Chicago Tribune

February 18, 1994 Friday, NORTH SPORTS FINAL EDITION

SECTION: PERSPECTIVE; Pg. 23; ZONE: N

LENGTH: 730 words

HEADLINE: SPY VERSUS SPY: WHY THE U.S. NEEDS INDEPENDENT COUNSEL

BYLINE: William Safire, (copyright) 1994 N.Y. Times News Service.

DATELINE: WASHINGTON

BODY:

The government does a lousy job of investigating the government. That's why the Independent Counsel Reauthorization bill, passed by the Senate last year, finally was passed by the House last week. After conferees iron out minor differences in two weeks, the bill that President Clinton promised to sign will be on his desk.

Not a moment too soon. Consider how abuses of power are probed by insiders versus outsiders.

Last summer, a couple of Clinton State Department appointees wrongfully searched the files of their predecessors in the Bush administration; the subsequent dishing of dirt was done from the Washington private line of Warren Christopher's top aide, who was off in Singapore. State's inspector general sent a report to the secretary of state, who fired the culpable appointees, and a "prosecutive summary of potential Privacy Act violations" to Justice. Time-servers there gave the blatant, politically motivated intrusion a desultory look-see and declined to prosecute.

Contrast that inaction with the thorough probe undertaken by a truly independent counsel in a similar case. During the 1992 campaign, Bush appointees at State scandalously searched the passport files of candidate Bill Clinton and his mother. (A nice irony: one of these Bush perpetrators had her file invaded by her Clinton successor in 1993.)

An independent, court-appointed counsel took charge of the case to find out who committed the misdemeanor and if higher-ups lied in denying guilty knowledge. President Bush and former Secretary Baker were interviewed last year, and will soon be deposed under oath.

What will happen? My guess: a full report by April but no indictment. Not for lack of investigative zeal or the result of any political fix or unexpected innocence; but because the evidence on which the Clinton passport case is based was "tainted" from the start.

What tainted it was an entirely separate crime: unlawful eavesdropping. Baker's aides were overheard plotting to search Clinton files by members of the State Department's Operations Center-who had no right to listen in, or to report to anybody about what they overheard while routing calls.

That opened a whole new can of worms. A third criminal investigation was launched: who at State violated the law by eavesdropping and "routinely" making notes of private conversations? Who on State's seventh floor condoned this sustained breach of Title III of the Privacy Act of 1968? And how long had this illegal surveillance been going on?

Unfortunately for law enforcement, this matter was referred to the Clinton Criminal Division's Department of Public Integrity, on the Boulevard of Broken Cases. The probers never probed; an ambassador who had been in charge of the "watch center" was never examined. Justice mutters that the matter is still "under review," but nobody at State has been asked a question in six months.

In one sentence: The Bush State Department snoops who wrongfully searched the Clinton passport files will not be prosecuted because the snoops in the Operations Center were wrongfully listening in on their plot, while the Clinton State Department snoops who wrongfully rifled the files of one of those Bushie snoops will not be prosecuted because Clinton Justice goes easy on its own.

Whew! Privacy invaded all over the lot in the Department of State and nobody goes to the slammer: call it Foggy Bottom Tailhook.

But the message is clear: The only real probe of government was the independent probe. Next month, when the Independent Counsel Reauthorization bill becomes law, Janet Reno should act in an evenhanded manner:

First, get a preliminary report from her aide John Hogan, who has been fiddling for eight months on Justice's mismanagement of Iraqgate, as the basis for a court request for independent counsel.

Second, get a preliminary report from Robert Fiske, her in-house, non-independent, untrusted-by-Republicans counsel on Whitewater, and use that to go to court for a truly independent counsel. This is what Reno wanted in the first place; she should follow her conscience and not White House orders.

That court-appointed independent counsel should immediately take testimony from potential subjects Webster Hubbell, Bernard Nussbaum and Hillary Rodham Clinton to discover any improper involvement in the selection of Fiske.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 18, 1994

LEVEL 1 - 22 OF 32 STORIES

Chicago Tribune

February 18, 1994 Friday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: N

LENGTH: 554 words

HEADLINE: CLINTON: PROBE TO BE COSTLY;
FISKE SUBPOENAS PAPERS FROM FIRST LADY'S FIRM

BYLINE: Associated Press.

DATELINE: WASHINGTON

BODY:

President Clinton declared Thursday the Whitewater criminal investigation will cost taxpayers millions of dollars, though "most of it has nothing to do with me." Meanwhile, the prosecutor has turned his attention to Mrs. Clinton's former law firm.

In Little Rock, Ark., a broadly worded document called a notice subpoena was delivered to the Rose Law Firm this week. It includes "an admonition against any shredding or destruction of materials," said one person employed by the firm.

Special counsel Robert Fiske's admonition directs the firm to preserve information on computers as well as papers that may pertain to the investigation, according to a second person who was read portions of the notice by a different Rose employee.

After The Washington Times last week raised the question of shredding, FBI agents asked law firm employees whether they saw any documents being destroyed, the first person said.

Attorneys at the firm, who deny any shredding, have been gathering material for the wide-ranging investigation of President and Mrs. Clinton's Whitewater Development Corp. venture.

Meanwhile, Fiske obtained his first grand jury indictment in the investigation-charges against an Arkansas businessman, David Hale, who has made a serious allegation against the president. Hale, a former judge, goes on trial next month, charged with conspiring with two lawyers to defraud the Small Business Administration and lying to the agency.

The U.S. attorney in Little Rock brought similar charges earlier, but Fiske took over the case when he was appointed last month.

Hale has contended that as the state's governor, Clinton pressured him to make a $300,000 loan backed by the SBA. Clinton has denied the accusation.

In Washington, federal regulators said they had found no basis to recommend any sanctions against the Rose firm for dual representation. The firm had as one of its clients the failed S&L that is part of Fiske's probe, and later it represented the U.S. government in a case against the thrift's auditors after the S&L collapsed.

The Federal Deposit Insurance Corp. said there was no conflict of interest under the regulations in effect at the time. The FDIC's examination focused on whether Webster Hubbell, who was with Rose before he became associate attorney general, misled regulators about the firm's prior work for the S&L. It found he didn't.

Clinton contended in Washington that the Whitewater matter was "a simple straightforward thing and it'll be shown to be." He said in a radio interview, "I'm amazed by all the twists and turns of interpretation that's been given."

The Clintons were 50-50 owners in the venture with James McDougal, the owner of Madison Guaranty, a failed S&L in Arkansas.

"This decision" to appoint 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," Clinton told reporters.

Of Fiske's investigation, Clinton said: "Most of it has nothing to do with me."

Fiske is examining the failed S&L to determine whether funds from it were diverted to Whitewater, and whether the money of Madison depositors was used to pay off campaign debts of prominent Arkansas politicians, including Clinton when he was governor.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 18, 1994

Grand Jury To Review Whitewater

Special Counsel Says Clinton-Thrift Probe Could Take 1½ Years

By Susan Schmidt
Washington Post Staff Writer

A1

Special counsel Robert B. Fiske Jr. told a federal judge yesterday his investigation of President Clinton's Whitewater real estate venture and ties to a failed S&L may last 18 months, cover more than a million documents and involve 20 or more investigators.

After meeting with Fiske behind closed doors, U.S. District Court Judge Stephen M. Reasoner in Little Rock, Ark., agreed to empanel a special grand jury to exclusively handle the federal probe of Madison Guaranty Savings & Loan, and the Whitewater Development Corp. real estate venture, a corporation jointly owned by President and Hillary Rodham Clinton, Madison owner James McDougal and his former wife, Susan.

"The duties of any grand jury investigating this matter are much more extensive than the court had previously envisioned," Reasoner said in his order.

Early this week, Fiske's office served a subpoena seeking a wide range of documents on the Rose Law Firm, where Hillary Clinton and several high-ranking administration officials were once senior partners. They include Associate Attorney General Webster L. Hubbell, assistant White House counsel William H. Kennedy III, and Vincent Foster, the deputy White House counsel who committed suicide last July. The scope of Fiske's work includes looking at how the investigation into the Foster suicide was handled by the White House and law enforcement officials.

Rose firm lawyers did legal work relating to Madison. Hillary Clinton represented Madison during the mid-1980s when it sought regulatory approval for a stock plan from state officials. McDougal, a longtime Clinton friend, has said he placed the Rose firm on a $2,000-a-month retainer when then-Gov. Clinton complained to him about his family finances.

Hubbell represented the government when it sued Madison's accountants for malpractice in 1990. The Federal Deposit Insurance Corp. has been examining whether Hubbell and the Rose firm properly disclosed possible conflicts of interest in handling the case.

After his meeting with Reasoner, Fiske told reporters in Little Rock that it was necessary to ask for a

See WHITEWATER, A15, Col. 1

WHITEWATER, From A1

special grand jury "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

In his order, Reasoner said that even if the regular grand jury was asked to extend its term until the end of the year, it would not be able to complete the investigation. Those grand jurors, who have already begun work on the Whitewater investigation, initially thought they could do the job, Reasoner wrote, but believe it would be impossible now that the "actual scope and magnitude of the duties that would be involved in such a task has become more apparent."

Reasoner asked James Burnett, the foreman of the grand jury, to attend his meeting with Fiske. Burnett served as head of the National Transportation Safety Board under President Ronald Reagan.

In addition to the criminal investigation going on in Little Rock, a special civil task force assembled by the Resolution Trust Corp., the federal agency charged with overseeing the S&L crisis cleanup, has been working feverishly in Kansas City for the past several weeks.

RTC investigators and lawyers, as well as lawyers from the firm of Pillsbury, Madison & Sutro hired under contract by the RTC, are poring over Madison files to see if there are any civil claims that can still be brought against Madison attorneys, officials or borrowers. The statute of limitations on some potential civil claims expires on Feb. 28, five years to the day after Madison failed and was taken over by the government.

The subpoena delivered this week to the Rose firm sought information on a 2½-page list of entities and individuals, according to knowledgeable sources. The list was similar to one contained in a subpoena served last month on Arkansas Gov. Jim Guy Tucker (D), according to a source who has seen both subpoenas. In addition to documents relating to Madison and Whitewater, the Tucker subpoena sought materials on President Clinton, Hillary Clinton and Clinton campaign funds.

Rose firm Managing Partner Ronald Clark could not be reached for comment on the subpoena, but he said in an interview last week that the firm was collecting documents in anticipation of one.

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Madison and Whitewater," said Clark.

Among the materials being prepared by the Rose lawyers and sought on the Tucker subpoena were documents relating to P.O.M. Inc., a large parking meter manufacturing firm that was owned until recently by Seth Ward, Hubbell's father-in-law, and is now owned by Ward's son, Seth Ward II. Hubbell was P.O.M.'s lawyer, and court documents show that Hillary Clinton did work for P.O.M. as well.

P.O.M. was a Madison borrower, and Seth Ward was a Madison employee. In 1985, P.O.M. was the first company to receive a special "private activity bond" under a program initiated by Clinton when he was governor.

Other individuals and entities listed on the Tucker subpoena related to partnerships and corporations created by Madison owner McDougal, several Madison insiders and borrowers, and materials related to Capital Management Services Inc., a venture capital company that received federal funds from the Small Business Administration.

Capital Management's owner, David Hale, is facing a trial on criminal fraud charges by Fiske's office this spring. Hale has alleged that Tucker and Clinton pressured him to make SBA-funded loans to help Madison, including a $300,000 loan, part of which ended up financing a Whitewater land transaction. Tucker and Clinton have denied pressuring Hale for the loans, and Clinton has said he remembers no such conversations where such loans were discussed.

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LEVEL 1 - 23 OF 32 STORIES

The New York Times

February 17, 1994, Thursday, Late Edition - Final

SECTION: Section D; Page 22; Column 1; National Desk

LENGTH: 799 words

HEADLINE: First Move by Counsel On Clinton Land Deals

BYLINE: By STEPHEN LABATON,Special to The New York Times

DATELINE: LITTLE ROCK, Ark., Feb. 16

BODY:
The independent counsel investigating the real estate investments of Bill Clinton and his wife, Hillary, made his first court appearance today, obtaining an order to convene a grand jury that would be devoted solely to that case.

The counsel, Robert B. Fiske Jr., said he had asked that the grand jury be appointed to sit for 18 months to insure that the investigation would be handle "in a prompt and thorough manner." His request was granted in a closed session here with Judge Stephen M. Reasoner of Federal District Court.

The panel, to be composed of 23 members, will be separate from an already-seated grand jury that meets here only a few days a month and has a ful schedule of unrelated cases. Its term also expires in June.

Subpoenas Expected Soon

Mr. Fiske said he expected that the new grand jury approved today would sit more than the usual two or three days a month to examine evidence, take testimony and decide if indictments were warranted. It is expected to subpoena important witnesses in the next few weeks.

The Clintons were partners in the Whitewater Development Company with Jame B. McDougal, the owner of an Arkansas savings and loan that was taken over by Government regulators in 1989, and his wife, Susan.

Mr. Fiske and his staff will be investigating, among other things, whether the institution, Madison Guaranty Savings and Loan, improperly funneled money into Whitewater, a 230-acre vacation home development along the White River i northern Arkansas, or into President Clinton's political campaigns when he was Governor of Arkansas.

With the investigation beginning to gear up, other Government officials said today that Mr. Fiske had decided to open offices in Washington and New York in addition to the one here.

One Focus on Washington

Mr. Fiske is seeking office space in Washington, the officials said, becaus many witnesses are there and because he will be looking into the circumstances of the death of Vincent W. Foster Jr., the deputy White House counsel and a longtime friend of the Clintons who committed suicide last July.

At his death, Mr. Foster had papers concerning the Whitewater Development Company in his office in the West Wing of the White House. The files were never included in an inventory of Mr. Foster's office but were sent by the White House counsel, Bernard W. Nussbaum, to the Clintons' personal lawyer, David Kendall.

Last month, the White House said Mr. Kendall had turned the files over to the Justice Department, along with other documents it had subpoenaed.

Mr. Fiske has already announced his intention to take sworn testimony from the Clintons, and prosecutors from his office are certain to be interviewing other officials at the White House and Justice Department.

New York Office Planned

A much smaller office is to be opened in New York. It will be used to store documents and as a meeting place when Mr. Fiske, a Wall Street lawyer with Davis, Polk & Wardwell and a former United States Attorney from Manhattan, as well as other prosecutors from New York, return to their homes.

Associates of Mr. Fiske say he has been recruiting lawyers from Manhattan but has not confined himself to New York. Lawyers at the United States Attorney's office in Manhattan say he has already selected two former assistants from that office, Julie O'Sullivan and Denis McInerney. .

Ms. O'Sullivan is a former Supreme Court clerk for Justice Sandra Day O'Connor who worked with Mr. Fiske in New York. Mr. McInerney, who also worked with Mr. Fiske, was a clerk for Federal District Judge Kevin Thomas Duffy of Manhattan. Last month he helped win an important Federal fraud and conspiracy case in New York against the Cooper Companies, a maker of contact lenses and eye-care products, for making illegal use of advance information about a mutual fund's bond dealings.

Mr. Fiske, who has tried to avoid publicity since arriving here shortly after being selected by Attorney General Janet Reno on Jan. 20, said today that he expected to announce the appointment of his top staff members next week, although he has not said how many lawyers he will hire or what the size of his budget will be. He has turned down scores of requests for interviews from journalists around the world who have streamed into Little Rock.

In recent weeks he has been briefed by the prosecutor formerly working on the case for the Justice Department. That investigation was called off with the appointment of Mr. Fiske; the information it had developed was to be turned over to him.

Lawyers have begun to show up at the new suite that Mr. Fiske rented one floor below the local offices of the Federal Bureau of Investigation. The bookcases in the suite remain barren, and telephones and lights are being installed.

GRAPHIC: Photo: Robert B. Fiske Jr., the special counsel investigating the Clintons' real estate investments, spoke with reporters yesterday after asking Judge Stephen M. Reasoner of Federal District Court in Little Rock, Ark., to approve a new grand jury in the matter. The judge later granted his request.

(Reuters)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 24 OF 32 STORIES

The New York Times

February 17, 1994, Thursday, Late Edition - Final

SECTION: Section A; Page 23; Column 1; Editorial Desk

LENGTH: 722 words

HEADLINE: Essay;
True Indy Counsel on The Way

BYLINE: By WILLIAM SAFIRE

DATELINE: WASHINGTON

BODY:

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The Washington Post

February 17, 1994, Thursday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 964 words

HEADLINE: Whitewater Investigation Outlined;
Counsel Tells Judge Clinton-Thrift Probe Could Take 1 1/2 Years

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY:
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GRAPHIC: PHOTO, SPECIAL COUNSEL ROBERT B. FISKE JR. TALKS TO REPORTERS OUTSIDE COURTHOUSE AFTER FEDERAL JUDGE AGREED TO EMPANEL GRAND JURY TO REVIEW WHITEWATER. AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 26 OF 32 STORIES

The Washington Times

February 17, 1994, Thursday, Final Edition

SECTION: Part A; NATION; INSIDE THE BELTWAY; Pg. A8

LENGTH: 973 words

BYLINE: John McCaslin; THE WASHINGTON TIMES

BODY:

JUST A TRIM

White House staffers were incensed yesterday afternoon when the message on the PA system at Newark International Airport laid the blame for any flight delays on Air Force One. The 5:45 p.m. announcement triggered an instant response from the staffers, who complained to the airlines putting out the message to waiting - and increasingly inpatient - travelers.

