced Wednesday that he'll hold a similar hearing in March.

The independent counsel, appointed last month by U.S. Attorney General Janet Reno, is taking a close look at business dealings the Clintons had with some Arkansas friends, James McDougal and his former wife, Susan McDougal.

Mr. McDougal owned Madison Guaranty Savings & Loan, which failed in March 1989. He also co-owned, with the Clintons, the Whitewater Development Corp., an unprofitable venture to develop a 230-acre

tract of land along the White River in the Ozarks.

Mr. Fiske is investigating whether Mr. McDougal's thrift got favorable treatment from state regulators while Mr. Clinton was governor or whether the Clintons benefited from any undue consideration from Mr. McDougal in the land investment.

The Clintons have denied any wrongdoing and said they lost thousands of dollars in the venture.

The original indictment against Mr. Hale was obtained last year by the U.S. attorney in Little Rock, but the case has been handed over to Mr. Fiske.

It will be the latest high-profile case for Mr. Hardin, who had an unbroken string of victories in more than 100 jury trials, including 14 death penalty cases, during his stint in the Harris County district attorney's office.

Politically, friends and colleagues said they've never been sure whether Mr. Hardin is a Democrat or Republican. When told of that, Mr. Hardin responded, "I take that as a wonderful compliment if someone says they're confused about my politics."

Mr. Hardin is a former Army intelligence officer who came home from Vietnam with a Bronze Star and an uncertainty about what he wanted to do in life. When he decided to become a lawyer, he was rejected by 13 law schools before finally getting into SMU.

As a student, civil law confounded him but he found his calling in criminal law — "the Lord's work," he calls

it. As he told Texas Monthly magazine in a January 1982 profile, "My tax law professor agreed to pass me my last semester if I would do two things: never practice tax law and never tell anyone that he'd been my tax law professor."

He made his mark in the Texas Legislature as well. In 1987, he and another Harris County assistant district attorney, Cathy Cochran Herasimchuk, almost single-handedly persuaded lawmakers to give prosecutors the right to appeal a judge's rulings on evidentiary matters and other issues.

"Rusty came to me in the session and said 'How about letting me go up there (to Austin) and see what I could do,'" Mr. Holmes recalled. "I said 'It's too late in the session, we've tried it before and there ain't no way, but if you want to try, do it.' And he did it. I'll be damned if he didn't accomplish it."

"It was 'Mr. and Mrs. Smith Go to Washington,'" said Ms. Herasimchuk, who is now connected with Mr. Hardin's law firm and is a candidate for the Republican nomination to a seat on the Texas Court of Criminal Appeals.

She called Mr. Hardin "the best trial lawyer I have ever seen, bar none."

"He manages to take very complex facts and situations and make them understandable... to anyone, certainly members of a jury," she said.

Ms. Herasimchuk said Mr. Hardin "is not always very methodical, and he is not always very organized, but he's always very effective.... He deeply believes in what he does, and that comes across."

THE WHITEWATER COUNSEL STAFF

■ **Roderick C. Lankler**, a partner for 10 years in the New York firm of Lankler, Sitter and Wohl

Assignment: Lead the investigation into the death of White House Deputy Counsel Vincent Foster

Background: Was an assistant district attorney in Manhattan for 13 years, rising to become chief of the trial division. Served as a special state prosecutor investigating corruption in New York City and on the Mollen Commission, which recently investigated police corruption.

■ **Russell "Rusty" Hardin Jr.**, a partner since 1991 in the Houston firm of Hardin, Beers, Hagstad & Davidson

Assignment: Lead the prosecution of David Hale, a former judge who accused President Clinton of pressuring him to make a federally backed loan to a Clinton business associate

Background: Spent 15 years as an assistant district attorney in Harris County, trying more than 100 jury cases, including 14 death penalty cases. Was chosen Texas State Prosecutor of the Year in 1989. Since leaving the district attorney's office, has been hired by two counties to help remove court officials accused of improper conduct.

The rest of the team...

■ **William S. Duffey Jr.**, a partner in the Atlanta law firm of King & Spaulding. He worked on an internal investigation of the E.F. Hutton brokerage firm after it pleaded guilty to fraud in its banking practices.

■ **Denis J. McInerney**, a deputy chief of the criminal division in the U.S. attorney's office in Manhattan. He recently won a case against The Cooper Companies Inc. and its former co-chairman on charges of racketeering, money laundering and mail and wire fraud.

■ **Julie R. O'Sullivan**, an assistant U.S. attorney in Manhattan since 1991. She was co-counsel in the successful prosecution of Roy William Hensley, the nation's first prosecution under the new Continuing Financial Crimes Enterprise Act.

SOURCE: Associated Press

■ **Patrick J. Smith**, an attorney since 1990 at the New York firm of Davis Polk & Wardwell, where he has prosecuted financial crimes, including bank fraud and money laundering.

■ **Mark J. Stein**, a deputy chief of the criminal division of the U.S. attorney's office in Manhattan, where he has prosecuted financial crimes, including bank fraud and money laundering.

■ **Carl J. Stich Jr.**, a partner in the Cincinnati firm of Duff, Shohl & Shohl. He has served as an assistant special prosecutor for Ohio in the investigation of the collapse of savings and loans as a special assistant attorney general for Kentucky, prosecuting violations of state campaign finance laws.

The Dallas Morning News

Though already

Whitewater probe stirs up little interest in Clinton country

By David Hanners

Staff Writer of The Dallas Morning News

LITTLE ROCK, Ark. — It might be a safe bet that President Clinton won't head for the White Water Tavern the next time he's back home and has a hankering for a burger and a basket of fries.

Not that he wouldn't be welcome, he would be, bartender Brian Bierman says. The name, though, might remind the president of the other Whitewater, the Arkansas real estate venture now under investigation by independent counsel Robert Fiske Jr.

The Fiske inquiry has given Republicans in Washington a platform from which to attack the Clinton White House. But on the eve of Mr. Fiske's announcement of his staff appointments, a number of Little Rock residents expressed little interest in the independent counsel's open-ended probe.

"I don't care about it. I think it's a waste of money," Donald Watts remarked as he nursed a Bud long-neck at the White Water Tavern's bar early Tuesday afternoon.

"I just think they're trying to get him," said Mr. Watts, a University of Arkansas-Little Rock student, acknowledging a bit of vagueness about who they are. "They haven't got anything else on him, so they're trying to find anything. And what are they going to do to him if they find anything?"

Three complicated subjects are swirled together in the Whitewater case: savings and loan regulation, real estate and campaign finance laws.

And, unlike other recent independent counsel inquiries, this investigation is playing out far from the Washington audience most interested in the proceedings.

Mr. Fiske's probe is focusing on business dealings that Mr. Clinton and his wife, Hillary Rodham Clinton, had with friend James McDougal beginning in 1978.

Mr. McDougal owned Madison Guaranty Savings & Loan, which was taken over by federal regulators when it failed in March 1989. With the Clintons, he co-owned Whitewater Development Corp., an unprofitable attempt to develop a 230-acre tract along the White River in the Ozarks.

In particular, Mr. Fiske will be looking for any evidence of whether state regulators gave Madison special treatment while Mr. Clinton was governor, or whether the Clintons got any undue consideration from Mr. McDougal in the Whitewater investment.

Federal authorities have investigated allegations that Madison had diverted depositors' money into Whitewater and Mr. Clinton's gubernatorial campaign in 1984.

The Clintons have denied any wrongdoing in the case, and say

they lost thousands of dollars.

Little Rock residents interviewed Tuesday said they were keeping an eye on the Whitewater inquiry. But, they added, they didn't know enough about the allegations to say anything improper had taken place.

"Do I hear quite a bit about it? Yes I do. But I don't have enough information to form an opinion," said Pam Brown, who heads her own real estate investment firm in Little Rock.

Ms. Brown said that while she doesn't consider the investigation complex — "It's simple to me because I'm an investor" — she does suspect a political motive behind the allegations.

"It's politics," she said. "It's what goes on everyday, and it's getting a lot of attention because Bill is from Arkansas."

The Little Rock newspaper, the *Arkansas Democrat Gazette* ran five articles on Whitewater on Monday, with two on the front page.

One of the articles questioned whether Mrs. Clinton, whose former law firm was hired by Mr. McDougal in 1985 to represent the savings and loan, had become a focal point of the investigation. It is a claim some locals dispute.

"I don't think she (Mrs. Clinton) is being singled out here. I just think the Republicans are trying to get Clinton," said Julie Brown, president of the Little Rock chapter of the National Organization for Women.

Arkansas Republicans reject that notion. State GOP chairman Asa Hutchinson said many people see the allegations "as just part of our system today."

"Everybody in Arkansas is keeping an eye on it. It's getting more play in Arkansas than anywhere

else," said Mr. Hutchinson, a Fort Smith attorney.

When the details behind Whitewater are known, he said, they will "tell a story how power politics has worked in Arkansas, and how those in power have used that power."

Still, even in a state capital where politics is a major industry, those involved in the business keep their opinions to themselves.

"I don't know how the people feel. I have a lot of responsibilities here, and pursuing Whitewater is not one of them," said Tim Masseneill, chief of staff to the state House speaker, L.L. "Doc" Bryan.

Clementine Infante, an assistant state attorney general who knows Mrs. Clinton through the Arkansas Association of Women Lawyers, said she personally believes the special counsel's probe is "a terrible waste of taxpayers' money."

"I wouldn't blow it off," she said. "If Bill and Hillary did something wrong, then we need to do an investigation, but he didn't even do this as a sitting president. ... In Little Rock, we're bored with this issue."

Don't tell that to Mr. Bierman at the White Water Tavern. So far, Whitewater, the land development, has helped the trade at White Water, the bar.

"It's kind of a good inside joke around here," he told yet another reporter who happened upon the watering hole a couple of blocks west of the Capitol. "We've even had the BBC in here. It's been good for business."

The tavern opened in 1968 as the Pitcher. Then, about 1980, the owner changed the name to White Water, although nobody in the place Tuesday seemed to know why.

Now, it seems fortuitous.

"We joke about it," said Mr. Bierman. "Come see us."

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LEVEL 1 - 1 OF 32 STORIES

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February 22, 1994, Tuesday, Late Edition - Final

SECTION: Section A;Page 1;Column 1;National Desk

LENGTH: 1196 words

HEADLINE: Clinton Moving To Avoid Losses In '94 Elections

BYLINE: By RICHARD L. BERKE, Special to The New York Times

DATELINE: WASHINGTON, Feb. 21

BODY:

President Clinton, worried that Democrats may suffer significant losses in this year's midterm elections, has given one of his closest advisers the job of repairing the troubled political operations at the White House and the Democratic National Committee.

The aide, Harold M. Ickes, has begun holding weekly meetings at the White House with senior Presidential aides and top Democratic officials to devise a strategy for minimizing losses in November.

White House officials acknowledge that the party that wins the White House has historically paid at the polls two years later, so their goal is to protect the already narrow margin of safety in the Senate, where the Democrats now dominate, 56 to 44, and in the House, where they have an 81-seat majority but where nearly 40 members have announced retirements. On several major issues, including the North American Free Trade Agreement and the budget, the Administration won victories last year with bare majorities.

String of G.O.P. Victories

Adding to the nervousness, and prompting the White House to dictate major changes at the Democratic National Committee, is the Republicans' string of victories in all six major elections since Mr. Clinton's election in November 1992.

Mr. Ickes, a New York lawyer who was named a deputy White House chief of staff late last year, is already coordinating efforts to pass the President's health care legislation and is charged with controlling political damage over the inquiry into the involvement of Mr. Clinton and his wife, Hillary, in the Whitewater Development Company in northern Arkansas.

White House officials view Mr. Ickes's rapid rise in the Administration as important because he is a veteran political strategist who ran the Clinton operation at the Democratic National Convention in New York in 1992 and carries great weight with the Clintons.

Coordination and Campaigning

"What we want to do is nail down and focus our strategy for the '94 elections," Mr. Ickes said in an interview about his newest task. "We also

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want to get some tighter coordination with the D.N.C., which was probably not there in the first year. We're also starting to take a hard look at where the White House resources should be put -- the President's time and what states and districts should be emphasized."

Mr. Ickes is developing a political agenda for the year for Mr. Clinton, with an emphasis on Presidential trips to promote his plan to overhaul the nation's health care and welfare systems, as well as other programs that could help Democrats. While Mr. Clinton will do some campaigning for Democratic candidates, most of those activities will be left to Vice President Al Gore, Mrs. Clinton and, to a lesser extent, Cabinet officers.

"California will continue to be our favorite stop," said Joan N. Baggett, the White House political director. "I think you'll see the President a great deal in the Midwest -- Illinois, Michigan and Ohio -- and some of the Northeast, New York and Pennsylvania."

Mr. Ickes played down the difficulties he confronts. But Democrats outside the White House have been more blunt in assessing the party and White House political operation, describing confusion in both. At the White House, they say, a struggle is going on to turn an organizational structure that succeeded in the Presidential campaign into one that melds campaigning and governing.

"If they're trying to push health care reform instead of building voter files, they're down the wrong road in my opinion," said Brian Lunde, a former Democratic Party executive director.

The White House operation has been regularly faulted by Democrats in Congress and elsewhere as rudderless and ineffective, the most recent example being its failure to prevent opponents of the health care plan from seizing control of the debate. Many critics say the problem is not a lack of talent but a diffusion of authority.

"The political talent of this White House is clearly at a higher level than what we saw in the previous Democratic White House, but the political decision-making process seems to be less structured," said Mark A. Siegel, a political aide to President Jimmy Carter and an executive director of the party in the early 1970's. "Clearly, Hamilton Jordan was in charge of politics at the Carter White House. He frequently made the wrong calls, but he was always making the calls. Here, there is not one central focus to the process."

Last year, the national committee devoted itself, and millions of dollars, to fighting for Mr. Clinton's programs rather than promoting the prospects of individual Democrats, leaving the party chairman, David C. Wilhelm, open to criticism from Capitol Hill.

Mr. Wilhelm, a political consultant from Chicago who was Mr. Clinton's campaign manager in 1992, said in defense of the strategy: "Our focus in 1993 was the President's legislative agenda. And I think that's where it should have been because the President's success and the Democratic Party's successes are inextricably linked."

\$2 Million for House Candidates

The New York Times, February 22, 1994

But to underscore his intention to shift emphasis this year, Mr. Wilhelm has pledged to allocate an unprecedented \$2 million to help House candidates and \$7 million to benefit candidates for governor and Senate seats.

In the last month or two, Mr. Wilhelm has also replaced almost all his top aides at the Democratic National Committee, installing people with more campaign experience and links to the White House so that he does not have to be as concerned with day-to-day management. He has hired Debra DeLee, the top lobbyist at the National Education Association, as chief of staff and given her wide authority to handle coordination with the White House. And he has cut 40 people from a staff of 240 since the end of 1993.

"We know it's going to be tough," Mr. Wilhelm said of the midterm elections. "We know the historical trends. The history of midterm elections is challenging, to say the least."

Ms. Baggett was more stark. "No political person," she said, "wants to go into an election year where the only question is: How many seats are you going to lose?"

Rahm Emanuel, who had been the White House political director, was a close friend to Mr. Wilhelm but was moved to another position last June because of personality conflicts with some Democrats, including elected officials. He was replaced by his deputy, Ms. Baggett, a well-regarded strategist with close ties to organized labor. But she lacks the close relationship to Mr. Clinton that others like Mr. Emanuel had from the campaign.

"There was this void there," said Mandy Grunwald, an outside consultant on contract to the Democratic Party, referring to the White House political operation and Mr. Ickes's new role. "Now you'll have a daily sense that somebody is there driving the decision-making."

Still, many Democratic candidates said they were worried. "I'm concerned that with the flux the political operation is in, will they be ready to actually make a difference in helping people's elections?" asked Robert Menendez, a freshman Congressman from Hudson County, N.J. "That's something the jury is still out on."

GRAPHIC: Photo: "What we want to do is nail down and focus our strategy for the '94 elections," said Harold M. Ickes, a close adviser to President Clinton, after being put in charge of political operations at the White House. (Paul Hosefros/The New York Times) (pg. A16)

Graph: "In the House: the Changing Balance" shows the change in strength in the House of Representative of the party holding the Presidency after each election. (Source: World Almanac) (pg. A16)

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LEVEL 1 - 2 OF 32 STORIES

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HEADLINE: JOURNEY TO WHITEWATER;

Take a Bumpy, Twisting Road Into the President's Past, And You'll Find Yourself in a Dense Forest

SERIES: Occasional

BYLINE: Joel Achenbach, Washington Post Staff Writer

DATELINE: FLIPPIN, Ark.

BODY:

The road to Whitewater is perilous, and that's not a journalistic metaphor so much as a vivid automotive reality. There is much curving, winding, dipping. The sign that says Very Crooked and Steep must be taken seriously. (Another metaphor? Don't even think about it! Eyes on the road!)

There are levels of remoteness and you go through all of them in the journey from Little Rock through the Ozarks to Whitewater, the now-famous real estate subdivision that has caused so much investigatory unpleasantness for the president. The trip is about 100 miles as the crow flies and takes three solid hours, or 7 1/2 if there's an ice storm. Most Americans know neither where Whitewater is nor what, precisely, it's about, but with hands at 10 and 2 on the wheel the where can be discovered and the about can be made a little less mysterious.

You leave behind the world of divided highways and four-lane roads in the first half-hour of the journey, and for 90 minutes roll north on lonely State Road 65. At Marshall the geography dictates a shortcut to the east, on SR 27, then SR 14, a wilderness road that goes up and down and sideways, through woods and along bluffs and over gorges. At Yellville, where they drop live turkeys from an airplane for the annual Turkey Trot -- more on this later -- you go east to Flippin.

At this point it's been two hours since you've seen a stoplight. Modern technology has encroached on this part of the world only gradually. Flippinites are still grumbling about the big switch in the telephone system a few weeks back. They now have to dial all seven numbers, instead of just four.

For the final plunge into the wilderness of Whitewater, you might want to stop at Ozarks Realty in Flippin and pray that one of the fellows with his boots up on the desk will take you there in a vehicle with four-wheel drive.

"When you go out there," promises Hasty Williams, a career Navy aviator who now works at Ozarks Realty, "you're absolutely going to laugh yourself to death."

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Lots of camera crews have come here hoping to take footage of a golf resort or some elaborate multi-unit vacation development, he says. One real estate agent in town has charged 25 bucks an hour to show journalists around the site. But there's just nothing here, Williams says. "What it involves," he says, "is picking fly [expletive] out of black pepper."

From Ozarks Realty you go southeast for about 10 minutes, down dead-end SR 101, until you see the "Ranchettes" sign. There you take a left down a narrow, paved Game and Fish Commission road that fortuitously materialized in the early 1980s close to property owned by then-Gov. Bill Clinton. The little road is bridgeless, so that when it encounters a creek it really encounters a creek, the water coursing directly over the pavement. Eventually on the left you see a dirt road, unmarked, winding steeply up a hill.

At top is Whitewater Estates.

Trees, mostly. Red oak, white oak, hickory, cedar.

There are 10 dwellings, most of them cabins or little modular homes, scattered along a network of graded dirt roads. There's one spectacular house on a bluff, mysterious in its ostentation.

Whitewater turns out to be, first and foremost, a fairly rinky-dink real estate operation. That this place has some connection to an investigation of the president of the United States is rather startling. It proves, yet again, that Washington scandals start small, even trivially, and blossom only when the protagonists show their skill at making the worst of a bad situation.

It's hard to picture Bill Clinton and Hillary Rodham Clinton amid these woods. They shun Camp David because it's so removed from the bustle of government. In the late 1970s they had such grand ambitions; now the world knows that those ambitions include making some money selling vacation and retirement lots in the Ozarks, on an unpeopled parcel of land quite vividly at the end of the end of the end of the road.

Mayberryesque

Reporters investigating the story have been shocked and appalled by the insiderness of Arkansas politics, the way the government officials and the officially governed seem to trade places overnight, the way the records disappear and numbers don't add up quite right. The conclusion has been that the culture of Arkansas is different from -- and, implicitly, inferior to -- the culture of more grown-up places like Washington and New York and Los Angeles.

But people here have to get by somehow. Rules must bend to accommodate reality. Chances are, no one has ever been born rich in this neck of the woods. There are no Kennedys or Rockefellers in Marion County. It goes without saying that you have to scrape and cajole and finagle to make any kind of money. Even that Game and Fish Commission road out there by the Clinton property, built when Clinton was governor, doesn't raise eyebrows.

"This is a way of life," says Maureen Fancher, a tourism promoter for the Ozarks based in Flippin. "That is the only way you get a road. You have to know somebody who knows somebody who knows somebody. That doesn't even bother us."

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A journey around Flippin shows it to be a friendly place with few pretensions. The other morning the patrons at the Razorback Restaurant were talking loudly and assertively about the weather, their trucks, the stupidity of gun control, the outrageousness of taxation, and fishing. Also, automobile transmissions. One gets the strong impression in Flippin that people know not only the make and model of their neighbor's truck but also how many miles are on it.

Almost everyone here wears bluejeans, a few wear overalls. Ranching and cattle are still the big industries, but there's also a factory that makes Ranger bass boats. The whole county has about 12,000 people, virtually all white, most of them poor. Unemployment is low but jobs usually pay minimum wage.

"If you don't want to make minimum wage, you have to leave Marion County," says Hasty Williams. But he adds, "If you want to have a peaceful life, if you want to go fishing when you want, if you don't want to lock your doors, if you don't want any racial tensions -- we don't have any racial trouble because there are no minorities here -- then this is a good place to live."

