bc whitewater-rose
(wap) (ATTN: National editors)
Judge Rejects Rose Law Firm Request
By Toni Locy= (c) 1994, The Washington Post=

A federal judge Thursday rejected a request by Hillary Rodham Clinton's former law firm to transfer to Little Rock a case involving the firm's resistance to a Resolution Trust Corp. subpoena for its client list from the past 10 years.

U.S. District Judge Paul L. Friedman said lawyers for the Rose Law Firm failed to convince him that the matter could only be resolved in the Arkansas capital because key witnesses are located there. He also said he did not accept arguments that the RTC investigation is politically motivated.

The judge said that just because Congress suggested that the RTC further investigate the handling of the failed Madison Guaranty Savings & Loan, it does not mean that political pressure was exerted. ``That doesn't mean that there is anybody in Congress who is running this investigation, controlling this investigation or telling the RTC what it should or should not be doing,'' he said.

The Rose firm is the subject of at least five on-going investigations: two by the RTC involving potential conflicts of interest and an audit of the firm's expenses; two by the Federal Deposit Insurance Corp. into the same issues; and one by an independent counsel into Madison. James B. McDougal, the Clintons' partner in the Whitewater development in Arkansas, owned Madison during the mid-1980s.

Friedman's decision means that the law firm and RTC will be back in court here on Oct. 20 to argue whether the subpoena is too broad and burdensome and whether the firm should have to honor it.

The RTC's inspector general wants the client list from Jan. 1, 1985, to April 15, 1994, so investigators can determine whether the law firm had any conflicts of interest when it represented the RTC in its handling of failed savings and loans during that time.

Houston lawyer Walter B. Stuart, who is representing the law firm, said it cannot compile a client list. He said the firm does not keep a list on computer and disposes of some old files that might be needed to make such a list. He said there is ``no button to push'' to retrieve such information.

Stuart will argue next month that providing such a list would violate the attorney-client privilege, especially if the RTC investigators come back later with more requests about specific services the law firm provided to those clients.

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Whitewater

Huffington's Plunge Into Whitewater Depths

I take exception to your Aug. 17 page-one article about Rep. Michael Huffington.

During our Whitewater hearings, Lloyd Cutler was there to lend his good name to a shaky White House, and give a clean ethical bill of health to 40 or more White House-Treasury-RTC contacts on Madison Guaranty.

Mr. Huffington raised questions about Mr. Cutler's own highly unique status, under ethics rules, as White House counsel. Mr. Huffington properly inquired whether Mr. Cutler was collecting a salary from and representing clients of his law firm while serving as White House counsel. Both answers appear to be in the affirmative. The Legal Times reported on March 14 that "Cutler can continue to draw a salary while at the White House. But Cutler's law firm salary will be reduced to account for the time he is on leave and working at the White House, Cutler says." This suggests that Mr. Cutler is drawing a salary from his firm while at the White House, albeit one reduced because of his time out of the firm. Mr. Cutler also told the Legal Times that he would consult with one or two of his clients while at the White House, with the caveat that "I would continue to do that less as a lawyer, but more as a friend."

Mr. Huffington's questioning was right on the mark. You can imagine the cries of outrage if Presidents Reagan or Bush had White House counsels with such deals.

Mr. Huffington also raised concerns about the broad redactions that the White House made on certain documents. In particular was a totally redacted 20-plus-page memo from Harold Ickes to Mrs. Clinton. The cover page of the memo from Mr. Ickes stated:

"It is my understanding that shortly after Roger Altman met with Bernie Nussbaum, me and others concerning the RTC Statue of Limitations, he received an opinion from an ethics officer of the Treasury Department that he did not have to recuse himself from matters involving Rose/Madison Guaranty."

Mr. Cutler finally agreed to release the whole document. Once the document was made public, it demonstrated that the senior staff of the White House, and maybe the first lady, were clearly cognizant of possible legal actions by the RTC against the Clintons and the Rose Law Firm, and equally concerned about who would be making these decisions, including future nominees to head the RTC.

Considering that the hearing focused much attention on White House influence and pressure on the regulatory process, one must wonder how the White House could possibly exclude this highly relevant document from being turned over to the banking committees.

What is clear, however, is that had it not been for the concerns raised by Mr. Huffington and other Republicans on the House Banking Committee, Mr. Cutler and the White House would have been content to keep this document from the Congress and the public.

Given the constraints that Republicans operated under during the hearings, and in the House of Representatives in general because of their minority status, I believe Mr. Huffington served his constituents very well.

JAMES E. HYLAND
Republican Counsel
House Banking Committee
Washington

WALL STREET
JOURNAL

TUESDAY
SEPTEMBER 20 1994

ANALYSIS:

Tres ry Heads xpected to Fall in Whitewater Wake (Washn)

By James Risen=

(c) 1994, Los Angeles Times=

WASHINGTON Jean Hanson, the Treasury Department lawyer who contradicted a senior Clinton administration official before a bank of television cameras, appears likely to become the first casualty of congressional hearings into the Whitewater affair.

Before it's over, she may have plenty of company.

Hanson, the department's general counsel, is expected to be pressured to resign by Treasury Secretary Lloyd Bentsen in the near future, according to department officials who spoke on condition of anonymity.

"I would not put a lot of money on Hanson staying," one source said. "Secretary Bentsen is loyal to his staff, but she did not help herself in these hearings."

During two weeks of nationally televised hearings into the Clinton administration's handling of the Whitewater controversy, Hanson testified that Deputy Treasury Secretary Roger Altman had not fully disclosed the history of contacts between White House officials and savings and loan regulators who were looking into one aspect of the tangled Whitewater affair. She said Altman instructed her at one point to brief a top White House official about the status of the case, a directive that Altman said he did not recall.

Treasury officials said Hanson's performance during the Whitewater hearings has poisoned her relations with Altman, and few in the department believe that the two can continue to work together. "If she does manage to stay, she is going to have to have a peace summit with Altman," one senior official said.

Even if Hanson decides to step aside, she may be only the first to fall, sources said. The jobs of other senior Treasury officials

notably Altman remain in jeopardy despite repeated statements of support from President Clinton, according to senior officials at the White House and the Treasury Department.

It seems certain that a major shake-up is in store at the department as a result of embarrassing disclosures about the department's role in relaying information about the S&L investigation to the White House early this year. Top Treasury officials had knowledge of the probe because the department oversees the Resolution Trust Corp., the agency responsible for cleaning up the wreckage of the thrift industry. RTC investigators were trying to determine whether Whitewater, an ill-fated Ozarks land venture involving the Clintons, contributed to the taxpayer-financed collapse of an Arkansas thrift.

The repercussions for the Treasury Department might even be severe enough to weaken Bentsen's stature within th administration, sources said, perhaps accelerating his rumored plans to retire within the next year.

eover, the department's fall from grace could raise questions about the viability and direction of the n agenda in the post-Whitewater period. The **department has been at the core of the policy-making process on issues ranging from international trade and deficit reduction to health care and welfare reform. It has gained a reputation, both on Capitol Hill and inside** the administration, as one of the most effective departments in the Clinton Cabinet. That reputation was underscored when Clinton began relying on the department to handle his health care initiative after it ran into trouble in Congress.

Both Clinton and Bentsen are said to be committed to retaining Altman, whom they view as one of the most effective members of the administration policy-making team. But Treasury officials concede that Altman's government career hinges on whether Democratic congressional leaders make it clear to the administration that they can continue to work with him.