Flights were delayed 45 minutes to an hour, but a White House spokeswoman insisted that Air Force One, with President and Mrs. Clinton aboard, only held up traffic at the airport for five minutes.

"It's unfair to blame the president for Newark Airport's inefficiencies," the spokeswoman said. And, she added, Mr. Clinton was not getting a haircut.

JUST HANGING OUT

Tuesday morning at 8:10, and again yesterday at the same time, presidential helicopters reportedly hovered over the heliport pad of Georgetown University Hospital.

"Yesterday it was a smaller presidential chopper, not the big fat one that the president normally goes up in, and today it was the fat one," noted one resident near the hospital. "The Marines may be just practicing, but they've never done anything that I've ever seen in 20 years here at Georgetown University Hospital."

"It wasn't an exercise," a spokesperson for the Georgetown medical center assured us yesterday, adding: "I have no idea why they were up there."

U.M. Rose lent his name to a law firm, and his likeness graces the U.S. Capitol's Statuary Hall.

WHO WAS U.M. ROSE?

The Rose Law Firm of Little Rock, which we've read an awful lot about lately, includes among its former partners first lady Hillary Rodham Clinton, Associate Attorney General Webster L. Hubbell and White House Associate Counsel William Kennedy III. The late Vincent W. Foster Jr. was a Rose partner, too.

But who was Rose?

The Washington Times, February 17, 1994

We had to go only as far as the U.S. Capitol to find Uriah Milton Rose, or sculptor Pompeo Coppini's 7-foot marble likeness of the former Arkansas lawyer, which stands in Statuary Hall.

U.M. Rose, born in 1834, was a man of learning in the law, science and literature. He would publish the Constitution of the State of Arkansas in 1874, which, despite several attempts to replace it, remains in force to this day. Rose began studying Latin at age 5. He was seen as such a bright young mind in the making that he was appointed a deputy county clerk before he reached his 18th birthday. At 20, Rose formed his first law partnership in Batesville, Ark.

When Union forces occupied Little Rock in 1862, Rose had become a chancery judge in the capital. He remained a loyal Confederate throughout the war, of course, and by the time the war ended he had settled into a law partnership in Little Rock with George C. Watkins, former chief justice of the state Supreme Court.

He was fluent in German and French, and his library contained more than 8,000 volumes in various languages. He never succumbed to the temptation, as Arkansans to the present day sometimes have, to play the barefoot hayseed. He was a founder of the American Bar Association and was appointed delegate by President Theodore Roosevelt to the Second Peace Conference at The Hague in 1907. He died at his home in Little Rock in 1913.

The Rose Law Firm, one of the oldest west of the Mississippi River, today has 28 senior partners and 24 associates. Its clients include Wal-Mart Stores Inc., Tyson Foods Inc., TCBY Enterprises Inc., the Prudential Insurance Company of America, MCI Communications Corp., General Electric Co. and the Federal Deposit Insurance Corp

EQUAL ESPIONAGE

Since the days of Jonathan Pollard, who called the Office of Naval Intelligence (ONI) home while providing secrets to Israel, security measures have been increased, including the inspection of most packages and belongings going in and out of the Suitland complex. Everything but women's purses, that is.

"Women carry personal hygiene items in their purses, and the search therefore is considered intrusive," one ONI guard explained.

Which begs our source to ask: "Does airport security operate this way? Let's either search everything or nothing."

Navy Capt. Leonard Shelton, head of security for ONI, acknowledged that it was "only after tremendous agonizing and soul searching that ladies' purses were exempted.

"Ladies were concerned, and I think rightfully so," the captain said. He stressed that his guards "don't search men's billfolds or conduct body searches either."

"I think I am doing what I need to do to protect the security of the facility and the information it contains," the captain said. "For perfect security, I wouldn't let anyone in or out. No security, on the other hand, is what some employees would like, because it would be totally convenient."

DIFFERENCE OF OPINION?

It looked for a day or two as though the White House wasn't the only place with Whitewater -Madison troubles. New York magazine reports this week that the Wall Street Journal's editorial page editor, Bob Bartley, was looking for a writer to cover the unfolding financial mess surrounding President and Mrs. Clinton because Journal reporters aren't being tough enough.

That story, the New York Post reported Tuesday, was knocked down, sort of, by the Journal's deputy editorial page editor, Daniel Henninger, who said of the paper's Whitewater -Madison reporters, "We're pretty pleased with what they're doing." It wasn't exactly a recommendation to carve into a resume.

Alan Murray, the Journal's Washington bureau chief, dismissed the magazine story with a phrase we can't print in a family newspaper, adding, "Our reporters are doing a fabulous job."

GRAPHIC: Photo, U.M. Rose lent his name to a law firm, and his likeness graces the U.S. Capitol's Saturday Hall.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 27 OF 32 STORIES

The Washington Times

February 17, 1994, Thursday, Final Edition

SECTION: Part A:COMMENTARY; EDITORIALS; Pg. A20

LENGTH: 465 words

HEADLINE: ...make this president wobble?

BODY:

If Ronald Reagan was the Teflon president - nothing stuck to him - then Bill Clinton is clearly the Weebles president - he wobbles, but he doesn't fall down. It isn't that accusations about Mr. Clinton's character and activities don't stick to him, just that no one seems to care. This is the primary finding of a poll about the Whitewater affair that was released yesterday.

Of those who had read about the scandal - about 60 percent of the adults polled - more than a third were convinced that the first couple had done something illegal in their Arkansas land dealings. Nearly half were sure that the Whitewater financial shenanigans were unethical. The same number also believed that Mr. and Mrs. Clinton have tried to cover the scandal up.

The mind-boggling figure, however, is that 83 percent of the Whitewater -literate said that the affair had not changed their opinion of the president. How to make sense of this revelation?

Perhaps those who believe Mr. Clinton has been engaged in a coverup of illegal and unethical financial dealings are the same people who have all along been troubled by the president's lax approach to personal propriety. Whitewater would not have changed their opinion of Mr. Clinton because they had a low opinion of him to begin with.

So too with many supporters of the president. Even if it is found out that the Whitewater scandal involved serious wrongdoing, there are many who feel that it is just old news. Hey, that's just the way things are done in Arkansas goes the argument. This is similar to the sophisms used by White House aides to defuse bimbo eruptions. Hey, there's no truth to it, we are first told. And then with a wink and a nod, they say that it isn't a story, because it's old news. Everybody knows the president suffers from bouts of satyriasis, so the claims of any particular woman don't amount to anything new or interesting, let alone shocking.

Nothing stuck to Mr. Reagan because people believed in his character. They didn't think he would do anything wrong. Mr. Clinton never falls down because no one believes in his character - he can't do anything that anyone finds particularly shocking. Presidential aides are rather pleased with themselves, having achieved something new in American politics. They have protected their boss from ruin by perfecting the tired glance that says, "Come on, the people just don't care. So why bother?"

Maybe it's true that people just don't care about what Mr. Clinton has and has not done in his personal life. If so, it's a shame. But the president's advisors ought not get too smug. If the truth about Whitewater survives the shredders, Mr. Clinton may yet lose the Weebles label.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 28 OF 32 STORIES

The Washington Times

February 17, 1994, Thursday, Final Edition

SECTION: Part A; NATION; INSIDE POLITICS; Pg. A9

LENGTH: 1955 words

BYLINE: Alan McConagha; THE WASHINGTON TIMES

BODY:

NATCHER RETIRING?

In Kentucky, two news reports indicate that Appropriations Chairman William Natcher, who has been ailing, is planning to resign from either his committee post or the House in the next week.

Lee Denny, news director of WOMI, an Owensboro radio station, said, "Our information is that he will resign the first day Congress reconvenes in order t keep intact his record of never having missed a House vote."

Congress returns from recess Tuesday, and those close to Mr. Natcher have speculated that it would be a natural day for him to depart because of his declining health and unrivaled voting record.

The Louisville Courier-Journal asked Mr. Natcher's daughter Louise Murphy about resignation. "I have no idea," she said. "But I certainly haven't heard him say that."

The 84-year-old Kentucky Democrat, elected to the House 41 years ago, is a widely admired member within the chamber and has a perfect voting record that seems unlikely to be rivaled for longevity in an anti-incumbent age.

UNEXPECTED BOOST

The Chicago Tribune yesterday endorsed House Ways and Means Chairman Dan Rostenkowski for next month's Democratic primary, saying his influence outweigh questions raised by a continuing federal probe of his finances.

Mr. Rostenkowski, 66, faces three challengers in the March 15 primary as h seeks a 19th term. Running in a redrawn district, the veteran Democrat is reported to be vulnerable.

"Rostenkowski is endorsed for his long and impressive record of achievement," the Tribune editorialized. "He is in the very top reaches of Washington influence, and he wields it with relish and savvy on behalf of the people of his district, his city and the nation."

The Tribune said the voters in his district "will influence the course of health care policy, of tax policy, of efforts to reduce deficit spending. That's how big their congressman is."

It added that they must also decide "whether to support someone who has bee accused - not formally charged but accused - of harboring ghost payrollers, of having the government pay for personal automobiles, of using campaign dollars for perks such as trips, chauffeurs, golf caddies, meals."

Making the endorsement was a "difficult call," the newspaper said. But it also criticized the U.S. Attorney's Office in Washington for dragging out its investigation of Mr. Rostenkowski for 21 months.

FUTURES

Tampa Mayor Sandy Freedman has announced that she won't seek the Democratic nomination to oppose Sen. Connie Mack, Florida Republican. She did not rule out a job in the Clinton administration.

In Michigan, Rep. Bob Carr, 50, has become the sixth Democrat to enter the race for retiring Sen. Donald W. Riegle Jr.'s seat. Mr. Carr is said to be supported by influential longtime Rep. John Dingell.

Rep. Alan Wheat, Missouri Democrat, has officially announced that he is running for the Senate seat being vacated by retiring Republican John Danforth.

FAMILY AFFAIR

Hugh Rodham, the brother of first lady Hillary Rodham Clinton, told Reuters in Miami that he is gearing up for a run for the U.S. Senate seat held by Republican Connie Mack.

"I learned my politics from Bill Clinton as much as I've learned from anybody else. I've worked in a lot of his campaigns, and I see that there is nothing that can replace the personal touch with people," said Mr. Rodham, who is making his first attempt at an elected office.

A formal campaign announcement by the 42-year-old public defender is expected by March 1.

Mr. Rodham insisted that he is not expecting any more help from the first couple than any other Democratic candidate would receive. "Whatever personal supprt is lent after that, I would certainly be beholden and grateful," he said.

Crime will be the hottest issue in the November election, Mr. Rodham said, adding that he plans to hit heavily on Mr. Mack's "no" vote on the Brady Bill, which imposed a waiting period for handgun buyers.

RICHARDS' SLIM LEAD

Texas Gov. Ann Richards leads George W. Bush by a slim margin in the gubernatorial race while enjoying record-high approval ratings, according to the first Texas Poll of the 1994 political season.

Still nine months from the election, Mr. Bush's camp was enthusiastic because the poll showed him only 6 percentage points behind and within striking distance of the Democratic incumbent.

John Gonzalez of the Forth Worth Star-Telegram says the poll also showed Mr. Bush with more favorable rankings than Mrs. Richards among men, married Texans, whites and people with high incomes.

Mrs. Richards fared best among women and minorities and led in more regions than Mr. Bush. When people were asked who they would vote for if the election were today, Mrs. Richards led 47 percent to Mr. Bush's 41 percent.

For the governor, the best news was her personal-popularity rankings. She was rated favorably by 62 percent. When the same question was asked in the winter of 1991, the year she took office, she got a 61 percent favorable rating.

MORE BUSH STUFF

Another son of former President Bush got good news in Florida.

Gubernatorial candidate Republican Jeb Bush is just 4 points, 38 percent to 42 percent, behind Democratic Gov. Lawton Chiles in a new Mason-Dixon Poll, suggesting that the incumbent is "extremely vulnerable."

Nevertheless, Mr. Bush faces a primary that is expected to be competitive. "Watch closely, and don't be surprised if there's blood on the floor," Richard Scher, a University of Florida political science professor, told USA Today.

Mr. Chiles, a force in Florida politics for a generation, is still popular despite four recession-filled years as governor in which he raised taxes.

ROCKEFELLER'S PASSION

The Wall Street Journal's Gerald F. Seib was trying to solve the mystery of Sen. Jay Rockefeller's passion for health care reform. What causes this rage in an heir to one of the nation's great fortunes?

"Like almost everyone else in the health debate, it turns out, he is driven by a searing personal experience," Mr. Seib writes.

"That was the painful death of his 83-year-old mother, Blanchette Rockefeller, from Alzheimer's disease. Recalling it now, almost two years later, nearly moves him to tears."

If death is this horrible for somebody whose every need can be met, the West Virginia Democrat wonders, how is it for others?

"We've got all this money," Mr. Rockefeller says. "What happens if I'm Hispanic? What happens if I'm Appalachian? What happens if I've never been to a hospital. . . . It just is not fair."

BAKER REPORT

Former Secretary of State James A. Baker III is just completing his memoirs and turning his sights toward Iowa for 1996, the Chicago Sun-Times says.

The report contends that although Mr. Baker and former President Bush were once close, they "now have a strained but friendly relationship, because of the widely held view that Baker was more interested in his own reputation than in trying to win the election for Bush" in 1992.

OREGON VALENTINE

The Washington Times, February 17, 1994

The Portland Oregonian's David Sarasohn observed that "Valentine's Day in Oregon this year is what you might call a delicate occasion."

"Between Tonya Harding's lively liaison with Jeff Gillooly and Bob Packwood's enthusiastic courtship techniques, it's starting to look as though Oregon's not exactly a state - it's a Dear Abby column that issues license plates," he wrote.

"Oregon's best known relationships are not exactly what you'd call romantic. . . . When Oregonians recall their lost loves, they do it under oath."

CHARACTER WON'T WORK

Democratic National Chairman David Wilhelm dismisses the political effects of the Whitewater affair on President Clinton and warns that if Republicans try to exploit it politically in this year's elections, they will fail.

"I don't think it's had a huge impact on public opinion," Mr. Wilhelm said in an interview. "I think a lot of its impact has been discounted because the president has turned over all information to the special counsel."

Mr. Wilhelm said Republican critics of the Clintons' involvement in Whitewater and related business dealings in Arkansas were "doing a repeat of what they did in 1992, which is an assault on Bill Clinton's character."

"If the Republicans try to repeat their 1992 strategy this year, the American people will be able to tell the difference," he said. "His opponents would like people to think that this [Whitewater] is some sort of carnival.

"If they think they can pursue a political strategy that focuses and is engaged in a preoccupation with the character issue, they will fail in 1994 just as they failed in 1992," he said.

DUMB-DOWN THE IMAGE

GOP leaders "dress differently from most Americans, watch the wrong TV programs and will fare worse than they expect this fall unless they find a compassionate theme to counter President Clinton," pollster Frank Luntz says in a Gannett News Service report.

Using polling data and opinions from focus groups around the country, Mr. Luntz told GOP House leaders at their Maryland retreat last month: "Americans think politicians in general, and Republicans in particular, are out of touch.

"Too many of us are seen as suit-and-tie Republicans trying to represent the jeans-and-T-shirt electorate. We're watching 'MacNeil/Lehrer' while they're watching 'Roseanne.' We listen to NPR while they listen to Rush Limbaugh and Howard Stern. We're reading the Wall Street Journal; they're reading USA Today and People."

Mr. Luntz added that Mr. Clinton is the "finest political manipulator" since FDR and that the GOP "will be hard pressed to pin him down or find someone who understands and empathizes with people as well as he does."

NEW FEC APPOINTMENTS

President Clinton yesterday announced his intention to nominate Lee Ann Elliott, a former member of the Federal Election Commission, and Danny L. McDonald, a current member, to additional terms as members of the FEC.

Campaign-reform advocates such as the Center for Responsive Politics complained that Mr. Clinton lost an opportunity to get some new blood on an agency desperately needing greater energy in enforcing campaign laws.

ANNALS OF DISHWASHING

New York Mayor Rudolph Giuliani urged guys who descend on traffic with squeegees to wash dishes, an "honorable, decent, terrific" job he once held.

The squeegee guys, who are regarded as a civic headache, could get jobs in restaurants but aren't interested because they don't want the hours or the taxes, the mayor said in a radio interview.

"I know people who own restaurants who've started by washing dishes. I've washed dishes in restaurants. It's an honorable, decent, terrific thing to do," he said.

The New York Post found that restaurant jobs netting $50 a day are available. But the squeegee crowd, expecting a Giuliani crackdown, says it can get that much in cash washing windshields.

LOWERED VOICES

Many homosexual activists are turning from radical tactics to more traditional ways of influencing policy as they turn their attention to such local issues as sodomy laws and homosexual marriage.

"It isn't necessary to scream anymore," David Mixner, a Los Angeles activist and friend of President Clinton, told USA Today. "There's access now. One doesn't feel like one's left out in the cold with no hope."