The biggest cultural event is the Turkey Trot, and Williams happens to be the person who flies the plane that drops the turkeys from about 1,000 feet up. They're wild turkeys, so they can fly, Williams points out. Some disappear, most are captured on the ground. "All the kids catch them and take them home as pets, or eat them," Williams says. A Kansas City reporter once asked Williams if he felt guilty about dropping the turkeys from the plane and Williams said no more guilty than when he dropped napalm on the Vietnamese.

To get a feel for the history of this region you might pay a call on Ned Sanders, 84, a farmer who was born here, in the very house where he still lives, an unmarried and childless man who has a trained cat, Duke, that leaps on his lap by command. His home has a steep pitched roof, a breezeway with a laundry tub, and tiny rooms with tiny furniture. A wood-burning stove keeps him warm during the winter; that's a technological upgrade from the old fireplace.

"Daddy always managed to get us clothed somehow," he said. "I never had to go hungry. I remember Mama holding a coal oil lamp in one hand and reading the Bible with the other. Daddy always managed to find some way to get us shoes."

He said it's harder to raise crops now. There are more bugs for some reason. He remembers when he walked eight miles to Bull Shoals for the square dances. Everyone knew everyone else. Now Flippin is full of people from out of state, hard to find a native. "I got all kinds of neighbors now, I have no idea who they are."

The real estate boom came here after a dam was built on the White River up at Bull Shoals. Suddenly there was a huge lake for recreational boaters and fishermen. The bass died in the White River but the federal government stocked it with trout, and now the White is one of the best trout rivers in the country.

Ned Sanders's opposite number is Jim Gaston, owner of Gaston's White River Resort, about 20 miles or so upriver from Whitewater. He's sometimes called the Godfather of the White River. He's got a fine restaurant, a series of riverfront cabins, a nature trail, even his own "airport," which is just a long

flat stretch of grass. He knows Bill Clinton, of course. "I went by the Oval Office and that sort of thing. I'd rather live here," he says in the ho-hum

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way Arkansans have of discussing their access to the president of the United States.

He says the Clintons shouldn't have gotten into the land development game. "They were out of their element," he says. "I don't mean to be disrespectful, but they were not good business people."

He says this as a man who knows, in his soul, that he is precisely what a good businessman is. He's logged the hours. He knows every inch of his property and has slowly accreted a clientele and built on his dream and centered his world on this one patch of land. His wasn't a real estate deal, it wasn't a get-rich scheme. It was his life.

"Real estate subdivisions have been very successful in the Ozarks," he says, slowly driving along his property, looking for bald eagles or wild turkeys. But he adds, "The remoteness is a double-edged sword."

Remoteness is what sells here, it's the chief commodity of the Ozarks, but it's also the biggest drawback. It's hard to get here and there's not much to do except fish. A lot of people buy a plot of land in the Ozarks with the notion that they'll retire here someday, or return to nature and leave civilization behind, but in the meantime the plots just sit there, empty, waiting. The potential buyers for such plots are a fairly narrow breed. As Hasty Williams puts it, you can't sell these ranchettes to the purple-haired gang with the big Lincolns and the Pekingese dogs.

It's hard to know what the Clintons were thinking when they decided to invest in this area. At the Sanders & Son grocery in Flippin, the woman behind the register, Kathy Sanders -- yes, of course she knows Bill personally -- says she's not surprised that the Clintons thought there was money in these hills. It may seem out of character for them to invest in the Whitewater deal but, she says, "they don't do things 'in character.' They don't do things that you'd expect the governor of Arkansas and the president to do. They're down-home people."

"He's an old country boy. He was raised as poor as I was. I think he'd do anything to make a buck. But I don't think he'd do anything dishonest."

Murky Whitewater

The reason no one understands the Whitewater saga is that it is not about one single unsavory thing but rather an assortment of things that don't pass the smell test. There's almost nothing you can touch. The story is buried in bank records and canceled checks. There's not even a boarded-up home anywhere that can be photographed. The guys at Ozarks Realty finally went down to the gate that blocks one Whitewater driveway and put up a brightly lettered sign saying Whitewater Gate.

Like the scandal that brought down Richard Nixon, the Whitewater case has relatively little to do with the place that gave the story its name. In fact the Clintons and their partners didn't own any property at Whitewater Estates after 1985. And yet Whitewater Development Corp. continued to exist, a paper entity, removed from the land, disinterred. Not until after Bill Clinton was elected president, in December 1992, did he and his wife sell their remaining stake in the company. "Whitewater" thus has a dual meaning, referring to a

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real place and also to a corporation. That's one reason that the locals are amused by the media interest, because they figure the real story is elsewhere. All they have are the woods.

There are 230 acres of land at Whitewater, just one little piece of the thousands of acres that developers snapped up in the area in the late 1970s. The real estate boom after the construction of the dam on the White River had never really abated. James McDougal, a wheeler-dealer with a manic streak, persuaded his friends Bill and Hillary Clinton to join up with McDougal and his wife, Susan, and buy the Whitewater property. The price was \$ 203,000 -- a fair sum in the Ozarks, but not exactly a blockbuster deal.

A bank in Flippin lent most of the money, impressed by the wealth of the McDougals and the political profile of Clinton, who was then the Democratic nominee for governor and destined for victory. Another bank lent the rest of the money. The entire purchase was leveraged.

The next year, just after Bill Clinton became governor, the Clintons and McDougals formed Whitewater Development Corp. They put in roads and started selling lots.

The problem was, the economy went into recession, interest rates soared and there were many competing properties for sale in that section of the Ozarks. Whitewater didn't take off. But it's not obvious that it was a bust either. Chris Wade, the real estate agent who was Whitewater's chief salesman, says the lots didn't sell fast enough to make up for the interest payments on the bank loan. "It sat there for seven years and we didn't sell but half the lots," says Wade. Finally, in 1985, Wade bought the last 24 lots himself. There's still one for sale to this day, \$ 18,000 asked for 1.7 acres with 220 feet of river frontage; a second sold a couple of weeks ago to someone in Little Rock who thought it would be neat to own a piece of Whitewater.

None of the preceding is suggestive of scandal. It sounds more like a regular real estate venture that didn't flower. Maureen Fancher, the Flippin tourism agent, pointed out that a number of local people, herself included, had invested in property around there in the 1980s and lost money. "You pays your money and you takes your chance," Fancher says.

But there's a catch.

What if the Clintons didn't pay their money?

The Clintons didn't have much money back in 1978; Bill made \$ 26,500 a year as attorney general and Hillary Rodham had just started working at the Rose Law Firm in Little Rock. It's never been clear exactly how much money the Clintons ended up paying into the Whitewater project. The White House says they paid \$ 68,900, but hasn't released records to show the Clintons paid so much as a nickel. McDougal said in one interview that the Clintons spent about \$ 9,000, and more recently he said they spent \$ 13,500. Wade says McDougal told him that the Clintons didn't contribute much to Whitewater. "Jim told me once that he had most of the money in it," Wade says.

If the Clintons didn't invest much, that would be both an irony and a stinky little detail: ironic because the Clintons would be enduring an investigation of a deal in which they had actually invested little or no money; and stinky

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because it might raise the question of what the Clintons did to deserve their 50 percent stake in Whitewater Development Corp.

When Bill Clinton first became governor he appointed McDougal to his staff as an economic adviser. In later years, McDougal ran a savings and loan, Madison Guaranty, that was subject to state regulation. In 1985, the Arkansas Securities Department approved a plan by McDougal to keep Madison Guaranty afloat by issuing new stock in the savings and loan. That decision came after Hillary Clinton's law firm sent a letter to a state securities commissioner on behalf of Madison Guaranty. The commissioner approved the plan in a letter that began "Dear Hillary."

Now comes the really serious stuff: bank fraud, potentially. Whitewater's account at Madison Guaranty may have been used to kite checks. Tens of thousands of dollars seemed to flow magically from a bank account that often showed a puny balance. Special counsel Robert B. Fiske Jr. will try to figure out where the money was going and who was spending it. Moreover, money may have been diverted into the Whitewater account illegally from other depositors' accounts at Madison Guaranty. Investigators are also trying to determine if depositor funds at the S&L were illegally funneled into Bill Clinton's campaign coffers.

To make matters yet more complicated, Whitewater Development Corp. failed to file tax returns for several years. The man assigned last year at the White House to clean up the Whitewater mess: Vince Foster. When Foster committed suicide last summer, the White House counsel, Bernard Nussbaum, removed Whitewater files from Foster's office and gave them to the Clintons' new personal lawyer. The Clintons have since turned the records over to investigators but have refused to make them public. Rightly or wrongly, such actions in a town like Washington can emanate scandalous odors.

McDougal was removed from his savings and loan leadership in 1986, and then, three years later, Madison Guaranty finally showed its fish-white belly. The people who have been stuck with the bill for the S&L's failure -- there are estimates that it will cost as much as \$ 60 million -- are the American taxpayers. So the Clintons, by their connection to McDougal, find themselves linked with the ineptitude and sleaze that marked the S&L crisis of the 1980s.

The Clintons claim they lost \$ 68,900 on the project. But they never claimed those losses on their taxes. The White House has said there wasn't the paperwork to satisfy an IRS audit, and that the Clintons wanted to avoid the political fallout of taking a tax loss on Whitewater. In any case, this may be the first time that a politician's decision not to take a tax write-off is perceived as suspicious.

The Salesman

All roads lead to Chris Wade. He's the big cheese in real estate around here. His family has run Ozarks Realty for four decades. He is not a poor man. Right now he lives on a two-story 81-foot houseboat floating in a lake. He admits he made money on Whitewater, and that makes him unique to this story.

Ask almost any question -- who built the roads up there? -- who built the house on the bluff? -- who made a profit on Whitewater? -- and the answer is Chris Wade.

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He's an unremarkable-looking man with jowls and a mustache and a low voice that cannot compete with the bartender's blender at the 178 Club. "The club" is the best restaurant around. Marion County is dry, and to get a drink anywhere around here you have to belong to a place that calls itself a club. Wade and his wife, Rosalee -- she used to ride the school bus with Gennifer Flowers -- come here often.

Wade orders a bottle of cabernet and starts talking.

The best piece of land was supposed to go to the Clintons, he says. That's the lot at the juncture of the White River and Crooked Creek. He figured they'd build a vacation home.

"I laid it out for Bill," Wade says. "When we marked out the subdivision, we just marked that lot as sold."

Clinton asked him to do it, he recalls.

"That's what I thought. I thought Bill asked to keep a piece."

After a couple of years, Wade bought that lot himself, for \$ 30,000, he says (the tax stamps show he paid only \$ 2,000, but he says they're wrong), then sold it right away to a Fort Worth doctor for about \$ 40,000, then sold it on behalf of the doctor to someone named Thompson, then regained ownership for himself by swapping some other land for the lot, then built the fancy nine-level house on it and lived there for a year and a half until he sold it to a Dallas area mortgage banker and his wife. This is a typical Whitewater matter: You could spend weeks researching the transactions around a single plot.

Wade's own history is complicated. In 1989, during a dispute with another businessman, he declared personal bankruptcy. "It was more of a personality problem between me and another guy than a monetary problem," Wade says. He's no longer in bankruptcy.

His latest legal problem developed Wednesday: He was charged with shoplifting. A Flippin police officer made the arrest after Wade bought a sandwich at the Town and Country grocery and then walked out with four cigars in his pocket. Wade, who was released on his own recognizance, says he wasn't shoplifting, but was simply absent-minded.

"I have never done anything illegal intentionally in my life," he said Thursday.

Wade is not universally popular in Flippin. There are grumblings about his business methods. One way he marketed the Whitewater lots was advertising in the Mother Earth News, a back-to-earth journal with an aging-hippie readership. The customers, perhaps romanticizing life in the Ozarks and deluding themselves into thinking they could live off the land, would buy the property on credit, in a sort of layaway plan in which they'd get the deed only when they finished making all their payments. If they didn't, they were out of luck, and the property was repossessed.

Wade says the Clintons never knew much about Whitewater. The force behind the project was McDougal. Jim McDougal wasn't trying to scam the Clintons, far from it.

The Washington Post, February 22, 1994

"I think Jim wanted Bill to succeed," he says.

His wife adds, "Maybe Jim wanted Bill's approval."

One day in 1985 Wade was trying to sell two lots and couldn't track down McDougal. He called Hillary Clinton instead and explained what he was planning to do. "She didn't have a clue what I was talking about," he says. "She didn't have any idea what was going on with Whitewater. I think they absolutely forgot that there was a Whitewater. "

'Go Home Idiots'

There is a house known as "the house that Hillary built." It's a "model home" built in 1981 with \$ 30,000 borrowed by Hillary Clinton from a bank owned by James McDougal. (The Whitewater Corp. repaid most of the loan for her.) Today the owner has made it clear he doesn't want to be bothered by news media. A sheet, hung on his deck, features a handwritten message: "Go Home Idiots."

The spectacular bluff house that Chris Wade built is just down the road, and it's now the home of Bob and Pat Welborn. They moved here in the fall and had no idea that they were living in a place of serious national interest until they started getting buzzed by airplanes and helicopters.

"You have to be careful getting dressed," says Pat Welborn, "because I've had helicopters right off the deck here."

He's a retired mortgage banker but can still play the market with his computer. They left the Fort Worth area after their home was cleaned out by a burglary ring. "They stole our food!" says Bob. "They stole our shrimp!" says Pat. "That I had peeled and deveined and frozen."

And so they came here, far from everything. They can look down and watch bald eagles flying past, at treetop level along the riverbank.

Standing on the deck, looking out to the distant horizon, following the curves of the White River to the north and Crooked Creek to the west, you can almost imagine that one day many years ago young Bill Clinton and his wife stood on a rock on this same bluff, entranced with the vista, wondering if perhaps they should shuck all those grandiose ambitions and just build themselves a little nest here, turn inward, seek joy and wonder in the wilderness rather than in the worlds of politics and law.

But that moment did not happen. Nothing remotely like that happened. It couldn't have happened. Bill and Hillary Clinton have been just about everywhere, but according to the locals, they've never been to Whitewater.

GRAPHIC: PHOTO, NED SANDERS, 84, LIVES OUTSIDE FLIPPIN IN THE HOUSE HE WAS BORN IN. "DADDY ALWAYS MANAGED TO FIND SOME WAYS TO GET US SHOES," SANDERS SAYS. AP; PHOTO, JEFF MITCHELL FOR TWP; MAP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 22, 1994

REVIEW & OUTLOOK

Arkansas Forbearance

So the Federal Deposit Insurance Corp. has determined that Webb Hubbell and the Rose Law firm violated no conflict-of-interest rules when they worked both sides of the street regarding Madison Guaranty S&L of Little Rock in the 1980s. The FDIC's eight-page opinion makes some facts clear: Rose had previously represented Madison before state securities regulators. In doing so it had presented audits prepared by Frost & Co. Then Rose and Mr. Hubbell signed up to represent the government in a suit against Frost over its Madison audits. There is no record that Rose told the FDIC about its previous representation of Madison. Mr. Hubbell and another Rose partner say they remember oral disclosures, but the FDIC personnel involved have no recollection of them.



Webster Hubbell

The FDIC verdict: No conflict here.

When Rose offered the Frost audit to regulators in 1985, the FDIC opinion says, "There is no indication in the records, or based on our review, that the Firm did anything more with respect to the audit in question than take it at face value." And "there is no evidence that the Firm had a close relationship with the S&L." (To judge by the opinion, the Whitewater partnership between Rose partner Hillary Clinton and Madison owner James McDougal escaped the notice of the FDIC's legal eagles.) And since in 1985 Rose represented the S&L, and in 1989 represented the conservator who took over the S&L after seizure, the interests in the two cases are not "directly adverse."

Somehow it seems to us the interests of a conservator trying to clean up a mess are pretty much adverse to the interests of the folks responsible for making the mess. Indeed, who needs a legal opinion to explain what is clearly a conflict on its face? Having been involved itself, Rose might have an interest in bailing out its former business associates; Rose in fact settled the suit against Frost in 1991 for \$1 million, according to several reports much less than the limit of Frost's insurance. Alternatively, Rose might have an interest in protecting itself by blaming other parties for all mistakes. If this isn't a conflict of interest, what is?

But we guess that Arkansas rules now apply at the FDIC, even before

the advent of Hillary buddy Ricki Tigert. So it only seems fair that everyone caught up in the S&L maelstrom of the 1980s gets the benefit of these new, more forgiving Arkansas standards of ethics.

A different set of rules applied to law firms that had represented wayward S&Ls, remember, before FOBs started turning up in headlines. Candidate Clinton proclaimed in his 1991 announcement speech that, "When the ripoff artists looted our S&Ls, the president was silent. In a Clinton Administration, when people sell their companies and their workers and their country down the river, they'll get called on the carpet."

And indeed, word of a new, relaxed standard has spread slowly. The day before the FDIC exonerated Rose over Madison, the Resolution Trust Corp. filed a \$400 million suit against Streich Lang, a prominent Phoenix law firm that had represented Western Savings and Loan Association. Some of its partners, the RTC alleged, personally profited from the fake sale of some of its properties. The firm's managing director pointed out that the RTC has sued "some of the finest law firms across the country," and that the Phoenix suit "is consistent with the government litigation strategy regarding RTC takeovers."

The granddaddy of these cases concerned Kaye, Scholer, a New York firm that represented Charlie Keating's Lincoln S&L. It was coerced into a \$41 million settlement in 1991 when the government froze its assets. The Kaye, Scholer case raised interesting questions in how far a firm can go in making representations for a client the firm does not itself believe. Regulators believe the firm lied to them, but a disciplinary committee of the New York bar has since looked into the case and found no evidence that any Kaye, Scholer partner violated ethical rules. Yet the firm was not allowed to defend itself. John Feerick, dean of Fordham School of Law, says the asset seizure was a "gross abuse of power." This action, he adds, "effectively took away the ability of the law firm to defend itself and forced it into a settlement."

Now that the FDIC has cleared the Rose Firm and Webb Hubbell, we hope it plans to give Kaye, Scholer its money back. Otherwise the lesson of the FDIC memo is that Arkansas forbearance applies only to firms that included the Associate Attorney General and the First Lady. But the same old ferocious rules will apply to ordinary mortals.

RTC Hearings to Give GOP a Chance To Grill Clinton Aides About Thrift

By ALBERT R. KARR

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Congressional hearings this week will give Republican lawmakers their first chance to grill Clinton administration officials about legal issues related to a failed Arkansas thrift.

The Senate Banking Committee scheduled a hearing for Thursday on the performance of the Resolution Trust Corp., which is a Treasury Department unit and the government's savings-and-loan cleanup agency. Republicans, led by Sen. Alfonse D'Amato of New York, promise to delve into how the RTC is handling an investigation into any wrongdoing linked to failed Madison Guaranty Savings & Loan.

Various news accounts and GOP allegations have linked Madison, which failed in 1989, to helping Bill and Hillary Rodham Clinton finance their investment in Whitewater Development Co., an Arkansas land-development venture, and to fund-raising for Mr. Clinton's gubernatorial campaign debts. An independent counsel is investigating such claims.

The GOP will get a crack at witnesses including Treasury Secretary Lloyd Bentsen; Deputy Treasury Secretary Roger Altman, who is also interim RTC chief; acting Federal Deposit Insurance Corp. Chairman Andrew Hove; and Jonathan Fiechter, acting head of the Office of Thrift Supervision. The FDIC and OTS also have S&L regulatory powers.

Hearings Are Scheduled

Under GOP pressure, Banking Committee Chairman Donald Riegle (D., Mich.) set the Thursday hearing to receive a report of the Thrift Depositor Protection Oversight Board, which monitors the RTC. Mr. Bentsen is chairman of the oversight board, and Messrs. Altman, Hove and Fiechter are among its members. Rep. Henry Gonzalez (D., Texas), chairman of the House Banking Committee, has agreed

to hold a similar hearing, where Rep. Jim Leach (R., Iowa) plans to raise Madison questions. Messrs. Riegle and Gonzalez had rebuffed GOP demands for broader hearings into the Whitewater-Madison issue itself.

Mr. Altman, a college classmate of the president and a longtime friend of the Clintons, is expected to get special GOP attention Thursday. "We intend to fully explore the actions of the RTC and its interim leader in the Madison/Whitewater controversy, including the delayed and incomplete responses to congressional requests for information as well as the question of Mr. Altman's recusal," Sen. D'Amato said. Sen. D'Amato has called for Mr. Altman to remove himself from overseeing matters involving Madison.

Sen. D'Amato, the banking panel's ranking Republican, also has accused the RTC of dragging its heels in the probe. Mr. Altman has said the RTC is conducting a vigorous investigation.

Statute of Limitations

The Senate and House, by 95-0 and 390-1 tallies, have voted to extend the RTC's statute of limitations for fraud and gross negligence in civil claims against S&L wrongdoers. The statute of limitations, which would otherwise run out for Madison and several hundred other thrifts on Monday, will be extended until the end of 1995, when the RTC itself expires.

Sen. D'Amato said Banking Committee Republicans also will question last week's FDIC report that exonerated the Rose Law Firm in Arkansas, where Mrs. Clinton and several administration officials were partners, of violating any conflict-of-interest rules in its dealings with Madison. Some have called the report a "whitewash." Sen. D'Amato said.

About two weeks ago, Ricki Tigert, the president's nominee to head the FDIC, recused herself from matters involving the Clintons and Madison. Ms. Tigert, also a friend of the Clintons, faced possible GOP efforts to block Senate confirmation of her nomination.

U.S. Reserve Assets Increased in January

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — U.S. reserve assets rose \$801 million in January to \$74.24 billion from \$73.44 billion in December, the Treasury reported.