Treasury officials say they believe that Altman the central administration figure in the Whitewater hearings has been badly damaged because Democratic senators joi Republicans in questioning his conduct. Altman was [illegible]

(Begin optional trim)

In an effort to head off a congressional stampede for Altman's ouster, White House Chief of Staff Leon E. Panetta has ordered senior White House staffers to stop talking to the press about whether Altman can survive the controversy, sources said. Longtime friends, including White House economic czar Robert E. Rubin, have been angered by leaks about Altman and are publicly taking up his cause.

"I've known Roger for 20 years, I'd vouch for Roger on absolutely anything," Rubin said. "As the president has said, Roger has been an outstanding deputy secretary, and there's no question in my mind he'll continue to be so going forward."

But some Treasury officials, embittered by reports of an imminent shake-up, contend that White House officials in charge of "Whitewater damage control" have been trying to deflect hostile fire toward the department by making Altman the fall guy for Whitewater.

While privately furious over the recent turn of events, Altman remains fiercely committed to remaining in office and clearing his name, according to sources close to him. "Public service is really important to him, a senior Treasury official said. "And anyway, no one wants to be run out of town."

(End optional trim)

Yet if the Whitewater hearings have been disastrous for Hanson and Altman, they have been just as damaging for the Treasury Department as a whole. In fact, some officials say they believe that the congressional grilling subjected the department to disgrace.

The stain of Whitewater has spread across almost the entire top layer of management at the department. Along with Hanson and Altman, whose conflicting testimony seemed to underscore a deep rift within the department, Treasury Chief of Staff Joshua L. Steiner, 28, had to endure painful, detailed questions about his private thoughts, which he jotted down in a diary that has become a key piece of evidence in the hearings.

Bentsen, a former Texas senator who has generally received kid-glove treatment on Capitol Hill, was forced to appear before his former colleagues to try to justify the department's actions in the matter. Under surprisingly tough questioning, Bentsen distanced himself, insisting that he had no knowledge at the time of the department's involvement in the Whitewater controversy.

Altman's loss would be particularly troubling for the **administration. A former Wall Street investment banker and an old college friend of Clinton, Altman has been a leading player in crafting the White House health care agenda. Before Whitewater, he was regarded as an effective legislative deal-maker.**

(Optional Add End)

Perhaps his most important contribution has been to bring a more moderate approach to Clinton's economic and social agendas. Early in the administration, Altman played a central role in persuading Clinton to embrace an economic plan that emphasized deficit reduction over new spending programs. In internal debates concerning the Clinton health plan, he has acted as a counterweight to more activist aides such as health care adviser Ira Magaziner.

Above all, outside analysts say they believe that the ouster of part or all of the top echelon at the Treasury Department could have a severe impact on the administration's economic policies, especially overseas.

Unlike some players on the Clinton foreign policy team, Treasury officials received high marks from U.S. allies and trading partners. Bentsen, Altman and Lawrence Summers, undersecretary for international affairs, have helped reassert American influence which waned during the Bush administration over the direction of international financial policies established by the Group of Seven industrialized nations. In addition, Altman and Summers have been at the center of the often acrimonious trade negotiations with Japan

Jack Anderson
And Michael Binstein

Starr Fight

The story of President Clinton's bickering barristers helps explain the muddled White House reaction to the surprise appointment last month of conservative Kenneth Starr as the new independent counsel on Whitewater.

On Aug. 5, a panel of three judges removed special counsel Robert B. Fiske Jr. and replaced him with Starr, a long-time Republican loyalist and legal theorist.

The Clinton administration was roughly divided into two camps: White House counsel Lloyd Cutler strongly wanted the White House to remain above the fray, while other advisers were spoiling for a fight.

According to one staffer, Cutler "thought it would be more effective if people outside the White House"—namely, congressional Democrats—pressed Clinton's case that a partisan Republican shouldn't be plumbing the personal finances of the first family.

The Starr appointment did detonate an intense debate among members of Clinton's legal team and top aides, some of whom sharply dissented from Cutler's call for calm. This preceded disclosures that on July 14 Judge David Sentelle, who heads the panel that dumped Fiske and hired Starr, had lunch with his friend Sen. Lauch Faircloth (R-N.C.), who had been agitating for Fiske's ouster.

Robert S. Bennett, who represents Clinton in a sexual harassment case, advocated taking off the gloves. If Cutler is the white-haired "establishmentarian," as one White House official put it, Bennett is the "street fighter."

This contrast in styles sheds light on why Clinton tapped Bennett to break some china. With remarks pre-approved by the White House, according to officials, Bennett publicly called on Starr to resign from the case because of an appearance of "partisanship" against Clinton.

White House sources say Bennett was encouraged to maintain the anti-Starr drumbeat during subsequent television interviews. It was during one of those appearances that Bennett first learned of press accounts in which Cutler and unnamed officials disowned his remarks.

"Those are his comments," Cutler told reporters. "We have no reason to doubt the fair-mindedness of Ken Starr," he said, adding that the president "does not think Starr should step aside." One unnamed official was quoted in The Washington Post as stating that Bennett had been instructed "to make clear in the future that his remarks are his own opinions, and not Clinton's." Both Clintons, however, were fuming about the blatant unfairness of the Starr appointment and privately encouraged Bennett's media mission.

Having lost the internal argument over whether to challenge Starr's appointment, Cutler grew annoyed at other White House aides who he suspected were trespassing on his turf. That apparently included David Kendall, who serves as the Clintons' personal Whitewater attorney. Kendall told one White House source he had been "chewed out" by Cutler for having supported Bennett's counteroffensive.

Bennett quickly called top Clinton staffers to remind them he had not been free-lancing. According to recipients of these calls, Bennett said he didn't mind the role of surrogate spokesman for the White House if it meant Clinton could stay above the controversy. But he objected to the inference that he had rendered a disservice to the president.

Bennett's attack was clearly meant partly for Starr's ears. Lashing out early helped intensify scrutiny of Starr while also providing a built-in rationale for unfriendly decisions against the first family. Explains one source: "He's got to call the close ones our way."

Mikva d'ves into the fray tomorrow

By Bob Dart
COX NEWS SERVICE

Abner Mikva accepted his new job by declaring, "You are the most important client that a lawyer could ever dream of serving, Mr. President."

That dream turns to stark reality tomorrow. Mr. Mikva replaces Lloyd Cutler as White House counsel with the Whitewater affair still being investigated and two Cabinet members under ethics scrutiny.

Mr. Mikva, a 68-year-old former Illinois congressman and federal judge, will be President Clinton's third White House counsel — succeeding Mr. Cutler, the establishment insider who had agreed to serve for only six months.

Mr. Clinton's original counsel, Bernard Nussbaum, resigned after being criticized for going through the office papers of Vincent W. Foster Jr. after the White House deputy counsel's suicide in July 1993, and for talking to Treasury officials about the Whitewater probe.

The Whitewater case shows no signs of ending soon, with a new independent counsel, Kenneth Starr, a former Reagan administration official, now leading the investigation of President and Hillary Clinton's Arkansas dealings. Before becoming Mr. Reagan's solicitor general, Mr. Starr served with Mr. Mikva on the federal bench.