GRAPHIC: Photos, A) Jeb Bush is hanging tough in the Florida gubernatorial race.; B) On health care, Sen. Jay Rockefeller puts himself in a poor man's shoes.credit=

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

The Washington Times

February 17, 1994, Thursday, Final Edition

SECTION: Part A; COMMENTARY; OP-ED; Pg. A21

LENGTH: 728 words

HEADLINE: This is s role model?

BYLINE: Suzanne Fields; THE WASHINGTON TIMES

BODY:

Bill Clinton's latest No. 1 liability occupies an extremely sensitive position in his administration - and his life.

Once hailed as his greatest asset, Hillary Rodham Clinton is now suffering radical image surgery that makes her bad hair days look easy and glamorous by comparison.

She's finally fulfilling a feminist's dream, becoming a first lady who is taken seriously for her very own work. Only in this scenario, dream becomes nightmare.

In an essay in the New York Times called "a cautionary fable," Maureen Dowd imagines President Clinton resorting to an astonishing, audacious gamble to shed his Whitewater baggage: He approves Hillary's request to be relieved of her official duties as first lady.

Hillary takes her place at the end of a long line of Bill Clinton's rejected ladies - after Zoe Baird, Kimba Wood and Lani Guinier. (Can Janet Reno be far behind?) In Maureen Dowd's script, the president finally reads the Whitewater file, and admits that had he gone over the records before the inauguration, "I would not have brought Hillary to Washington with me."

Conspiracy theorists from left and right push speculation further, suggesting - no satire here - that a concerted effort to dump the first lady was launched when James McDougal, the Clinton partner in Whitewater, told Ted Koppel on "Nightline" that he couldn't vouch for Hillary's character or incorruptibility because he didn't know her well enough. Pressed to say something nice about her, he paused, licked his lips, and replied: "Ask me another question." The same Mr. McDougal told U.S. News and World Report that his Whitewater business dealings "were exclusively with Hillary."

Hillary is deprived of the bimbo blonde's excuse that she never troubled her pretty little head about complicated business details. As a lawyer she helped Madison Savings & Loan fight efforts by the Arkansas Securities Department to close it. She also sought power of attorney for Whitewater to extricate herself and her husband from a bad deal. She's considered swift enough to see a potential conflict of interest and sharp enough to read the fine print in a contract opening her up to serious ethical questions. (Was her name on any of the documents shredded last week at the Rose law firm?).

The Washington Times, February 17, 1994

At the beginning of the Clinton presidency questions were raised about the wisdom, and even the ethics, of having a first first lady with a power agenda of her own. If she proves to be successful, argued political analyst Kevin Phillips, "I think it raises the question of whether we don't have a new type of relationship that I hate to call quasi-monarchical, but how else do you get a chief of state and an unelected consort except in a quasi-monarchical situation?"

If the first lady failed, others asked, how could the president remove her? Radical feminists, who put reasoning on hold and allowed themselves to be blinded by a woman in power as long as she was a liberal, had only praise for the new role assumed by Hillary - even though she earned it the old-fashioned way, with a marriage license.

If Hillary is found to have guilty knowledge of any impropriety in relation to her work at the Rose law firm while her husband was the governor, these women will be looking for a new kind of "role model." Trend spotters might want to read an interview with Tipper Gore in the current Redbook.

"If I had pursued a career," she says of her marriage to the vice president, "we would have had two separate lives, and I don't even know that we would have stayed married." Experience has taught her the "impossibility" of certain feminist ideology. "I used to subscribe to the feminist doctrine, but now I find it more difficult," she says. "I still subscribe to it in terms of legalities - equal pay for equal work - but in terms of your life, I've dismissed a lot if it as unworkable."

Of course, Maureen Dowd may have imagined the more appropriate image for the post-Hillary first lady: "After much fevered speculation about whom the president would appoint to the post of first lady, Bill Clinton has recently announced that the ceremonial duties would pass to a trusted adviser who had already perfected the art of standing by his man and gazing approvingly: Al Gore."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 30 OF 32 STORIES

The Washington Times

February 17, 1994, Thursday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1204 words

HEADLINE: Conflicting reports extend Rose probe ;
Banking regulators expect end soon

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY:

A conflict-of-interest investigation involving the failed Madison Guaranty Savings and Loan Association and Hillary Rodham Clinton's former law firm is taking longer than federal banking regulators expected.

After saying in mid-January they were set to "wrap up" the probe of Little Rock's Rose Law Firm and the failed Arkansas thrift, regulators said yesterday the inquiry continues.

"The matter is still under review, but I expect a decision very soon," said David Barr, spokesman for the Federal Deposit Insurance Corp.

In a separate inquiry, the FDIC confirmed yesterday that Mrs. Clinton did not violate federal conflict-of-interest laws when she represented the government in a $3.3 million lawsuit against an Arkansas investment firm owned by Dan R. Lasater, a friend of the Clintons' and a longtime campaign contributor to President Clinton.

In the Madison case, FDIC and Resolution Trust Corp. investigators have sought to determine if the Rose firm told federal regulators it had represented Madison before taking a federal lawsuit in 1989 to recoup losses in the S&L's collapse, which cost taxpayers $50 million.

The investigation has focused on accusations that Rose partners Webster L. Hubbell, now associate attorney general, and Vincent W. Foster Jr., the White House deputy counsel who committed suicide July 20, made false statements to regulators - a criminal offense that could result in the firm being banned from government work.

The Rose firm was paid $400,000 by the government in the Madison case, four years after Mrs. Clinton, a Rose partner, represented the S&L before state regulators who were trying to shut it down.

Madison, owned by James B. McDougal, a longtime friend and business partner of the Clintons', is the focus of an investigation by special counsel Robert B. Fiske Jr. Mr. Fiske is probing accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several powerful Arkansas politicians, including Mr. Clinton.

Federal sources said separate reports submitted by the FDIC and the RTC to the governmment's Outside Counsel Conflicts Commission appear to have caused part of the delay in bringing the investigation to a conclusion. The commissio oversees and resolves conflict issues.

The sources said the RTC report, based on fee bills submitted by the Rose firm and other documents, makes it clear that a conflict of interest existed, although the report, in accordance with RTC policy, makes no recommendation and draws no conclusion.

The FDIC report, according to the sources, says there was no apparent conflict by the Rose firm. The sources said the FDIC report is based on interviews with a number of those involved but not a review of available records.

"Several of us are asking the question, 'If you didn't really want to make a decision in this case, why did you bother to investigate it in the first place? " said an investigator involved in the review.

Records show that Mrs. Clinton represented Madison in 1985 when the S&L wa threatened with being closed as insolvent by state banking regulators, who answered to her husband. She was paid $2,000 a month by Mr. McDougal over 15 months to offer a preferred stock plan as a means of reorganizing the thrift to keep it in business.

The plan was based on an audit by Frost & Co., a Little Rock accounting firm. The plan was never put into operation, but Madison was not closed by federal regulators until 1989.

In 1989, the Rose firm gained FDIC legal work targeting Frost. Mr. Foster told FDIC officials in a letter that "the firm does not represent any savings and loan associations in state or federal regulatory matters."

The lawsuit aimed at the Frost audit was handled by Mr. Hubbell, now the No. 3 official at the Justice Department. The FDIC suit charged that Madison and Frost submitted a faulty audit in support of arguments to keep the S&L in business. It was the audit the Rose firm had filed four years earlier in its defense of Madison before state regulators.

Raising further conflict concerns are court records showing that Mr. Hubbell's father-in-law, Seth Ward, was an officer of a Madison real estate subsidiary at the time Mr. Hubbell, the Rose managing partner, agreed to handl the FDIC case.

Mr. Ward defaulted on more than $587,000 in Madison loans and was considered by the government to be a prime offender in the abuse of Madison funds, according to federal records.

Mr. Hubbell has recused himself from the current investigation of Madison and its ties to Whitewater Development Corp., an Arkansas real estate partnership involving the Clintons, Mr. McDougal and his former wife, Susan. Mr. Hubbell has declined comment.

A Justice Department spokesman has said the associate attorney general recalls that the firm's representation of Madison was revealed. An FDIC official said no written record of such an exchange between Mr. Hubbell and the agency has been found.

The FDIC suit against Frost initially sought to recover $10 million in damages on five counts. It was settled out of court in 1991 for $1 million, less than the insurance coverage Frost held.

In the Lasater case, FDIC officials said Mrs. Clinton's involvement in the 1985 suit against the Lasater & Co. investment firm was not extensive enough to warrant charges that she had influenced a decision to settle the $3.3 million case out of court in 1987 for $200,000.

The suit, involving the now-defunct Federal Savings and Loan Insurance Corp. and First American Savings and Loan Association of Oak Brook, Ill., primarily was handled by Mr. Foster, the FDIC said in a statement.

Lasater & Co., headed by Mr. Lasater, who donated thousands of dollars to Mr. Clinton's gubernatorial races, was accused of mishandling First American funds. The S&L later failed.

The FDIC said that although Mrs. Clinton signed an amended complaint to reduce the $3.3 million claim to $1.3 million, she was not involved in the final $200,000 settlement.

Mr. Lasater, who was sentenced to 30 months in prison for cocaine distribution in 1987, and his firm received more than $664 million in state-approved, tax-exempt bond sales contracts, all of which were approved by Mr. Clinton. The contracts netted the Lasater firm more than $1.6 million in fees.

****CHART (COLOR)

Only 60 percent of adult Americans have seen, read or heard something about President Clinton's involvement with Whitewater Among those who have heard about Whitewater:

* 83 percent said that the Whitewater affair had not changed how they felt about Clinton.

* 35 percent believe the president and first lady Hillary Rodham Clinton probably did something illegal.

* 47 percent said they probably did something unethical or morally wrong.

* 46 percent believe the president has probably tried to cover up wrongs that were committed.

Source: Harris poll of 1,252 adults between Feb. 2 and Feb. 6. The poll has a four-point margin of error.

GRAPHIC: Chart (color), WHITEWATER AND THE NEWS, By The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 31 OF 32 STORIES

Chicago Tribune

February 17, 1994 Thursday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 8; ZONE: N

LENGTH: 290 words

HEADLINE: WHITEWATER PROBER WILL GET SPECIAL JURY

BYLINE: Associated Press.

DATELINE: LITTLE ROCK, Ark.

BODY:

At the request of Whitewater special counsel Robert Fiske, a federal judge agreed Wednesday to create a special grand jury to look into President Clinton's real estate investment.

The extensive scope of Fiske's investigation was revealed in the judge's order, which said the probe was expected to involve "more than 1 million documents, two to three hundred interviews, and over 20 Federal Bureau of Investigation agents and other assistants."

After a 40-minute meeting with U.S. District Judge Stephen Reasoner, Fiske told reporters the grand jury was necessary "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

Reasoner said "Mr. Fiske has presented a compelling case of the need" for a special grand jury.

The grand jury will be empaneled "probably within a few weeks," said Frances Impellizzeri, a spokeswoman for Fiske.

Fiske spelled out the broad scope of his duties-disclosing that his office next month will try the case of Little Rock businessman David Hale, who has made a serious allegation against Clinton.

Charged with defrauding the Small Business Administration, Hale says he was pressured by Clinton and James McDougal, the owner of a failed S&L, to make a $300,000 loan backed by the SBA. The loan went to a company owned by Susan McDougal, McDougal's wife at the time. Clinton has steadfastly denied pressuring Hale.

Fiske said he also would try any new indictment against McDougal, who was acquitted in 1990 of bank fraud charges.

The Clintons were 50-50 investors with the McDougals in Whitewater Development Corp. Fiske is probing Whitewater and the failed Madison Guaranty Savings and Loan owned by James McDougal.

GRAPHIC: PHOTO; PHOTO: Whitewater prosecutor Robert Fiske speaks with reporters after meeting with federal Judge Stephen Reasoner in Little Rock, Ark. Reuters photo.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

LEVEL 1 - 32 OF 32 STORIES

Chicago Tribune

February 17, 1994 Thursday, CHICAGOLAND NORTH EDITION

SECTION: NEWS; Pg. 8; ZONE: N

LENGTH: 282 words

HEADLINE: WHITEWATER PROBER TO GET SPECIAL JURY

BYLINE: Associated Press.

DATELINE: LITTLE ROCK, Ark.

BODY:

The prosecutor in the Whitewater investigation asked a federal judge Wednesday for a special grand jury to look into President and Mrs. Clinton's real estate investment.

And prosecutor Robert Fiske said that next month his office would try the case of a Little Rock businessman who has made a serious allegation against the president.

U.S. District Judge Stephen Reasoner approved the special grand jury and later told reporters that "it made sense" to empanel a separate panel "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

Fiske noted that a grand jury currently at work in Little Rock meets only twc or three days a month.

After the 40-minute meeting with Reasoner, Fiske said he hoped the special grand jury could be formed "as soon as it reasonably can be."

Fiske is probing Whitewater Development Co. and the failed Madison Guaranty Savings and Loan owned by longtime Clinton friend James McDougal.

The Clintons were 50-50 investors in Whitewater with McDougal and his then-wife, Susan.

In remarks to reporters, Fiske spelled out the broad scope of his mandate, saying that he will hire a prosecutor to try former Pulaski County Municipal Judge David Hale starting March 28.

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The loan went to a company owned by Susan McDougal, McDougal's wife at the time. Clinton has steadfastly denied pressuring Hale.

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 17, 1994

bc-whitewater-jury - a1556
(ATTN: National editors) (Includes optional trims)
Special Grand Jury to Hear Whitewater Testimony (Little Rock)
By Sara Fritz= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Special counsel Robert Fiske Jr. Wednesday persuaded a federal judge to convene a separate grand jury to investigate allegations surrounding President Clinton's investment in the Whitewater Development Corp.

After a 40-minute meeting with Fiske, U.S. District Judge Stephen Reasoner ruled that a new grand jury should be impaneled to work exclusively on the Whitewater case because the one now sitting in Little Rock is not prepared to continue long enough to hear the evidence in the case.

The move underscores the considerable scope and length of the probe that the special counsel is preparing to undertake.

``The investigation is anticipated to involve more than 1 million documents, 200 to 300 interviews and over 20 Federal Bureau of Investigation agents and other assistants,'' the judge observed in his order. ``As such, the duties of any grand jury investigating this matter are much more extensive than the court had previously envisioned.''

Reasoner noted that the 23-member grand jury now impaneled meets only two or three days a month. Its 18-month term expires in May, when a new jury will be named to continue hearing other routine federal cases. He said that because most of the current grand jurors opposed having their terms extended so that they could hear the Whitewater case, a second grand jury is justified.

Although Fiske has declined to estimate how long his investigation will last, he told the Los Angeles Times in a brief telephone interview that he has rented an apartment in Little Rock for a year and expects to be finished by the time his lease is up. He said the three-year lease on his new offices was negotiated by the government and ``it means nothing.''

Fiske, a New York attorney, was appointed last month by Attorney General Janet Reno and assigned to examine the investment Clinton and his wife, Hillary, made with James and Susan McDougal in a northwestern Arkansas real estate development project known as Whitewater.

(Optional Add End)

Among other things, he is trying to determine whether the Clintons paid the appropriate taxes on their income from the project, whether federally guaranteed money from a savings and loan owned by McDougal was used for the project or found its way into Clinton's political campaign coffers, and whether Clinton used his position as governor of Arkansas to benefit McDougal or Whitewater.

In addition, the Fiske investigation will look into the question of whether Mrs. Clinton and her law firm violated any conflict of interest rules by first representing McDougal's savings and loan and later acting on behalf of the government after the thrift collapsed, leaving the taxpayers with a $47 million debt.

Although Fiske has yet to officially appoint any assistants, he said he expects to be ready to begin presenting evidence as soon as the new grand jury is impaneled. He said he will announce five to 10 appointments to his staff next week.

**** filed by:LAWP(--) on 02/17/94 at 02:12EST ****
**** printed by:WHPR(162) on 02/17/94 at 03:22EST ****

12

'h's 's s ro e ode ?

Bill Clinton's latest No. 1 liability occupies an extremely sensitive position in his administration — and his life.

Once hailed as his greatest asset, Hillary Rodham Clinton is now suffering radical image surgery that makes her bad hair days look easy and glamorous by comparison.

She's finally fulfilling a feminist's dream, becoming a first lady who is taken seriously for her very own work. Only in this scenario, dream becomes nightmare.

Suzanne Fields

In an essay in the New York Times called "a cautionary fable," Maureen Dowd imagines President Clinton resorting to an astonishing, audacious gamble to shed his Whitewater baggage: He approves Hillary's request to be relieved of her official duties as first lady.

Hillary takes her place at the end of a long line of Bill Clinton's rejected ladies — after Zoe Baird, Kimba Wood and Lani Guinier. (Can Janet Reno be far behind?) In Maureen Dowd's script, the president finally reads the Whitewater file, and admits that had he gone over the records before the inauguration, "I would not have brought Hillary to Washington with me."