January's rise followed a \$600 million decline in December.

U.S. reserve assets consist of foreign currencies, gold, special drawing rights at the International Monetary Fund and the U.S. reserve position at the IMF. In January 1993, they totaled \$71.96 billion.

The Treasury said holdings of foreign currencies rose \$682 million from December to \$42.21 billion, while the gold stock was unchanged at \$11.05 billion. The reserve position — the ability to draw foreign currency — at the IMF increased \$88 million to \$11.91 billion and holdings of IMF special drawing rights were up \$31 million to \$9.07 billion.

U.S. Antitrust Inquiry Praised by Small Bankers

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Small bankers are delighted that the Justice Department has launched an investigation into whether the networks that link automated teller machines are limiting their systems solely to banks that purchase other services from the networks.

Attorney General Janet Reno disclosed the antitrust investigation in a speech to the Independent Bankers Association of America at its annual meeting in Orlando, Fla. If the department finds evidence of antitrust activity, she said, it will press the case in court.

"We were very pleased to hear the attorney general cite this as something they are looking into," said Diane Casey of the bankers association, a trade group of small banks. "Our bankers need access to those systems."

The Justice Department opened the antitrust investigation after receiving complaints that ATM networks were pressuring bankers to purchase other services from the networks. Banks, for instance, could allow their customers to pay bills by telephone or through personal computers, if the bank purchased the service through the network.

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HEADLINE: A little proposition for the sluggards

BYLINE: Wesley Pruden; THE WASHINGTON TIMES

BODY:

It's become nearly impossible to have an informed discussion of Whitewater with anyone who's not reading The Washington Times. While [the] ABC-TV two-parter was a helpful primer for those catching up on the scandal that's currently making Hillary sweat more than Bill, most of its juiciest revelations had long ago run in [The Washington Times]. The team of Jerry Seper, Paul Rodriguez and Michael Hedges has most consistently squeezed out the nation's toughest stories - like last week's charges of a document-shredding party in Little Rock's Rose law firm. Yeah, it's partisan as hell - but you'll read it somewhere else later.

- The Village Voice, Feb. 22, 1994

"Partisan as hell," eh? Well, we'll take it, cheerfully, if that's the price of a reputation for true grit in the America of the Gelded Age.

Where are the reporters, and newspapers, that ought to be pursuing the Whitewater story in darkest Arkansas, but aren't?

Bill Clinton has been a dilemma for the media since well before the '92 election, when (there's never been a serious argument about this) most of the reporters and many of their bosses clasped Clinton-Gore to their boomer bosoms and the ladies in particular swooned over Hillary Rodham Clinton.

Anyone who suggested that the new administration should be covered aggressively like any other was written off as "partisan as hell."

Jerry Brown had tried to make Whitewater an issue, but his matches were wet. The death of Vincent Foster should have revived the story, together with renewed scrutiny of Little Rock's curious Rose Law Firm. The Wall Street Journal, which had raised interesting questions about Mr. Foster's role in the administration, spiked its editorial-page guns in a decent regard for the feelings of Mr. Foster's family. So did The Washington Times, in part because on the day after his death this newspaper was widely reported to have been planning an expose of a scandal in Mr. Foster's personal life so devastating that it might have driven him to suicide. This story was false in all particulars, but whoever started the rumor might illuminate the deepening shadows surrounding the death of Mr. Clinton's friend and counselor.

Jerry Seper pursued the Whitewater story almost alone until December. Two publishing events revived it. Jerry reported in this newspaper that two "political aides" inside the White House had collected Whitewater files just

The Washington Times, February 22, 1994

hours after Mr. Foster's body was found, and the American Spectator and the Los Angeles Times reported lurid stories by Mr. Clinton's bodyguards about pimping for him when he was the governor of Arkansas - most recently in the days before he came to Washington to take his oath of office - and that he had offered federal jobs to buy their silence about their procuring tasks.

The establishment press closed ranks around Mr. Clinton, bashing the reporters even after two of the women later came forward with far more corroboration than Anita Hill, the pursuer of Clarence Thomas, ever had. The verdict was that pimping and procuring were too sleazy for "respectable" folk to cover, and Whitewater was too complicated for these respectable folk to understand. Mr. Clinton got his usual pass, from both the young reporters and the wheezing geezers who ought to have known better than to aspire to political correctness. Nevertheless, a lot of reporters who avoided looking at the corroboration of David Brock's work now belatedly realize that Whitewater may turn out to be the big story of the Clinton quadrennium.

The Washington Post published a remarkable mea culpa by its very own ombudsman on Sunday, trying to explain to its readers why it is snoring through the Whitewater rapids. (Where, for example, is Mortuary Bob Woodward, who specializes in interviews with the dead, and why isn't he talking to Vince Foster?)

". . . much of our perception that The Post is reluctant on Whitewater begins with the aggressive display the story has been getting in The Washington Times," explains Ms. Ombudsman. "The Times, never shy about its conservative predilections, thinks almost everything related to Whitewater belongs on the front page, probably stripped across the top. The Times has also beat[en] The Post on several developments that The Post, I think, underestimated."

The ombudsman quotes Karen DeYoung, the assistant managing editor for news, as agreeing that the Foster suicide is still inexplicable. "Is there a connection to a coverup, or the unraveling of [the Whitewater story]? We don't know."

Then Miss DeYoung, never shy about her liberal predilections, let slip the telling fact: "And if we find out Mr. Clinton did know, who cares?"

Clearly some people do. From the ombudsman's accounting of it, many of them are readers of The Post, who complain they're being cheated of the story. The Post boasts that it has "five reporters and one editor assigned full-time to Whitewater," and no doubt several of them are running tabs at Doe's Eat Place and the Cajun's Wharf in Little Rock at this very moment.

We don't have five reporters and an editor to get in one another's way on the story, but if Miss DeYoung wants a challenge we'll make a sporting proposition: She can double the number of reporters assigned to Whitewater, and we'll finally assign Jerry Seper to the story full time.

She'll read all about it - first - in The Times.

Wesley Pruden is editor-in-chief of The Times.

GRAPHIC: Photo, Vince Foster

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A JOURNEY TO WHITEWATER

Like a Bumpy, Twisting Road Into the President's Past, And You'll Find Yourself in a Dense Forest

By Joel Achenbach
Washington Post Staff Writer

The road to Whitewater is perilous, and that's not a journalistic metaphor so much as a vivid automotive reality. There is much curving, winding, dipping. The sign that says Very Crooked and Steep must be taken seriously. (Another metaphor? Don't even think about it! Eyes on the road!)

There are levels of remoteness and you go through all of them in the journey from Little Rock through the Ozarks to Whitewater, the now-famous real estate subdivision that has caused so much investigatory unpleasantness for the president. The trip is about 100 miles as the crow flies and takes three solid hours, or 7½ if there's an ice storm. Most Americans know neither where Whitewater is nor what, precisely, it's about, but with hands at 10 and 2 on the wheel the where can be discovered and the about can be made a little less mysterious.

You leave behind the world of divided highways and four-lane roads in the first half hour of the journey, and for 90 minutes roll north on lonely State Road 65. At Marshall the geography dictates a shortcut to the east, on SR 27, then SR 14, a wilderness that goes up and down and sideways, through woods and along bluffs and over gorges. At Yellville, where they drop live turkeys from an airplane for the annual Turkey Trot—more on this later—you go east to Flippin.

At this point it's been two hours since you've seen a stoplight. Modern technology has encroached on this part of the world only gradually. Flippinites are still grumbling about the big switch in the telephone system a few weeks back. They now have to dial all seven numbers, instead of just four.

For the final plunge into the wilderness of Whitewater, you might want to stop at Ozarks Realty in Flippin and pray that one of the fellows with his boots up on the desk will take you there in a vehicle with four-wheel drive.

"When you go out there," promises Hasty Williams, a career Navy aviator who now works at Ozarks Realty, "you're absolutely going to laugh yourself to death."

Lots of camera crews have come here hoping to take footage of a golf resort or some elaborate multi-unit vacation development, he says. One real estate agent in town has charged 25 bucks an hour to show journalists around the site. But there's just nothing here, Williams says. "What it involves," he says, "is picking fly [expletive] out of black pepper."

From Ozarks Realty you go south-east for about 10 minutes, down dead-end SR 101, until you see the "Ranchettes" sign. There you take a left down a narrow, paved Game and Fish Commission road that fortuitously materialized in the early 1980s close to property owned by then-Gov. Bill Clinton. The little road is bridgeless, so that when it encounters a creek it really encounters a creek, the water coursing directly over the

pavement. Eventually on the left you see a dirt road, unmarked, winding steeply up a hill.

At top is Whitewater Estates. Trees, mostly. Red oak, white oak, hickory, cedar.

There are 10 dwellings, most of them cabins or little modular homes, scattered along a network of graded dirt roads. There's one spectacular house on a bluff, mysterious in its orientation.

Whitewater turns out to be, first and foremost, a fairly rinky-dink real estate operation. That this place has some connection to an investigation of the president of the United States is rather startling. It proves, yet again, that Washington scandals start small, even trivially, and blossom only when the protagonists show their skill at making the worst of a bad situation.

It's hard to picture Bill Clinton and Hillary Rodham Clinton amid these woods. They shun Camp David because it's so removed from the bustle of government. In the late 1970s they had such grand ambitions; now the world knows that those ambitions including making some money selling vacation and retirement lots in the Ozarks, on an unpeopled parcel of land quite vividly at the end of the end of the end of the road.

Mayberryesque

Reporters investigating the story have been shocked and appalled by the insiderism of Arkansas politics, the way the government officials and the officially governed seem to trade places overnight, the way the records disappear and numbers don't add up quite right. The conclusion has been that the culture of Arkansas is different from—and, implicitly, inferior to—the culture of more grown-up places like Washington and New York and Los Angeles.

But people here have to get by somehow. Rules must bend to accommodate reality. Chances are, no one has ever been born rich in this neck of the woods. There are no Kennedys or Rockefellers in Marion County. It goes without saying that you have to scrape and cajole and finagle to make any kind of money. Even that Game and Fish Commission road out there by the Clinton property, built when Clinton was governor, doesn't raise eyebrows.

"This is a way of life," says Maureen Fancher, a tourism promoter for the Ozarks based in Flippin. "That is the only way you get a road. You have to know somebody who knows somebody who knows somebody. That doesn't even bother us."

A journey around Flippin shows it to be a friendly place with few pretensions. The other morning the patrons at the Razorback Restaurant were talking loudly and assertively about the weather, their trucks, the stupidity of gun control, the outrageousness of taxation, and fishing. Al-

so, automobile transmissions. One gets the strong impression in Flippin that people know not only the make and model of their neighbor's truck but also how many miles are on it.

Almost everyone here wears blue jeans, a few wear overalls. Ranching and cattle are still the big industries, but there's also a factory that makes Ranger bass boats. The whole county has about 12,000 people, virtually all white, most of them poor. Unemployment is low but jobs usually pay minimum wage.

"If you don't want to make minimum wage, you have to leave Marion County," says Hasty Williams. But he adds, "If you want to have a peaceful life, if you want to go fishing when you want, if you don't want to lock your doors, if you don't want any racial tensions—we don't have any racial trouble because there are no minorities here—then this is a good place to live."

The biggest cultural event is the Turkey Trot, and Williams happens to be the person who flies the plane that drops the turkeys from about 1,000 feet up. They're wild turkeys, so they can fly, Williams points out. Some disappear, most are captured on the ground. "All the kids catch them and take them home as pets, or eat them," Williams says. A Kansas City reporter once asked Williams if he felt guilty about dropping the turkeys from the plane and Williams said no more guilty than when he dropped napalm on the Vietnamese.

To get a feel for the history of this region you might pay a call on Ned Sanders, 84, a farmer who was born here, in the very house where he still lives, an unmarried and childless man who has a trained cat, Duke, that leaps on his lap by command. His home has a steep pitched roof, a breezeway with a laundry tub, and tiny rooms with tiny furniture. A wood-burning stove keeps him warm during the winter; that's a technological upgrade from the old fireplace.

"Daddy always managed to get us clothed somehow," he said. "I never had to go hungry. I remember Mama holding a coal oil lamp in one hand and reading the Bible with the other. Daddy always managed to find some way to get us shoes."

He said it's harder to raise crops now. There are more bugs for some reason. He remembers when he walked eight miles to Bull Shoals for the square dances. Everyone knew everyone else. Now Flippin is full of people from out of state, hard to find a native. "I got all kinds of neighbors now. I have no idea who they are."

The real estate boom came here after a dam was built on the White River up at Bull Shoals. Suddenly there was a huge lake for recreational boaters and fishermen. The bass died in the White River but the federal government stocked it with trout, and now the White is one of the best trout rivers in the country.

Ned Sanders's opposite number is

Jim Gaston, owner of Gaston's White River Resort, about 20 miles or so upriver from Whitewater. He's sometimes called the Godfather of the White River. He's got a fine rant, a series of riverfront cabins, a nature trail, even his own "airport," which is just a long flat stretch of grass. He knows Bill Clinton, of course. "I went by the Oval Office and that sort of thing. I'd rather live here," he says in the ho-hum way Arkansians have of discussing their access to the president of the United States.

He says the Clintons shouldn't have gotten into the land development game. "They were out of the element," he says. "I don't like to



The Welborn house, formerly owned by Whitewater developer Chris Wade, overlooks two rivers.

be disrespectful, but they were not good business people."

He says this as a man who knows, in his soul, that he is precisely what a good businessman is. He's logged the hours. He knows every inch of his property and has slowly accreted a clientele and built on his dream and centered his world on this patch of land. His wasn't a real estate deal, it wasn't a get-rich scheme. It was life.

"Real estate subdivisions have been very successful in the Ozarks," he says, slowly driving along his property, looking for bald eagles or wild turkeys. But he adds, "The remoteness is a double-edged sword."

Remoteness is what sells here, it's the chief commodity of the Ozarks, but it's also the biggest drawback. It's hard to get here and there's not much to do except fish. A lot of people buy a plot of land in the Ozarks with the notion that they'll retire here someday, or return to nature and leave civilization behind, but in the meantime the plots just sit there, empty, waiting. The potential buyers for such plots are a fairly narrow breed. As Hasty Williams puts it, you can't sell these ranchettes to the purple-haired gang with the big Lincolns and the Pekingese dogs.

It's hard to know what the Clintons were thinking when they decided to invest in this area. At the Sanders & Son grocery in Flippin, the woman behind the register, Kathy Sanders—yes, of course she knows Bill personally—says she's not sure that the Clintons thought there was money in these hills. It may seem out of character for them to invest in the Whitewater deal but, she says, "they don't do things 'in character.' They don't do things that you'd expect the governor of Arkansas and the president to do. They're down-to-earth people."

"He's an old country boy. He was raised as poor as I was. I think he

do anything to make a buck. But I don't think he'd do anything dishonest."

Murky Whitewater

The reason no one understands the Whitewater saga is that it is not about one single unsavory thing but rather an assortment of things that don't pass the smell test. There's almost nothing you can touch. The story is buried in bank records and canceled checks. There's not even a boarded-up home anywhere that can be photographed. The guys at Ozarks Realty finally went down to the gate that blocks one Whitewater driveway and put up a brightly lettered sign saying Whitewater Gate.

Like the scandal that brought down Richard Nixon, the Whitewater (has relatively little to do with the place that gave the story its name. In fact the Clintons and their partners didn't own any property at Whitewater Estates after 1985. And yet Whitewater Development Corp. continued to exist, a paper entity, removed from the land, disinterested. Not until after Bill Clinton was elected president, in December 1992, did he and his wife sell their remaining stake in the company. "Whitewater" thus has a dual meaning, referring to a real place and also to a corporation. One reason that the locals are annoyed by the media interest, because they figure the real story is elsewhere. All they have are the words.

There are 230 acres of land at Whitewater, just one little piece of the thousands of acres that developers snapped up in the area in the late 1970s. The real estate boom after the construction of the dam on the White River had never really abated. James McDougal, a wheeler-dealer with a manic streak, persuaded his friends Bill and Hillary Clinton to join up with McDougal and his wife, Susan, and buy the Whitewater property. The price was \$203,000—a fair sum in the Ozarks, but not exactly a lockbuster deal.

A bank in Flippin lent most of the money, impressed by the wealth of the McDougals and the political profile of Clinton, who was then the Democratic nominee for governor and destined for victory. Another bank lent the rest of the money. The entire purchase was leveraged.

The next year, just after Bill Clinton became governor, the Clintons and McDougals formed Whitewater Development Corp. They put in roads and started selling lots.

The problem was, the economy went into recession, interest rates soared and there were many competing properties for sale in that section of the Ozarks. Whitewater didn't take off. But it's not obvious that it was a bust either. Chris Wade, the real estate agent who was Whitewater's chief salesman, says the lots didn't sell enough to make up for the payments on the bank loan. "It took there for seven years and we didn't sell but half the lots," says Wade. Finally, in 1985, Wade bought 24 lots himself. There's still one for sale to this day, \$18,000 for 1.7 acres with 220 feet of river frontage; a second sold a couple of weeks ago to someone in Little Rock who thought it would be neat to own a piece of Whitewater.

None of the preceding is suggestive of scandal. It sounds more like a regular real estate venture that didn't flower. Maureen Fancher, the Flippin tourism agent, pointed out at a number of local people, herself included, had invested in property around there in the 1980s and lost

money. "You pays your money and you takes your chance," Fancher says.

But there's a catch. What if the Clintons didn't pay their money?

The Clintons didn't have much money back in 1978; Bill made \$26,500 a year as attorney general and Hillary Rodham had just started working at the Rose Law Firm in Little Rock. It's never been clear exactly how much money the Clintons ended up paying into the Whitewater project. The White House says they paid \$68,900, but hasn't released records to show the Clintons paid so much as a nickel. McDougal said in one interview that the Clintons spent about \$9,000, and more recently he said they spent \$13,500. Wade says McDougal told him that the Clintons didn't contribute much to Whitewater. "Jim told me once that he had most of the money in it," Wade says.

If the Clintons didn't invest much, that would be both an irony and a stinky little detail: ironic because the Clintons would be enduring an investigation of a deal in which they had actually invested little or no money; and stinky because it might raise the question of what the Clintons did to deserve their 50 percent stake in Whitewater Development Corp.

When Bill Clinton first became governor he appointed McDougal to his staff as an economic adviser. In later years, McDougal ran a savings and loan, Madison Guaranty, that was subject to state regulation. In 1985, the Arkansas Securities Department approved a plan by McDougal to keep Madison Guaranty afloat by issuing new stock in the savings and loan. That decision came after Hillary Clinton's law firm sent a letter to a state securities commissioner on behalf of Madison Guaranty. The commissioner approved the plan in a letter that began "Dear Hillary."

Now comes the really serious stuff: bank fraud, potentially. Whitewater's account at Madison Guaranty may have been used to kite checks. Tens of thousands of dollars seemed to flow magically from a bank account that often showed a puny balance. Special counsel Robert B. Fiske Jr. will try to figure out where the money was going and who was spending it. Moreover, money may have been diverted into the Whitewater account illegally from other depositors' accounts at Madison Guaranty. Investigators are also trying to determine if depositor funds at the S&L were illegally funneled into Bill Clinton's campaign coffers.

To make matters yet more complicated, Whitewater Development Corp. failed to file tax returns for several years. The man assigned last year at the White House to clean up the Whitewater mess: Vince Foster. When Foster committed suicide last summer, the White House counsel, Bernard Nussbaum, removed Whitewater files from Foster's office and gave them to the Clintons' new personal lawyer. The Clintons have since turned the records over to investigators but have refused to make them public. Rightly or wrongly, such actions in a town like Washington can emanate scandalous odors.

McDougal was removed from his savings and loan leadership in 1986, and then, three years later, Madison Guaranty finally showed its fish-white belly. The people who have been stuck with the bill for the S&L's failure—there are estimates that it will cost as much as \$60 million—are the American taxpayers. So the Clintons, by their connection to McDougal, find themselves linked with the ineptitude and sleaze that marked the S&L crisis of the 1980s.

The Clintons claim they lost \$68,900 on the project. But they never claimed those losses on their taxes. The White House has said there wasn't the paperwork to satisfy an IRS audit, and that the Clintons wanted to avoid the political fallout of taking a tax loss on Whitewater. In any case, this may be the first time that a politician's decision not to take a tax write-off is perceived as suspicious.

The Salesman

All roads lead to Chris Wade. He's the big cheese in real estate around here. His family has run Ozarks Realty for four decades. He is not a poor man. Right now he lives on a two-story 81-foot houseboat floating in a lake. He admits he made money on Whitewater, and that makes him unique to this story.

Ask almost any question—who built the roads up there—who built the house on the bluff—who made a profit on Whitewater?—and the answer is Chris Wade.

He's an unremarkable-looking man with jowls and a mustache and a low voice that cannot compete with the bartender's blender at the 178 Club. "The club" is the best restaurant around. Marion County is dry, and to get a drink anywhere around here you have to belong to a place that calls itself a club. Wade and his wife, Rosalee—she used to ride the school bus with Jennifer Flowers—come here often.

Wade orders a bottle of cabernet and starts talking.

The best piece of land was supposed to go to the Clintons, he says. That's the lot at the juncture of the White River and Crooked Creek. He figured they'd build a vacation home.

"I laid it out for Bill," Wade says. "When we marked out the subdivision, we just marked that lot as sold." Clinton asked him to do it, he recalls.

"That's what I thought. I thought Bill asked to keep a piece."