Meanwhile, Mr. Mikva has to worry about two other investigations within the Clinton administration. A special counsel is looking into Agriculture Secretary Mike Espy's spending and acceptance of gifts, and the Justice Department is reviewing allegations concerning disclosure of payments that Housing and Urban Development Secretary Henry Cisneros made to his ex-mistress.

"To say he's got a full plate is definitely an understatement. He's got a whole kitchen," said Charles Lewis, director of the Center for Public Integrity.

"The White House counsel sets the moral tone and is the ethics gatekeeper" for an administration, said Mr. Lewis, noting that some in the position have been more interested in political and legal spin control than in ethics.

"To have a federal judge step off the bench after the end of a long, respected career and into this job that might last only two years is remarkable," said Mr. Lewis. "In fact, it's unprecedented. But this administration desperately needed someone who is widely respected in both political parties and who is sensitive to how even perceptions of unethical activity are damaging."

The White House counsel must be able to evaluate politics while advising the president on the law and ethics. For instance, one rap against Mr. Nussbaum was that he failed to see the political risks in urging Mr. Clinton to nominate Lani Guinier to head the Justice Department's civil rights division.

There is no doubting the political awareness or partisan heritage of the president's new lawyer.

After graduating and clerking for Supreme Court Justice Sherman Minton, Mr. Mikva practiced law in Chicago and entered Democratic politics. He was elected to the Illinois Legislature in 1956, joining a multicultural Democratic bloc known as "the Kosher Nostra." His roommate when the Legislature was meeting in Springfield was Paul Simon, now a Democratic U.S. senator from Illinois.

In 1968, Mr. Mikva was elected to Congress from a district in Chicago's northern suburbs. He served in the House for five terms. In 1979, President Carter named him to the U.S. Court of Appeals for the District of Columbia Circuit. He became chief judge of that court in 1991 and is now giving up lifetime tenure to become White House counsel.

Politically, Mr. Mikva is a lifelong liberal. He pushed for gun control in the Illinois Legislature three decades ago and, as a federal judge, supported the rights of homosexuals to serve in the military. He opposes the death penalty.

But even Illinois Republicans hailed his appointment as Mr. Clinton's White House counsel. "The president could not have made a better choice," said House Minority Leader Robert H. Michel, Illinois Republican, when Mr. Mikva's selection was announced in August.

The Washington Times FRIDAY, SEPTEMBER 30, 1994

C1101 : ianks vet for Vietnam valor

S.C. man lost arm saving fellow GIs

By Ruth Larson
THE WASHINGTON TIMES

This has been a memorable week for Arthur J. Williams.

On Wednesday, he received a long-awaited letter from President Clinton thanking him for his sacrifices during the Vietnam War. Today, Mr. Williams, 47, and his family will be the grand marshals for the Marlboro County High School homecoming parade.

The Bennettsville, S.C., native has become a celebrity, 26 years after receiving the nation's second-highest military honor, the Distinguished Service Cross, for defending his colleagues despite being terribly wounded.

Receiving the presidential letter ended a six-month quest by the high school's Junior ROTC unit, which honored Mr. Williams in May by naming its training facilities after him.

"The heroism, sacrifice, and devotion to duty that you demonstrated during the Vietnam War represent the highest attributes of military service," Mr. Clinton wrote in his Sept. 23 letter.

"I am pleased that your name will be preserved forever in the halls of Marlboro County High School."

Mr. Williams said, "I'm so thankful — the letter means a lot to me, and especially the children," as he calls the 300 JROTC cadets.

"I reckon the kids are thrilled that the president finally wrote to me. It's very special," he said.

White House officials had initially declined the cadets' request, saying the overwhelming volume of mail prevented them from answering every letter.

But James A. Dorskind, head of the presidential correspondence office, later acknowledged that Mr. Williams deserved the letter: "The president takes veterans and their needs very seriously."

Retired Army Col. William S. Richards, Marlboro County's senior JROTC instructor, who presented the letter to Mr. Williams on Wednesday, said: "Mr. Williams had a tear in his eye. ... He's so proud of that letter, and we're so proud of him."

> ***"The heroism, sacrifice, and devotion to duty that you demonstrated during the Vietnam War represent the highest attributes of military service."***
> *— President Clinton's letter to Arthur J. Williams*

Mr. Williams was injured on New Year's Day 1968 as he defended a security patrol under enemy siege.

While firing a .50-caliber machine gun atop his armored personnel carrier, he was hit by a rocket that sheared off his right arm. Shrapnel ripped into his left eye and mangled his left hand, his abdomen and his legs.

Despite his wounds, Mr. Williams continued firing his weapon with his left hand while the wounded were evacuated.

It was only when he ran out of ammunition that Mr. Williams left the burning vehicle. A comrade pulled him to safety as the personnel carrier exploded.

Col. Richards, a Vietnam veteran himself, said veterans from across the country have been calling to offer their support to Mr. Williams since the story was first reported in The Washington Times.

"It's a shame we have to stir things up so, to have a hero like Mr. Williams recognized," he said.

Emergency agency seeks ways to save lives

By Kevin McCullen
DENVER ROCKY MOUNTAIN NEWS

BOULDER, Colo. — A federal agency that responds to emergencies wants citizens and local governments to work together to avoid them.

Emergency managers gathered in Boulder this week to help the Federal Emergency Management Agency (FEMA) collect information for a national strategy to save lives and limit the impact of wildfires, floods, earthquakes and tornadoes.

FEMA is holding 10 meetings nationwide to help develop a national mitigation strategy that is focused on preventing severe losses of life and property instead of reacting to tragedy, said Richard Moore, FEMA's associate director for mitigation.

By next year, the plan will be sent to the president. The plan probably will involve cooperative efforts between public agencies and private enterprise, plus incentives, officials said.

"This is a fundamental shift in how this nation deals with emergency management and natural disasters, by being proactive instead of reactive," said Mr. Moore, who said nearly $2.8 billion has been spent on 28 federally declared disasters this year.

> ***FEMA is holding 10 meetings to help develop a national mitigation strategy.***

A national plan will include public awareness of potential dangers, applying research about hazards, coordination of responses, using resources, and leadership, Mr. Moore said.

The goal of the national strategy is to cut in half the number of deaths and destruction of property within the next 25 years, FEMA officials said.

Those goals are attainable, and laudable, said Boulder City Council member Spense Havlick.

"It's a refreshing change to look at life safety, instead of property safety," he said.

• *Distributed by Scripps Howard.*

Aspersions from the ABA

By Mark R. Levin

The campaign to discredit and intimidate Whitewater Independent Counsel Kenneth Starr and the judicial panel that appointed him continues unabated, as does the liberal partisanship of the American Bar Association (ABA).

Five past presidents of the ABA issued a statement this week expressing their concern that political considerations "may have influenced the decision of the special court to replace Robert Fiske with Kenneth Starr as the independent counsel." The former ABA president said that while they had "the utmost confidence in Mr. Starr's integrity and objectivity," they were troubled by the public lunch between Judge David B. Sentelle (chief judge of the court that appointed Mr. Starr) and Sen. Lauch Faircloth (a Fiske critic), which occurred prior to Mr. Starr's appointment.

According to these ABA presidents, "[w]hether or not Mr. Fiske's replacement by Mr. Starr was discussed [at the lunch], the meeting gives rise to the appearance of impropriety and the public is left in doubt."

Sounds familiar, doesn't it? Sounds like something Bill Clinton's sexual harassment lawyer, Robert Bennett, has claimed. Sounds like something Mr. Clinton's congressional supporters have claimed.