Conspiracy theorists from left and right push speculation further, suggesting — no satire here — that a concerted effort to dump the first lady was launched when James McDougal, the Clinton partner in Whitewater, told Ted Koppel on "Nightline" that he couldn't vouch for Hillary's character or incorruptibility because he didn't know her well enough. Pressed to say something nice about her, he paused, licked his lips, and replied: "Ask me another question." The same Mr. McDougal told U.S. News and World Report that his Whitewater business dealings "were exclusively with Hillary."

Hillary is deprived of the bimbo blonde's excuse that she never troubled her pretty little head about complicated business details. As a lawyer she helped Madison Savings & Loan fight efforts by the Arkansas Securities Department to close it. She also sought power of attorney for Whitewater to extricate herself and her husband from a bad deal. She's considered swift enough to see a potential conflict of interest and sharp enough to read the fine print in a contract opening her up to serious ethical questions. (Was her name on any of the documents shredded last week at the Rose law firm?)

At the beginning of the Clinton presidency questions were raised about the wisdom, and even the ethics, of having a first first lady with a power agenda of her own. If she proves to be successful, argued political analyst Kevin Phillips, "I think it raises the question of whether we don't have a new type of relationship that I hate to call q -monarchical, but how e do you get a chief of state and an unelected consort except in a quasi-monarchical situation?"

If the first lady failed, others asked, how could the president remove her? Radical feminists, who put reasoning on hold and allowed themselves to be blinded by a woman in power as long as she was a liberal, had only praise for the new role assumed by Hillary — even though she earned it the old-fashioned way, with a marriage license.

If Hillary is found to have guilty knowledge of any impropriety in relation to her work at the Rose law firm while her husband was the governor, these women will be looking for a new kind of "role model." Trend spotters might want to read an interview with Tipper Gore in the current Redbook.

"If I had pursued a career," she says of her marriage to the vice president, "we would have had two separate lives, and I don't even know that we would have stayed married." Experience has taught her the "impossibility" of certain feminist ideology. "I used to subscribe to the feminist doctrine, but now I find it more difficult," she says. "I still subscribe to it in terms of legalities — equal pay for equal work — but in terms of your life, I've dismissed a lot if it as unworkable."

Of course, Maureen Dowd may have imagined the more appropriate image for the post-Hillary first lady: "After much fevered speculation about whom the president would appoint to the post of first lady, Bill Clinton has recently announced that the ceremonial duties would pass to a trusted adviser who had already perfected the art of standing by his man and gazing approvingly: Al Gore."

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

Sl ou d you rus ABC News?

By Douglas MacKinnon

ABC News recently went out of its way to deceive its viewing public and then compounded the error by trying to cover up the deception. If it were not for the diligent work of a reporter from VARIETY, this travesty would have succeeded.

After the incident was discovered, ABC News senior vice president for editorial quality, Dick Wald, was quoted as saying, "We made a mistake... the action was serious because it misled our audience..."

And just what was this deceptive action? It seems that the night after the State of the Union Address, "ABC World News Tonight" had Cokie Roberts, wearing an overcoat, report from in front of Capitol Hill on the reaction to the president's speech. The only problem was that she was in fact nowhere near the Capitol, but rather inside a studio at the ABC Washington bureau, standing in front of a projection of the Capitol building.

There was once a film called "Capricorn One" that maintained that the American people were so stupid and technology so good that a landing on Mars could be faked in a movie studio, with everyone convinced they were watching the real thing. It seems that ABC News bought into that same twisted thinking as they made a conscious decision to insult the intelligence and trust of their heretofore loyal viewers.

The architect of this deception was Rick Kaplan, the recently appointed producer of ABC World News Tonight. Mr. Kaplan wanted Roberts to do a live "stand-up" in front of the Capitol building as she spoke with Peter Jennings. For whatever reason, Mrs. Roberts didn't want to go all the way up to the Hill about a mile away,

Those who believe in the integrity of journalism can only wonder what is going on at ABC News.

so Mr. Kaplan had her put on an overcoat and pretend to be cold and lonely on the Hill, when she was in reality standing in a nice warm studio.

This incident is by no means the first black mark to blight Mr. Kaplan's career. There are many inside the news profession and outside who believe he has no business being anywhere near a network broadcast.

While network news, by its very nature, must strive to be as unbiased and non-partisan as possible, it is a well known fact that Mr. Kaplan is a liberal democrat who has made no effort to hide his close friendship with President Clinton. With growing frequency, many have openly questioned the role he played on behalf of Mr. Clinton during the last presidential election and why he is still an employee of ABC.

It was reported that while he was executive producer of "PrimeTime Live," Mr. Kaplan boasted of attending Clinton campaign staff meetings and of helping to set up the Clinton press office. During Mr. Clinton's pivotal New York campaign, which was being killed by negative tabloid coverage, it was also reported that Mr. Kaplan had his good friend Don Imus interview Mr. Clinton on his popular morning radio show, with Mr. Kaplan briefing candidate Clinton on the eve of the broadcast and writing some of his on-air wit. All this from an alleged "non-partisan" producer of ABC News.

Since Mr. Kaplan is also very good friends with Susan Thomases, a member of the "Billary" brain trust (he worked under her during Eugene McCarthy's 1968 campaign), the pieces of the "liberal bias" puzzle are quickly and sadly falling into place.

Those who believe in the integrity of journalism can only wonder what is going on at ABC News. At the very least, for this latest incident, Cokie Robert should be suspended and Rick Kaplan fired. Somehow, however, I don't think that's going to happen.

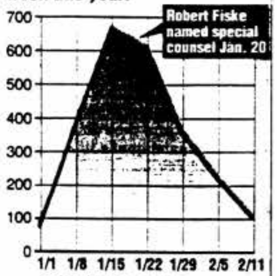
Funny though, Roone Arledge had no problem firing Kaplan's predecessor Emily Rooney for, among other things, stating that she would like to counteract the "liberal bent" of the media. If that is not enough to shake your confidence in the process, it has been reported that the ABC News plans to name President Clinton's top adviser at the White House, David Gergen, as their Washington bureau chief. Why am I not surprised?

Douglas MacKinnon was a special assistant for Policy and Communications at the Pentagon and a White House writer under Presidents Reagan and Bush.

The Washington Times THURSDAY, FEBRUARY 17, 1994

WHITEWATER AND THE NEWS

The number of news articles mentioning Whitewater each week this year.



Source: Time magazine

Only 60 percent of adult Americans have seen, read or heard something about President Clinton's involvement with Whitewater. Among those who have heard about Whitewater:

83 percent said the Whitewater affair had not changed how they felt about Clinton.

35 percent believe that the president and first lady Hillary Rodham Clinton probably did something illegal.

47 percent said they probably did something unethical or morally wrong.

46 percent believe that the president has probably tried to cover up wrongs that were committed.

Source: Harris poll of 1,252 adults between Feb. 2 and Feb. 6. The poll has a 4-point margin of error.

The Washington Times

Conflicting reports extend Rose probe

Banking regulators expect end soon

By Jerry Seper
THE WASHINGTON TIMES

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A conflict-of-interest investigation involving the failed Madison Guaranty Savings and Loan Association and Hillary Rodham Clinton's former law firm is taking longer than federal banking regulators expected.

After saying in mid-January they were set to "wrap up" the probe of Little Rock's Rose Law Firm and the failed Arkansas thrift, regulators said yesterday the inquiry continues.

"The matter is still under review, but I expect a decision very soon," said David Barr, spokesman for the Federal Deposit Insurance Corp.

In a separate inquiry, the FDIC confirmed yesterday that Mrs. Clinton did not violate federal conflict-of-interest laws when she represented the government in a $3.3 million lawsuit against an Arkansas investment firm owned by Dan R. Lasater, a friend of the Clintons' and a longtime campaign contributor to President Clinton.

In the Madison case, FDIC and Resolution Trust Corp. investigators have sought to determine if the Rose firm told federal regulators it had represented Madison before taking a federal lawsuit in 1989 to recoup losses in the S&L's collapse, which cost taxpayers $50 million.

Grand jury ordered

A grand jury will look into Whitewater-Madison and the real estate dealings of President and Mrs. Clinton, a judge rules at the urging of special counsel Robert Fiske. Story, A16

The investigation has focused on accusations that Rose partners Webster L. Hubbell, now associate attorney general, and Vincent W. Foster Jr., the White House deputy counsel who committed suicide July 20, made false statements to regulators — a criminal offense that could result in the firm being banned from government work.

The Rose firm was paid $400,000 by the government in the Madison case, four years after Mrs. Clinton, a Rose partner, represented the S&L before state regulators who were trying to shut it down.

Madison, owned by James B.

see **ROSE**, *page A16*

ROSE

From page A1

McDougal, a longtime friend and business partner of the Clintons', is the focus of an investigation by special counsel Robert B. Fiske Jr. Mr. Fiske is probing accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several powerful Arkansas politicians, including Mr. Clinton.

Federal sources said separate reports submitted by the FDIC and the RTC to the governmment's Outside Counsel Conflicts Commission appear to have caused part of the delay in bringing the investigation to a conclusion. The commission oversees and resolves conflict issues.

The sources said the RTC report, based on fee bills submitted by the Rose firm and other documents, makes it clear that a conflict of interest existed, although the report, in accordance with RTC policy, makes no recommendation and draws no conclusion.

The FDIC report, according to the sources, says there was no apparent conflict by the Rose firm. The sources said the FDIC report is based on interviews with a number of those involved but not a review of available records.

"Several of us are asking the question, 'If you didn't really want to make a decision in this case, why did you bother to investigate it in the first place?' " said an investigator involved in the review.

Records show that Mrs. Clinton represented Madison in 1985 when the S&L was threatened with being closed as insolvent by state banking regulators, who answered to her husband. She was paid $2,000 a month by Mr. McDougal over 15 months to offer a preferred stock plan as a means of reorganizing the thrift to keep it in business.

The plan was based on an audit by Frost & Co., a Little Rock accounting firm. The plan was never put into operation, but Madison was not closed by federal regulators until 1989.

In 1989, the Rose firm gained FDIC legal work targeting Frost. Mr. Foster told FDIC officials in a letter that "the firm does not represent any savings and loan associations in state or federal regulatory matters."

The lawsuit aimed at the Frost audit was handled by Mr. Hubbell, now the No. 3 official at the Justice Department. The FDIC suit charged that Madison and Frost submitted a faulty audit in support of arguments to keep the S&L in business. It was the audit the Rose firm had filed four years earlier in its defense of Madison before state regulators.

Raising further conflict concerns are court records showing that Mr. Hubbell's father-in-law, Seth Ward, was an officer of a Madison real estate subsidiary at the time Mr. Hubbell, the Rose managing partner, agreed to handle the FDIC case.

> *"Several of us are asking, 'If you didn't really want to make a decision in this case, why did you bother to investigate it?' "*

Mr. Ward defaulted on more than $587,000 in Madison loans and was considered by the government to be a prime offender in the abuse of Madison funds, according to federal records.

Mr. Hubbell has recused himself from the current investigation of Madison and its ties to Whitewater Development Corp., an Arkansas real estate partnership involving the Clintons, Mr. McDougal and his former wife, Susan. Mr. Hubbell has declined comment.

A Justice Department spokesman has said the associate attorney general recalls that the firm's representation of Madison was revealed. An FDIC official said no written record of such an exchange between Mr. Hubbell and the agency has been found.

The FDIC suit against Frost initially sought to recover $10 million in damages on five counts. It wa settled out of court in 1991 for $ million, less than the insurance co erage Frost held.

In the Lasater case, FDIC officia said Mrs. Clinton's involvement the 1985 suit against the Lasater Co. investment firm was not exte sive enough to warrant charges th she had influenced a decision to se tle the $3.3 million case out of cou in 1987 for $200,000.

The suit, involving the now-d funct Federal Savings and Loan I surance Corp. and First America Savings and Loan Association of Oa Brook, Ill., primarily was handled b Mr. Foster, the FDIC said in a stat ment.

Lasater & Co., headed by M Lasater, who donated thousands dollars to Mr. Clinton's gubernatori races, was accused of mishandlir First American funds. The S&L late failed.

The FDIC said that although Mr Clinton signed an amended con plaint to reduce the $3.3 millic claim to $1.3 million, she was n involved in the final $200,000 settl ment.

Mr. Lasater, who was sentenced 30 months in prison for cocaine di tribution in 1987, and his firm r ceived more than $664 million state-approved, tax-exempt bon sales contracts, all of which we approved by Mr. Clinton. The co tracts netted the Lasater firm mo than $1.6 million in fees.

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Whitewater Grand Jury Approved by U.S. Judge

LITTLE ROCK, Ark. (AP) – At the request of Whitewater special counsel Robert Fiske, a federal judge agreed to create a special grand jury to look into President Clinton's real estate investment.

The extensive scope of Mr. Fiske's investigation was revealed in the judge's order, which said the inquiry was expected to involve more than one million documents, 200 to 300 interviews and more than 20 Federal Bureau of Investigation agents and other assistants.

Mr. Fiske also disclosed that his office next month will try the case of Little Rock businessman David Hale. Charged with defrauding the Small Business Administration, Mr. Hale says he was pressured by Mr. Clinton and James McDougal, the owner of a failed S&L, to make a $300,000 loan backed by the SBA. The loan went to a company owned by Susan McDougal, Mr. McDougal's wife at the time. Mr. Clinton has steadfastly denied pressuring Mr. Hale.

In addition, Mr. Fiske said he also would try any new indictment against Mr. McDougal, who was acquitted in 1990 of bank fraud charges.

The Clintons were 50-50 investors with the McDougals in Whitewater Development Corp. Mr. Fiske is investigating Whitewater and the failed S&L, Madison Guaranty Savings & Loan.

THE WALL STREET JOURNAL THURSDAY, FEBRUARY 17, 1994

U.S. Chamber of Commerce Splits Again Over Issue of Health-Insurance Mandate

By JEANNE SADDLER
And KEVIN G. SALWEN
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – Underscoring a rift in the nation's largest business organization, a key committee of the U.S. Chamber of Commerce again recommended that the organization endorse requiring employers to help pay for their workers' health insurance.

The health policy panel's action comes less than two weeks after a Chamber official withdrew copies of written testimony endorsing the so-called employer mandate shortly before it was to be delivered to the House Ways and Means Committee.

The latest action highlights tension between the chamber's big corporate members and the small businesses that make up 95% of its members. Some small-business members, who complain that an employer mandate would force them to lay off workers or even shut down, say the health policy committee is dominated by big businesses, including **Chrysler** Corp. Larger companies, which are more likely than small ones to provide health coverage for their workers currently, tend to support mandates; they say they currently end up paying higher health-care costs to cover a large portion of the uninsured population.

Essentially Same Mandate

The mandate endorsed by the health policy committee this week is essentially the same it had favored in the revoked testimony – namely, that employers' health-care payments be phased in until they reach 50% of the cost of a "lowest-priced" plan by the year 2000. The Clinton administration favors requiring employers to pay 80% of the cost of workers' health coverage.

Two weeks ago, after withdrawing the chamber's earlier testimony, Robert Patricelli, chairman of the health policy committee, complained that the president's plan "gives mandates a bad name."

A Chamber official refused yesterday to confirm the policy committee's latest action, and stressed that five other committees will vote on the health-care issue before the full board makes its decision at the end of the month.

But two of the Chamber's affiliates that represent small businesses said they were alarmed by the policy committee's move. "I went to that meeting hoping they'd changed their minds; we were very heartened after the Business Roundtable came out against mandates, and after our testimony before" the Ways and Means Committee, said Kathy McKimmie, vice president for human resources of the Indiana Chamber of Commerce. "But every time I go to Washington I'm amazed. . . . We don't support big government and mandates, and we continue to distance ourselves from the U.S. Chamber in all our communications with our members," she added.

'Disarray' Is Seen

John Polk, president of the Council of Smaller Enterprises, a Cleveland-based organization affiliated with the Chamber, said he would be "astonished" if the Chamber ultimately decides to back employer mandates. "There's a clear perception on Capitol Hill that the chamber is in a certain amount of disarray," he said.

But Dorothy Sander, vice president for benefits for Hanson Industries, a manufacturing holding company in Iselin, N.J., said the clear consensus of the health policy committee was that businesses do support some form of a mandate, although not the one proposed by the president. "I think they [Chamber officials] see this as clarifying their position," she said. "If you support universal coverage, you have to have some form of a mandate." The committee also suggested that Chamber officials to poll all their [company] members on the mandate issue, she said.

In addition, the committee suggested that any health-care system force companies to cover all their workers, instead of permitting some to be covered under spouses' plans. The idea was seen as favoring big manufacturers.

Mr. Patricelli, the committee's chairman, was out of the country and couldn't be reached. He is president of Value Health Inc., a Connecticut company that provides managed health care and health information services. A Chrysler official who attended the meeting couldn't be reached for comment.

Warning From Clinton

Meanwhile, President Clinton warned a senior citizens group that they could lose health benefits if his health care plan isn't passed.

"There are a lot of people who really believe the only way to reduce the deficit and to reform health care is to basically take benefits away from older Americans," Mr. Clinton told a generally reserved crowd made up largely of members

Please Turn to Page A18, Column 2

Big Business Group Again Splits on Issue Of Health Insurance

Continued From Page A3

of the American Association of Retired Persons in Edison, N.J. "We have shown . . . that you can reduce the deficit and reform health care and be fair to older Americans."