After a couple of years, Wade bought that lot himself, for \$30,000, he says (the tax stamps show he paid only \$2,000, but he says they're wrong), then sold it right away to a Fort Worth doctor for about \$40,000, then sold it on behalf of the doctor to someone named Thompson, then regained ownership for himself by swapping some other land for the lot, then built the fancy nine-level house on it and lived there for a year and a half until he sold it to a Dallas area mortgage banker and his wife. This is a typical Whitewater matter: You could spend weeks researching the transactions around a single plot.

Wade's own history is complicated. In 1989, during a dispute with another businessman, he declared personal bankruptcy. "It was more of a personality problem between me and another guy than a monetary problem," Wade says. He's no longer in bankruptcy.

His latest legal problem developed Wednesday: He was charged with shoplifting. A Flippin police officer made the arrest after Wade bought a sandwich at the Town and Country grocery and then walked out with four cigars in his pocket. Wade, who was released on his own recognizance, says he wasn't shoplifting, but was simply absent-minded.

"I have never done anything illegal intentionally in my life," he said Thursday.

Wade is not universally popular in Flippin. There are grumblings about his business methods. One way he marketed the Whitewater lots was advertising in the Mother Earth News, a back-to-earth journal with an aging-hippie readership. The custom-

ers, perhaps romanticizing life in the Ozarks and deluding themselves into thinking they could live off the land, would buy the property on credit, in a sort of layaway plan in which they'd get the deed only when they finished making all their payments. If they didn't, they were out of luck, and the property was repossessed.

Wade says the Clintons never knew much about Whitewater. The force behind the project was McDougal. Jim McDougal wasn't trying to scam the Clintons, far from it.

"I think Jim wanted Bill to succeed," he says.

His wife adds, "Maybe Jim wanted Bill's approval."

One day in 1985 Wade was trying to sell two lots and couldn't track down McDougal. He called Hillary Clinton instead and explained what he was planning to do. "She didn't have a clue what I was talking about," he says. "She didn't have any idea what was going on with Whitewater. I think they absolutely forgot that there was a Whitewater."

'Go Home Idiots'

There is a house known as "the house that Hillary built." It's a "model home" built in 1981 with \$30,000 borrowed by Hillary Clinton from a bank owned by James McDougal. (The Whitewater Corp. repaid most of the loan for her.) Today the owner has made it clear he doesn't want to be bothered by news media. A hanging on his deck, features a handwritten message: "Go Home Idiots."

The spectacular bluff house that Chris Wade built is just down the road, and it's now the home of Bob and Pat Welborn. They moved here in the fall and had no idea that they were living in a place of serious national interest until they started getting buzzed by airplanes and helicopters.

"You have to be careful getting dressed," says Pat Welborn, "because I've had helicopters right off the deck here."

He's a retired mortgage banker but can still play the market with his computer. They left the Fort Worth area after their home was cleaned out by a burglary ring. "They stole our food!" says Bob. "They stole our shrimp!" says Pat. "That I had peeled and deined and frozen."

And so they came here, far from everything. They can look down and watch bald eagles flying past, at tree-top level along the riverbank.

Standing on the deck, looking out to the distant horizon, following the curves of the White River to the north and Crooked Creek to the west, you can almost imagine that one day many years ago young Bill Clinton and his wife stood on a rock on this same bluff, entranced with the vista, wondering if perhaps they should shuck all those grandiose ambitions and just build themselves a little nest here, turn inward, seek joy and wonder in the wilderness rather than in the worlds of politics and law.

But that moment did not happen. Nothing remotely like that happened. It couldn't have happened. Bill and Hillary Clinton have been just about everywhere, but according to the locals, they've never been to Whitewater.

Pruden on Politics

By Wesley Pruden



A little proposition for the sluggards

It's become nearly impossible to have an informed discussion of Whitewater with anyone who's not reading The Washington Times. While [the] ABC-TV two-parter was a helpful primer for those catching up on the scandal that's currently making Hillary sweat more than Bill, most of its juiciest revelations had long ago run in [The Washington Times]. The team of Jerry Seper, Paul Rodriguez and Michael Hedges has most consistently squeezed out the nation's toughest stories — like last week's charges of a document-shredding party in Little Rock's Rose law firm. Yeah, it's partisan as hell — but you'll read it somewhere else later.

— The Village Voice, Feb. 22, 1994

"Partisan as hell," eh? Well, we'll take it, cheerfully, if that's the price of a reputation for true grit in the America of the Gelded Age.

Where are the reporters, and newspapers, that ought to be pursuing the Whitewater story in darkest Arkansas, but aren't?

Bill Clinton has been a dilemma for the media since well before the '92 election, when (there's never been a serious argument about this) most of the reporters and many of their bosses clasped Clinton-Gore to their boomer bosoms and the ladies in particular swooned over Hillary Rodham Clinton.

Anyone who suggested that the new administration should be covered aggressively like any other was written off as "partisan as hell."

Jerry Brown had tried to make Whitewater an issue, but his matches were wet. The death of Vincent Foster should have revived the story, together with renewed scrutiny of Little Rock's curious Rose Law Firm. The Wall Street Journal, which had raised interesting questions about Mr. Foster's role in the administration, spiked its editorial-page guns in a decent regard for the feelings of Mr. Foster's family. So did The Washington Times, in part because on the day after his death this newspaper was widely reported to have been planning an expose of a scandal in Mr. Foster's personal life so devastating that it might have driven him to suicide. This story was



Vince Foster

false in all particulars, but whoever started the rumor might illuminate the deepening shadows surrounding the death of Mr. Clinton's friend and counselor.

Jerry Seper pursued the Whitewater story almost alone until December. Two publishing events revived it. Jerry reported in this newspaper that two "political aides" inside the White House

had collected Whitewater files just hours after Mr. Foster's body was found, and the American Spectator and the Los Angeles Times reported lurid stories by Mr. Clinton's bodyguards about pimping for him when he was the governor of Arkansas — most recently in the days before he came to Washington to take his oath of office — and that he had offered federal jobs to buy their silence about their procuring tasks.

The establishment press closed ranks around Mr. Clinton, bashing the reporters even after two of the women later came forward with far more corroboration than Anita Hill, the pursuer of Clarence Thomas, ever had. The verdict was that pimping and procuring were too sleazy for "respectable" folk to cover, and Whitewater was too complicated for these respectable folk to understand. Mr. Clinton got his usual pass, from both the young reporters and the wheezing geezers who ought to have known better than to aspire to political correctness. Nevertheless, a lot of reporters who avoided looking at the corroboration of David Brock's work now belatedly realize that Whitewater may turn out to be the big story of the Clinton quadrennium.

The Washington Post published a remarkable mea culpa by its very own ombudsman on Sunday, trying to explain to its readers why it is snoring through the Whitewater rapids. (Where, for example, is Mortuary Bob Woodward, who specializes in interviews with the dead, and why isn't he talking to Vince Foster?)

"... much of our perception that The Post is reluctant on Whitewater begins with the aggressive display the story has been getting in The Washington Times," explains Ms. Ombudsman. "The Times, never shy about its conservative predilections, thinks almost everything related to Whitewater belongs on the front page, probably stripped across the top. The Times has also beat[en] The Post on several developments that The Post, I think, underestimated."

The ombudsman quotes Karen DeYoung, the assistant managing editor for news, as agreeing that the Foster suicide is still inexplicable. "Is there a connection to a coverup, or the unraveling of [the Whitewater story]? We don't know."

Then Miss DeYoung, never shy about her liberal predilections, let slip the telling fact: "And if we find out Mr. Clinton did know, who cares?"

Clearly some people do. From the ombudsman's accounting of it, many of them are readers of The Post, who complain they're being cheated of the story. The Post boasts that it has "five reporters and one editor assigned full-time to Whitewater," and no doubt several of them are running tabs at Doe's Eat Place and the Cajun's Wharf in Little Rock at this very moment.

We don't have five reporters and an editor to get in one another's way on the story, but if Miss DeYoung wants a challenge we'll make a sporting proposition: She can double the number of reporters assigned to Whitewater, and we'll finally assign Jerry Seper to the story full time.

She'll read all about it — first — in The Times.

Wesley Pruden is editor-in-chief of The Times.

Inside Politics



Rusty Rosty

Rep. Dan Rostenkowski, one of the greatest Democratic ward-healers Chicago has ever known, is in serious need of ward-healing himself, writes Phil Kuntz of Congressional Quarterly from the Windy City.

"In Washington, he is known as Rosty; here, they sometimes call him Rusty. They've been calling him that for years, but it is more apt now because, when it comes to campaigning, he is," Mr. Kuntz adds.

The chairman of the Ways and Means Committee "disregarded the warning signs and waited until practically the last minute to the old clunker that is Chicago's once-vaunted machine sputtering into gear to save his seat."

"His campaign office didn't get phones installed until Valentine's Day, a month before Election Day. Somebody showed up to answer the phone a day later, telling callers the office would be operational in a week."

Said David Axelrod, the political consultant in charge of the campaign's media strategy, "We're in a football game here, but we missed the first 3 1/2 quarters, so we're at the two-minute warning calling plays from the line."

Whistleblown riches

Whistleblowing is creating new millionaires, the Philadelphia Inquirer reports.

Seventy whistleblower suits — mostly all uncovering frauds in the defense and health industries — returned more than \$425 million to the Treasury since Congress beefed up the False Claims Act in 1986.

Whistleblowers and their lawyers collected \$61 million, and predict more to come. Whistleblower suits now restore more money to the Treasury than fraud suits originated by the government, the Inquirer adds.

Now defense contractors are launching a counterattack, lobbying

Congress to tighten the law and urging the Supreme Court to find it unconstitutional. They complain of frivolous lawsuits, excessive damages and employees eager to hit "the jackpot."

Meanwhile, Christopher Urda, 37, of Binghamton, N.Y., waits for the season opener for the minor-league baseball team of which he is now part owner. He showed that Singer Co. inflated costs for military flight simulators.

The now-defunct firm had two sets of books: one for itself; one for government inspectors. Mr. Urda, his lawyers and taxpayers against Fraud split \$9.1 million of a \$41.3 million recovery.

"It's the weirdest thing, not getting up early to go to work," Mr. Urda told the Inquirer.

Unions and NAFTA

As the winter meeting of the executive council of the AFL-CIO opened once again in Florida, the New York Times found that unions are faltering in the reprisals against congressional supporters of NAFTA.

R.W. Apple Jr. writes that ill will persists although relations between the White House and labor have been patched up a bit: "So far the unions' bite has not matched their bark and most ret-ribution has been far more symbolic than substantive."

Stolen show

Although James Gierach wasn't supposed to be anywhere near the stage for a Democratic gubernatorial debate last week, he walked out of the meeting surrounded by television cameras and cheering supporters.

"He came, he saw, he got all the spotlight," reports the Chicago Tribune. "Even by Illinois' colorful political standards, it was [a] bizarre event."

Mr. Gierach, an obscure candidate, marched up as his better-known competitors were about to begin the first full-fledged debate of the season, plopped

down in a chair, demanded to be included and refused to budge.

Thirty chaotic minutes later the sponsor of the event, the Chicago Bar Association canceled the debate. Only then did the uninvited Mr. Gierach, whose candidacy has been ignored, rise to become the center of a clamoring media.

Futures

Wisconsin Treasurer Cathy Zeuske, calling herself a realistic "mom with a mortgage," announced her bid for the GOP nomination to challenge Democratic Sen. Herb Kohl. "I won't vote to raise taxes — period," she said. "My word is my bond."

Former Minnesota House Majority Leader Ann Wynia, responding to rumors that her husband's brain tumor had ended her bid, said she will spend time with him as well as pursue the Democratic Senate nomination.

The man known as "Little Strom" is among the candidates hoping to replace retiring Rep. Butler Derrick, South Carolina Democrat. Thad Strom is a top aide to distant relative Sen. Strom Thurmond, South Carolina Republican.

Baca's soundings

Jim Baca, forced out as director of the Bureau of Land Management by the Clinton administration, is back in New Mexico talking about becoming one of those Western governors whose complaints got him booted.

Exploring a primary challenge to Democratic Gov. Bruce King, he says he is feeling wounded and notes that governors run federal land policy: "That's quite a club, so maybe they need some new members — somebody who will have a diverse view."

"I may run for governor of New Mexico; it really depends on my ability to raise funds in the next week or two and on how the polls look. ... I'm waiting for a very important poll, which I'm paying for, to come out. If it looks like I can do it, then I'll do it."

Innis to run

Racial politics in New York are complicated by the disclosure in the New York Post that black conservative Roy Innis, head of the Congress of Racial Equality, intends to challenge Gov. Mario Cuomo in the primary.

Mr. Innis is asking the New York Democratic Committee to give him support of 25 percent of the delegates to the state convention. This would automatically put him on the primary ballot.

The party did this for the Rev. Al Sharpton, a black activist, 1 years ago. Mr. Sharpton demanded a similar waiver this year so he can run against Sen. Daniel Patrick Moynihan, who opposes the move.

Mr. Innis said, "I'm putting the party on notice. They gave Sharpton a bye in 1992 when it was not justified. ... I expect them to give it to me because I have a stronger case. I am the only one with the guts to challenge the governor in a primary."

Meanwhile, Mr. Sharpton told the New York Times he will drop his insistence that party leaders guarantee him a spot and will take an alternative route to the ballot — collecting signatures of 15,000 registered Democrats.

Restless

President Clinton is not like the rest of us, says the Boston Globe. He is more restless.

A channel surfer, he can't watch a show for more than six minutes. He has four, five books going at once. He worries simultaneously about an enormous range of interests from the Arkansas Razorbacks to the Federal Reserve Bank.

Mr. Clinton, an activist by philosophy and temperament, has more than a high energy level. "He is in a hurry," says David Leopoldos, a Little Rock, Ark., businessman and probably his oldest friend.

No one will ever know why the president is that way, writes the Globe's David Shribman. Mr. Clinton has indicated he thinks it might have to do with his father who was killed in a highway accident before he was born.

"I had been living with the idea of my father's death and therefore my own mortality since I was a kid, and that's maybe why I competed so hard and wanted so much," Mr. Clinton said in 1991.

Mr. Shribman speculates that "a lifetime of hurrying — of always being on the way to someplace else — created a lifetime of habits. And when his mother died recently, Mr. Clinton's friend sensed yet a new urgency."

● Compiled by Alan McConagha.

Digging Out From Under

THANK YOU FOR YOUR EXCELLENT coverage of the Los Angeles earthquake ("A Rumble From Hell," SPECIAL REPORT, Jan. 31). Our house sustained a broken chimney, but it was our psyche that sustained the most injury. Within a span of less than two years, we in southern California have endured rioting, floods, brush fires and now this quake. On top of these disasters, we are plagued daily with polluted air, traffic jams and gang shootings. And to think that just a few years ago people called us "laid back"!

STEPHEN MILLS
GLENDALE, CALIF.

OVER THE NEXT FEW YEARS, LOS ANGELES will have to completely rebuild itself. I hope that instead of rebuilding the same highways, Gov. Pete Wilson will use the federal relief money to implement a comprehensive public-transportation system. Integrating the bus system and building a subway or train plan uniting the different communities would benefit Los Angeles in many ways. Not only would the smog from car emissions be reduced, but millions of people would cut hours from their commutes.

JOHANNA M. JENSEN
MOUNTAIN VIEW, CALIF.

AS A COLORADAN WHO WAS CAUGHT IN the quake in southern California, I thought your cover package was excellent—particularly the personalized account by Eve Babitz ("A City Laid Out Like Lace"). How can I describe what it's like to wake up in a bed busy dashing itself against the floor? To stand in a doorway waiting for the world to fall away? To feel the earth's anger slowly die and hear frightened feet, slamming doors and then the wailing moan of ten thousand car alarms—the stricken soul of Los Angeles?

ROGER C. KANE
AURORA, COLO.

IT IS DIFFICULT TO ARGUE AGAINST THE federal government's providing assistance to the Los Angeles area. However, programs need to be put in place now so that disaster-prone areas can accumulate funds from their own residents—not from all U.S. taxpayers—to help finance any future rebuilding projects. Different geographic regions impose different financial responsibilities on their inhabitants. In the Great Lakes region, for example, salt destroys cars and roads, snow removal from streets and driveways is expensive and paying for winter clothes and heat strains family budgets. These are some of the costs of living here—and we absorb them. Californians

Mail Call

Aftershocks

Readers of our Jan. 31 cover on the L.A. earthquake were amazed that Angelenos had endured yet another disaster. "Between the riots, fires and earthquakes," wrote one, "I can't believe that California isn't abandoned by now." Some questioned residents' judgment in remaining

there—and the fairness of giving federal disaster subsidies to those who do. "I have serious objections to seeing my tax dollars used to rebuild the home or business of someone who intends to have a ringside seat when the Big One hits," said one reader. Why do Californians continue to live with this threat? "Because of the breathtaking mountains, the gorgeous ocean and—most of all—the people," declared one. "Why would I live anywhere else?"



should do likewise. If they can't, or won't, perhaps our next CARE package should be of a more practical nature: luggage.

LEONARD A. VISCONTI
CHARDON, OHIO

THE WOMAN YOU WROTE ABOUT WHO refused to spend \$5,000 a year on earthquake insurance for her \$650,000 home gets no sympathy from me. She's typical of those who choose to live in disaster-prone areas like southern California and the East Coast's barrier islands: they'll gladly invest a fortune in their luxurious houses but are too cheap to invest in protection. Then they expect people like me to cover their losses. Blankets, bottled water, diapers and canned food for Angelenos, yes. But housing grants for rebuilding? Forget it.

ANDREW D. REED
ASHEVILLE, N.C.

Clarification on Whitewater

I OBJECT TO YOUR STATEMENT IN "WADING INTO WHITewater" (NATIONAL AFFAIRS, Jan. 31) that aides to the treasury secretary have pressured me not to conduct an inquiry into the failure of Madison Guaranty Savings and Loan. Nothing could be further from the truth. No one at the Treasury or anywhere else in the administration has suggested how I should deal with this case. I alone made any kind of demand to leave it alone. Neither have I been influenced by

the variety of strong-arm tactics that the Republicans have attempted—nor will I be. If I have been criticized for anything during my 32 years in Congress, it's my independence. I make decisions that I believe are right and don't worry about the political consequences. I know my duty under my sworn oath, and no one, no force will compel me to deviate one hairsbreadth from that line. Your references to me are mendacious to the point of malice.

HENRY B. GONZALEZ
Chairman, Committee on Banking,
Finance and Urban Affairs
U.S. House of Representatives
WASHINGTON, D.C.

✓ Editor's note: NEWSWEEK stands by its reporting.

A Family That Learns Together

YOUR ARTICLE ON HOME-SCHOOLING ("In a Class of Their Own," EDUCATION, Jan. 10) became required reading in our own "school for one." We've been home-schooling our daughter Liz (a former high-school junior) for several months now. Liz and I both agree that we've gained far more than we've lost. She's writing more, reading more, learning more and interacting more with her family. What have we lost? The typical high-school fare: foul language in the halls, fights, random metal-detector checks for guns, smoke-filled bathrooms.

CARLA AND MARTIN KELLY
MONROE, LA.

Keep Religion Out of Health Care

IF THE UNITED STATES CATHOLIC CONFERENCE doesn't want Clinton's health-care plan to cover abortion ("The President's Tough Choice," NATIONAL AFFAIRS, Jan. 24), I say, tough! I don't need religions I don't subscribe to limiting what coverage I can get. If memory serves me, the Catholic Church also opposes birth control. Will that be fought as well? Will religions opposed to other procedures—blood transfusions, for example—also try to force their view on everyone? I hope not. We need to remember the "universal" in universal health care.

ELIZABETH ROWE
WICHITA, KANS.

Insure the Uninsured Now

GEORGE WILL DISMISSES THE 38 MILLION Americans with no health insurance as a minor issue of no urgency ("Coming Next, Clinton's Year One," Jan. 24). Most of them, he says, "either will be insured a year later, or are healthy young people who choose to be uninsured." I suspect that even Will, upon reflection, would agree that being insured next year is small consolation for those who need medical care now. But what bothers me most is that he believes

Will Hillary cause problems?



CARL P. LEUBSDORF

When President Clinton named his wife to direct the new administration's health care effort, there was much speculation on how her success or failure would affect perceptions of his presidency.

It hasn't been a problem for Mr. Clinton. Though the plan that subsequently emerged has been controversial, even critics concede that Hillary Rodham Clinton did a thorough, professional job.

But now questions are arising about the degree to which Mrs. Clinton could pose a potential danger to the success of her husband's presidency because of something else — the way she conducted her career as a Little Rock lawyer in the 1980s.

It's a totally new situation in public life, created by the changing place of women in society and the increasing likelihood that the spouses of prominent politicians will have their own careers.

Until now, the impact of first ladies has been closely tied to their roles in the administrations of their husbands.

Eleanor Roosevelt became a major figure, but only as an advocate for her husband and, on some occasions, for liberal policies that went beyond his. Nancy Reagan was an important behind-the-scenes power in her husband's presidency.

But Mrs. Clinton is facing unprecedented and unwanted scrutiny for the years she spent as a lawyer for Little Rock's Rose Law firm, and especially for her role in and around the complex series of events that have become known as the Whitewater affair.

It's too early, of course, to draw conclusions. The definitive inquiry by special counsel Robert Fiske is just beginning, and most of the matters involving Mrs. Clinton that have emerged in news accounts are sufficiently complex as to require clarification before judgments.

Nevertheless, a number of the most important unresolved questions about the affair seem to involve Mrs. Clinton, either in her role as an attorney or in decisions about her family's finances.