Are we to believe that the joint statement issued by these five former ABA presidents and those of Clinton partisans — and the release of their statement just when Mr. Starr is beginning to take hold of the independent counsel's office — were merely coincidental? Are we to believe these past bar president acted spontaneously, unencumbered by politics, and in the best interest of justice? Clearly that's the impression these men hoped to make when they identified themselves as former ABA presidents.

But the ABA, and these past presidents, have much to answer for. For example, where were these gentlemen when another former ABA president, Iran-Contra Independent Counsel Lawrence Walsh, was mangling the Constitution and individual rights of Reagan administration officials? Did they issue a joint statement raising concern about Mr. Walsh's violation of the Fifth Amendment in his persecution of Oliver North? No.

Did they raise their collective voices when one of the charges in an indictment brought against former Defense Secretary Caspar Weinberger by Mr. Walsh was dismissed by a federal court because the statute of limitations on that charge had already expired? No.

Did these former ABA presidents object to Mr. Walsh's unprecedented and unconstitutional use of secret grand jury testimony in his final Iran-Contra Report? No.

Did they make a statement questioning Mr. Walsh's out-of-court accusations of criminality and wrongdoing against innocent individuals who were never even charged with offenses? No.

Did they ask the court to require Mr. Walsh's Iran-Contra Report to comport with constitutional and legal requirement? No.

Yet, while ignoring these real issues of serious impropriety, our ABA friends felt compelled to raise their concerns about an "appearance of impropriety" that they contend resulted from a social lunch. Well, let's look at the logic of their contention.

These former ABA presidents confirm that former federal appeals court Judge Kenneth Starr is an individual of unassailable "integrity and objectivity." How, then, can his appointment be considered political or even appear to be political?

Moreover, if Judge Sentelle and Mr. Faircloth say they did not discuss the Whitewater matter when they had lunch together, how can their lunch give "rise to the appearance of impropriety?" Judges attend luncheons, seminars and social events with all kinds of people — including lawyers who appear before them regularly. In fact, federal judges frequently owe their nomination and confirmation to political friends in high places. The issue is not one of association, but substance — i.e., whether anything improper occurred as a result of the get-together. Guilt or inferences of guilt based solely on associations are not legitimate criticisms. Surely the five former ABA presidents, all of whom are lawyers, should understand this simple fact.

So what's going on here? Why all the fuss about Mr. Starr's appointment as Whitewater Independent Counsel and a public lunch between Judge Sentelle and Mr. Faircloth?

Well, there's a great deal at stake, particularly for the Clintons, in the outcome of the Whitewater-Madison investigation. That's why the Clinton administration and congressional Democrats together rewrote the law to appoint Robert Fiske, an effort which failed. (Why were the Clintons so comfortable with Mr. Fiske's investigation, anyway?)

Unable to appoint their own prosecutor (a luxury enjoyed by few persons who may be under investigation), a campaign was launched to discredit and intimidate Mr. Starr. One of Bill Clinton's super-expensive lawyers, Robert Bennett, fired the first shot. He sought to transform overnight Mr. Starr from a highly respected, fair-mined former federal appeals judge to a partisan Republican.

Among Mr. Starr's alleged partisan acts was his refusal to accept Mr. Bennett's preposterous claim that Mr. Clinton is somehow constitutionally immune from civil suits and, thus, above the law. It was reported later that Mr. Bennett's attack on Mr. Starr had been discussed, if not coordinated, with officials at the White House. (Was Mr. Clinton among the officials who concurred with Mr. Bennett's Starr-bashing strategy?)

And when it was "revealed" that Judge Sentelle and Mr. Faircloth had had lunch together prior to Mr. Starr's appointment, the "appearance" issue — always available when the facts prove inconvenient — became very useful indeed. We're told that although nothing inappropriate happened over lunch, something inappropriate could have happened. Therefore, we're told the meeting appears improper. Shame on Judge Sentelle, just another partisan Republican conspiring to rid us of Mr. Clinton.

Hence, the political foundation has been laid to attack Judge Sentelle not only for Mr. Starr's appointment, but for every subsequent decision reached by his court in the Whitewater matter.

These attempts to intimidate an independent federal prosecutor, a federal judge and a panel of federal judges raise serious legal and ethical questions. They also threaten the independence of the federal judiciary. Five past ABA presidents "appear" to have overlooked this troubling conduct — as they overlooked Mr. Walsh's conduct during the Iran-Contra investigation. But congressional investigators should not ignore it. They should expose who is behind this campaign and their motives.

Mark R. Levin is director of legal policy at Landmark Legal Foundation.

Senators to delay earings for Starr

ASSOCIATED PRESS

Two senators met yesterday with Whitewater independent counsel Kenneth W. Starr, and said later they will delay further congressional hearings in order to protect Mr. Starr's criminal investigation.

. Donald W. Riegle Jr., Michigan Democrat and chairman of the Senate banking committee, and Sen. Alfonse M. D'Amato of New York, ranking Republican on the panel, had wanted to hold hearings on the removal of papers from the White House office of for- White House Deputy Counsel Vincent W. Foster Jr.

Mr. Starr, however, "informed us that his investigative work is ongoing," the two senators said in a statement.

Mr. Starr's move could kill any further Whitewater congressional hearings this year.

The Senate banking committee held two weeks of Whitewater rings in July and August.

"The committee will not schedule further public hearings until we believe such hearings will not impede his investigation," the statement said.

"We will continue to consult with the independent counsel" on whether Mr. Starr plans to close the Foster matter, the statement added.

Congress has decided not to conduct hearings on any matter the Whitewater prosecutor is actively investigating.

Mr. Foster's death in July 1993 was ruled a suicide by authorities. Moments after his body was found in Fort Marcy Park, White House officials removed Whitewater-related papers from his office before investigators looking into his death were permitted to see the material.

After Mr. Foster's death, Bernard Nussbaum, who was White House counsel at the time, gave a Whitewater file in Mr. Foster's office to Margaret A. "Maggie" Williams, Hillary Rodham Clinton's chief of staff.

At Mrs. Clinton's direction, Mrs. Williams then moved the file to a locked closet in the White House family residence for several days. It was turned over to the Clintons' personal lawyer at the time.

Mr. Foster had been a partner with Mrs. Clinton in Little Rock's Rose Law Firm. Before his death, Mr. Foster was handling the filing of tax returns in the Clintons' Whitewater real estate venture.

Mr. Starr's predecessor, Robert B. Fiske Jr., had said he planned to wrap up the probe into the removal of Mr. Foster's papers in July — but then changed his mind, leaving the matter open.

Mr. Starr's office is investigating the Clintons' finances — specifically whether funds from Arkansas' Madison Guaranty Savings and Loan Association, owned by the Clintons' partner in Whitewater Development Corp., James B. McDougal, were funneled to Whitewater or to Mr. Clinton's political campaigns.

Arkansas Democrat-Gazette 9/30/94

Finances are an open book, Tucker insists

BY NOEL OMAN
Democrat-Gazette Capitol Bureau

Gov. Jim Guy Tucker insisted Thursday that the financial documents he released before Wednesday night's debate with Republican opponent Sheffield Nelson of Little Rock met a campaign pledge he made earlier this year to reveal his finances.