Mr. Clinton's own health proposal would reduce projected Medicare spending, primarily by squeezing doctors and hospitals rather than their patients. It would use the savings to pay for a new prescription-drug program for Medicare beneficiaries.

The president, who was accompanied by Hillary Rodham Clinton, urged his audience to apply its considerable lobbying clout to counter industry groups that oppose his plan. "I would respectfully suggest that the AARP ought to be for the only plan that helps you," he said. "Otherwise, the interest groups will convince Congress that you don't really care, and you will lose these parts of our plan. The time has come to be counted, to stand up, to take a stand and to fight with us."

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Grand Jury To Review Whitewater

THE WASHINGTON POST THURSDAY, FEBRUARY 17, 1994

Special Counsel Says Clinton-Thrift Probe Could Take 1½ Years

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By Susan Schmidt
Washington Post Staff Writer

Special counsel Robert B. Fiske Jr. told a federal judge yesterday his investigation of President Clinton's Whitewater real estate venture and ties to a failed S&L may last 18 months, cover more than a million documents and involve 20 or more investigators.

After meeting with Fiske behind closed doors, U.S. District Court Judge Stephen M. Reasoner in Little Rock, Ark., agreed to empanel a special grand jury to exclusively handle the federal probe of Madison Guaranty Savings & Loan, and the Whitewater Development Corp. real estate venture, a corporation jointly owned by President and Hillary Rodham Clinton, Madison owner James McDougal and his former wife, Susan.

"The duties of any grand jury investigating this matter are much more extensive than the court had previously envisioned," Reasoner said in his order.

Early this week, Fiske's office served a subpoena seeking a wide range of documents on the Rose Law Firm, where Hillary Clinton and several high-ranking administration officials were once senior partners. They include Associate Attorney General Webster L. Hubbell, assistant White House counsel William H. Kennedy III, and Vincent Foster, the deputy White House counsel who committed suicide last July. The scope of Fiske's work includes looking at how the investigation into the Foster suicide was handled by the White House and law enforcement officials.

Rose firm lawyers did legal work relating to Madison. Hillary Clinton represented Madison during the mid-1980s when it sought regulatory approval for a stock plan from state officials. McDougal, a longtime Clinton friend, has said he placed the Rose firm on a $2,000-a-month retainer when then-Gov. Clinton complained to him about his family finances.

Hubbell represented the government when it sued Madison's accountants for malpractice in 1990. The Federal Deposit Insurance Corp. has been examining whether Hubbell and the Rose firm properly disclosed possible conflicts of interest in handling the case.

After his meeting with Reasoner, Fiske told reporters in Little Rock that it was necessary to ask for a

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WHITEWATER, From A1

special grand jury "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

In his order, Reasoner said that even if the regular grand jury was asked to extend its term until the end of the year, it would not be able to complete the investigation. Those grand jurors, who have already begun work on the Whitewater investigation, initially thought they could do the job, Reasoner wrote, but believe it would be impossible now that the "actual scope and magnitude of the duties that would be involved in such a task has become more apparent."

Reasoner asked James Burnett, the foreman of the grand jury, to attend his meeting with Fiske. Burnett served as head of the National Transportation Safety Board under President Ronald Reagan.

In addition to the criminal investigation going on in Little Rock, a special civil task force assembled by the Resolution Trust Corp., the federal agency charged with overseeing the S&L crisis cleanup, has been working feverishly in Kansas City for the past several weeks.

RTC investigators and lawyers, as well as lawyers from the firm of Pillsbury, Madison & Sutro hired under contract by the RTC, are poring over Madison files to see if there are any civil claims that can still be brought against Madison attorneys, officials or borrowers. The statute of limitations on some potential civil claims expires on Feb. 28, five years to the day after Madison failed and was taken over by the government.

The subpoena delivered this week to the Rose firm sought information on a 2½-page list of entities and individuals, according to knowledgeable sources. The list was similar to one contained in a subpoena served last month on Arkansas Gov. Jim Guy Tucker (D), according to a source who has seen both subpoenas. In addition to documents relating to Madison and Whitewater, the Tucker subpoena sought materials on President Clinton, Hillary Clinton and Clinton campaign funds.

Rose firm Managing Partner Ronald Clark could not be reached for comment on the subpoena, but he said in an interview last week that the firm was collecting documents in anticipation of one.

"We are investigating anything and everything that has to do with Madison and Whitewater," said Clark.

> *"We are investigating anything and everything that has to do with Madison and Whitewater."*
> —Ronald Clark, Rose firm managing partner

Among the materials being prepared by the Rose lawyers and sought on the Tucker subpoena were documents relating to P.O.M. Inc., a large parking meter manufacturing firm that was owned until recently by Seth Ward, Hubbell's father-in-law, and is now owned by Ward's son, Seth Ward II. Hubbell was P.O.M.'s lawyer, and court documents show that Hillary Clinton did work for P.O.M. as well.

P.O.M. was a Madison borrower, and Seth Ward was a Madison employee. In 1985, P.O.M. was the first company to receive a special "private activity bond" under a program initiated by Clinton when he was governor.

Other individuals and entities listed on the Tucker subpoena related to partnerships and corporations created by Madison owner McDougal, several Madison insiders and borrowers, and materials related to Capital Management Services Inc., a venture capital company that received federal funds from the Small Business Administration.

Capital Management's owner, David Hale, is facing a trial on criminal fraud charges by Fiske's office this spring. Hale has alleged that Tucker and Clinton pressured him to make SBA-funded loans to help Madison, including a $300,000 loan, part of which ended up financing a Whitewater land transaction. Tucker and Clinton have denied pressuring Hale for the loans, and Clinton has said he remembers no such conversations where such loans were discussed.

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Essay

WILLIAM SAFIRE

True Indy Counsel on The Way

WASHINGTON

The Government does a lousy job of investigating the Government. That's why the Independent Counsel Reauthorization Act, passed by the Senate last year, finally was passed by the House last week. After conferees iron out minor differences in two weeks, the bill that President Clinton promised to sign will be on his desk.

Not a moment too soon. Consider how abuses of power are probed by insiders versus outsiders.

Last summer, a couple of Clinton State Department appointees wrongfully searched the files of their predecessors in the Bush Administration; the subsequent dishing of dirt was done from the Washington private line of Warren Christopher's top aide, who was off in Singapore. State's Inspector General sent a report to the Secretary of State, who fired the culpable appointees, and a "prosecutive summary of potential Privacy Act violations" to Justice. Time-servers there gave the blatant, politically motivated intrusion a desultory look-see and declined to prosecute.

Contrast that inaction with the

Why Justice needs help from outside.

thorough probe undertaken by a truly Independent Counsel in a similar case. During the 1992 campaign, Bush appointees at State scandalously searched the passport files of candidate Bill Clinton and his mother. (A nice irony: one of these Bush perpetrators had her file invaded by her Clinton successor in 1993.)

An independent, court-appointed counsel took charge of the case to find out who committed the misdemeanor and if higher-ups lied in denying guilty knowledge. President Bush and former Secretary Baker were interviewed last year, and will soon be deposed under oath.

What will happen? My guess: a full report by April but no indictment. Not for lack of investigative zeal or the result of any political fix or unexpected innocence; but because the evidence on which the Clinton passport case is based was "tainted" from the start.

What tainted it was an entirely separate crime: unlawful eavesdropping. Baker's aides were overheard plotting to search Clinton files by members of the State Department's Operations Center — who had no right to listen in, or to report to anybody about what they overheard while routing calls.

That opened a whole new can of worms. A third criminal investigation was launched: who at State violated the law by eavesdropping and "routinely" making notes of private conversations? Who on State's seventh floor condoned this sustained breach of Title III of the Privacy Act of 1968? And how long had this illegal surveillance been going on?

Unfortunately for law enforcement, this matter was referred to the Clinton Criminal Division's Department of Public Integrity, on the Boulevard of Broken Cases. The probers never probed; an ambassador who had been in charge of the "watch center" was never examined. Justice mutters that the matter is still "under review," but nobody at State has been asked a question in six months.

In one sentence: *The Bush State Department snoops who wrongfully searched the Clinton passport files will not be prosecuted because the snoops in the Operations Center were wrongfully listening in on their plot, while the Clinton State Department snoops who wrongfully rifled the files of one of those Bushie snoops will not be prosecuted because Clinton Justice goes easy on its own.*

Whew! Privacy invaded all over the lot in the Department of State and nobody goes to the slammer: call it Foggy Bottom Tailhook.

But the message is clear: The only real probe of Government was the independent probe. Next month, when the Independent Counsel Act becomes law again, Janet Reno should act in an evenhanded manner:

First, get a preliminary report from her aide John Hogan, who has been fiddling for eight months on Justice's mismanagement of Iraqgate, as the basis for a court request for Independent Counsel.

Second, get a preliminary report from Robert Fiske, her in-house, non-independent, untrusted-by-Republicans counsel on Whitewater, and use that to go to court for a truly Independent Counsel. This is what Ms. Reno wanted in the first place; she should follow her conscience and not White House orders.

That court-appointed I.C. should immediately take testimony from potential subjects Webster Hubbell, Bernard Nussbaum and Hillary Rodham Clinton to discover any improper involvement in the selection of Mr. Fiske. □

Energy Assistance Helps the Needy Now

To the Editor:

"Small Budget Steps, Right Direction" (editorial, Feb. 8) commends the President's budget for redirecting scarce resources away from consumption and toward investment. I too applaud the President for producing a tough, credible budget.

But I must take issue with your suggestion that the President has "reasonable grounds" for cutting home energy assistance for the poor by half because he wants Congress to "target aid on the truly needy."

I know of few Federal programs more targeted than the Low-Income Home Energy Assistance Program. Nearly three-quarters of the households receiving help through this program have annual incomes less than $8,000, with all but a handful of the rest less than $15,000. The majority of participating households have elderly or disabled members.

I welcome ideas to make the home-energy program more effective, but it should not be targeted into irrelevance.

CHRISTOPHER J. DODD
U.S. Senator from Connecticut
Washington, Feb. 9, 1994

Scientist Is Named to Head AIDS Research Office

By NATALIE ANGIER
Special to The New York Times

WASHINGTON, Feb. 16 — Fulfilling the near-impossible task of pleasing all the various factions in the siege against AIDS, a highly regarded immunologist has been chosen to head the Government's newly restructured and politically thorny Office of AIDS Research.

Dr. William E. Paul, a scientist at the National Institute of Allergy and Infectious Disease in Bethesda, Md., who is known for his studies of how cells of the immune system communicate with one another, will take over the office from Dr. Anthony S. Fauci, an AIDS researcher who has been in the public spotlight — and sometimes on the public griddle — since the epidemic began.

In his new position, Dr. Paul, 57, will oversee the entire Federal budget for AIDS studies, which this year comes to $1.3 billion, shaping the general contours and direction of the research and determining how best to distribute money among the 21 institutes at the

An appointment that pleases all factions.

National Institutes of Health. Those institutes in turn dispense grants to AIDS researchers at universities and companies around the country. Thus, Dr. Paul could have an enormous impact in determining which risky areas of investigation might pay off, and which are a squandering of taxpayers' money.

Scientists and advocates of AIDS research expressed enthusiasm for the selection of Dr. Paul, which was announced today by Dr. Harold Varmus, the director of the health institutes.

'Outstanding Scientist'

"He's an absolutely outstanding scientist and a real visionary about how the immune system works," said Dr. Bernard N. Fields, chairman of the department of microbiology at Harvard Medical School. "And because AIDS is a disease of the immune system, it's important that we have someone with that sort of broad vision."

Derek Hodel of the AIDS Action Council, a Washington-based lobbying group, called Dr. Paul "a world-class immunologist" and said the appointment represented "a strong signal from the Clinton Administration that it's taking AIDS research very seriously."

Mr. Hodel was the sole AIDS lobbyist on the committee looking for the director. Among the scientists on the panel was Dr. Paul himself. As the search for a director proceeded, the members came to the conclusion that Dr. Paul was better than most of the candidates they were interviewing, said Dr. Phillip A. Sharp of the Massachusetts Institute of Technology, who was also on the search committee.

"The question then became how much arm-twisting it would take to get him to agree to the offer," Dr. Sharp said. "It turns out Harold Varmus is a very good arm-twister."

A Relative Outsider

Though widely regarded among scientists, Dr. Paul concedes that he is far from a household name and that he has little experience on the public stage. "I'm not a very public person, but if I do the job well, people won't hold that against me," he said. "And if I'm lousy at the job, it doesn't matter where I came from."

Dr. Paul, who has been at the health institutes for nearly 25 years, has not been involved directly in AIDS research. But, because his work deals with the immune system, it could end up being relevant to the disease. He has published more than 400 scientific papers, the most celebrated of which were those describing his laboratory's discovery of interleukin-4, one of the essential signaling molecules of the immune system.

Scientists and advocates for people with AIDS said they believe that Dr. Paul's position as a relative outsider in AIDS research would be to his advantage. "I hope it will allow him to take a fresh look at the field," Mr. Hodel said.

As a laboratory chief at the Institute of Allergy and Infectious Diseases, Dr. Paul worked for Dr. Fauci, who directs the institute. But scientists at the institutes generally consider themselves independent nation-states, and Dr. Fauci was not involved in his colleague's appointment to the Office of AIDS Research.

Dr. Fauci had run the office in a smaller and less formalized version since 1988, while carrying out other duties as an administrator and a scientist, but when Congress restructured the office last spring it demanded that a full-time director be chosen.

Grand Jury to Be Called On Clinton Land Deals

By STEPHEN LABATON
Special to The New York Times

LITTLE ROCK, Ark., Feb. 16 — The independent counsel investigating the real estate investments of Bill Clinton and his wife, Hillary, made his first court appearance today, obtaining an order to convene a grand jury that would be devoted solely to that case.

The counsel, Robert B. Fiske Jr., said he had asked that the grand jury be appointed to sit for 18 months to insure that the investigation would be handled "in a prompt and thorough manner." His request was granted in a closed session here with Judge Stephen M. Reasoner of Federal District Court.

The panel, to be composed of 23 members, will be separate from an already-seated grand jury that meets here only a few days a month and has a full schedule of unrelated cases. Its term also expires in June.

Subpoenas Expected Soon

Mr. Fiske said he expected that the new grand jury approved today would sit more than the usual two or three days a month to examine evidence, take testimony and decide if indictments were warranted. It is expected to subpoena important witnesses in the next few weeks.

The Clintons were partners in the Whitewater Development Company

An independent counsel moves to insure a 'prompt' investigation.

with James B. McDougal, the owner of an Arkansas savings and loan that was taken over by Government regulators in 1989, and his wife, Susan.

Mr. Fiske and his staff will be investigating, among other things, whether the institution, Madison Guaranty Savings and Loan, improperly funneled money into Whitewater, a 230-acre vacation home development along the White River in northern Arkansas, or into President Clinton's political campaigns when he was Governor of Arkansas.

With the investigation beginning to gear up, other Government officials said today that Mr. Fiske had decided to open offices in Washington and New York in addition to the one here.

Mr. Fiske is seeking office space in Washington, the officials said, because many witnesses are there and because he will be looking into the circumstances of the [illegible]h of Vin[illegible]t W. Foster Jr., the deputy White House c[illegible] and a longtime friend of the Clintons who committed suicide last July.

At his death, Mr. Foster had papers concerning the Whitewater Development Company in his office in the West Wing of the White House. The files were never included in an inventory of Mr. Foster's office but were sent by the White House counsel, Bernard W. Nussbaum, to the Clintons' personal lawyer, David Kendall.

Last month, the White House said Mr. Kendall had turned the files over to the Justice Department, along with other documents it had subpoenaed.

Mr. Fiske has already announced his intention to take sworn testimony from the Clintons, and prosecutors from his office are certain to be interviewing other officials at the White House and Justice Department.

New York Office Planned

A much smaller office is to be opened in New York. It will be used to store documents and as a meeting place when Mr. Fiske, a Wall Street lawyer with Davis, Polk & Wardwell and a former United States Attorney from Manhattan, as well as other prosecutors from New York, return to their homes.

Associates of Mr. Fiske say he has been recruiting lawyers from Manhattan but has not confined himself to New York. Lawyers at the United States Attorney's office in Manhattan say he has already selected two former assistants from that office, Julie O'Sullivan and Denis McInerney.

Ms. O'Sullivan is a former Supreme Court clerk for Justice Sandra Day O'Connor who worked with Mr. Fiske in New York. Mr. McInerney, who also worked with Mr. Fiske, was a clerk for Federal District Judge Kevin Thomas Duffy of Manhattan. Last month he helped win an important Federal fraud and conspiracy case in New York against the Cooper Companies, a maker of contact lenses and eye-care products, for making illegal use of advance information about a mutual fund's bond dealings.

Mr. Fiske, who has tried to avoid publicity since arriving here shortly after being selected by Attorney General Janet Reno on Jan. 20, said today that he expected to announce the appointment of his top staff members next week.

In recent weeks he has been briefed by the prosecutor formerly working on the case for the Justice Department. That investigation was called off with the appointment of Mr. Fiske; the information it had developed was to be turned over to him.