• Did Madison Guaranty Savings and Loan Association violate any laws in its relationship with the Whitewater Development Corp., and, if so, were either President or Mrs. Clinton involved?

• Did the Rose Law firm, of which Mrs. Clinton was a partner, violate any federal conflict of interest regulations by representing the Federal Deposit Insurance Corp. in a suit against Madison when it earlier had represented Madison?

• What did Mrs. Clinton's former law partner, the late Vincent Foster, know about the tangled ties between the Clintons, Whitewater and Madison, and was that related to his apparent suicide in July?

• Was there any connection between the decision...

by the Arkansas Development Finance Authority to put offices in a building owned by Madison Guaranty and the saving and loan's payment of a \$2,000 monthly legal retainer fee to Mrs. Clinton?

• Did then-Gov. Clinton use or misuse his authority, either directly or through appointees, to benefit either Madison or Whitewater?

• Did Mr. Clinton play any role in the 1986 Small Business Administration's \$300,000 loan to Madison or in Madison's decision to hire Mrs. Clinton to represent it before state regulators?

• Did Madison funnel any money into the 1984 Clinton for governor campaign, and, if so, who knew about it?

• Did the Clintons — as they contended during the 1992 campaign — really lose \$69,000 in the Whitewater investment?

• Did the Clintons underpay their taxes because of improper or exaggerated claims of interest payments in connection with loans that financed their investment in Whitewater?

As these questions suggest, the array of potential problems ranges from the political to possible misuse of governmental authority to matters of legal ethics.

The Clintons have consistently denied any wrongdoing, and so far there is no firm evidence to dispute their contention. But the affair is extremely confusing and, for the most part, seems unlikely to be clarified until the special counsel completes his investigation.

It's also important to remember that every potential charge, except those relating to Mr. Foster's death and the investigation into it, deals with matters that took place a number of years ago, when Mr. Clinton was either governor or a private citizen and his wife was a private attorney.

It's a far cry from the issues that marked the Watergate scandal of the 1970s. Then, a sitting president and some of his top advisers were accused of conspiring to misuse the federal government's investigating agencies and of paying "hush money" to cover up criminal activities.

Many top aides to President Richard Nixon were convicted and served jail terms, and the president was forced to resign.

In this instance, even some seeking to investigate Whitewater agree it is far more likely to produce political embarrassment and perhaps a modest amount of additional taxes than anything like the criminal accusations against Mr. Nixon.

And it's entirely possible that the Clintons will be found to have done nothing wrong.

But it's also possible that the president will face political embarrassment stemming from the actions of his most trusted adviser — who happens also to be his wife.

Carl P. Leubsdorf is Washington Bureau chief of The Dallas Morning News.

Dallas Morning News 2/17

LEVEL 1 - 4 OF 32 STORIES

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THE CLINTONS WORK HARD TO LEAD ORDINARY LIVES AND BE ALONE TOGETHER

BYLINE: By Carol Jouzaitis and Mitchell Locin, Tribune Staff Writers.

DATELINE: WASHINGTON

BODY:

Everyone knows the capital's First Jogger is President Clinton. Far fewer people know of Hillary Rodham Clinton's efforts to stay in shape by walking around the White House grounds, where she is shielded from public sight by a plot of tall, flowering plants.

"They're the tallest flowers you've ever seen," said one White House imagemaker who asked not to be named. "They're like cornstalks."

Though Mrs. Clinton's press secretary, Lisa Caputo, denies it, the imagemaker said the flowers were planted last spring around a fountain on the South Lawn to protect Mrs. Clinton's privacy when she dons a baseball cap and exercise gear and heads out for some laps around the executive jogging track.

The flowers are emblematic of the Clintons' efforts to draw a curtain around some portion of their lives, blocking out the ever-prying eyes of the press and public as they live at the nation's most conspicuous address.

Though all first families try to retain privacy, the Clintons seem to have been more successful than most, particularly when it comes to their daughter Chelsea.

"Sometimes I just like to be an ordinary citizen," Clinton recently told a group of children in Houston who asked him how it felt to be surrounded by Secret Service bodyguards. "I just wish that I could take my wife and daughter and walk down the street and go to the movie or go to a restaurant or go in a shop and go shopping and just be alone. But it's not going to happen for a few years."

The Clintons issued a firm order to the media when they arrived here regarding their 13-year-old daughter: Leave her alone.

Unlike the avid tabloid photographers in London who dog the royal family, the Washington press has largely acquiesced. Chelsea's many activities, from school to soccer games to ballet lessons, have been out of bounds.

The White House has taken pains to protect her from the sort of intense scrutiny in the 1970s on Amy Carter, whose first school day in Washington became a choreographed media event. For Chelsea, Clinton aides last year were

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dispatched to keep curious onlookers at bay while whisking her inside her private school.

Chelsea attends only those events she might enjoy or find interesting. And when the president and first lady were photographed for the White House Christmas card last year, Chelsea was conspicuously absent.

"I have to say that the media overall has been really, really respectful of the Clintons' wish to maintain Chelsea's privacy," Caputo said.

Another area the Clintons have kept intensely private is the state of their marriage. Despite aides' remarks about family closeness, allegations of Clinton's marital infidelities in Arkansas have fueled speculation that the couple's political bonds have outlasted romantic ones.

After the charges were first made during the campaign, Clinton admitted to causing pain in his marriage. But the couple insisted that the subject was their business and no one else's.

Since then, rumors of marital discord behind closed doors have gone unsubstantiated. And in the public eye, at least, the Clintons are physically affectionate and generous in their praise for one another, displaying no outward signs of tension.

Information and activities under the control of the first lady are another private niche in the Clinton White House. Frequent, lavish social events were treated as big media photo opportunities by the Reagan, Bush and Carter administrations. But the Clintons have barred working reporters and photographers from most of their parties, which tend to be more intimate gatherings.

The names of the first family's dining companions are not public fodder. The White House, for example, never confirmed or denied the widespread reports that bankers Robert Altman and Clark Clifford, exonerated in the BCCI scandal, lunched with the president. And when a movie star drops by, whether it's Barbra Streisand or Mary Steenbergen, it's their press agents, not the White House, who plant news items in the gossip columns.

Mrs. Clinton's immediate predecessors threw the mansion's doors open to let photographers record the redecorating of the private quarters that comes with new administrations. Only three media outlets got even a small glimpse of the elaborate changes Mrs. Clinton made.

At home in the White House

Although it may appear that the president is on TV all the time, in reality only carefully chosen and staged glimpses of his activities are recorded, and over the course of his first year in office Clinton has learned to marshall his image better so each appearance carries more impact.

Inside the White House, meanwhile, the family can disappear for hours or even days at a time without being viewed by the public or press. While the movie theater, outdoor swimming pool, butlers and maids hardly make the living routine, this is where they can be Dad and Mom and Chelsea.

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"On the second floor, they turned the butler's pantry into a family kitchen, a regular working kitchen, with a table and four chairs where the three of them will have dinner. The kitchen is one of their most favorite places to sit around and talk," Caputo said. Sometimes they cook for themselves.

Clinton has admitted to feeling a little cloistered in the White House, lamenting recently, "I wish it weren't so."

Traveling outside the White House grounds provides no respite because the seclusion is replaced with the scrutiny of a pool of reporters and photographers that is on call 24 hours a day to accompany Clinton's every move, and it has taken some getting used to by the president.

Chatting recently with German Chancellor Helmut Kohl, Clinton related his travails with the ever-present shotgun microphone, a powerful weapon that has caught his off-the-cuff remarks more than once.

"A couple of years ago I was running in Chicago," Clinton told Kohl, "and they (the press) were running two blocks ahead of me. And the guy who was running with me said, 'Why do they keep running with us?' and I said, 'They just want to be here in case I drop dead!' They were two blocks ahead of us, and the (sound) guy screamed, 'No, we don't feel that way.'"

"They picked it up with the boom mike!" Clinton chuckled.

The audio man's protestations to the contrary, one purpose of the press pool—a small rotating group of reporters and photographers from the major media—is indeed to keep a watch on presidents when they are in public places in case of emergency.

Despite his gregarious image, Clinton more than once has displayed discomfort with the press bubble surrounding him from his early morning jog until aides are assured he's in for the evening.

Clinton has been known to take delight in jogging the wrong way up one-way streets in order to lose the press pool, assigned to follow him in White House-supplied vans, comically trying to find him by shouting to tourists if they've seen the president.

Keeping things private

Like his recent predecessors, when Clinton goes golfing or out with the family to dinner or a friend's house, it's in a small, discreet motorcade—no flags, no sirens, no motorcycle escort—virtually indistinguishable from numerous others that weave through official Washington.

When it serves their political interests, the Clintons have used the privacy issue to keep certain matters out of the public eye.

In defending the closed-door meetings of Mrs. Clinton's health-care task force, the administration said she is a private person, therefore the papers of her task force were private too. The first family also said their financial dealings are private, refusing to make public their papers regarding the Whitewater real estate deal in Arkansas. Recently, however, they did turn over the files to Justice Department investigators.

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Political tempests aside, aides say the Clintons have resisted the confining nature of their new lives in what the president has called "the crown jewel of the federal prison system." It's hard, for instance, to be impulsive when going out for a walk can become a staged event requiring aides, security personnel and the press (the latter by gentleman's agreement) to be alerted well in advance.

On their wedding anniversary last October, the Clintons decided on the spur of the moment to take a 9-mile bicycle ride to Mt. Vernon, George Washington's historic home in Virginia, without notifying the press pool. This frustrated members of the media, who felt they had been deprived of a rare opportunity to capture the Clintons at leisure.

"The idea that they can't go out for a walk because it takes an hour to assemble the pool is unacceptable to them," said Steve Rabinowitz, a former White House events planner.

Letting the press watch

While the Clintons are not reclusive-the president and his daughter joined other Renaissance Weekend participants playing touch football in Hilton Head, S.C., over New Year's-some presidents made more calculated use of their leisure time to help their images.

Ronald Reagan was well aware that long lenses could record him clearing the brush or horseback riding at his California ranch, contributing to the image of a vigorous man.

Reporters served as playmates for George Bush when he wanted company for horseshoes and fishing expeditions. Bush would invite them up to the family residence on the top floor of the White House, even showing off the presidential bedroom there, and at his summer home in Kennebunkport.

Clinton has golfed a couple of times with favored reporters, but they are far from being his playmates. He prefers to surround himself with old friends. While in Arkansas, he joined two old pals in making a nostalgic stop at their former high school in Hot Springs without the media being alerted.

"But the press found me," Clinton recalled later. Cameras were kept outside.

"Clinton didn't go there to contrive a photo opportunity showing what a normal, reminiscing guy he is," Rabinowitz said. "He went there because he wanted to and he couldn't care less if people saw it."

GRAPHIC: PHOTO; PHOTO: "I just wish that I could take my wife and daughter and walk down the street and go to the movie or go to a restaurant or go shopping and just be alone," President Clinton said recently. AP photo.

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Al Gore, at least, had some good news to offer. It was one of the President's darkest days. Bill Clinton was at his mother's house in Arkansas preparing for her funeral, yet there was little time to mourn; he was leaving the next day for Europe. If that were not enough, word had come that the President's nomination of Bobby Ray Inman as Secretary of Defense would soon implode. Clinton was at his gloomiest during a conference call with his closest aides at the White House when the Vice President spoke up with words to raise the Presidential spirits. After weeks of secret communications with President Leonid Kravchuk of Ukraine, Gore and other officials had virtually completed a historic agreement under which Ukraine would surrender its nuclear warheads. "I think we've got the deal," Gore told the red-eyed President on that January afternoon. Two days later, in a Sunday television interview, the Vice President denied reports of an impending accord, leaving the grand announcement for Clinton to make the next day in Brussels.

Gore's voice is often there at the right moment. In what has long been largely an ornamental office, he has become the President's most influential adviser, excepting, of course, Hillary Rodham Clinton. He challenged Ross Perot to debate, against the advice of others in the White House, and won. He has moved in to share the spotlight on foreign affairs with the Secretary of State. He has become a recognized authority on a range of 21st-century issues like electronic information and global warming. He has taken on pious projects of doubtful potential like remodeling the Federal Government and has sought to give them substance. And he doesn't do funerals.

The Vice President does much of his work unseen, perpetually dashing 18 steps down the blue-carpeted hallway from what he calls the Square Office to the back door of the Oval Office. Once there, he helps the President on minute details as well as major issues -- sitting down at a computer himself, for instance, and typing in last-minute retouches to a Presidential address or urging Clinton to tape a weekly radio program so the First Family can have an uninterrupted holiday at Camp David.

In just one year, Albert A. Gore Jr. has given the office of Vice President its most consequential place in history. He is now regarded as a natural in the job, as the ideal No. 2. Accordingly, the question already arises: Granting the inevitable uncertainties of the future, does Gore have what it takes to make the next big leap, to be elected President? "That," says David R. Gergen, a counselor to Clinton and an ally of Gore, "is one of the great questions of American politics."

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Why should this be a question? Because Gore knows he has to overcome certain impressions -- that, despite his 17 years in public office, he is not an electric politician. That he is somewhat of a "Robo Veep" who often does not connect with ordinary people. That, in a sense, he may be too good to be President. Pauline Gore recalls him as a reliable son who was "determined to please," and he plays that role now for the Clintons. Gore does what he is asked and does it well. But is he less an inspirational leader and more a good and faithful follower?

Gore seems to be groping with the question himself and acts a bit like a student cramming for his next assignment. From the shelf, he pulls one of his favorite books, a self-help guide for young executives: "On Becoming a Leader." Here is a 45-year-old man who has made it to the top tier of world politics and he is still trying to learn leadership from a paperback, who employs a New Age-style facilitator to better relate to his staff, who is trying to learn to loosen up and show his sense of humor while still acting like a statesman.

Yet he dare not try too hard. He can't outshine his boss -- or his boss's wife. Gore may be the highest-profile Vice President ever, but Hillary Rodham Clinton is the highest-profile First Lady. Clinton acknowledges that his wife's shadow can hide his Vice President. "Our relationships are not comparable, obviously," he says in an interview. "But what you need to know is that I believe, based on everything I've been able to read or learn from others, he has a larger role substantively and more influence than any Vice President. Ever."

The President, though diplomatic, is hardly definitive when asked whether Gore would succeed him. After a long pause, he says, "I hope we do a good enough job so that's what he wants and that's what the American people want."

Reinventing the Office

For a President who swerves from crisis to crisis, Gore is a steadying hand. He knows his issues and tenaciously battles to expand his turf. His judgment, disciplined approach and willingness to take on knotty assignments help explain his acquired power.

Not that he doesn't make mistakes. Initially, it was Gore who pushed Inman for Secretary of Defense. But weeks later it was also Gore who twisted William Perry's arm to take the job. A private meeting with him at the Vice President's residence sped the process and saved the President embarrassment of further delay.

The critical establishing moment was his taming of the little Texas dragon who had been breathing fire at the White House for months and seems now to be doing so no more. Witness the scene in Gore's Denver hotel suite the day after his November debate with Ross Perot over the North American Free Trade Agreement.

Tie and shoes off, head propped on two pillows, giddy from only three hours sleep, the Vice President is sprawled on a sofa, reveling in the notices of his triumph. "You see the headline?" says the man who seldom displays emotion. "Slam Dunk." He takes congratulatory calls. "It worked, didn't it?" he spouts to his old friend Tom Downey, a former Representative from Long Island.

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The man on the sofa exults, but does not rest. He is soon making call after call to recalcitrant members of Congress, seeking to turn his success in the nationally televised debate to a win for Nafta. He pleads with a House Democrat: "Can you keep us from getting killed on it?" While Gore administers the pressure, an aide, Dennis Alpert, mockingly fans this would-be sultan with a hotel bathroom towel, as if attending Valentino. One of his lobbyist lieutenants on Capitol Hill, Michael Feldman, sits at Gore's stocking feet, egging him on with a quiet yet steady chant: "He's on fire! He's hot! He's hot!"

In his own buttoned-down way, Al Gore is hot.

He maintained the momentum with his trip to Russia the next month. Trailed by an entourage that included Clinton's top foreign policy advisers, Gore met at the Kremlin with President Boris N. Yeltsin. He made his biggest splash when he delivered the Administration's attack on Vladimir Zhirinovsky, the ultranationalist whose faction won the second-largest bloc in the parliamentary elections. Gore had awkward moments. He was caught off guard by Zhirinovsky's strong showing and had to revise his public comments. The scene was nevertheless reminiscent of Vice President Nixon's trip to Moscow in 1959, when he drew worldwide attention in his "kitchen debate" with Nikita Khrushchev. Gore, in fact, conferred with Nixon before the trip.

What gives Gore his influence is his access. He and Clinton typically start the day together with the President's national security briefing in the Oval Office, and he often spends more than half his day with the President. On the morning of the Middle East peace signing, Gore scribbled lines into the President's text, giving it more historical breadth. Says Clinton: "He immediately saw what ought to be done to it and made three or four suggestions that made it very effective."

That the 45th Vice President has this power is no accident. Gore recognized from the start that he was taking a risk in accepting a job so often ridiculed as standby equipment. He sought the advice of Walter F. Mondale, who expanded its responsibilities under President Carter. Then, during three sessions of friendly negotiations at the Governor's Mansion in Little Rock, Ark., before they took office, Gore sought assurances from Clinton that, among other things, he and the President meet weekly for lunch, that he get an office close to the Oval Office, that he be welcome at most meetings there and that the Vice President's chief of staff be made an assistant to the President as a way to integrate the two staffs. Clinton agreed to all of his requests.

Clinton and Gore are together so much that the Vice President's advisers think he sometimes appears too eager -- too, well, clingy. But Gore would almost rather look silly than give up any access. That is no doubt why he resisted recommendations by his aides to take his own trips in the early days of the Administration. The aides prevailed, however, on Gore not to tag along with Clinton at the President's first summit with Yeltsin, in Vancouver, telling him that while no one would stop him, he would not have much of a role there.

Gore carefully adheres to two old-style White House rules: that Vice Presidents must be loyal and that they must be self-effacing. The loyalty requirement never stopped some like Lyndon B. Johnson from saying nice things about the President in public but trashing him in private. Gore's fidelity, public and private, appears complete. Even to his confidants, he will not say anything remotely critical of Clinton. As for self-effacing, Roy Neel, Gore's

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former chief of staff, has a photo taken in the Oval Office showing Neel whispering in Gore's ear. At the bottom, Gore scribbled: "To Roy -- O.K., I've got it: I stand behind him motionless and keep my mouth shut -- Al."

One of Gore's proudest accomplishments has been his bringing the Big Three automobile companies together in an attempt to build an environmentally clean car. But, again, the public announcement about it, like that on Ukraine's agreement to surrender nuclear weapons, came from the President. The Vice President stood a few steps back.
Pressing for Principle

Gore dares to disagree. But he keeps the President's trust because he chooses his moments well, and always in private.

One evening last summer, the President summoned close advisers to his residence to find a remedy for one of the most contentious issues of his first year: his pledge to overturn the ban on homosexuals in the military. Savaged by opposition from the military and Congress, Clinton was urged by one adviser after another to compromise. Except for Gore. Sitting to the right of the President, he argued that Clinton should stick to his principles and press for a full lifting of the ban, knowing that Congress would be nearly certain to reverse him.

"Gore took a very lonely position," Gergen recalls. "He was the one who said he wanted the purest position. He thought a complete lifting of the ban was the right way to go. He said it would show guts." But by the end of the evening, it was clear that Clinton was moving toward the compromise. To Gergen's surprise, Gore did not bring up the matter the next day at his weekly lunch with the President: "Most people would say: 'Now's my chance. I've got my hour alone and I'll turn him around.' But he came out of that lunch and he told me he didn't raise the issue. He didn't think it was the right thing to do." Neither Clinton nor Gore will discuss it now. "That was a very difficult decision that we all had, and everybody offered their views," Clinton says. Asked about Gore's advice, the President snaps: "I just don't think I should discuss our conversations. If other people are doing it, they shouldn't be."

The episode demonstrates Gore's place in White House decision making. He is not shy about speaking out in private. But he will push only so far. "He doesn't pull rank; he makes an argument," says George Stephanopoulos, a senior Clinton adviser who advocated compromise. Gore puts it this way: "I'm not out to win arguments for the sake of winning arguments. But if some principle is at stake which I think is crucial, then I will push it harder."

Push? More like a genteel shove, with Southern civility. But he is strong-willed and will argue strenuously, particularly in defending what he regards as his turf. Hours before Clinton was to deliver a major Earth Day speech on the environment, Gore was told that Clinton was rethinking his promise to impose stricter carbon monoxide emission standards on automobiles. Furious that others in the Administration were trying to undermine him, he marched into the Oval Office. And he prevailed. "He has a very profound moral sense," Clinton says. "Al is always on the side of encouraging me to do what I think is right, which I appreciate."

Gore has had other defeats. In keeping with an inclination that appears greater than Clinton's to use force, he pushed for a tougher policy on Haiti

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and for more military action in Bosnia, a position Clinton accepted and then abandoned when it faced opposition in Congress. But when Gore loses, his approach is to move to the next issue, saying there is no time to hold grudges. "A President of the United States," he says, "has about six to eight gut-wrenching decisions every day."

First Lady, Second Man

By putting Hillary Clinton in charge of devising a national health care proposal, the President handed her a big assignment on an issue in which Gore had taken a strong interest in the Senate. Gore himself had toyed with the idea of taking on health care, but he told his aides during the transition that the issue would be too consuming. Besides, Mrs. Clinton wanted it.

Except for many social occasions when they clearly seem to get along fine, Gore and Mrs. Clinton take pains to stay out of each other's way.