- Nelson, Tucker declare victory in gubernatorial debate 15A
- Candidates for governor against casino gambling 3B

The governor said he believes Arkansas voters do not desire to see more.

The *Arkansas Democrat-Gazette* has requested since last year that Tucker release his tax forms since 1978. Tucker has declined those requests.

Nelson has released his tax forms for the past 15 years.

A 24-page document prepared by the Little Rock accounting firm Frost & Co. showed Tucker and his wife, Betty, have a net worth of almost $5.5 million. The report did not include tax returns.

Nelson released a statement in July that showed assets of $8.25 million and liabilities of $750,000. He also released his 1040 tax returns and challenged Tucker to do the same.

Nelson has scheduled a Little Rock news conference for today to talk about Tucker's financial statement. Nelson has

See TUCKER, Page 15A

Tucker

• Continued from Page 1A

charged that Tucker's income tax returns would show no tax liabilities for some years.

The governor said that if he did not have liabilities in certain years, it was made up with large tax payments in other years.

"I have paid every dime of taxes I owe every year," Tucker said Thursday. "I have been audited by the IRS. I don't think citizens ... feel they have a right to know precisely how much money somebody paid in taxes in any given year or what ... contributions you may have made to your church or to charities."

He said his disclosure goes far beyond what state law requires.

The financial statement included information from 1991 to the present. The governor said it was "exactly what I said I would do earlier this year I have said for a long time would release financial information in late September, and this is late September."

Tucker said he listed information that was more important than what might be gleaned from tax returns. What was missing, though, was information regarding Tucker's financial situation during the 1980s when he went from a failed 1982 gubernatorial candidate with large debts to a multimillionaire.

Tucker had extensive business dealings during the 1980s with James McDougal, owner of Madison Guaranty Savings and Loan Association. Madison failed in 1989 at a cost to taxpayers of at least $65 million.

McDougal's business activities are now the focus of a federal inquiry by Whitewater independent counsel Kenneth Starr.

Nelson also had a business partnership with McDougal.

Tucker claimed in Wednesday's debate that he had paid back all personal loans.

Tucker, however, had a controlling interest in Castle Sewer and Water Corp., a Pulaski County company that defaulted on a $1.05 million 1986 loan from Madison. Tucker convinced federal regulators to reduce the balance, but the new loan also went into default.

Castle also borrowed $150,000 in 1986 from Capital Management Services Inc., a small-business investment firm owned by former Pulaski County Municipal Judge David Hale. When the Small Business Administration seized Capital Management in September 1993, auditors reported Castle had made only "sporadic payments until January 1990."

No payments had been made on a $100,000 loan from Capital Management to Tucker's Southloop Construction Corp. in October 1987.

The report released Wednesday by Tucker showed:

- Little Rock businessman J.W. "Buddy" Benafield, who Tucker appointed to the state Highway Commission, is a partner with Tucker in the Centre Street Co. and Amontillado Inc.
- The couple has assets of $5,469,036 and liabilities of $12,500. The only liability is a real estate mortgage. That leaves a current net worth of $5,456,536.
- The Tuckers' income has varied greatly during the past four years. Their income was $2,717,812 in 1991; $273,940 in 1992; and $1,786,402 in 1993. No income figure was listed for 1994.
- The Tuckers made $2,456,308 in 1991 and $1,232,748 in 1993 from the sale of their cable television interests.
- Other income consisted mostly of interest, dividends and the gains on stock sales.
- Tucker's income in 1991 included $35,168 from his partnership in the Little Rock law firm then known as Mitchell Williams Selig & Tucker.
- The Tuckers' assets were $1.5 million greater in 1992, totaling $6.9 million. But they had liabilities of $1.4 million that year, leaving a net worth of $5,465,488, only slightly more than the current figure.

Congressman seeks investigation of Tucker, Whitewater

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Congress should start a "complete and thorough investigation" into the business dealings of Gov. Jim Guy Tucker and Madison Guaranty Savings and Loan Association, Rep. Dan Burton, R-Ind., said Wednesday.

"We need answers to all of these questions," Burton said.

The six-term congressman delivered a lengthy speech Wednesday night in the House

Tucker's business [illegible] with Madison and related issues involving the Whitewater Development Corp. affair.

Burton has been one of the House's' harshest critics of President Clinton. Citing articles in the *Arkansas Democrat-Gazette* and other publications, Burton said there are "serious questions" about Tucker that should be addressed by Congress.

"We need a complete and thorough investigation by the Congress," Burton said.

Many of Burton's remarks centered on Tucker's connections to James McDougal of near Arkadelphia. McDougal owned Madison, which failed in 1989 at a cost to taxpayers of $65 million.

McDougal and his former wife, Susan McDougal, were partners with Bill Clinton and Hillary Rodham Clinton from 1978-92 in Whitewater, a failed 230-acre residential development along the White River in Marion County.

Tucker had extensive business dealings with McDougal and Madison. The governor has denied any wrongdoing. His Republican opponent, Little Rock lawyer Sheffield Nelson, also was a business partner with McDougal.

Independent counsel Kenneth Starr is investigating allegations that money was transferred illegally Madison to Whitewater accounts. Starr's Little Rock-based investigation also is reviewing Tucker's dealings with Madison.

Max Parker, Tucker's press secretary, described Burton's call for a congressional review of Tucker "bizarre." She said the Whitewater questions are being examined by Starr and other federal officials.

"You have to question (Burton's) motives," Parker said.

Whitewater staff grows as Starr adds 5 lawyers

By Jerry Seper
THE WASHINGTON TIMES

Whitewater independent counsel Kenneth W. Starr yesterday named five lawyers, including three former federal and state prosecutors, to his investigative team.

Two of the lawyers are from the New York firm of Robert B. Fiske Jr., the Whitewater special counsel replaced by Mr. Starr.

The new appointees are:

• Stephen P. Learned, former prosecutor in the Justice Department's fraud section. Now an assis t U.S. attorney in Virginia, he is an expert in white-collar and financial fraud and was the senior litigation counsel for the Dallas Bank Fraud Task Force from 1987 to 1989.

• Bradley E. Lerman, a federal deputy chief for special prosecutions in Illinois. A federal prosecutor for eight years, he formerly was an associate at the Washington law firm of Steptoe & Johnson.

• Cathey Cochran Herasimchuk, former assistant district attorney in Harris County, Texas. Now practicing law at the Houston firm of Hardin, Beers, Hagstette & Davidson, she tried 45 felony and misdemeanor cases during seven years as a prosecutor and authored more than 200 felony appellate briefs.

• Timothy J. Mayopoulos, a lawyer at the New York offices of Davis Polk & Wardwell, Mr. Fiske's firm. He is considered an expert in complex criminal and civil litigation cases, and served as a special assistant district attorney for the Kings County District Attorney's Office in New York.

• Amy J. St. Eve, a lawyer at Davis Polk's Washington offices. Her law practice has included white-collar crime, money laudering, securities fraud and civil racketeering cases.

Mr. Starr named Ms. St. Eve as assistant independent counsel and the others as associate counsels, all based in Little Rock.

The appointments bring to 16 the number of lawyers now on the staff of Mr. Starr, who was named independent counsel on Aug. 5 by a federal appeals court panel.

Mr. Starr previously hired Mark H. Tuohey III, former federal prosecutor who worked for Democratic Attorneys General Griffin Bell and Benjamin Civiletti in the Carter administration; Hickman Ewing Jr., former U.S. attorney in Tennessee; Alex M. Azar II, associate at the Washington law firm of Kirkland & Ellis; and Brett M. Kavanaugh, former Justice Department lawyer.