Lawyers have begun to show up at the new suite that Mr. Fiske rented one floor below the local offices of the Federal Bureau of In[illegible]igation. The bookca[illegible] in the suite remain barren, and telephones and lights are being installed.

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■ THE ECONOMY

Double Whammy

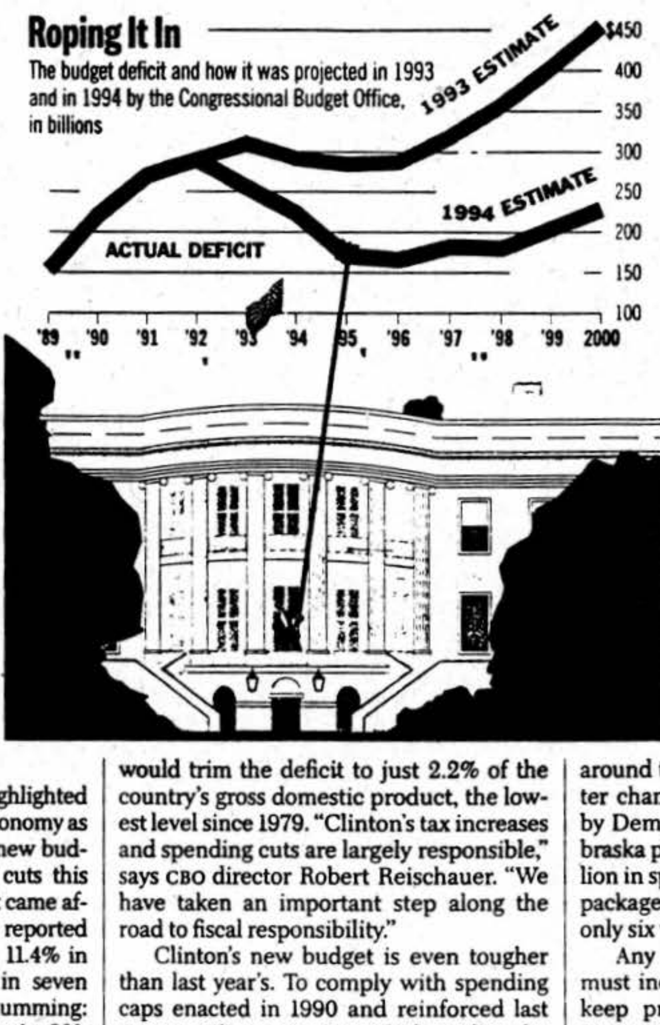
The Fed raises interest rates as Clinton readies a $1.5 trillion budget that contains plenty of pain

By **ADAM ZAGORIN** WASHINGTON

THE FEDERAL RESERVE BOARD IS NORmally the Stealth bomber of government agencies, zooming in without warning to raise or lower interest rates, and confirming weeks later what action was taken. But last Friday, in an extraordinary pre-emptive strike against a possible surge of inflation, Federal Reserve Chairman Alan Greenspan declared that the central bank had raised short-term rates that very day. Although Greenspan had warned earlier in the week that an increase was likely, the news sent shock waves through Wall Street. The Dow Jones industrial average plunged 96.24 points to close Friday at 3871.42 for the sharpest sell-off since Nov. 15, 1991.

While some panicky traders took the rate hike as a signal that the bull market might be over, other Wall Street watchers shrugged off such fears. "The market overreacted," asserted Edward Yardeni, chief economist for the investment firm C.J. Lawrence. "It's better for the Fed to tighten a little bit now rather than a lot later." Yet worried traders and investors remained shaken. Said Stan Weinstein, a stock market analyst and newsletter publisher in Hollywood, Florida: "The market is going to be awfully nervous next week."

The Federal Reserve action highlighted the growing strength of the U.S. economy as Bill Clinton prepared to unveil a new budget filled with painful spending cuts this week. Greenspan's announcement came after the Commerce Department reported that sales of new homes climbed 11.4% in December to the highest level in seven years. Factories have also been humming: Commerce said new orders rose for the fifth straight month in December, and a survey of private purchasing managers found that the advances continued in January. While the unemployment rate rose to 6.7% in January from 6.4% in December, that reflected a change in the method of calculating the rate. Under the old method, joblessness would have fallen to 6.3% last month.



The resurgent recovery has increased tax revenues and helped the Administration reduce the federal budget deficit to a surprising extent. Just one year ago, the Congressional Budget Office projected a whopping $284 billion shortfall for fiscal 1995, which begins next October, and $287 billion for fiscal 1996. But last month the nonpartisan CBO predicted the budget gap would narrow to $166 billion in 1996. That would trim the deficit to just 2.2% of the country's gross domestic product, the lowest level since 1979. "Clinton's tax increases and spending cuts are largely responsible," says CBO director Robert Reischauer. "We have taken an important step along the road to fiscal responsibility."

Clinton's new budget is even tougher than last year's. To comply with spending caps enacted in 1990 and reinforced last August, Clinton aims to slash outlays for nine of 14 federal departments, ranging from Education to Agriculture. That will distribute tens of billions of dollars in budget cuts over some 300 government programs. More than 100 others would be eliminated outright, stretching from a Commerce Department undersea research project to a program aimed at helping keep students from dropping out of school.

At the Pentagon, which absorbs roughly one out of every five federal dollars, the leadership of all three services has braced for draconian cuts. Only a week before Defense Secretary Les Aspin was fired in December, officials confirmed that current funding would fall $50 billion short of supporting the force levels Clinton has called for through 1999. Indeed, Clinton's budget slashes $1.4 billion in defense procurement programs, almost half the overall $3.25 billion in cuts the President is recommending. But the proposals will encounter strenuous opposition from congressional Republicans and such leading Democrats as Sam Nunn of Georgia, who chairs the Senate Armed Services Committee.

Reductions in cherished social programs will be just as tough for many Clintonites to swallow. As Cabinet Secretaries have trooped into the Oval Office to meet with the President in recent weeks, each has faced major disappointments. To raise extra cash to finance AIDS research, childhood immunizations, Head Start and increased job training, Clinton plans to reduce funding for everything from public housing to mass transit to assistance for the poor to help heat their homes. All told, the budget calls for 118,000 fewer civilian workers on the federal payroll by Sept. 30, 1995, than when Clinton took office.

Many legislators want the cuts to go deeper still. The Senate is poised to take a fresh look at a hardy perennial when it debates a balanced-budget amendment later this month. While a comparable measure was defeated in 1986, this one has gained public support around the country and could stand a better chance. Meanwhile, deficit hawks led by Democratic Senator Bob Kerrey of Nebraska plan to propose more than $100 billion in spending cuts next month. A similar package failed in the House last year by only six votes.

Any long-term attack on the deficit must include a healthy economy that can keep profits and incomes rising and a strong stream of revenues flowing into government coffers. In moving to raise interest rates last week, the Federal Reserve wagered in effect that an increase now would prevent the economy from overheating and maintain inflation at its current modest level of about 3%. That combination of sustainable growth and stable prices could be a deficit buster's best friend. ■

■ INVESTIGATIONS

Raw Nerves and Tax R

The record is incomplete, but new disclosures raise even more questions about Whitewater

By GEORGE J. CHURCH

EXPLANATIONS KEEP CHANGING. Numbers do not jibe. Documents are missing or unavailable. And now come suggestions from the U.S. park police that White House counsel Bernard Nussbaum interfered with their investigation of his associate Vincent Foster's suicide last July—in ways other than removing a file about Whitewater Development Corp. from Foster's office. Small wonder, given this bumbling, that the White House cannot keep the Whitewater affair quiet.

In fact, new questions keep popping up even as special counsel Robert Fiske prepares to launch his probe into all aspects of the mess. The latest: Did Bill and Hillary Rodham Clinton, back in Arkansas days, underpay their federal income taxes by much more than they have previously admitted? A TIME examination of bank records, interviews with some leading participants and consultations with tax experts indicate that is at least enough of a possibility to warrant a close look by Fiske and his probers.

Meanwhile, if the press and congressional Republicans appear to be hounding the Clintons over what seem like minor arcane details, the White House must take much of the blame. Its response to the Whitewater mess has been not just bumbling but secretive—giving out partial and conflicting information, coyly withholding documents, hunkering down in a way that encourages suspicion. And if the White House cannot establish that it is leveling with press and public on small matters, it will be hard-pressed to win trust on great affairs of state.

Certainly the tax question hits a raw nerve. Presidential adviser Bruce Lindsey, a former Arkansas lawyer designated to field inquiries about Whitewater, angrily implies that TIME wants to write "a story that the Clintons are tax cheats." (Wrong: any underpayment could have been the result of excessively casual bookkeeping or following bad advice.) Lindsey also brandishes a folder containing copies of canceled checks that he says document all the Clintons' tax deductions related to Whitewater, which he insists are legitimate. But he refuses to make any public, complaining that the press would only report such information wrongly. The White House, he says, will show Whitewater documents only to Fiske or his probers.

So a definitive answer to the tax question may have to await the end of Fiske's investigation—which, at least at the start, presumably will focus on an earlier matter: Did Madison Guaranty, a busted savings and loan, funnel money improperly either into Bill Clinton's Arkansas campaigns or into Whitewater, a real estate venture in which the Clintons were equal partners with James McDougal, the owner of Madison Guaranty, and his former wife Susan?

The White House in large part has itself to blame for the tax questions coming up now. They arise largely because Lindsey tried yet again to explain how the Clintons could have lost $68,900 in Whitewater, as

eturns

W. GEOFFREY HARTMANN FOR TIME

Pain instead of profit: the model home built by Hillary Clinton at Whitewater

attorney James Lyons claimed in a 1992 report issued on their behalf, when they had not documented that they had invested anywhere near that much. Lindsey told the Associated Press that slightly more than $41.000 of the loss consisted of interest the Clintons paid on Whitewater-related loans and deducted on their federal income tax returns. Lindsey told TIME that the rest of the money the Clintons invested included accountants' fees, real estate taxes and "other expenses" but that the bulk of it was accounted for by repayment of principal on loans the Clintons had taken out to finance the project.

Like earlier statements, this one only raised new problems. James McDougal has told TIME that Lyons also counted, as a contribution to Whitewater and thus an eventual loss to the Clintons, a check for $20,744.65 that actually represented repayment by Bill Clinton of a personal loan. The loan, says McDougal, was for campaign expenses and had nothing to do with Whitewater. Lindsey insists the loan payment was Whitewater-related but says he does not know exactly how the proceeds were used.

A different but serious problem is whether all the interest deductions were proper. Seven tax experts consulted by TIME express strong doubts. One is Lawrence M. Stone, a former Treasury Department tax attorney who has taught tax law at both the University of California, Berkeley, and Yale and co-written a book on federal taxation that one of Clinton's tax advisers calls "an industry bible." His opinion: "If the worst assumptions are true, the Clintons underpaid their federal taxes by at least $11,000" during the years 1978-79-80 alone. That would be in addition to $2,156 the Clintons earlier admitted underpaying in 1984 and 1985; adding interest, the Clintons have repaid $4,000.

The debate involves some of the most obscure arcana in the tax code: interest capitalization, mirror loans and Section 351 Transfers, to name a few. But here are some guideposts:

The Critics' Doubts

On Aug. 2, 1978, when Bill Clinton was Arkansas' attorney general, the Clintons and McDougals bought 230 acres of land on the White River that they intended to develop for vacation homes. The price: $203,000, all borrowed—$20,000 from Union Bank of Little Rock for a down payment; $182,611.20 advanced by Citizens Bank Trust of Flippin, a tiny Arkansas town, as a mortgage loan. On Sept. 30, 1979, after Bill Clinton was elected Governor, the couples transferred the land to the newly formed Whitewater company, which they owned fifty-fifty.

White House adviser Lindsey now says the Clintons paid, and deducted from their federally taxable income, "about $10,000" of interest in 1978. Records examined by TIME, however, indicate that the banks received at most $5,752 in interest that year. So how could the Clintons have claimed they alone paid $10,000, even if they paid the McDougals' half-share as well as their own? Frank Burge, who was then chief lending officer for Citizens Bank, says he cannot explain it.

CYNTHIA JOHNSON FOR TIME

Bruce Lindsey lawyers for the defense

No showing of documents, says the White House aide, because the press would get the information wrong

In 1979, says Lindsey, the Clintons paid, and deducted, "about $12,000" in interest. That is a more believable figure, given that records indicate the banks took in $20,302. Even so, the two-year figures show the Clintons' claiming payments of about $22,000, or far more than a half-share—in fact, more than 84%—of the roughly $26,000 the banks received.

More problems are raised by the Clintons' 1980 tax return (the White House refuses to make public their 1978-79 returns). The 1980 return shows combined gross income of $87,556 and interest payments of $13,350: $4,350 to Citizens Bank, $9,000 to "James McDougal." McDougal says both were for interest incurred in 1978-79, which would bring total interest payments claimed by the Clintons for those years to $35,350, or more than the banks received.

The problems only begin there, though. Tax experts such as Tom Ochsenschlager, a partner at the accounting firm Grant Thornton, say it would be improper if the Clintons took a deduction in 1980 for any reimbursement of interest paid by McDougal in an earlier year.

Further, McDougal in an interview insists the $13,350 of interest paid (or reimbursed) in 1980 was the only cash of their own that the Clintons put into Whitewater. Ever? Yes, says McDougal: "Those two figures I've given you, those interest payments—that's it. Period. End of discussion." If he is correct—and the White House fiercely disputes him—that would mean the Clintons could not possibly have lost anything like the $68,900 they say they invested in Whitewater, since they put less than a fifth that much into it.

McDougal further asserts that while "Bill was totally oblivious to money," Hillary was "grasping" in her approach, and took tax deductions to which she knew the couple was not entitled. Referring to the $13,500 in Whitewater-related interest payments that he concedes the Clintons paid for 1978-80, McDougal says, "Those were legitimate write-offs on their returns. Everything after that was not." Asked why the Clintons could not have simply made an honest mistake, McDougal said, "You don't make a mistake for eight years running or whatever it was. Year after year after year, and you're a lawyer? . . . Oh, yes, she knew what was going on." Speaking for the Clintons, Lindsey replied, "That's absolutely not true. They were entitled to all the tax deductions that they took."

There are also a clutch of questions centering on the transfer of the land into Whitewater. The White House is vague about the basis on which that was done; Lindsey says he has been told the transfer was not taxable but knows no details. Another lawyer whom Lindsey consults on Whitewater says he thinks it was a nontaxable "351 transfer" (the reference is to a section of the tax code), but he adds, "Well, I mean, nobody knows." In any case, Lindsey declines to provide the Whitewater tax returns, which would settle the question.

Some tax experts contend that if Whitewater assumed the mortgage loan on the property, then only the corporation, not its individual owners, could deduct any subsequent interest payments. In some cases, that tax consequence could be avoided through a device called a "mirror loan" or a "back-to-back loan"; Lindsey says he thinks the Clintons used such an arrangement but is not sure. Partner McDougal, however, says he never heard of any such thing. Experts consulted by TIME assert that if there were such a loan arrangement, it should have left a paper trail on the Clintons' tax returns that is nowhere visible.

In any case, tax stamps indicate that when Whitewater took over the land, it raised the stated value of the acreage to $250,000, from the $203,000 the Clintons and McDougals had paid to buy it. Federal law permits capital-gains taxes on the $47,000 increase to be deferred until the property or corporate stock is sold, or even to be eliminated if the increase in stated value reflects some actual costs incurred by the corporation. McDougal and his lawyer Sam Heuer say Whitewater did in fact add to the purchase price a portion of the $40,000 McDougal eventually paid for improvements such as roads, plus $20,000 in interest.

"Capitalizing" interest in this way is perfectly proper. But in the opinion of tax experts consulted by TIME, the same interest cannot also be deducted by the individuals owning the corporation. Lindsey's figures at least raise a question whether the Clintons did such double dipping.

"You don't make a mistake for eight years running . . . Oh, yes, she knew what was going on."

James McDougal: Embarrassing stories

The White House Rebuttal

The counter-argument from Lindsey and other Clinton aides rests heavily on tax-law technicalities, flat contradictions of McDougal and hypotheses on what probably happened—suggesting that the First Couple have not kept the aides who try to defend them well informed. Fundamentally, though, they insist all the deductions were legal and proper.

Lindsey, for example, says he has hard evidence that the Clintons really did pay about $10,000 interest in 1978 and about $12,000 in 1979 and that the evidence consists of checks. Why so much more than their half-share? Well, say White House advisers, maybe the Clintons paid a greater share of the mortgage interest because the McDougals paid for all the roads and other improvements. McDougal says there was no such arrangement. And some tax experts suggest that if there had been, the Internal Revenue Service might look askance at a deal that gave one party most of the deductions (spending on roads and other improvements is not deductible).

In any case, how come the Clintons seem to have claimed they paid more interest than the banks received? Lindsay says he has no explanation except that his documents show otherwise.

The $13,350 that the Clintons deducted in 1980? A tax lawyer whom Lindsay has consulted on Whitewater argues that the party that pays the money is entitled to the deduction, regardless of whether the mortgaged land was conveyed into the Whitewater corporation a year earlier. Not so, counters tax lawyer Stone. "The IRS doesn't care who is liable on the debt. In Clinton's situation, Whitewater became the equitable owner of the land and was therefore solely entitled to any 1980 deductions."