The First Lady was noticeably quiet, participants say, when she sat in on a meeting with her husband and Gore last fall over how the President's time should be divided between health care and the trade agreement.

"Since the first bus trip, there was just some sense that, well, there was going to be tension between Hillary and Al," Neel says. "And it just has never happened."

Gore praises her with many of the same words that people use to praise him. "She is an extremely intelligent, capable, warm person who gives the President excellent advice on a wide range of matters," he says.

Would Hillary Clinton make a good President? Gore sputters out a polite but hardly encouraging response: "I think she's capable of doing an effective job at anything she undertakes."

Gore knows he must be deferential to this First Lady but is he concerned that she may be overshadowing him?

"No," he replies. Then he pauses.

"I mean -- no."

Reinventing Government, or Piety?

After yielding the health reform domain, Gore sought out supervision of another high-profile project, welfare reform. He had a reputation on Capitol Hill of avoiding the great roiling issues of the day that test leaders, like race relations, so his aides thought it was important for him to embrace something that directly involved people. But with health care getting off the ground and a budget battle brewing, Clinton told him last spring that it was too early to move on welfare and suggested that Gore take up an initiative for "reinventing Government," proposing ways to pare the Federal bureaucracy and make it more efficient.

Gore was warned that the assignment sounded like make work that others had tried and failed. "I said, 'You won't get anywhere with that sort of thing; it's a loser,'" recalls Tim Wirth, an under secretary at the State Department. "You use up a huge amount of credit trying to move the furniture around."

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But Gore, ignoring the concerns, did his best to puff up his assignment. "He didn't want to just launch reinventing Government," says Stanley Greenberg, the President's pollster. "He wanted a block of the President's time over a 10-day period to make reinventing Government a priority. Which he got." He also published a glossy reinventing Government report with his name -- and not the President's -- on the cover.

Then Gore had to fight his biggest internal battle to turn the initiative into a real splash. At more than one tense meeting with the President, Gore argued strenuously, against George Stephanopoulos, who opposed putting out specific figures on how much waste the proposal would cut. Gore prevailed, although some White House officials said the Vice President's determination to cite figures opened the Administration to attack.

So far, the follow-through has not lived up to the hype. The plan was supposed to save \$108 billion over six years. But the Congressional Budget Office studied one portion of the plan designed to save \$6 billion and calculated that it would save only \$305 million. The budget office believes the rest of the plan may be overly optimistic as well, though probably not to the same degree.

"Al will sometimes lead with his enthusiasm," Downey says. "Was it oversold a little bit? Yes it was. It's not going to cut \$108 billion. And emphasizing how much it's going to cut is not all that smart. The Republicans then hold you to it."

Besides, They're Friends

Gore has not remade the Vice Presidency forever; another President could relegate a Gore successor to oblivion. The difference this time is a factor not common among most past Presidents and Vice Presidents: Gore and Clinton are close friends and so are their families.

One Monday evening in January, Bill, Hillary and Chelsea Clinton slipped out and, defying weather reports of a major snowstorm, drove to the Naval Observatory, the Vice President's residence, for dinner. Over chicken with cilantro, the two couples, their children and Gore's mother never left the dining-room table. They chatted and laughed for three hours, much like yuppie neighbors in the suburbs.

"I don't think we talked about any business at all," Gore says. "I don't think we talked about any issues or problems. We talked about movies, books, interesting people that we met recently, interesting conversations that we've had, stuff like that."

Despite their closeness, Gore says he always addresses Clinton as "Mr. President" in public. But when they are alone, he finds ways around the formal title without succumbing to a presumptuous "Bill." Clinton often calls him "Al" in private. When they're offstage, Gore is the one to defuse Clinton's temper tantrums with deadpan humor. Once, with the President in a rage over Democrats in Congress who never seemed to have anything nice to say about the Administration, Gore said, sternly, "I'll speak with them." The President laughed.

Gore knows Clinton so well that when the President began delivering his health care speech to Congress, Gore, sitting behind him, knew instantly that

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something was wrong. "His voice was definitely higher in his chest." It turned out that the wrong speech was in the prompter.

Quite a turnabout after the years in which Clinton and Gore had eyed one another suspiciously, believing two sons of the South could not become President. In 1991, at the height of President Bush's popularity, the Senator from Tennessee passed up what looked like a clear shot at the Democratic nomination. He says he needed to take a few steps away from the political arena after his 8-year-old son, Albert 3d, almost died after being hit by a car. That left the field open to the lesser-known Southerner, Clinton.

Gore was surprised, and wary, when he got the call in the summer of 1992 to meet with Clinton and discuss joining the ticket. Though there was never open friction, Clinton had not endorsed Gore for the Democratic nomination in 1988 and four years later Gore had not endorsed Clinton. With Clinton running third in the polls behind Bush and Perot, Gore took what at the time was a big gamble. He decided that the best way for him to reach the White House was to suppress his own ambitions and plunge into the role of loyal sidekick, tying his future to Clinton's.

From their first late-night meeting in a Washington hotel room, they hit it off. Gore was an interesting choice for Clinton; he did not bring geographic balance but did offer complementary experience plus youth and energy that Clinton thought would be appealing. After Gore's acceptance speech at the Democratic National Convention, Clinton stepped to the podium to accept the nomination and said, "I am so proud of Al Gore."

Gore's explanation for why he and Clinton have become friends sounds much like the reasons that had made them rivals: "We're of the same generation; we're from the same part of the country. We're from the same part of the same political party. We have long had similar views on a wide range of issues. We both ran for President at a relatively young age." They also never ran against each other, so are not haunted by videotapes of one attacking the other. And, after all, they are peers, with Clinton only 19 months older. Dan Quayle was young enough to be George Bush's son.

After the convention, Clinton and Gore were buoyed by an unexpectedly enthusiastic response to the first ticket of Ivy League baby boomers. On their campaign bus, they would rattle on hour after hour about policy minutiae. "We both joke about wonkdom," Gore says. They were Bob Hope and Bing Crosby in the road pictures -- far cries from Ike and Nixon or Kennedy and Johnson.

Yet they are hardly copies of each other. Clinton, who always seems late, is much less disciplined than Gore. Gore stays on schedule and deliberates but does not dawdle over decisions. Clinton likes people around him. Gore cherishes solitude. Clinton is a night owl. Gore is early to bed -- though he's sometimes so driven that he wakes in the middle of the night and plunges into work. "My husband is very task oriented," Tipper Gore says. "When he has a task, you can just be assured he'll get it done. In terms of their personalities, I think Al is by nature more reserved. The President is more outgoing."

When the pressures get particularly intense, Gore, a born-again Baptist, says he turns to religion, as he did before the Perot encounter. "When I'm in a situation like that, I pray about it," he says. "And if there's intense pressure, and I know in my heart it's the right thing, I pray that it will

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happen as it should, and I just then forget about the outcome and feel confident. And that may sound corny but that's the truth."

Whitewater: Scout's Honor

Gore, with his earnest, Boy Scout manner, was the obvious choice to lead in defending the Clintons against allegations of a conflict of interest in the Whitewater real-estate deal back when Clinton was Governor of Arkansas. The charges, says Gore, are motivated by Republican politics. Was this politician who even Republicans had to admit during the last campaign was Mr. Clean risking damage to his own reputation?

This, among other things, brought Bob Dole, the Senate Republican leader, to a full boil at a recent news conference: "It's almost shameful the way he plugs the Administration."

Gore insists that he has had "no problems at all defending the President." But behind the scenes he recommended that a special prosecutor be put on the case at least a week before the President relented.

Could the White House have handled Whitewater better?

"The answer is yes," Gore says.
A Vice Presidential Dream?

Though he would never admit it, Al Gore must imagine that things would run more smoothly in a Gore Administration. Take the troublesome nomination last spring of Lani Guinier to head the Justice Department's civil rights division. Gore did not think she should have been picked in the first place. But when the nomination prompted opposition, Clinton dillydallied. It was Gore who pressed him to read her law review articles and make a decision. When Clinton then dumped Guinier, Gore, ever dutiful, went on television in an unconvincing effort to defend the drawn-out decision.

Does he want to be President?

Gore stammered when a young woman posed the question at a town meeting last December in the most unexpected of places: Bishkek, Kyrgyzstan, the former Soviet republic in central Asia.

"Bill Clinton's dream was to be President of the United States. What about you? Do you dream to be President?"

Gore laughed nervously.

"Would you believe me if I told you that since I was a young child I dreamed of becoming Vice President of the United States?" he asked.

After the translation, the crowd roared. But that response would not do and Gore tried another nonanswer:

"I take one year at a time."

The Vice President would have people believe that the moment he joined the Clinton ticket his own yearning for the Presidency ended. In the first of several interviews, this one aboard Air Force Two over the Rocky Mountains,

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Gore raised, then quickly dismissed, the notion that deep down he must think he would make a better President than his onetime competitor. Gore says that, because he did not run in 1992 "for reasons that were completely valid and with which I was completely comfortable, I never for a single moment have felt the emotion which I think some previous Vice Presidents have sometimes felt -- namely, that they could do better in a particular situation. I have always felt it really and truly a privilege to be able to serve in the exact position in which I'm now serving and to define it in the way I define it."

The now-verboten subject did come up after Clinton first interviewed Gore about the Vice Presidency, and Gore and Downey roamed the Capitol grounds for hours one night. Downey said to Gore: "Look, if you want to be the President of the United States, this is a good place to start. He agreed with me. I remember going through the number of Vice Presidents who eventually became President." There are 14.

There is no doubt that Gore's desire to reach the Presidency is less consuming than it was five years ago, before his son's accident, before he endured his version of a midlife crisis that led him to reorder priorities. These days, he thinks nothing of leaving work at 6 P.M. to watch his daughter playing field hockey.

But at times Gore certainly sounds as if he is thinking about the year 2000. Taking a sip in the Square Office from his ever-present mug of herbal tea, he says: "Because the President is so generous in his definition of our partnership, I have gotten a pretty good taste of what that is really like. And on a daily basis." His chief of staff, Jack Quinn, is more explicit: "When and if Al Gore has the opportunity to run for President, he will do so with a very real record on which he will be judged, as opposed to other Vice Presidents who have been able only to run on the records of the Presidents they've served."

A Gore Administration would fulfill the dream of his 86-year-old father, former Senator Albert Gore Sr., who once took his 12-year-old son to President John F. Kennedy's private office. "I had ambitions for the Presidency -- it didn't turn out that way," the elder Gore says wistfully. Will he live to see his son reach the Oval Office? "How could a father be more satisfied?" he asks. "I've been negotiating with the Lord to let me live to see that something like that happens. But I haven't been able to get a commitment yet."

As for the commitment from Al Jr., consider the unambiguous words he spoke on the eve of the New Hampshire primary in 1992: "I'd like to be President and I look forward to the chance to run in the future."
Politics vs. Theatrics

Not everyone is sure that Al Gore is destined to be President. After his defeat in the 1988 primaries, the word among Democrats was that he wasn't ready -- and might never be. The doubts, over whether he is enough of a politician, persist. And a dreary night in Moscow illustrates why.

Gore's handlers had flown halfway across the world to set up the perfect photo opportunity -- but the Vice President was not sticking to the script. For years, Gore had pressed to help Lubavitcher Jews in their quest to get the Russian State Library to release 12,000 sacred volumes that had been confiscated by the Soviet Government after the 1917 Revolution. Finally, last December, there he was in a dusty reading room at the library, where Russian officials

The New York Times, February 20, 1994

were to give him one of the old texts in a grand gesture of accommodation.

But Gore, wearing his customary blue suit (as usual, the pants too short), was too reserved to reach out and actually touch the prize he had won. An aide, Dennis Alpert, frantically motioned with his hands to pretend he was opening a book. Finally, Gore picked up the book, but even then did so in a lifeless way that deflated the poignant drama of the moment. "I was dying," recalls Steve Rabinowitz, a media consultant who had visited the library five times to set up the scene. "I was sending every thought to him that it was O.K. to pick up the book. You don't have to be Lubavitcher; you don't have to be Jewish."

The failure to seize the excitement of the moment also was evident three months earlier, at a sound stage at Fox studios in Hollywood. The Environmental Media Awards, a banquet of journalists and Democratic celebrities, seemed a tailor-made event for a man who had begun his career as a newspaper reporter and had written a best-selling book, "Earth in the Balance," on the environment. Kindred spirits. The crowd had already been warmed up by Mariel Hemingway, Kenny Loggins and Candice Bergen. Gore got the perfect introduction: a replay of his appearance on "The Late Show with David Letterman." Then Gore took the stage to a tape of Paul Simon's "You Can Call Me Al," clapping awkwardly to the music like a marionette. It was a great moment to play off the Letterman routine with a memorable joke or even a light remark. Gore offered neither; he plunged directly into a numbing discourse on the global environment and spirituality.

Afterward, his aides had excuses: he was tired. And after the Russian library performance, Gore himself had an explanation: "I felt that the message I was communicating to the people who possessed the books was more important than the theatrics of it." He wanted to be respectful, he says, but also "not to seem overly eager to just grab hold of this symbolic transfer if only to underscore the fact that it was in fact only one."

Whatever the reasons, it is easy to imagine Clinton conveying the drama of the Lubavitcher book without being coarse or whipping up the Hollywood crowd without abandoning a serious message. There is something endearing about Gore's inability to play the politician on cue. Some people find Clinton manipulative in the way he seems to be able to identify with every person he meets. Still, can Gore -- who needs to be reminded to shake hands at the rope line -- excite people when they need to be excited?
Clown-Faced, Red-Faced

Gore speaks with passion, but the passion is often about ideas and concepts and not human beings. Ask about his vision of the world and vital issues facing the country and he talks like a futurist. The biggest challenge, he says, is "establishing the proper relationship between our global civilization and the global environment." Also high on his list are "stabilizing world population growth" and completing the information superhighway by the year 2000." These are not goals that bring wild cheers.

He seems happiest when he's learning or explaining an idea he has just learned. He stares in awe at a three-dimensional pyramid that came over a futuristic fax machine. He likes to work by himself in his office, sometimes to the New Age dreaminess of Enya, an Irish singer. On a trip over the Atlantic, he races excitedly down the aisle of Air Force Two like a little boy, waking up everyone to see the northern lights. "It's the aurora borealis!" he exclaims. At his weekly environmental breakfast, Gore is distracted from the conversation;

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his head is buried in a National Geographic article on water projects.

Gore knows he does not relate to the masses the way Clinton does. He says that is what he has learned most from the President. "I've certainly learned a lot about empathy. It's very moving to see him connect with Americans who feel strongly about what our country is doing."

What is confounding here is that, public formality notwithstanding, he has appealing informality in private. Though he is finding it harder to hide a bald spot, he still has the wholesome looks of a soap-opera doctor. When the cameras are gone, Gore's wry humor, long on verbal double takes and pretended insults, can amuse a room. At the Halloween party at his residence, he had his face painted like a clown and looked utterly at ease as he mingled with friends' children and pulled them onto the dance floor. "I've seen him walk into a room and have everyone in hysterics," says Paul Begala, a political adviser to Clinton, "and then walk into a different room with Tom Brokaw and sound like Kaw-liga the Wooden Indian."

The sense of public formality was plain on the Gores' recent Russia trip. Particularly in contrast to Tipper. In Moscow, the two of them sat in a television studio between interviews. At the urging of a magazine photographer who had complained that he had not caught any displays of affection between them, Mrs. Gore began planting kisses on her husband's lips. By the third smooch, his face had turned bright red and he whispered sternly, "We're on satellite!"

Has Clinton ever counseled his Vice President to loosen up? "You know, he has loosened up," the President says. "He's like all the rest of us. Sometimes when he's got a wooden style it's because he's tired. Privately, he's very droll. Sometimes when I say something off the wall, he looks at me with this straight face and says, 'I agree with everything you say, Mr. President,' when I know he means exactly the reverse." The President laughs uproariously.

Some suggest that Gore's compartmentalized personality is not a matter of political style but a reaction to having been raised in a household where his parents held out high expectations but were not always around to help him meet them. "He had built up this kind of very achieving dedicated life which was a defense against the need for personal embracing," says Tim Wirth, who as a Senator from Colorado worked closely with Gore on the Hill. "He has a very hard time letting people be friends of his. Once you get inside, it's wonderful." Reinventing the Persona

The Vice President is working on the problem.

He made a celebrated effort to bring out the private clown in his Letterman appearance last September. Never one to make a move without deliberate preparation, Gore had his aides approach Letterman, offer to appear on the show and enter careful negotiations to make certain that he would come off fun-loving yet dignified.

"I told him, 'Here's the opportunity to show people you have a sense of humor,' " says Daniel Kellison, who produced the Gore segment. "He agreed."

Gore (with generous kibitzing from his advisers) came equipped with his own Top 10 list -- "The Good Things About Being Vice President." One of his

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favorites: "If you close your left eye, the seal on the podium reads, 'President of the United States.'" He smashed Government-issue ashtrays. He was relaxed, self-deprecating and played his role just right.

"When I saw the audience giving him a standing ovation, that's when I realized he had reinvented himself," says Peter Lassally, an executive producer for Letterman. (Lassally concedes, incidentally, that they had really wanted another politician. "Hillary," he says, "was always our first choice." But she said no until two weeks ago, when the First Lady agreed to be interviewed at the Olympics by Letterman's mother.)

The Perot encounter, the brainchild of Jack Quinn, also helped make Gore look more human. It didn't hurt his reputation inside the White House, either. Until then, some Clinton aides still doubted Gore's effectiveness and loyalty because they felt he had inadequately defended Clinton against Dan Quayle in the Vice Presidential campaign debate. "Gore doesn't project any kind of image that we associate with effective communication in the mass media," says Walter Dean Burnham, a political science professor at the University of Texas. "But he did efficiently with Perot, so he may be developing talents along those lines."

Knowing that he has a long way to go before he can stir a crowd, Gore recently resorted to shtick to spice up a speech on telecommunications in Los Angeles. He brought Lily Tomlin on stage as Ernestine, the one-ringy-dingy telephone operator. The audience loved it. But soon after Tomlin walked off, Gore was deep into his plodding delivery.

It is as if Gore cannot shake a deeply ingrained patrician sense of how a gentleman is supposed to behave in public. "It goes back to my father -- a tradition that has emphasized a little more formality in the public presentation," he says. "But I think I'm growing out of it."

Feeling His Way To Leadership

While other politicians consult pollsters or image makers to help them connect, Gore turns to Jane H. Hopkins, a management consultant. She was the facilitator of a get-in-touch-with-your-feelings retreat at Camp David for Clinton, Gore and the Cabinet after they took office. She now advises the Vice President and his staff of 80 about how to get along better with one another, for a fee of roughly \$3,000 a month. Two days a week, Hopkins travels from her home in Richmond to the Vice President's office and meets regularly with Gore.

Such consultants have been the rage in corporate circles for years. But Hopkins is the first to be given such a big role inside the White House. "I kind of dive into every aspect of the office," Hopkins says. "I might dive into correspondence at one point -- or how the national security group is organized."

The Vice President's reliance on Hopkins, and another consultant, Carolyn Lukensmeyer, for his reinventing Government project shows how self-aware he is, how he wants to improve himself, to motivate his staff. But perhaps it also reflects a certain unsureness, someone still grasping for clues on how to express himself. That raises another, larger question: If the Vice President needs a management theorist to communicate to his staff, can he communicate effectively to the nation? "I'm sure at some point someone told him, 'Al, this is a little weird,' and he said, 'I don't care because it's the right thing to do,'" says Gore's friend Carter Eskew, a Democratic strategist.

The New York Times, February 20, 1994

One of Hopkins's tasks was to calm tensions that had arisen back during the Russia trip between the Vice President's advance staff, which handled the logistics of the trip, and his national security assistants, who dealt with policy. The differences, while petty, had threatened to become poisonous, over such issues as how the precious seats were divvied up on Air Force Two. After the staff returned home, Hopkins heard about all that went wrong.

So she called a meeting. She sat in a high-ceilinged conference room at the Old Executive Office Building, listening to gripes from nearly 20 staff members. It was called a Russia debriefing, but it was closer to a sensitivity session. The discussion was mostly courteous and Hopkins made sure everyone had their say. From time to time, she went to an easel and wrote "suggestions" for the future, like "Meeting before pre-advance and determine players, roles, etc." Participants later said it was good to have talked things out, though they were still a little wary of each other.

Hopkins says Gore seems to have changed in recent years. "There's a maturity there that is different. It's a thoughtfulness and wisdom and confidence. It's a focus." As part of what she calls his personal journey, she recommended "On Becoming a Leader" by Warren Bennis, a professor of business administration at the University of Southern California. Gore says it is "not a book that I live my life by," yet it has become required (or, at least, highly recommended) reading for his advisers. But that creates a possible paradox. Are people who need to follow the advice of someone else, about how to become a leader, by definition followers?

Of obvious interest to Gore, the book dismisses many recent Presidents as uninspired. "Lyndon Johnson, Richard Nixon and Jimmy Carter could be described as self-made men," Bennis writes, "but they failed to win our hearts or engage our minds, and finally failed as leaders." Each of them, he writes, failed because "each seemed trapped in his own shadows."

For Gore, the task is to prove that there is real leadership within him, that he can escape the shadows, his own and those of others. He clearly has grown and he has the time, desire and energy to grow more. He defends Hopkins as part of that process. "Is it healthy to talk about who you are? Sure it is. To talk about what's important to you? Of course it is. Why wouldn't it be?" At times, when he talks about motivational theory, say, or informational innovation, Gore sounds more like a far-out visionary than a politician. And visionaries who are out of touch with the people do not often get elected President.