The Starr staff also includes seven holdovers appointed by Mr. Fiske: lawyer William S. Duffey Jr. of Atlanta, hired in February as an expert in complex civil and criminal cases; Russell Hardin Jr., former assistant district attorney in Houston; Gabrielle R. Wolohojian, associate at a Boston law firm; Denis J. McInerney, Julie R. O'Sullivan and Mark J. Stein, assistant U.S. attorneys; and Patrick J. Smith, an associate at Davis Polk.

It was not clear yesterday how many of the holdovers would stay as the transition period between Mr. Fiske and Mr. Starr continues.

Three Fiske appointees have resigned: Roderick C. Lankler, former assistant district attorney; Carl J. Stich Jr., former assistant special prosecutor; and James E. Reeves, partner in a Missouri law firm.

The three-judge U.S. Court of Appeals panel named Mr. Starr, a former solicitor general in the Bush administration, to replace Mr. Fiske after questioning Mr. Fiske's independence from the Clinton administration.

The independent counsel is investigating financial links between a partnership involving President and Mrs. Clinton and a failed Arkansas thrift.

Mr. Fiske was appointed by Attorney General Janet Reno and was answerable to her. Mr. Starr is answerable to the court.

The Starr appointment has set back the investigation by several weeks. Investigators assigned to Mr. Fiske served more than 200 subpoenas and searched thousands of pages of public records. Working out of offices in Little Rock and Washington, the Starr team is assisted by 25 FBI agents and financial analysts.

Mr. Starr has full jurisdiction to investigate "whether any individuals or entities committed a violation of federal criminal law" involving Madison Guaranty Savings and Loan Association; its owner, James B. McDougal and his former wife, Susan; the Clintons; Whitewater Development Corp.; and Capital-Management Services Inc., a Little Rock in ment firm.

Buchanan, Kemp fire at each other

Verbal sparring surprises crowd

By Ralph Z. Hallow
THE WASHINGTON TIMES

Pat Buchanan and Jack Kemp, both of whom are thought to harbor presidential aspirations for 1996, mixed it up the other night at a gathering of 850 startled conservatives, trading personal barbs and partisan accusations.

Mr. Buchanan started it, describing Mr. Kemp as "a Lane Kirkland Republican" in his remarks celebrating the 50th anni ver y of the weekly newspaper Hu Events.

Mr. Buchanan, looking out over the tables, noted the presence of social, economic, traditional, religious and "old-right" conserva ti

"There's even a little group of neoconservatives over behind that plant there," the syndicated columnist said. He grinned, and said: "I even ran into a Lane Kirkland Republican in this room — Jack Kemp.

"Jack, forget those $25,000 lecture fees and come on into this thing, fella, and start fighting for your ideas." The audience broke into a mixture of boos, laughter and applause.

When Mr. Kemp took the podium to make his scheduled remarks, he told Mr. Buchanan: "I think the time has come to set the record — staring eyeball to eyeball — you are a good conservative and so am I."

Recognizing Oliver North, Virginia's Republican U.S. Senate nominee who worked to topple Nicaragua's Marxist regime in the 1980s, Mr. Kemp said: "But when it comes to fighting communism in Central America, Lane Kirkland was there.

"No one else was willing to stand up for our fighting men in Vietnam but the hard hats — the Reagan Democrats, the Scoop Jackson Democrats."

The black-tie audience at the Mayflower, made up mostly of men and women who are usually suspicious of kind words about Mr. Kirkland, the president of the AFL-CIO, were clearly startled by the public display of antagonism between the two men, each with a large following among conservatives.

Some Kemp associates have criticized him for spending too much time on the lecture circuit instead of preparing to run for president in 1996. Mr. Buchanan also earns steep lecture fees.

In introducing Mr. Kemp, master of ceremonies M. Stanton Evans quipped that it had taken "marathon negotiations by Jimmy Carter" to get Mr. Buchanan and Mr. Kemp to speak at the same event. The guests roared with laughter.

Mr. Kemp readily acknowledges he once called himself a "Lane Kirkland Republican," and in the hotel lobby afterward, Mr. Buchanan appeared bemused at the exchange of barbs.

"It was lighthearted banter and needling," he said.

Yet he noted basic differences in outlook. "I believe in a noninterventionist, America-first policy in getting control of our borders and in stopping the huge magnet of social welfare attracting illegal immigrants," he said.

Mr. Kemp said in an interview yesterday that he was more defensive than he intended to be but said he was provoked.

"I am not a big government conservative. I am a classical conservative," he said.

His strength, Mr. Kemp said, is that he is "a conservative who can walk into a union hall or into the ghetto or a synagogue — into areas where conservatives traditionally do not go — and keep the core conservative message and broaden its appeal. ... But I wasn't saying I have a pro-union voting record.

"Pat keeps talking about my big government conservatism. I am for Dick Armey's flat tax, the gold standard, privatizing all public housing, eliminating the capital gains tax. Does that make me a big government conservative or an enemy of Pat Buchanan's? I think not."

Some conservative parti s have criticized Mr. Kemp for, in their view, appearing to excuse mugging, looting and drug trafficking by suggesting that criminals turned to crime because they never had adequate opportunities.

"I am for capital punishment, revision of the exclusionary rule [which bars courtroom admission of tainted evidence] and I would have voted against the crime bill because it wasn't tough enough.

"But I also think we can change the conditions of the inner city and provide more choice and economic development."

GOP senators want more Whitewater

ASSOCIATED PRESS

Republicans on the Senate banking committee yesterday asked Whitewater independent counsel Kenneth W. Starr to reopen an investigation of contacts between Treasury Department officials and White House aides.

The Republicans wrote Mr. Starr, asking him to review whether three top Treasury Department officials "may have purposely misled Congress" about the contacts. No Democrats signed the request.

Mr. Starr's predecessor, Robert B. Fiske Jr., had closed his investigation of the contacts.

Republicans said in their letter there were conflicts in testimony given the banking committee at a Feb. 24 hearing, in sworn interviews and at Whitewater hearings in late July and early August.

The three targeted officials are Roger Altman, who resigned as deputy Treasury secretary effective Sept. 20; Jean Hanson, who resigned as general counsel and will leave when her successor is confirmed; and chief of staff Joshua Steiner, who remains in his post.

Examples of testimony cited as misleading were not knew; the GOP senators mentioned them frequently during the hearings and in numerous news conferences.

According to the letter:

- Mr. Altman concealed the number of contacts between the White House and Treasury officials and the nature of the meetings, including those dealing with thrift regulators' requests for a criminal probe of Whitewater.
- Mr. Altman testified on Feb. 24, before the Senate, that a Feb. 2 meeting at the White House was to discuss the deadline for filing civil claims in Whitewater and other cases.

Mr. Altman later acknowledged there also was extensive discussion about whether he should withdraw from Whitewater, because he served as head of the agency that initially investigated Whitewater.

- Mrs. Hanson testified during the summer hearings that when Mr. Altman understated the number of Treasury contacts with the White House, she failed to correct him at a Senate hearing because she failed to recall the meetings.

But in a chronology prepared by Mrs. Hanson less than two months earlier, she detailed those same contacts.