McDougal's insistence that the Clintons put only $13,350 into Whitewater? He is "just wrong," says Lindsey. McDougal's memory is in fact questionable: he admits to undergoing treatment for severe manic-depression after he was ousted from Madison Guaranty in 1986.

Deducting interest already capitalized by Whitewater? That would have created a tax problem, says Lindsey, only if Whitewater had generated a capital gain, which it never did. (No argument there; the development was a dismal failure.) In that case, says Lindsey, the IRS would have insisted that the interest had been improperly capitalized and must be added to the taxable gain; no gain, no problem. Not so, replies tax expert Bruce Miller, chief managing partner in San Francisco for Kenneth Leventhal & Co., an accounting firm specializing in real estate: "You can't both deduct it and capitalize it, even if you lose money. The law is very clear."

What difference does it all make anyway? The amounts of money involved are small. The possibility of legal penalties is smaller still, since any underpayment may well have been inadvertent, resulting largely from what even Lindsey concedes was at times casual bookkeeping. The political embarrassment to the White House will be great if a President who has asked many Americans to pay higher taxes can be shown to have underpaid his own. But the penalty in loss of public trust if that revelation is forced out of an unwilling and obfuscating White House could be the greatest of all. *—Reported by Richard Behar and Suneel Ratan/Little Rock, Nina Burleigh/Arkadelphia and James Carney/Washington*

bc-whitewater-jury - a1556
(ATTN: National editors) (Includes optional trims)
Special Grand Jury to Hear Whitewater Testimony (Little Rock)
By Sara Fritz= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Special counsel Robert Fiske Jr. Wednesday persuaded a fed ral judge to convene a separate grand jury to investigate allegations surrounding President Clinton's investment in the Whitewater Development Corp.

After a 40-minute meeting with Fiske, U.S. District Judge Stephen Reasoner ruled that a new grand jury should be impaneled to work exclusively on the Whitewater case because the one now sitting in Little Rock is not prepared to continue long enough to hear the evidence in the case.

The move underscores the considerable scope and length of the probe that the special counsel is preparing to undertake.

``The investigation is anticipated to involve more than 1 million documents, 200 to 300 interviews and over 20 Federal Bureau of Investigation agents and other assistants,'' the judge observed in his order. ``As such, the duties of any grand jury investigating this matter are much more extensive than the court had previously envisioned.''

Reasoner noted that the 23-member grand jury now impaneled meets only two or three days a month. Its 18-month term expires in May, when a new jury will be named to continue hearing other routine federal cases. He said that because most of the current grand jurors opposed having their terms extended so that they could hear the Whitewater case, a second grand jury is justified.

Although Fiske has declined to estimate how long his investigation will la t, he told the Los Angeles Times in a brief telephone interview that he has rented an apartment in Little Rock for a year and expects to be finished by the time his lease is up. He said the three-year lease on his new offices was negotiated by the government and ``it means nothing.''

Fiske, a New York attorney, was appointed last month by Attorney General Jan t Reno and assigned to examine the investment Clinton and his wife, Hillary, made with James and Susan McDougal in a northwestern Arkansas real estate development project known as Whitewater.

(Optional Add End)

Among other things, he is trying to determine whether the Clintons paid the appropriate taxes on their income from the project, whether federally guaranteed money from a savings and loan owned by McDougal was used for the project or found its way into Clinton's political campaign coffers, and whether Clinton used his position as governor of Arkansas to benefit McDougal or Whitewater.

In addition, the Fiske investigation will look into the question of whether Mrs. Clinton and her law firm violated any conflict of interest rules by first representing McDougal's savings and loan and later acting on behalf of the government after the thrift collapsed, leaving the taxpayers with a $47 million debt.

Although Fiske has yet to officially appoint any assistants, he said he expects to be ready to begin presenting evidence as soon as the new grand jury is impaneled. He said he will announce five to 10 appointments to his staff next week.

**** filed by:LAWP(--) on 02/17/94 at 02:12EST ****
**** printed by:WHPR(162) on 02/17/94 at 03:22EST ****

Will another bimbo eruption...

Paula Corbin Jones has not exactly taken the capital by storm. Mrs. Jones held a press conference here last week to air a personal grievance against Bill Clinton, and hardly anyone cared.

It seems that back in 1991, when he was governor of Arkansas and she was a lowly secretary at the state Industrial Development Commission, Mrs. Jones caught Mr. CLinton's eye. He sent one of his state troopers (both the trooper and Mrs. Jones agree) to fetch her to his room in a Little Rock hotel. When she got there, excited to meet the governor and hoping to turn the occasion into a job opportunity, she was shocked to discover that he had other things in mind. He complimented her "curves" and hair, she alleges, and slid his hand up her legs. Then he asked her to engage in oral sex with him, and apparently even exposed himself to her. She resisted his advances and refused his offers and finally just left the room.

At the press conference, she provided affidavits from two friends, who knew she'd been summoned to the governor and to whom she confided the details of the encounter immediately afterwards. Mrs. Jones is asking for a public apology from the president and threatens to sue if the apology is not forthcoming. No apology, of course, is forthcoming. The President has responded to the charges with the usual slippery half-denials: He "does not recall having met" Mrs. Jones (perhaps they were never formally introduced?). He "was never alone at a hotel" with Mrs. Jones (well, of course, there must have been hundreds of people at the hotel that day). The president has not yet suggested that the revelations are ruining his observance of Lent, but there is still time for that.

Pretty scandalous stuff, no? Anita Hill, after all, accused Clarence Thomas of far less egregious behavior, and the uproar was deafening. Miss Hill was loudly congratulated for her courage in making the accusation, and Justice Thomas's Supreme Court nomination was almost derailed after the excruciating humiliation of a public morality hearing. Moreover, despite the subsequent discrediting of Miss Hill's testimony — and that of her witnesses — she remains a heroine of the sexual harassment movement.

Mrs. Jones's case, on the other hand, has raised not a flutter in the hearts of our sexual watchdogs. In fact, her press conference registered as a mere blip on the radar. The Washington Post mentioned it only a few days later, in a snide Style section piece on the conservative conference where she had chosen to go public. The New York Times gave the story minimal — and certainly not front-page —coverage. No columnists have piped up to explain that her experience is common to every woman in America — as they loudly and incessantly did after Miss Hill came forward. Sen. Ted Kennedy has not rushed to Mrs. Jones's side to defend her honor —as he gallantly did for Miss Hill. And Rep. Patricia Schroeder has led no delegation of Congress's distaff side to the White House, chanting that men "just don't get it" and demanding an investigation — as she did with great gusto when Justice Thomas was the target.

This sort of non-reaction to Bill Clinton's sexual misadventures is nothing new. When Gennifer Flowers revealed during the presidential campaign that she'd had a long affair with the candidate, Mr. Clinton confessed on national television (with Hillary by his side) that he'd "caused pain in his marriage," and that was the end of it. When the American Spectator revealed in December that Mr. Clinton had used state troopers to set up his assignations, the First Couple denounced the stories as "outrageous" (and so mean at Christmastime, too), the First Spindoctors defamed the troopers who made the revelations as disgruntled money grubbers, and that was the end of that.

The truth is that the American public just doesn't seem to care very much about Bill Clinton's marital vows. And that being the case, it stands to reason that the Anita Hill brigades, having finally gotten a Democrat into the White House, aren't about to let little things like infidelity rain on their parade.

But we're not just talking major league adultery here anymore; or the questionable ethics of using state troopers as lovers' go-betweens; or even the possible illegality of offering government jobs to shut the troopers up. This is the story of a powerful official trying to force his unwanted attentions on an employee. This is sexual harassment, the real thing. This is the stuff of congressional investigations and committee hearings (just ask Clarence Thomas, or Sen. Bob Packwood, for that matter).

Obviously, the president is not a Supreme Court nominee, so he can't be questioned by the Senate Judiciary Committee about his tastes in pornographic videos. He's not a senator, so he can't be forced to surrender his private diaries to the tender mercies of the Senate. And he's not a college student, so he can't be expelled (sexual harassment is not yet an impeachable offense). But there is one tried and true punishment that even a president may be subjected to. A lengthy course of sensitivity training is clearly the order of the day for Bill Clinton.

...make this president wobble?

If Ronald Reagan was the Teflon president — nothing stuck to him — then Bill Clinton is clearly the Weebles president — he wobbles, but he doesn't fall down. It isn't that accusations about Mr. Clinton's character and activities don't stick to him, just that no one seems to care. This is the primary finding of a poll about the Whitewater affair that was released yesterday.

Of those who had read about the scandal — about 60 percent of the adults polled — more than a third were convinced that the first couple had done something illegal in their Arkansas land dealings. Nearly half were sure that the Whitewater financial shenanigans were unethical. The same number also believed that Mr. and Mrs. Clinton have tried to cover the scandal up.

The mind-boggling figure, however, is that 83 percent of the Whitewater-literate said that the affair had not changed their opinion of the president. How to make sense of this revelation?

Perhaps those who believe Mr. Clinton has been engaged in a coverup of illegal and unethical financial dealings are the same people who have all along been troubled by the president's lax approach to personal propriety. Whitewater would not have changed their opinion of Mr. Clinton because they had a low opinion of him to begin with.

So too with many supporters of the president. Even if it is found out that the Whitewater scandal involved serious wrongdoing, there are many who feel that it is just old news. Hey, that's just the way things are done in Arkansas, goes the argument. This is similar to the sophisms used by White House aides to defuse bimbo eruptions. Hey, there's no truth to it, we are first told. And then with a wink and a nod, they say that it isn't a story, because it's old news. Everybody knows the president suffers from bouts of satyriasis, so the claims of any particular woman don't amount to anything new or interesting, let alone shocking.

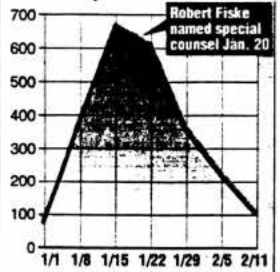
Nothing stuck to Mr. Reagan because people believed in his character. They didn't think he would do anything wrong. Mr. Clinton never falls down because no one believes in his character — he can't do anything that anyone finds particularly shocking. Presidential aides are rather pleased with themselves, having achieved something new in American politics. They have protected their boss from ruin by perfecting the tired glance that says, "Come on, the people just don't care. So why bother?"

Maybe it's true that people just don't care about what Mr. Clinton has and has not done in his personal life. If so, it's a shame. But the president's advisors ought not get too smug. If the truth about Whitewater survives the shredders, Mr. Clinton may yet lose the Weebles label.

The Washington Times THURSDAY, FEBRUARY 17, 1994

WHITEWATER AND THE NEWS

The number of news articles mentioning Whitewater each week this year.



Source: Time magazine

Only 60 percent of adult Americans have seen, read or heard something about President Clinton's involvement with Whitewater. Among those who have heard about Whitewater:

83 percent said the Whitewater affair had not changed how they felt about Clinton.

35 percent believe that the president and first lady Hillary Rodham Clinton probably did something illegal.

47 percent said they probably did something unethical or morally wrong.

46 percent believe that the president has probably tried to cover up wrongs that were committed.

Source: Harris poll of 1,252 adults between Feb. 2 and Feb. 6. The poll has a 4-point margin of error.

The Washington Times

Conflicting reports extend Rose probe

Banking regulators expect end soon

By Jerry Seper
THE WASHINGTON TIMES

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A conflict-of-interest investigation involving the failed Madison Guaranty Savings and Loan Association and Hillary Rodham Clinton's former law firm is taking longer than federal banking regulators expected.

After saying in mid-January they were set to "wrap up" the probe of Little Rock's Rose Law Firm and the failed Arkansas thrift, regulators said yesterday the inquiry continues.

"The matter is still under review, but I expect a decision very soon," said David Barr, spokesman for the Federal Deposit Insurance Corp.

In a separate inquiry, the FDIC confirmed yesterday that Mrs. Clinton did not violate federal conflict-of-interest laws when she represented the government in a $3.3 million lawsuit against an Arkansas investment firm owned by Dan R. Lasater, a friend of the Clintons' and a longtime campaign contributor to President Clinton.

In the Madison case, FDIC and Resolution Trust Corp. investigators have sought to determine if the Rose firm told federal regulators it had represented Madison before taking a federal lawsuit in 1989 to recoup losses in the S&L's collapse, which cost taxpayers $50 million.

The investigation has focused on accusations that Rose partners Webster L. Hubbell, now associate attorney general, and Vincent W. Foster Jr., the White House deputy counsel who committed suicide July 20, made false statements to regulators — a criminal offense that could result in the firm being banned from government work.

The Rose firm was paid $400,000 by the government in the Madison case, four years after Mrs. Clinton, a Rose partner, represented the S&L before state regulators who were trying to shut it down.

Madison, owned by James B.

see ROSE, page A16

Grand jury ordered

A grand jury will look into Whitewater-Madison and the real estate dealings of President and Mrs. Clinton, a judge rules at the urging of special counsel Robert Fiske. Story, A16

ROSE

From page A1

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McDougal, a longtime friend and business partner of the Clintons', is the focus of an investigation by special counsel Robert B. Fiske Jr. Mr. Fiske is probing accusations that Mr. McDougal illegally diverted S&L l s and used Madison money to fund the campaigns of several powerful Arkansas politicians, including Mr. Clinton.

Federal sources said separate reports submitted by the FDIC and the RTC to the governmment's Outside Counsel Conflicts Commission appear to have caused part of the delay in bringing the investigation to a conclusion. The commission oversees and resolves conflict issues.

The sources said the RTC report, based on fee bills submitted by the Rose firm and other documents, makes it clear that a conflict of interest existed, although the report, in accordance with RTC policy, makes no recommendation and draws no conclusion.

The FDIC report, according to the sources, says there was no apparent conflict by the Rose firm. The sources said the FDIC report is t l on interviews with a number of those involved but not a review of available records.

"Several of us are asking the question, 'If you didn't really want to make a decision in this case, why did you bother to investigate it in the first place?' " said an investigator involved in the review.

Records show that Mrs. Clinton represented Madison in 1985 when the S&L was threatened with being closed as insolvent by state banking regulators, who answered to her husband. She was paid $2,000 a month by Mr. McDougal over 15 months to offer a preferred stock plan as a means of reorganizing the thrift to keep it in business.

The plan was based on an audit by Frost & Co., a Little Rock accounting firm. The plan was never put into operation, but Madison was not closed by federal regulators until 1989.

In 1989, the Rose firm gained FDIC legal work targeting Frost. Mr. Foster told FDIC officials in a letter that "the firm does not represent any savings and loan associations in state or federal regulatory matters."

The lawsuit aimed at the Frost audit was handled by Mr. Hubbell, now the No. 3 official at the Justice Department. The FDIC suit charged that Madison and Frost submitted a faulty audit in support of arguments to keep the S&L in business. It was the audit the Rose firm had filed four years earlier in its defense of Madison before state regulators.

Raising further conflict concerns are court records showing that Mr. Hubbell's father-in-law, Seth Ward, was an officer of a Madison real estate subsidiary at the time Mr. Hubbell, the Rose managing partner, agreed to handle the FDIC case.

> *"Several of us are asking, 'If you didn't really want to make a decision in this case, why did you bother to investigate it?' "*

Mr. Ward defaulted on more than $587,000 in Madison loans and was considered by the government to be a prime offender in the abuse of Madison funds, according to federal records.

Mr. Hubbell has recused himself from the current investigation of Madison and its ties to Whitewater Development Corp., an Arkansas real estate partnership involving the Clintons, Mr. McDougal and his former wife, Susan. Mr. Hubbell has declined comment.

A Justice Department spokesman has said the associate attorney general recalls that the firm's representation of Madison was revealed. An FDIC official said no written record of such an exchange between Mr. Hubbell and the agency has been found.

The FDIC suit against Frost initially sought to recover $10 million in damages on five counts. It was settled out of court in 1991 for $1 million, less than the insurance coverage Frost held.

In the Lasater case, FDIC officials said Mrs. Clinton's involvement in the 1985 suit against the Lasater & Co. investment firm was not extensive enough to warrant charges that she had influenced a decision to settle the $3.3 million case out of court in 1987 for $200,000.

The suit, involving the now-defunct Federal Savings and Loan Insurance Corp. and First American Savings and Loan Association of Oak Brook, Ill., primarily was handled by Mr. Foster, the FDIC said in a statement.

Lasater & Co., headed by Mr Lasater, who donated thousands of dollars to Mr. Clinton's gubernatorial races, was accused of mishandling First American funds. The S&L later failed.

The FDIC said that although Mrs Clinton signed an amended complaint to reduce the $3.3 million claim to $1.3 million, she was not involved in the final $200,000 settlement.

Mr. Lasater, who was sentenced to 30 months in prison for cocaine distribution in 1987, and his firm received more than $664 million in state-approved, tax-exempt bond sales contracts, all of which were approved by Mr. Clinton. The contracts netted the Lasater firm more than $1.6 million in fees.

The Washington Times THURSDAY, FEBRUARY 17, 1994

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Whitewater Grand Jury Approved by U.S. Judge

LITTLE ROCK, Ark. (AP) — At the request of Whitewater special counsel Robert Fiske, a federal judge agreed to create a special grand jury to look into President Clinton's real estate investment.