His former communications director, Marla Romash, sees it another way. She says Gore's visions of the future are just far-out enough and make him "the perfect President for the year 2000." There is, of course, another possibility: that Al Gore was born to be the best Vice President.

GRAPHIC: Photos: Pauline Gore and Albert Gore Sr., during his successful 1952 Senate race, with a 4-year-old Al Jr. (PHOTOGRAPH BY FLOYD EVANS/THE TENNESSEAN/SYGMA) (pg. 28); Pressing his edge the day after he debated Nafta with Ross Perot, Gore worked the phone from his Denver hotel room. "He's on fire!" chanted Michael Feldman, one of his lieutenants. "He's hot! He's hot!" The triumvirate -- every bit one for all, all for one, they say -- in the Old Executive Office Building. Early in the campaign, aides sensed there might be tension between the First Lady and Vice President, but none has yet surfaced. (PHOTOGRAPHS BY CALLIE SHELL/THE WHITE HOUSE) (pg. 30-31); Before taking

The New York Times, February 20, 1994

office, Gore sought assurances that he and the President would meet weekly for a private lunch. They do. In fact, the two are together so much that the Vice President's advisers think he sometimes appears too clingy. Aboard Air Force Two on his way to Russia late last year, top. Gore with Dave Rhodes, Rosemarie Forsythe and Leon Fuerth, Administration aides. The photo op that got away once Gore arrived, bottom. The Vice President with the Lubavitcher book he didn't want to touch. (PHOTOGRAPHS BY CALLIE SHELL/THE WHITE HOUSE) (pg. 32-33); Tipper Gore recording a Russian moment. When another photographer complained he hadn't caught any displays of affection between the Gores, she began planting kisses on her husband's lips. "We're on satellite!" he admonished. (VINCENT J. MUSI/THE WHITE HOUSE) (pg. 34); Father and son, top. The senior Gore, who had his own ambitions for the Presidency, says of the possibility of his son in the Oval Office: "How could a father be more satisfied?" (CALLIE SHELL/THE WHITE HOUSE); Gore dancing with his mother, Pauline, bottom, during his own quest for the nomination in 1988. (SHELLY KATZ/BLACK STAR) (pg. 35); Gore with Beth Prichard-Alpert, his executive assistant; Jane Hopkins, a consultant; Lorraine Voles, his press secretary. (PHOTOGRAPH BY CALLIE SHELL/THE WHITE HOUSE) (pg. 44)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 20, 1994

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February 19, 1994, Saturday, Final Edition

SECTION: FIRST SECTION; PAGE A10

LENGTH: 842 words

HEADLINE: White House Says Clintons Will Pay Some of Their Whitewater Legal Fees

SERIES: Occasional

BYLINE: Charles R. Babcock, Washington Post Staff Writer

BODY:

When President Clinton complained Thursday that the special investigation of his Whitewater land investment "is going to cost the taxpayers millions of dollars," he did not mention that it will likely cost him a lot as well.

The White House has said the Clintons are footing their own bills for the services of David Kendall of Washington's Williams & Connolly law firm to represent them in the inquiry by special counsel Robert B. Fiske Jr. The probe, which could take from a year to 18 months, focuses on the Whitewater investment and his ties to a failed S&L owned by the Clintons' business partners, James and Susan McDougal.

But concerns that the Clintons were using White House lawyers to handle personal matters prompted three Republican members of the House appropriations subcommittee that funds the White House to seek assurances that no public funds were being used.

White House counsel Bernard W. Nussbaum replied in a Feb. 10 letter that his office and White House staff have responded to Whitewater queries from Congress and reporters. But he said no public funds are being used to pay Kendall and "no White House staff members are acting as lawyers for the president and first lady where there is no official nexus."

A White House official said this meant, basically, that Kendall would handle inquiries from Fiske while White House lawyers would deal with issues such as GOP requests for congressional hearings.

The Clintons and Kendall have not mentioned his fee, but defense attorneys say \$ 300 to \$ 400 an hour is typical for a partner at a top firm. Kendall could give the Clintons a discount of sorts, offering to represent them in the investigation for a set fee, as some other defense lawyers do.

Like other public officials, the president has some options for getting help to pay these expenses. They include setting up a separate legal defense fund, or -- though less likely -- dipping into leftover campaign funds. If the investigation exonerates the Clintons, they might be able to ask a court to have the government reimburse them.

The Washington Post, February 19, 1994

If they set up a separate legal fund, the Clintons would not have to publicly identify its donors or how it spent the money, legal experts said. Clinton adviser Bruce Lindsey said "there has been no discussion" of starting such a fund. Several members of Congress, including Sen. Bob Packwood, R-Ore., and Rep. Dan Rostenkowski, D-Ill., have used leftover campaign funds, as well as separate legal expense funds governed by special rules of Congress, to pay lawyers.

Clinton has three campaign accounts reporting to the Federal Election Commission from his run for the White House: one for the primaries, one for the general election and one for legal and accounting fees for complying with a federal audit of the first two accounts. An FEC spokesman said regulations would bar using the latter two funds for legal expenses.

Money from the primary account might be used, the spokesman said, but only after an audit of Clinton's 1992 primary campaign determines whether the Clinton campaign had to repay the Treasury for any of the federal matching funds it received. That account had more than \$ 1.2 million in it at the end of 1993.

Several officials investigated under the since-expired independent counsel law, including former Secretary of State George P. Shultz and former Attorney General Edwin Meese III, got court approval, after not being charged, to have some of their legal fees reimbursed by the government. Shultz was paid \$ 281,398 last December after being investigated in the Iran-Contra affair. Meese was paid \$ 460,509 in 1990 after a special prosecutor investigated whether he helped the Wedtech Corp. get a government contract while a close friend was a consultant to the firm.

There are no provisions for such reimbursements in the Justice Department regulations under which Attorney General Janet Reno appointed Fiske last month as special counsel to investigate Whitewater.

The Congress is likely to reauthorize the independent counsel law, which lets a special three-judge panel appoint a lawyer to investigate and prosecute allegations of wrongdoing by top federal officials. Versions of the bill passed by the House and Senate do not allow the judges to appoint a government employee, which Fiske technically became when he was appointed by Reno. If he resigned and was reappointed by the court, the Clintons could be eligible to seek reimbursement for legal fees from the time Fiske's status changed.

But even then, they would face hurdles, legal experts say. The reimbursement provisions apply only to those individuals who are "subjects" of the criminal investigation, not witnesses. So far the investigation centers on the activities of James McDougal, not the Clintons.

Furthermore, they would have to show that they would not have been investigated at all "but for" the independent counsel law. The Justice Department had a criminal investigation under way, based on a referral from the Resolution Trust Corp., before Fiske was appointed.

GRAPHIC: PHOTO, BERNARD W. NUSSBAUM

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LEVEL 1 - 6 OF 32 STORIES

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February 20, 1994, Sunday, Final Edition

SECTION: EDITORIAL; PAGE C6; OMBUDSMAN

LENGTH: 699 words

HEADLINE: In the Wake Of Whitewater

SERIES: Occasional

BYLINE: Joann Byrd

BODY:

When callers complained that The Post has been sluggish (or worse) on the Whitewater story, I was getting ready to agree.

Then the facts got in the way of a good sermon.

It turns out that since The Post revived this story on Oct. 31, it has published 55 reports on Whitewater Development Corp. and Madison Guaranty and James and Susan McDougal and David Hale and Vince Foster and Bill and Hillary Rodham Clinton et al. That does not count columns, op-ed and Outlook essays, two polls that surveyed Americans' knowledge and opinions of Whitewater or five editorials.

Thirty of the news stories have been Post investigations and enterprise, and 25 have reported daily news developments. Nineteen have run on the front page.

What's more, The Post has five reporters and one editor assigned full-time to Whitewater and is working through a long list of likely stories. "We always have a half-dozen stories in the works," said Karen DeYoung, The Post's assistant managing editor for national news.

My guess is that much of our perception that The Post is reluctant on Whitewater begins with the aggressive display the story has been getting in the Washington Times. The Times, never shy about its conservative predilections, thinks almost everything related to Whitewater belongs on the front page, probably stripped across the top. The Times also has beat The Post on several developments that The Post, I think, underestimated.

For example, "Rose firm shreds Whitewater records" ran across the top of the Times Feb. 9, and "Paper-shredding added to probe" held that spot the next day. The Post's 11-inch follow, "Alleged Whitewater Shredding to Be Probed," was primarily the law firm's denial and preparation for pending subpoenas. It was on Page A7 on Feb. 10.

The New York Post broke the story Jan. 27 when three Fairfax County emergency workers said the scene and Vince Foster's body didn't look like suicide when they got to Fort Marcy Park on July 20. But the Washington Times led its Jan. 28 paper with "Questions cloud ruling of suicide in Foster's death," repeating its earlier reporting that suggested that very thing.

The Washington Post, February 20, 1994

The Post came around on Jan. 29 with a 15-inch story at the bottom of the second page of Metro, focusing on the Fairfax men being asked not to air their suspicions in public.

The Post's Whitewater plan is "not to do the little incremental stories," said Ms. DeYoung, but to concentrate on major developments and its own digging. "We are trying to deal in real facts, as we can ascertain them, not in the more sensational aspects of the story."

Ms. DeYoung called Whitewater "a really good story, even if at the end of the day, no one goes to jail." She elaborates:

"It is a depth study of how bad the S&L situation was," and a look at "how small state government works, with the intertwined power elite." Plus, "The way the White House has handled this has been so inept."

The Clinton aspect, she says, asks: "Was he knowingly engaged in what appeared to be unethical or possibly illegal transactions? We know ... there may have been undue pressure." And "could someone as smart and as detail-driven as Hillary Clinton not know?"

Mr. Foster's suicide "is still inexplicable. Is there a connection to a coverup, or the unraveling of [the Whitewater story]? We don't know."

Reliable reporting of this tangle takes tedious document searches, knowledge of finance and real estate and gaining the trust of credible sources.

Do I wish The Post had found all the dots and connected them? Yes. But patience will be easier to come by if we are confident the paper is committed to the story.

It takes nothing away from the Washington Times to say that because of The Post's position in the nation's capital, the paper that brought us Watergate has the obligation on Whitewater.

Adds Ms. DeYoung: "And if we find out Mr. Clinton did know, who cares? How much bearing does it have on his presidency? Eventually, we'll be scratching our heads and asking that."

True. And the public won't be ready to answer it until we're convinced that The Post has impartially aimed its considerable resources and expertise at the underside of every Whitewater rock.

LANGUAGE: ENGLISH

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February 18, 1994, Friday, Late Edition - Final

SECTION: Section A; Page 17; Column 4; National Desk

LENGTH: 807 words

HEADLINE: Mrs. Clinton's Firm Cleared of Conflict

BYLINE: By JEFF GERTH, Special to The New York Times

DATELINE: WASHINGTON, Feb. 17

BODY:

Federal bank regulators today cleared the Rose law firm -- Hillary Rodham Clinton's former firm in Little Rock, Ark. -- of any conflict of interest in connection with its work involving a failed Arkansas savings and loan institution.

The Federal Deposit Insurance Corporation had been investigating the relationship between the Rose firm and the failed savings and loan, Madison Guaranty.

In 1985 the Rose law firm, including Mrs. Clinton, who was a partner at the time, represented Madison before state regulators. Four years later, long after the Rose firm stopped doing work for Madison, it was asked by Federal regulators to handle a lawsuit against Madison's former accountants. And at the time the Rose firm was working for the Government, the father-in-law of one of the firm's senior partners, Webster L. Hubbell, was involved in litigation with Madison.

Mr. Hubbell, now the Associate Attorney General, was one of firm's lawyers in the case against the accounting firm. That case was settled out of court, keeping from public view many of the details about Madison's dealings with insiders and political associates.

Separate Inquiries

The report today by the legal division of the F.D.I.C. is separate from the larger criminal inquiry by Robert B. Fiske Jr., the special counsel appointed last month by Attorney General Janet Reno, who is looking into the affairs of Madison Guaranty and Whitewater Development Company, a real estate venture that involved the Bill and Hillary Clinton, and James McDougal, Madison's former owner.

The F.D.I.C. report centers on the narrow questions involving the rules of professional conduct for lawyers. Those rules, the report says, place primary responsibility on the lawyer, not the client, to identify conflicts of interest

The report's authors decided that while it was unclear if the Rose firm had disclosed its previous representation of Madison, there was no conflict of interest, and disclosure of the earlier work "may not be required."

The New York Times, February 18, 1994

As for Mr. Hubbell's father-in-law, Seth Ward, the report said the relationship between the two men may not have been disclosed before the law firm was retained in 1989, but "it was clearly discussed within three months after retention," and an assessment that there was no conflict was correctly made at that time.

The determination in 1989 that there was no conflict was based on an understanding that Mr. Hubbell "had not represented Mr. Ward in the past and he would not do so in the future," according to today's report. In addition, Mr. Hubbell said at the time "he had not and would not in the future represent Mr. Ward in the dispute with the S. & L."

Other Representation

Mr. Hubbell has been involved, however, in representing a parking meter manufacturer, P.O.M., owned until recently by Mr. Ward, according to public records. It is not known whether regulators were aware of Mr. Hubbell's work on behalf of P.O.M.

A memorandum reflecting the concerns of a lower-level F.D.I.C. official about the relationship between the two men in 1989 was forwarded to higher levels, but "no further action appears to have resulted from these subsequent memoranda," today's F.D.I.C. report said.

Today's report found no basis to recommend sanctions against the Rose firm. The principal finding was that the firm's previous work was not "adverse" to its later work for the Government, an important criterion for determining whether a conflict exists under the Arkansas rules of conduct for lawyers.

The report did note that the "documentation regarding the retention of the firm is more limited than would be ideally hoped for."

The lack of documentation apparently made it difficult to reconcile varying recollections of what the Government knew or did not know. For example, Mr. Hubbell recalled telling a Federal staff lawyer about a small amount of previous work for Madison, but not about the work before Arkansas regulators.

Genesis of Work Is Unclear

But the F.D.I.C. report quoted Richard Donovan, a partner at the Rose firm, as recalling that Mr. Hubbell specifically mentioned the state work to regulators. According to the report, neither the F.D.I.C. staff lawyers nor their supervisor recalls the conflict of interest issue being raised.

How the Rose firm ever came to work for Madison is itself unclear. Mr. McDougal has said that it arose from a 1984 request from Mr. Clinton, but the President denies that account. After reviewing the Rose firm's records in 1992, Mr. Hubbell, in response to a question from a reporter, said there was no documentation showing who brought in the account.

Regulators effectively ended Mr. McDougal's control of Madison by the summer of 1986, but the institution was not taken over until 1989. The cost of its failure to taxpayers is estimated at about \$60 million.

The New York Times, February 18, 1994

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SECTION: Section A; Page 17; Column 5; National Desk

LENGTH: 284 words

HEADLINE: President Criticizes Cost of Special Inquiry

BYLINE: Special to The New York Times

DATELINE: WASHINGTON, Feb. 17

BODY:

President Clinton said today that the investigation by a special prosecutor into the failed Whitewater land deal would cost taxpayers millions of dollars, even though "most of it has nothing to do with me."

In a radio interview, Mr. Clinton described his own involvement in the matter as "a simple, straightforward thing." But he said the inquiry by the special counsel, Robert B. Fiske Jr., would prove costly because of its scope, which includes the failure of an Arkansas savings and loan whose owner was the partner of the President and his wife, Hillary, in the real-estate venture.

Mr. Fiske is examining the failed bank, Madison Guaranty, to determine whether money was diverted from it to Whitewater, or to pay off campaign debts of Arkansas politicians, including Mr. Clinton. By calling attention to the expense of the investigation, the President appeared to making a new effort to turn public sentiment against it. The expense of the Iran-contra investigation was a favorite theme of its Republican critics.

Mr. Clinton had resisted Congressional pressure to appoint the special counsel before finally asking Attorney General Janet Reno to do so last month. He told reporters today that he had asked for the inquiry so that "I wouldn't have to fool with it any more."

Mr. Fiske, who has said he hopes to wrap up the investigation in about a year, announced today that a Federal grand jury in Little Rock, Ark., had added a new criminal charge to those already brought against David Hale, a longtime Clinton political supporter accused of loan fraud. A new indictment charges Mr. Hale with making false statements to the Federal Small Business Administration, Mr. Fiske said.

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LEVEL 1 - 12 OF 32 STORIES

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February 18, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A4

LENGTH: 277 words

HEADLINE: Cost of Probe Bothers President

SERIES: Occasional

BYLINE: Ruth Marcus, Washington Post Staff Writer

BODY:

President Clinton said yesterday that the decision to appoint a special counsel to investigate the Whitewater real estate venture will "cost the taxpayers millions of dollars" before eventually clearing him of any wrongdoing.

"This decision which many called for is going to cost the taxpayers millions of dollars, because what they did was to shut down the investigation that was ongoing of the S&L issues down there [in Arkansas], which I have nothing to do with," Clinton told reporters. "So it may take a good while because they have to go over all that ground."

Although Clinton complained of the cost to taxpayers, Attorney General Janet Reno appointed special counsel Robert B. Fiske Jr. only after the White House requested that step. Clinton moved to quell complaints by congressional Democrats and Republicans that an outside investigator was needed.

"The reason I thought it was a good idea to do the special counsel was so I wouldn't have to fool with it anymore, and I'm not spending any time on it," Clinton said.

Clinton said the investment, on which he and Hillary Rodham Clinton say they lost \$ 69,000, was "a simple, straightforward thing, and it'll be shown to be." He said the loss occurred because of a downturn in the real estate market, adding, "I'm amazed by all the twists and turns of interpretation that's been given. But that's about what happened."

Clinton's comments, in a radio interview and later to reporters, were among his most extensive on Whitewater since the special counsel was named. He said he spoke Wednesday with his lawyer, David Kendall, and receives a "regular update" from Kendall every few weeks.

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SECTION: FIRST SECTION; PAGE A4

LENGTH: 752 words

HEADLINE: FDIC Rules Out Rose Firm Sanctions Over Potential Madison Case Conflict

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY:

The Federal Deposit Insurance Corp. issued a report yesterday saying it would not seek legal sanctions against the Rose law firm of Little Rock, Ark., for apparently failing to fully disclose two areas of potential conflict when it was hired in 1989 to pursue a case involving the defunct Madison Guaranty Savings & Loan.

FDIC lawyers said that former Rose partner Webster L. Hubbell, now associate attorney general, should have disclosed to them when he was hired that his father-in-law, Seth Ward, was embroiled in litigation with the government over loans and real estate commissions he claimed he earned as a Madison executive.

But the FDIC said it had no specific requirements at the time that Hubbell disclose potential conflicts. The agency was so swamped with failing savings and loans that it sought limited documentation from the Rose firm, the report said. "Based on our review, we have found no basis to determine that either of the alleged instances involved a conflict of interest," it said.

The FDIC also said its attorneys have no recollection of Rose lawyers mentioning that firm lawyers, including Hillary Rodham Clinton, represented Madison before state regulators in 1985. But after examining the Rose firm's prior work for Madison, the FDIC has determined that it would not have been a bar to hiring the firm.

Potential conflicts by the Rose firm, whose leading lawyers during the 1980s included Hubbell, Hillary Clinton and former deputy White House counsel Vincent Foster, have been the subject of news reports in recent months. The firm was served with a wide-ranging subpoena this week by special counsel Robert B. Fiske Jr., who is conducting a broad probe of Madison and the Whitewater real estate corporation. The Clintons owned the Ozarks land venture with Madison owners James and Susan McDougal.

In reviewing its decision to retain the Rose firm, the agency said its staff lawyer was unaware of a 1989 letter from Foster soliciting FDIC work. The letter included a statement that the Rose firm "does not represent any savings and loan association in state or federal regulatory matters."

Hubbell was the lead attorney on the FDIC's case against Madison's accountants, Frost & Co., and Ward's loan records from Madison were slated to

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be an exhibit in the case had it gone to trial. The FDIC sought \$ 10 million in damages and \$ 10 million in punitive damages. Rose settled the case with Frost for \$ 1 million, billing the government \$ 400,000 in legal fees and expenses.

The FDIC report noted that some staffers objected to the retention of the Rose firm because Hubbell could have access to information that could benefit Ward, but said "there is no indication any such information was transferred." The report said the Rose lawyers working on the Frost case with Hubbell imposed their own internal "firewall" to prevent information on Ward from being passed on to Hubbell.

Internal FDIC memos show that at least four agency employees in Little Rock learned that Hubbell was Ward's son-in-law several months after he was hired and voiced concerns about it. FDIC documents released under the Freedom of Information Act show that two of them wrote memos to their superiors.

"There appears to be a conflict in representation and a question of loyalties," wrote FDIC staff attorney Paul Jeddelloh to FDIC supervising attorney April Breslaw in Washington on June 8, 1989.

Breslaw dismissed those objections, and had Hubbell write a two-paragraph letter to FDIC officials at Madison stating he had "not represented Mr. Seth Ward in connection with any issue or matter relating to his disputes with Madison Guaranty."

Ken K. Schneck, an FDIC official assigned to evaluate Madison loans, wrote to his boss on Aug. 10, 1989, stating in part: "In the process of our suit against Frost & Co., we will most certainly examine practices and procedures Madison Guaranty used in day-to-day operations. We are making this information available, in detail, to Mr. Hubbell. To believe that none of this information will make it back to his family is naive."

The FDIC report, which mentioned Schneck's memo in a footnote, said "no further action appears to have resulted."

The Rose firm cited the 1984 Frost audit when it asked state regulators to allow Madison to raise needed capital by issuing preferred stock.