- Mr. Steiner's testimony during the summer differed sharply from entries in his own diaries, which were written before he ever thought they would be made public at the Senate hearings.

On Sept. 20, Sen. Donald W. Riegle Jr., chairman of the Senate banking committee, and Sen. Alfonse M. D'Amato, the panel's ranking Republican, asked Mr. Starr to meet to discuss the Whitewater investigation and the scheduling of new hearings in the probe.

In a letter, Mr. Riegle, Michigan Democrat, and Mr. D'Amato, of New York, said not all of the Washington phase of the Whitewater probe — including the Treasury-White House contacts — had been heard by the committee during hearings last month.

Debbie Gershman, spokeswoman for Mr. Starr, the former U.S. solicitor general, said Mr. Starr had received the meeting request and was reviewing it.

Whitewater

76

Governor's Travels in Whitewater Country

By Micah Morrison

When the Byzantine pathways are cleared of debris, Arkansas Gov. Jim Guy Tucker's Whitewater problems have a familiar look to students of the affair.

LITTLE ROCK, Ark.—As Election Day nears, the tentacles of the Whitewater affair are tightening around Arkansas's leading gubernatorial candidate, Democratic Gov. Jim Guy Tucker.

Widely circulated news reports in Arkansas have linked Gov. Tucker, who stepped into the top post when Bill Clinton became president, to the alleged corrupt practices of James McDougal's Madison Guaranty Savings & Loan and David Hale's Capital Management Services, two companies at the center of the Whitewater investigation. Press accounts name him as a likely target for indictment by the Whitewater grand jury. The Resolution Trust Corp. is pursuing possible fraud claims against him, and he is fighting a broad RTC subpoena for documents.

In May and June, newspapers around the state ran a five-part Associated Press series on Gov. Tucker's links to Whitewater; in August, the Arkansas Democrat-Gazette published a lengthy four-part investigative report. "Luckily for the governor," wrote Jeff Hankins, editor of the weekly Arkansas Business, "the saga went right over the heads of the average reader" and "won't be strong enough to deliver a victory" to Gov. Tucker's GOP opponent, Sheffield Nelson. Gov. Tucker has dismissed the reports as "nothing new," said a campaign spokeswoman, Dina Tyler.

A Familiar Look

But when the Byzantine pathways are cleared of debris, Gov. Tucker's Whitewater problems have a familiar look to students of the affair. From 1983 to 1987, Mr. Tucker and firms he controlled reportedly received more than $2 million in loans from Messrs. Hale and McDougal through channels not available to ordinary folks. Some loans were not repaid; questions have been raised as to whether others were fraudulently obtained.

Jim Guy Tucker

In 1983, following a loss to Bill Clinton in the 1982 Democratic gubernatorial primary, Mr. Tucker went into the cable business to try to make some extra money. A lawyer earning $170 a year, Mr. Tucker was burdened with a $250,000 campaign debt; he turned to his old friend David Hale, who had been Mr. Tucker's campaign co-chairman in an unsuccessful 1978 Senate bid.

Mr. Hale, a municipal judge, had formed Capital Management in 1978. Subsidized by the Small Business Administration, the company was licensed to provide funds to "socially or economically disadvantaged" individuals. When Mr. Tucker approached Mr. Hale with his venture, County Cable Inc., he was promptly lent $50,000. "Ultimately," the Democrat-Gazette reported, "companies that Tucker owned would borrow $725,000 from Hale's Capital Management for his cable television business through 1987." The cable business made Mr. Tucker a millionaire. Mr. Tucker has said he did not learn that Mr. Hale's company was supposed to lend only to the disadvantaged until reading Whitewater news reports in 1993.

Mr. Hale is now cooperating with the independent counsel and seeking a lenient sentence after having pleaded guilty to fraud. He claims that Mr. Tucker, Mr. McDougal, and then-Gov. Clinton pressured him into making illegal loans, including one for $300,000 to Mr. McDougal's wife, Susan. Some published reports say $100,000 of that loan ended up in an account controlled by Whitewater Development, the McDougal-Clinton land partnership.

The Democrat-Gazette series described Mr. Tucker's odyssey through "the land of Whitewater," where "political cronies doled out loans worth hundreds of thousands of dollars with a phone call; six-figure loans changed hands without applications or down payments, and debts were shed by walking away." In this land, Jim McDougal was king.

But Mr. McDougal's kingdom was one of financial chaos in which loans and land parcels were switched around with the speed of a hare, while the tortoise of regulatory scrutiny plodded along behind. Castle Grande, Mr. McDougal's plan for a neighborhood and shopping center south of Little Rock, is a good example.

In October 1985, a Madison Guaranty subsidiary, Madison Financial, paid $1.75 million for 1,000 acres of land, in partnership with Seth Ward, a prominent Arkansas businessman and father-in-law of Webster Hubbell, a Rose Law Firm partner and former Clinton administration associate attorney general. Mr. Tucker, meanwhile, was looking for a loan. Mr. McDougal agreed to lend Mr. Tucker $260,000 if Mr. Tucker purchased 34 acres of the Castle Grande land.

Mr. Tucker got his loan—without a down payment, the Democrat-Gazette reported, and without a written loan application. Mr. Tucker seldom bothered with loan applications. "I called Jim McDougal if I wanted to borrow money," he told the Democrat-Gazette.

The $260,000 loan is one of the transactions that has attracted federal investigators. The AP reported that Mr. Tucker may "have committed bank fraud" by misrepresenting to what uses he would put the money. Mr. Tucker has said he used $125,000 of the loan to pay for the Castle Grande land, with most of the rest going to pay off a loan he had guaranteed for a friend. Mr. McDougal claims Mr. Tucker was supposed to use the rest of the money for improvements to the land, but instead spent it on his cable business. Mr. Tucker told AP that he had not pledged to use the remaining funds for land improvement.

In the end, Mr. Tucker seems to have done all right with his 34 acres. The same month he bought the land for $125,000, it was appraised at $350,000. The appraiser, the Democrat-Gazette reported, turned out to have three loans outstanding at Madison Guaranty totaling more than $200,000. In 1987, a company partly owned by Mr. Tucker, Southloop Construction, bought the land from him for $353,000. That purchase was partly funded by a $100,000 loan from Mr. Hale's Capital Management to Southloop. Eventually, the RTC took over the property, reappraised at $120,000. Most of the original $260,000 note has been paid off. The $100,000 loan from Capital Management was never paid back.

Mr. Tucker ran into trouble with another Madison Guaranty transaction, the purchase of a sewer and water utility on the Castle Grande property. In February 1986, an appraiser working for Madison valued the utility at $1.3 million, a figure later reduced to $640,000 by a 1992 RTC appraisal. (The original appraiser also was engaged in a profitable Madison transaction.) Two weeks after the first appraisal, a new Tucker partnership, Castle Sewer & Water Corp., bought the utility for $1.2 million. The $150,000 down payment came from Mr. Hale's Capital Management; the rest of the financing was provided by Madison. Among other issues, the independent counsel is investigating an elaborate scheme linking the Castle Sewer deals to an alleged $825,000 loan from Madison to Arkansas businessman Dean Paul.

By 1986, the regulatory tortoise was closing in on the Madison hare. In July, the Federal Home Loan Bank Board removed Mr. McDougal from Madison. According to the Democrat-Gazette, Mr. Tucker's Castle Sewer note "was one of the largest single delinquent loans on Madison Guaranty's books."