The extensive scope of Mr. Fiske's investigation was revealed in the judge's order, which said the inquiry was expected to involve more than one million documents, 200 to 300 interviews and more than 20 Federal Bureau of Investigation agents and other assistants.

Mr. Fiske also disclosed that his office next month will try the case of Little Rock businessman David Hale. Charged with defrauding the Small Business Administration, Mr. Hale says he was pressured by Mr. Clinton and James McDougal, the owner of a failed S&L, to make a $300,000 loan backed by the SBA. The loan went to a company owned by Susan McDougal, Mr. McDougal's wife at the time. Mr. Clinton has steadfastly denied pressuring Mr. Hale.

In addition, Mr. Fiske said he also would try any new indictment against Mr. McDougal, who was acquitted in 1990 of bank fraud charges.

The Clintons were 50-50 investors with the McDougals in Whitewater Development Corp. Mr. Fiske is investigating Whitewater and the failed S&L, Madison Guaranty Savings & Loan.

THE WALL STREET JOURNAL THURSDAY, FEBRUARY 17, 1994

U.S. Chamber of Commerce Splits Again Over Issue of Health-Insurance Mandate

By Jeanne Saddler
And Kevin G. Salwen
Staff Reporters of The Wall Street Journal

WASHINGTON—Underscoring a rift in the nation's largest business organization, a key committee of the U.S. Chamber of Commerce again recommended that the organization endorse requiring employers to help pay for their workers' health insurance.

The health policy panel's action comes less than two weeks after a Chamber official withdrew copies of written testimony endorsing the so-called employer mandate shortly before it was to be delivered to the House Ways and Means Committee.

The latest action highlights tension between the chamber's big corporate members and the small businesses that make up 95% of its members. Some small-business members, who complain that an employer mandate would force them to lay off workers or even shut down, say the health policy committee is dominated by big businesses, including Chrysler Corp. Larger companies, which are more likely than small ones to provide health coverage for their workers currently, tend to support mandates; they say they currently end up paying higher health-care costs to cover a large portion of the uninsured population.

Essentially Same Mandate

The mandate endorsed by the health policy committee this week is essentially the same it had favored in the revoked testimony — namely, that employers' health-care payments be phased in until they reach 50% of the cost of a "lowest-priced" plan by the year 2000. The Clinton administration favors requiring employers to pay 80% of the cost of workers' health coverage.

Two weeks ago, after withdrawing the chamber's earlier testimony, Robert Patricelli, chairman of the health policy committee, complained that the president's plan "gives mandates a bad name."

A Chamber official refused yesterday to confirm the policy committee's latest action, and stressed that five other committees will vote on the health-care issue before the full board makes its decision at the end of the month.

But two of the Chamber's affiliates that represent small businesses said they were alarmed by the policy committee's move. "I went to that meeting hoping they'd changed their minds; we were very heartened after the Business Roundtable came out against mandates, and after our testimony before" the Ways and Means Committee, said Kathy McKimmie, vice president for human resources of the Indiana Chamber of Commerce. "But every time I go to Washington I'm amazed. . . . We don't support big government and mandates, and we continue to distance ourselves from the U.S. Chamber in all our communications with our members," she added.

'Disarray' Is Seen

John Polk, president of the Council of Smaller Enterprises, a Cleveland-based organization affiliated with the Chamber, said he would be "astonished" if the Chamber ultimately decides to back employer mandates. "There's a clear perception on Capitol Hill that the chamber is in a certain amount of disarray," he said.

But Dorothy Sander, vice president for benefits for Hanson Industries, a manufacturing holding company in Iselin, N.J., said the clear consensus of the health policy committee was that businesses do support some form of a mandate, although not the one proposed by the president. "I think they [Chamber officials] see this as clarifying their position," she said. "If you support universal coverage, you have to have some form of a mandate." The committee also suggested that Chamber officials to poll all their [company] members on the mandate issue, she said.

In addition, the committee suggested that any health-care system force companies to cover all their workers, instead of permitting some to be covered under spouses' plans. The idea was seen as favoring big manufacturers.

Mr. Patricelli, the committee's chairman, was out of the country and couldn't be reached. He is president of Value Health Inc., a Connecticut company that provides managed health care and health information services. A Chrysler official who attended the meeting couldn't be reached for comment.

Warning From Clinton

Meanwhile, President Clinton warned a senior citizens group that they could lose health benefits if his health care plan isn't passed.

"There are a lot of people who really believe the only way to reduce the deficit and to reform health care is to basically take benefits away from older Americans," Mr. Clinton told a generally reserved crowd made up largely of members

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Big Business Group Again Splits on Issue Of Health Insurance

Continued From Page A3

of the American Association of Retired Persons in Edison, N.J. "We have shown . . . that you can reduce the deficit and reform health care and be fair to older Americans."

Mr. Clinton's own health proposal would reduce projected Medicare spending, primarily by squeezing doctors and hospitals rather than their patients. It would use the savings to pay for a new prescription-drug program for Medicare beneficiaries.

The president, who was accompanied by Hillary Rodham Clinton, urged his audience to apply its considerable lobbying clout to counter industry groups that oppose his plan. "I would respectfully suggest that the AARP ought to be for the only plan that helps you," he said. "Otherwise, the interest groups will convince Congress that you don't really care, and you will lose these parts of our plan. The time has come to be counted, to stand up, to take a stand and to fight with us."

Essay

WILLIAM SAFIRE

True Indy Counsel on The Way

WASHINGTON

The Government does a lousy job of investigating the Government. That's why the Independent Counsel Reauthorization Act, passed by the Senate last year, finally was passed by the House last week. After conferees iron out minor differences in two weeks, the bill that President Clinton promised to sign will be on his desk.

Not a moment too soon. Consider how abuses of power are probed by insiders versus outsiders.

Last summer, a couple of Clinton State Department appointees wrongfully searched the files of their predecessors in the Bush Administration; the subsequent dishing of dirt was done from the Washington private line of Warren Christopher's top aide, who was off in Singapore. State's Inspector General sent a report to the Secretary of State, who fired the culpable appointees, and a "prosecutive summary of potential Privacy Act violations" to Justice. Time-servers there gave the blatant, politically motivated intrusion a desultory look-see and declined to prosecute.

Contrast that inaction with the thorough probe undertaken by a truly Independent Counsel in a similar case. During the 1992 campaign, Bush appointees at State scandalously searched the passport files of candidate Bill Clinton and his mother. (A nice irony: one of these Bush perpetrators had her file invaded by her Clinton successor in 1993.)

Why Justice needs help from outside.

An independent, court-appointed counsel took charge of the case to find out who committed the misdemeanor and if higher-ups lied in denying guilty knowledge. President Bush and former Secretary Baker were interviewed last year, and will soon be deposed under oath.

What will happen? My guess: a full report by April but no indictment. Not for lack of investigative zeal or the result of any political fix or unexpected innocence; but because the evidence on which the Clinton passport case is based was "tainted" from the start.

What tainted it was an entirely separate crime: unlawful eavesdropping. Baker's aides were overheard plotting to search Clinton files by members of the State Department's Operations Center — who had no right to listen in, or to report to anybody about what they overheard while routing calls.

That opened a whole new can of worms. A third criminal investigation was launched: who at State violated the law by eavesdropping and "routinely" making notes of private conversations? Who on State's seventh floor condoned this sustained breach of Title III of the Privacy Act of 1968? And how long had this illegal surveillance been going on?

Unfortunately for law enforcement, this matter was referred to the Clinton Criminal Division's Department of Public Integrity, on the Boulevard of Broken Cases. The probers never probed; an ambassador who had been in charge of the "watch center" was never examined. Justice mutters that the matter is still "under review," but nobody at State has been asked a question in six months.

In one sentence: *The Bush State Department snoops who wrongfully searched the Clinton passport files will not be prosecuted because the snoops in the Operations Center were wrongfully listening in on their plot, while the Clinton State Department snoops who wrongfully rifled the files of one of those Bushie snoops will not be prosecuted because Clinton Justice goes easy on its own.*

Whew! Privacy invaded all over the lot in the Department of State and nobody goes to the slammer: call it Foggy Bottom Tailhook.

But the message is clear: The only real probe of Government was the independent probe. Next month, when the Independent Counsel Act becomes law again, Janet Reno should act in an evenhanded manner:

First, get a preliminary report from her aide John Hogan, who has been fiddling for eight months on Justice's mismanagement of Iraqgate, as the basis for a court request for Independent Counsel.

Second, get a preliminary report from Robert Fiske, her in-house, non-independent, untrusted-by-Republicans counsel on Whitewater, and use that to go to court for a truly Independent Counsel. This is what Ms. Reno wanted in the first place; she should follow her conscience and not White House orders.

That court-appointed I.C. should immediately take testimony from potential subjects Webster Hubbell, Bernard Nussbaum and Hillary Rodham Clinton to discover any improper involvement in the selection of Mr. Fiske. □

Energy Assistance Helps the Needy Now

To the Editor:

"Small Budget Steps, Right Direction" (editorial, Feb. 8) commends the President's budget for redirecting scarce resources away from consumption and toward investment. I too applaud the President for producing a tough, credible budget.

But I must take issue with your suggestion that the President has "reasonable grounds" for cutting home energy assistance for the poor by half because he wants Congress to "target aid on the truly needy."

I know of few Federal programs more targeted than the Low-Income Home Energy Assistance Program. Nearly three-quarters of the households receiving help through this program have annual incomes less than $8,000, with all but a handful of the rest less than $15,000. The majority of participating households have elderly or disabled members.

I welcome ideas to make the home-energy program more effective, but it should not be targeted into irrelevance.

CHRISTOPHER J. DODD
U.S. Senator from Connecticut
Washington, Feb. 9, 1994

Scientist Is Named to Head AIDS Research Office

By NATALIE ANGIER
Special to The New York Times

WASHINGTON, Feb. 16 — Fulfilling the near-impossible task of pleasing all the various factions in the siege against AIDS, a highly regarded immunologist has been chosen to head the Government's newly restructured and politically thorny Office of AIDS Research.

Dr. William E. Paul, a scientist at the National Institute of Allergy and Infectious Disease in Bethesda, Md., who is known for his studies of how cells of the immune system communicate with one another, will take over the office from Dr. Anthony S. Fauci, an AIDS researcher who has been in the public spotlight — and sometimes on the public griddle — since the epidemic began.

In his new position, Dr. Paul, 57, will oversee the entire Federal budget for AIDS studies, which this year comes to $1.3 billion, shaping the general contours and direction of the research and determining how best to distribute money among the 21 institutes at the

An appointment that pleases all factions.

National Institutes of Health. Those institutes in turn dispense grants to AIDS researchers at universities and companies around the country. Thus, Dr. Paul could have an enormous impact in determining which risky areas of investigation might pay off, and which are a squandering of taxpayers' money.

Scientists and advocates of AIDS research expressed enthusiasm for the selection of Dr. Paul, which was announced today by Dr. Harold Varmus, the director of the health institutes.

'Outstanding Scientist'

"He's an absolutely outstanding scientist and a real visionary about how the immune system works," said Dr. Bernard N. Fields, chairman of the department of microbiology at Harvard Medical School. "And because AIDS is a disease of the immune system, it's important that we have someone with that sort of broad vision."

Derek Hodel of the AIDS Action Council, a Washington-based lobbying group, called Dr. Paul "a world-class immunologist" and said the appointment represented "a strong signal from the Clinton Administration that it's taking AIDS research very seriously."

Mr. Hodel was the sole AIDS lobbyist on the committee looking for the director. Among the scientists on the panel was Dr. Paul himself. As the search for a director proceeded, the members came to the conclusion that Dr. Paul was better than most of the candidates they were interviewing, said Dr. Phillip A. Sharp of the Massachusetts Institute of Technology, who was also on the search committee.

"The question then became how much arm-twisting it would take to get him to agree to the offer," Dr. Sharp said. "It turns out Harold Varmus is a very good arm-twister."

A Relative Outsider

Though widely regarded among scientists, Dr. Paul concedes that he is far from a household name and that he has little experience on the public stage. "I'm not a very public person, but if I do the job well, people won't hold that against me," he said. "And if I'm lousy at the job, it doesn't matter where I came from."

Dr. Paul, who has been at the health institutes for nearly 25 years, has not been involved directly in AIDS research. But, because his work deals with the immune system, it could end up being relevant to the disease. He has published more than 400 scientific papers, the most celebrated of which were those describing his laboratory's discovery of interleukin-4, one of the essential signaling molecules of the immune system.

Scientists and advocates for people with AIDS said they believe that Dr. Paul's position as a relative outsider in AIDS research would be to his advantage. "I hope it will allow him to take a fresh look at the field," Mr. Hodel said.

As a laboratory chief at the Institute of Allergy and Infectious Diseases, Dr. Paul worked for Dr. Fauci, who directs the institute. But scientists at the institutes generally consider themselves independent nation-states, and Dr. Fauci was not involved in his colleague's appointment to the Office of AIDS Research.

Dr. Fauci had run the office in a smaller and less formalized version since 1988, while carrying out other duties as an administrator and a scientist, but when Congress restructured the office last spring it demanded that a full-time director be chosen.

Grand Jury to Be Called On Clinton Land Deals

By STEPHEN LABATON
Special to The New York Times

LITTLE ROCK, Ark., Feb. 16 — The independent counsel investigating the real estate investments of Bill Clinton and his wife, Hillary, made his first court appearance today, obtaining an order to convene a grand jury that would be devoted solely to that case.

The counsel, Robert B. Fiske Jr., said he had asked that the grand jury be appointed to sit for 18 months to insure that the investigation would be handled "in a prompt and thorough manner." His request was granted in a closed session here with Judge Stephen M. Reasoner of Federal District Court.

The panel, to be composed of 23 members, will be separate from an already-seated grand jury that meets here only a few days a month and has a full schedule of unrelated cases. Its term also expires in June.

Subpoenas Expected Soon

Mr. Fiske said he expected that the new grand jury approved today would sit more than the usual two or three days a month to examine evidence, take testimony and decide if indictments were warranted. It is expected to subpoena important witnesses in the next few weeks.

The Clintons were partners in the Whitewater Development Company

An independent counsel moves to insure a 'prompt' investigation.

with James B. McDougal, the owner of an Arkansas savings and loan that was taken over by Government regulators in 1989, and his wife, Susan.

Mr. Fiske and his staff will be investigating, among other things, whether the institution, Madison Guaranty Savings and Loan, improperly funneled money into Whitewater, a 230-acre vacation home development along the White River in northern Arkansas, or into President Clinton's political campaigns when he was Governor of Arkansas.

With the investigation beginning to gear up, other Government officials said today that Mr. Fiske had decided to open offices in Washington and New York in addition to the one here.

Mr. Fiske is seeking office space in Washington, the officials said, because many witnesses are there and because he will be looking into the circumstances of the death of Vincent W. Foster Jr., the deputy White House counsel and a longt[illegible] friend of the Clintons who committed suicide last July.

At his death, Mr. Foster had papers concerning the Whitewater Development Company in his office in the West Wing of the White House. The files were never included in an inventory of Mr. Foster's office but were sent by the White House counsel, Bernard W. Nussbaum, to the Clintons' personal lawyer, David Kendall.

Last month, the White House said Mr. Kendall had turned the files over to the Justice Department, along with other documents it had subpoenaed.

Mr. Fiske has already announced his intention to take sworn testimony from the Clintons, and prosecutors from his office are certain to be interviewing other officials at the White House and Justice Department.

New York Office Planned

A much smaller office is to be opened in New York. It will be used to store documents and as a meeting place when Mr. Fiske, a Wall Street lawyer with Davis, Polk & Wardwell and a former United States Attorney from Manhattan, as well as other prosecutors from New York, return to their homes.

Associates of Mr. Fiske say he has been recruiting lawyers from Manhattan but has not confined himself to New York. Lawyers at the United States Attorney's office in Manhattan say he has already selected two former assistants from that office, Julie O'Sullivan and Denis McInerney..

Ms. O'Sullivan is a former Supreme Court clerk for Justice Sandra Day O'Connor who worked with Mr. Fiske in New York. Mr. McInerney, who also worked with Mr. Fiske, was a clerk for Federal District Judge Kevin Thomas Duffy of Manhattan. Last month he helped win an important Federal fraud and conspiracy case in New York against the Cooper Companies, a maker of contact lenses and eye-care products, for making illegal use of advance information about a mutual fund's bond dealings.

Mr. Fiske, who has tried to avoid publicity since arriving here shortly after being selected by Attorney General Janet Reno on Jan. 20, said today that he expected to announce the appointment of his top staff members next week.

In recent weeks he has been briefed by the prosecutor formerly working on the case for the Justice Department. That investigation was called off with the appointment of Mr. Fiske; the information it had developed was to be turned over to him.

Lawyers have begun to show up at the new suite that Mr. Fiske rented one floor below the local offices of the Federal Bureau of Investigation. The bookcases in the suite remain barren, and te[illegible] and lights are being installed.

THE NEW YORK TIMES, THURSDAY, FEBRUARY 17, 1994

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