"There is no indication that the firm retained the auditor, assisted in any way in the audit or took any position as to the quality of the audit," said the FDIC report.

LANGUAGE: ENGLISH

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February 18, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A5

LENGTH: 91 words

HEADLINE: Ex-Judge Faces Another Charge In Arkansas

SERIES: Occasional

BYLINE: Reuter

BODY:

Whitewater special counsel Robert B. Fiske Jr. yesterday added a new charge to an indictment against former Little Rock, Ark., municipal judge David Hale, who is scheduled to go on trial next month on charges of defrauding the Small Business Administration. Hale, an Arkansas businessman, operated Capital Management Inc., a venture capital and small business investment firm.

Fiske said the new indictment also charges local attorney Eugene Fitzhugh and broker Charles Matthews with participating in the alleged conspiracy to defraud the SBA.

LANGUAGE: ENGLISH

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LEVEL 1 - 16 OF 32 STORIES

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The Washington Times

February 18, 1994, Friday, Final Edition

SECTION: Part A; NATION; INSIDE THE BELTWAY; Pg. A6

LENGTH: 869 words

BYLINE: John McCaslin; THE WASHINGTON TIMES

BODY:

IS ANYONE THERE?

Last July, Rep. Frank R. Wolf, Virginia Republican, sent a letter to Al Gore inquiring about details of the vice president's National Performance Review, more commonly called "reinventing government."

When he didn't get a response, Mr. Wolf sent another letter. Still, no word. Another letter from the congressman. No reply.

Perhaps a phone call was in order. So on Wednesday, Wolf aide Barbara Comstock rang the vice president's office. She got a recording.

"It's the first time in my calling the White House that I've reached an answering machine," Ms. Comstock said. "Here they put in a \$26 million phone system, and these guys can't even answer their phone."

UNDER THE RUG?

The person or persons responsible for shredding Whitewater Development Corp. documents at Little Rock's Rose Law Firm must not have read the cover story in the winter 1994 issue of the Brief, a publication of the American Bar Association.

"Don't sweep your ethics - or the law - under the rug," the lead article, "Spoliation of Evidence," warns.

Destruction of evidence, "whether intentional or negligent," is an issue of increasing concern throughout the legal profession, according to the article.

It notes further that destroying potentially relevant documents can result in an instruction to the jury to construe the missing evidence against the party at fault and result in "disciplinary proceedings against involved counsel."

The Rose firm has denied that the shredding incident as reported by The Washington Times ever took place.

DEAD CERTAIN

"Wimpy, wimpy, gay groups." Not our words, but those of Steve Michael, leader of the homosexual activist group ACT-UP D.C., assessing the glowing praise several fellow homosexual groups gave President Clinton this week after he agreed to support their fight against anti-homosexual-rights ballot initiatives in 11 states.

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Six homosexual-rights groups, including the Human Rights Campaign Fund, the National Gay and Lesbian Task Force and the Gay and Lesbian Victory Fund, asked Mr. Clinton to "help us keep human rights from being decided at the ballot box." Leaders of the organizations predict the president's support will go a long way in undermining the ballot initiatives, while Mr. Michael remains skeptical.

"When Clinton backpedals - and I'm dead certain he'll backpedal - could you let me know?" he asked one Washington reporter.

SO I ATE IT

For the third time in two years, President Clinton engaged in drive-time banter with popular New York radio host Don Imus. At one point, Mr. Clinton insisted the Astroturf in the back of the pickup truck he once owned (the subject of a recent presidential joke) "wasn't for what everyone thought it was for. I'm guilty of a lot of things, but I didn't ever do that."

Mr. Imus said of the president's explanation that the Astroturf protected his luggage, "I mean that's like saying you didn't inhale, Mr. President. Come on, here."

"No, it's just that I didn't inhale in the back of the pickup," said Mr. Clinton.

Later in the interview, which believe it or not touched on some serious subjects too, the host of "Imus in the Morning," heard locally on WTEM-AM, brought up the president's lunch on Tuesday, when he downed a hamburger, pastrami sandwich and "an apple fritter the size of a baby's head."

"I had one bite of the apple fritter. And that's right, I did get off my diet that day," Mr. Clinton said. "But I was transported. I mean, I was out there in a place I felt at home in.

"I was in a little town in Ohio, you know, and I spoke to all those police officers, and I stopped at this little deli where this guy had been a butcher's assistant when he was 13 years old and had finally saved enough money to open his own deli three years ago, and he built it with his hands, and he made this Clintonburger. And I thought, well, I'm going to eat it. . .

"And then I went to this restaurant in downtown Columbus and talked to those folks about health care, and I asked them what they thought I ought to have, and they said I ought to try the corned beef on pumpernickel. That's what I did," Mr. Clinton said.

JUNKET SEASON

The Eastern Shore used to be as far as Washington-based staff of the nation's governors would venture for their annual retreats. Not anymore.

By our count, 27 participants will fly off to Puerto Rico today for the 1994 Retreat for Governors' Federal Liaison Staff. They'll be put up for three nights at the Hotel El Conquistador, a plush resort 45 minutes northeast of

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San Juan.

As for who's picking up the tab, a retreat fee of \$200 will be billed to each participating state through the National Governors' Association, while the government of Puerto Rico will cover the flight, food and lodging.

"This year the government of Puerto Rico offered to host the event, as an educational trip to present Puerto Rico to the rest of the nation," Lina Younes, communications director for the Puerto Rico Federal Affairs Administration, told us yesterday.

GRAPHIC: Photo, Rep. Frank R. Wolf gets the silent treatment from the vice president.

LANGUAGE: ENGLISH

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The Washington Times

February 18, 1994, Friday, Final Edition

SECTION: Part A; Pg. A19

LENGTH: 588 words

HEADLINE: Puppets silent, but puppeteer voluble

BYLINE: Paul Bedard; THE WASHINGTON TIMES

BODY:

Ask the White House for comment on the latest news on the brewing Whitewater -Madison probe, and you'll get a standard reply: "Shush!"

Spokeswoman Dee Dee Myers has a pat answer for such questions. "It's being investigated, looked into by the special counsel, and I have no comment on that," she says.

But somebody forgot to explain that iron-clad policy to President Clinton yesterday.

Asked twice about Whitewater -Madison, Mr. Clinton spoke 276 words - the thrust of which was "most of it has nothing to do with me."

During a photo opportunity with senior citizens in the Old Family Dining Room and a live telephone interview on New York City's "Imus in the Morning" radio show, Mr. Clinton found he couldn't resist chatting about the issue dogging his administration.

Radio host Don Imus: "How did you guys manage to lose \$69,000 in that goofy Whitewater land deal?"

Mr. Clinton: "Oh, because we lost it over a long period of time." He added: "It's a simple, straightforward thing, and it'll be shown to be. I mean, it's - I'm absolutely comfortable with that."

Later, to reporters in the dining room, Mr. Clinton commented on the probe: "Most of it has nothing to do with me. . . . I have really nothing to do with it, and they'll have to do whatever they're going to do in whatever time they're going to do it."

Mr. Clinton and first lady Hillary Rodham Clinton were partners in the failed land venture with John B. McDougal and his wife, Susan, when Mr. Clinton was governor of Arkansas.

Mr. McDougal, owner of the defunct Madison Guaranty Savings and Loan of Little Rock, is being investigated for making illegal campaign donations, among other charges.

Surprisingly, the president yesterday conceded that he has recently discussed the case with his outside counsel, David Kendall.

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But, Mr. Clinton said, he hasn't spent time on the issue and favored appointing a special counsel so that the White House could deflect questions on the issue.

"The reason I thought it was a good idea to do the special counsel was so I wouldn't have to fool with it anymore, and I'm not spending any time on it," Mr. Clinton said.

Appointing a special counsel "is going to cost the taxpayers millions of dollars, because what they did was shut down the investigation that was ongoing of the S&L issues down there," he added.

All 276 words spoken by Mr. Clinton on Whitewater -Madison violated every rule he and his top aides have issued to the White House communications shop. "We don't talk about it, and everyone who had talked about it won't anymore," said a senior administration official.

Before special counsel Robert B. Fiske Jr. joined the probe, White House officials David Gergen, George Stephanopoulos and Bruce Lindsey were put on the front lines to spin the issue to reporters. But that's all changed.

Miss Myers reaffirmed that policy late yesterday.

Asked "Are you going to address every issue that we ask, or not?" she said, "No."

That prompted one reporter to snicker, "In your dreams."

Miss Myers, however, added that the president can change his mind. "He's the president," she said.

"And I think that from time to time, since the president is personally involved, he may choose to answer a question," she said. "I think generally the policy is that the Whitewater issue is being looked into by a special counsel, and we're not going to comment on it."

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February 18, 1994, Friday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 855 words

HEADLINE: FBI interviews law firm's employees about shredding

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY:

Federal investigators looking into financial dealings involving President and Hillary Rodham Clinton have interviewed employees at Little Rock's Rose Law Firm about the shredding earlier this month of Whitewater Development Corp. documents.

The interviews by FBI agents in Little Rock come in the wake of a notice of subpoena from Special Counsel Robert B. Fiske Jr., who ordered the Rose firm - where Mrs. Clinton, Associate Attorney General Webster L. Hubbell and former White House Deputy Counsel Vincent W. Foster Jr. were partners - not to destroy any Whitewater -Madison documents or computer tapes.

A Rose firm employee confirmed last week in several interviews that records outlining the Clintons' involvement in Whitewater, a failed \$203,000 land development in northern Arkansas, had been shredded on Feb. 3. The Washington Times reported the shredding Feb. 9.

The FBI interviews were acknowledged yesterday by several of the firm's employees. The Associated Press confirmed that FBI interviews had taken place, adding that Rose couriers who deliver packages and whose work area is in the vicinity of the firm's shredders had been questioned.

Sources at the Rose firm and others said that at least one employee believed to have been involved in the shredding was questioned, and although he acknowledged that shredding had taken place, he denied knowing what documents were destroyed.

Law enforcement sources said yesterday that additional interviews are expected.

Ronald M. Clark, managing partner at the Rose firm, has not returned several telephone calls to his office for comment. He has denied that any shredding took place.

In a written statement to The Times, Mr. Clark said the Rose firm categorically denied it destroyed any documents concerning the

Whitewater -Madison investigation, adding that the firm had "actively made every effort to preserve all the files that would have any connection" to the ongoing probe.

Mr. Fiske's investigation will include a review of more than 1 million documents and interviews with as many as 300 potential witnesses.

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The inquiry, which could take up to 18 months, has focused on the financial dealings of the failed Madison Guaranty Savings and Loan Association, owned by James B. McDougal, and the Whitewater project, a partnership of the Clintons, Mr. McDougal and his former wife, Susan.

The probe will be presented to a special grand jury ordered this week by U.S. District Judge Stephen Reasoner. The grand jury is expected to be empaneled in the next few weeks.

Mr. McDougal, who bought Madison in 1982, is suspected by federal authorities of manipulating \$250,000 in loans through the S&L and diverting other funds to the campaigns of several Arkansas politicians, including Mr. Clinton.

The Resolution Trust Corp. (RTC), which oversees failed S&Ls, investigated accusations that Mr. McDougal diverted depositor funds from Madison to Mr. Clinton using overdrawn accounts and Madison-approved loans. The RTC also recommended further investigation for possible prosecution of the diversion of funds from Madison to the Whitewater project.

Mr. Fiske, named to head the investigation on Jan. 20, has said he expects to take testimony from the Clintons under oath.

The investigation also will include a review of the death of Mr. Foster, who also was the Clintons' personal attorney. His body was found July 20 in a Virginia park. White House officials took documents on the Whitewater -Madi-son affair from his office just after his death.

Mr. Fiske, according to guidelines established by Attorney General Janet Reno, has the authority to investigate whether "any individuals or entities committed violations of federal law," including the Clintons and others involved with the couple through Madison and Whitewater.

The guidelines also give Mr. Fiske the authority to look into Capital-Management Services Inc., a Little Rock lending agency that gave a \$300,000 Small Business Administration-guaranteed loan to Mrs. McDougal.

Capital-Management's president, David L. Hale, a former Little Rock municipal judge now under indictment for unrelated SBA fraud charges, has said Mr. Clinton and Mr. McDougal pressured him for the loan. About \$110,000 of the loan eventually found its way into the Whitewater account.

Mr. Fiske said this week his office will handle the Hale prosecution, scheduled to begin next month. It will include a new grand jury charge added yesterday accusing Mr. Hale of making false statements to the SBA.

Mr. Fiske, according to the guidelines, has the authority to investigate "other allegations or evidence of violation of any federal criminal law by any person or entity" that might surface during his investigation.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater.

Madison was closed in 1989 by federal banking regulators at a cost to taxpayers of \$50 million.

The Washington Times, February 18, 1994

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February 18, 1994, Friday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1091 words

HEADLINE: Rose firm cleared for lack of evidence

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY:

Federal banking regulators, acknowledging that a shortage of documents made a complete investigation impossible, yesterday said they had found no evidence that Little Rock's Rose Law Firm was guilty of a conflict of interest in its 1989 representation of the government in a lawsuit against Madison Guaranty Savings and Loan Association.

Madison's dealings with Whitewater Development Corp., in which President Clinton and the first lady held partnerships, is under a separate federal investigation by a special counsel of the Justice Department.

The conclusion of the Federal Deposit Insurance Corp. investigation acknowledged, in addition to the scarcity of documents, several shortcomings in FDIC procedures at the time Rose represented the government.

"In 1989, the legal division lacked formal procedures regarding the determination of conflicts of interest and, at the same time, the division's staff was experiencing an enormous increase in workload due to the rapidly expanding duties of the FDIC," the eight-page report said.

"As a consequence, in hindsight, documentation regarding the retention of the firm is more limited than would be ideally hoped for," it said.

Nonetheless, the FDIC said there was "no basis to conclude that under the then-applicable rules" the Rose firm was involved in a conflict of interest.

The report recommended no sanctions against the firm, whose partners at the time included Hillary Rodham Clinton; Webster L. Hubbell, now the No. 3 official at the Justice Department; William H. Kennedy III, now White House associate counsel; and Vincent W. Foster Jr., the deputy White House counsel who killed himself last summer.

"Rose Law Firm is pleased with the FDIC's report confirming the firm's previous statements that no conflict of interest existed," Rose managing partner Ronald M. Clark told the Associated Press.

"The firm believed that at all times it fulfilled its ethical and professional duties in its representation of the FDIC and is pleased that the agency has agreed."

Federal conflict-of-interest regulations bar law firms from representing the government in lawsuits against people or firms they have represented. The

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regulations, however, were not formally approved until 1990, a year after the Rose firm handled the FDIC suit.

Questions about the Rose firm's representation in the 1989 lawsuit were raised last year when federal regulators learned the firm had switched sides, having represented Madison four years earlier.

The 1989 suit involved an audit commissioned by Madison in 1985 and used by the Rose firm in an effort to keep the S&L from being shut down as insolvent by Arkansas banking regulators. The FDIC suit challenged the Madison audit - by the Little Rock accounting firm Frost & Co. - as the government sought to recoup some of the \$50 million it lost when it shut down Madison.

The federal government charged in the 1989 suit that Frost had been "negligent, reckless and breached its contract by failing to fairly represent the S&L's financial condition" in its audit.

Mrs. Clinton, then a partner at the Rose firm, represented Madison in 1985 with Rose partner Richard Massey. They argued to state bank regulators, appointed by Mrs. Clinton's husband, the governor, that based on the Frost audit, Madison should remain open.

Mr. Hubbell, who was then managing partner at the Rose firm, and another Rose partner, Richard Donovan, represented the government four years later when it sued Madison. They argued that the Frost audit, which Rose had defended four years earlier, was not credible.

The FDIC work had been sought for the Rose firm by Mr. Foster, who said in a February 1989 letter to the agency that the firm did not represent any S&Ls.

Mr. Foster's body was found July 20 in Fort Marcy Park, off the George Washington Parkway in Langley. The U.S. Park Police, which investigated, said he killed himself.

The FDIC report released yesterday made these points:

* In contracting the Rose firm for the 1989 suit, staff officials had "no specific recollection" of asking whether the firm had any potential conflicts of interest, nor any recollection of what response the firm might have made if the question had been asked.

* Mr. Donovan told investigators Mr. Hubbell advised the FDIC that the Rose firm had represented Madison before the Arkansas Securities Department.

Mr. Hubbell said he remembered only "very generally" telling the FDIC that the Rose firm had done "a small amount" of Madison work, but he had not been aware of his firm's involvement with the S&L before the Securities Department.

* The FDIC staff lawyer involved in the 1989 suit said he had "no recollection" of the Madison representation being raised. If it had been, he said, he would have advised his supervisor.

The supervisor did not recall this issue being discussed.

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* Mr. Hubbell told investigators he thought he told the FDIC that his father-in-law, Seth Ward, was involved in litigation with Madison at the time of the 1989 suit, "but he cannot be certain."

FDIC officials involved in the suit did not recall that the matter had been discussed.

* FDIC officials involved in the suit said that Mr. Donovan was the "primary attorney" in the case and that Mr. Hubbell was involved "only in an indirect way."

Based on fee bills, however, Mr. Hubbell "performed a significant amount of work."

* Before the 1989 suit, law firms were required to answer questions regarding past and current clients.

"Unfortunately, in early 1989, due to the tremendous increase in workload as a result of the FDIC's added . . . responsibilities, such inquiries were not always documented," the report said. "In this instance, there are no documents showing what inquiries were made of the firm."

The FDIC investigation said that although it was "unclear" whether the Rose firm disclosed that it had represented Madison in 1985, the question remained whether a conflict of interest existed and should have been disclosed.

"There is no indication in the records, or based on our review, that the firm did anything more with respect to the audit . . . than take it at face value in its representation in 1985," the report said. "As a consequence, the firm's representation in 1985 was not 'directly adverse' to its representation . . . in 1989."

GRAPHIC: Chart (color), WATERGATE AND WHITEWATER, By Greg Groesch/The Washington Times

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SECTION: Part A; NATION; PRUDEN ON POLITICS; Pg. A4

LENGTH: 700 words

HEADLINE: When a Rose smells not quite so sweet

BYLINE: Wesley Pruden; THE WASHINGTON TIMES

BODY:

If you think Willie's the slick one, you ought to check out those scamps at the Rose Law Firm in Little Rock.

Like \$2 hookers, lawyers nearly always give others in their profession the benefit of doubts about ethics, and sure enough, federal regulators concluded yesterday that they had found no evidence that Webb Hubbell, who was the managing partner of the Rose firm before he became Janet Reno's managing partner at the Justice Department, misled regulators when he went chasing after their business down home.

The Rose firm represented Madison Guaranty Savings and Loan when Arkansas regulators were trying to shut it down, then switched sides four years later when U.S. regulators were looking for lawyers to sue the S&L to get back some of the \$50 million that had vanished.

This sounds sleazy and outrageous to everybody but lawyers, like a quarterback (or even an offensive lineman) going over to the other side with all his team's plays in the middle of the game. But if you've been to law school it doesn't seem so awful. If you've worked in the web that Mr. Clinton weaved in Arkansas, well, it just shows you what good ol' boys with connections can get away with.

And it was about time. Mr. Hubbell and the Rose Law Firm needed a good hair day. He and the Rose have been taking a pounding lately, and on the grounds of "ethics." Which is too bad, because, despite rarely having any that other people would recognize, lawyers puff themselves up when they talk about ethics, as if it were a field of study in which they were deeply immersed.

Despite stuttered semidenials, when Rose got caught last week shredding Whitewater documents, the firm was dragged front and center into the Whitewater investigation. The FBI crawled all over the place and soon a "notice subpoena" arrived, with what one Rose employee told the Associated Press was "an admonition against any shredding or destruction of materials."

The admonition, the work of special counsel Robert Fiske, directs the Rose Law Firm to preserve information on computers as well as on paper documents that may pertain to the investigation.

This is an admonition in the spirit of the Rose assertion, sort of, that it had done nothing wrong. When The Washington Times revealed that the shredding of Whitewater documents had taken place, the managing partner insisted that

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the firm didn't even have any Whitewater documents, but if it did it was only saving them for the proper authorities. Mr. Fiske's subpoena told Rose that even if they didn't do it, don't do it again.

Mr. Hubbell and his partners past and present at Rose may yet get to play the games they played in Arkansas, when the husband of senior partner Hillary Rodham Clinton appointed all the state boards and regulatory agencies their clients had to deal with. Mr. Hubbell was brought to Washington and installed at Justice by the first lady to try to re-create the Little Rock atmosphere on the Potomac.

The Wall Street Journal describes Mr. Hubbell as the "regent" at Justice, the man designated to run things in the name of the absent sovereign - presumably Hillary, but maybe the president. Naturally, the regent demurs.

"I don't even know what a regent is," he tells a reporter, adopting the we're-just-a-bunch-of-Arkansas-hillbillies defense that has become the administration's fundamental game plan. "I'm not the de facto attorney general. There is an attorney general, and she's very good."

He concedes that, well, yes, he did sign his internal memos with the title "Chief Operating Officer." But, pshaw! that was just a mistake made in the name of the "reinventing government" campaign. (Al Gore made him do it.)

But as clever as the scamps at Rose Law Firm may be, they're not as slick as the boss. Mr. Clinton, ever the Scrooge with other people's money, yesterday decried the "millions of dollars" he says the Whitewater investigation will cost, and "most of it has nothing to do with me." You could almost see him biting his lower lip and and weeping that now his wife's law firm is getting the business.

GRAPHIC: Photo, Hillary Clinton

LANGUAGE: ENGLISH

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