Castle Sewer, along with the entire development, was going down the drain. An anticipated new highway did not materialize. Many of the plots remained unsold. The sewer system was falling apart. Some of Mr. Tucker's land turned out to be on a flood plain.

Loan Is Restructured

With Madison now in the hands of federal regulators, the Tucker partnership renegotiated the Castle Sewer deal, arguing that Mr. McDougal had not fulfilled side agreements to bring in new sewer and water hookups. The loan was cut to $525,000. According to the Democrat-Gazette, the deal was contingent on new legislation allowing utilities to raise their rates. In June 1987, Gov. Clinton signed the bill. Four months later, Mr. Tucker's restructured loan was approved.

A year later, Castle Sewer was still missing payments on the renegotiated loan. The $150,000 down payment is still owed to Capital Management, according to the Democrat-Gazette. In June 1989, Mr. Tucker bailed out, selling his Castle stock to a partner for $10.

All this alleged fiscal chicanery so far seems to have had little impact on Arkansas voters. Private polls by both parties show Gov. Tucker with a comfortable 15-point lead over Mr. Nelson, the GOP candidate. Mr. Nelson has his own somewhat milder Whitewater problems. Not only was he once involved in a land deal with Mr. McDougal, but he has been criticized in Arkansas for bringing the Whitewater affair to national attention. The Nelson camp, fearing a backlash if it raises Whitewater again, has been reduced to praying for an indictment before the election. "We need a miracle," says a Nelson strategist. Over at Castle Grande, they'd settle for a decent sewer.

Mr. Morrison is a Wall Street Journal editorial page writer.

THE WALL STREET JOURNAL, MONDAY, SEPTEMBER 26, 1994

Whitewater

Rose ·rm fails · bid for ·ransfer

By Jerry Seper
THE WASHINGTON TIMES

A federal judge yesterday re- ·to transfer to Little Rock a · involving first lady Hillary Rodham Clinton's former law firm, which is fighting a Resolution Trust Corp. subpoena seeking access to the firm's client list.

U.S. District Judge Paul L. Friedman rejected arguments by the Rose Law Firm's attorney, Walter Stuart, that the case be transferred because of inconvenience and expense, and ordered the firm to an Oct. 20 hearing in Washington to show why he should not issue an order giving the RTC access to its client list.

RTC lawyer Paul Laurenza said the agency had chosen the federal court in Washington as a conve-n·t and proper place to enforce the subpoena.

The judge said last month the RTC inspector general's office had shown "good cause" for an order compelling the firm to honor a subpoena for a list of clients dating back to Jan. 1, 1994.

The RTC is looking into conflicts of interest involving the firm where Mrs. Clinton, former Associate Attorney General Webster L. Hubbell, former White House Deputy Counsel Vincent W. Foster Jr. and White House Associate Counsel William H. Kennedy III were partners.

At issue is the firm's handling of a 1989 Federal Deposit Insurance Corp. lawsuit involving Madison G·ranty Savings and Loan Association. Investigators want to know whether the firm disclosed potential conflicts in 1989 concerning its representation four years earlier of Madison in a separate case before the Arkansas Securities Department.

The RTC, according to court pa·s, is looking into accusations that agency personnel investigating conflict-of-interest suspicions involving the Rose firm did not act properly — based on the "information available to them."

Mr. Stuart told the court the subpoena was too broad, and the actual list demanded by the RTC could total between 5,000 and 10,000 clients. "We are likely incapable of creating with certainty a list of our clients for the last 10 years," he said.

In a report issued in February by the RTC and the FDIC, the firm was cleared of any wrongdoing, although investigators acknowledged during a Feb. 24 Senate banking committee hearing that they had not talked with Rose lawyers "who may be knowledgeable on this matter."

Under pressure from Republicans, who branded the report a ... the RTC ...

Hillary Clinton was paid $2,000 a month to represent Madison.

reopen its investigation.

Rose represented Madison in 1985, four years before the thrift failed. In 1989, the firm represented the FDIC in a suit that accused Frost & Co., Madison's accounting firm, of negligence in failing to detect Madison's troubles.

In 1985, Mrs. Clinton was paid $2,000 a month by Madison's owner, James B. McDougal, to represent Madison before state regulators, who sought to close the thrift because of insolvency. She presented a preferred stock plan based on an audit by the Frost firm to the regulators, all of whom had been appointed by her husband. The government said four years later the plan was fraudulent.

At the time, Mr. McDougal and his wife, Susan, were partners with the Clintons in Whitewater Development Corp., an Arkansas real estate venture. Whitewater and Madison are now under investigation by independent counsel Kenneth W. Starr, who is probing accusations that Mr. McDougal manipulated loans through the S&L and diverted other money to Mr. Clinton's 1984 gubernatorial campaign.

Patricia M. Black, counsel to the RTC inspector general, has argued that the agency, which oversees failed thrifts, does not consider a list of clients privileged, and that a federal subpoena issued April 18 was within the RTC's authority.

Federal authorities said investigators also want the client list so they can examine other billings made on government contracts and scrutinize the firm's dealings with clients tied to separate financial institutions.

Investigators also are looking at possible conflicts of interest involving Mr. Hubbell, who resigned in March over billing discrepancies, and Mr. Foster, whose death on July 20, 1993, was ruled a suicide.

Mr. Hubbell personally handled the 1989 FDIC suit, which initially sought to recover $10 million in damages from Frost. It was settled out of court in 1991 for $1 million, less than the insurance coverage the accounting firm held.

If Mr. Hubbell and Mr. Foster knowingly made false statements to get the contracts, the firm — which was paid $400,000 to represent the FDIC in the 1989 case — could be banned from future ...

Ancient smelters blamed for lead

ASSOCIATED PRESS

Ancient Greek and Roman smelters spewed enough lead to contaminate the entire Northern Hemisphere, rivaling modern-day gasoline as a top lead pollutant.

That's the finding of the latest study, published in yesterday's edition of the journal Science, to condemn the fallout from silver refining 2,500 years ago.

"This occurrence marks the oldest large-scale hemispheric pollution ever reported, long before the onset of the Industrial Revolution," concluded study author Claude Boutron of France's Domaine University.

The ancient Greeks and Romans have long been suspected of causing a toxic fallout.

Twenty years ago, Clair Patterson of the California Institute of Technology theorized that vast areas of Europe were contaminated by lead shed as a byproduct of ancient silver refining.

In March, Swedish researchers confirmed his calculations, using lead in lake sediments to pinpoint the earliest pollution between 500 B.C. and A.D. 300.

Mr. Boutron took those findings a little further, analyzing lead preserved deep in Greenland's ice.

Like the Swedes, Mr. Boutron found that lead suddenly increased hundreds of times above natural levels 2,500 years ago, and stayed that high for the next 800 years — corresponding to the Greco-Roman civilizations.

The finding so far north shows that swirling air masses spread the lead from smelters in Spain, Greece and central Europe not just regionally but across the entire hemisphere, he concluded.

About 400 tons of lead were deposited on Greenland, his study found. That's equal to 15 percent of the fallout from leaded gasoline, one of history's worst lead pollutants, Mr. Boutron said.

"We hadn't recognized how extensive it could be," Mr. Patterson said. "The average person contains 1,000 times more lead in your body than did your prehistoric ancestors.

Whitewater Probe Shows One Target Also May Be Witness

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON — In the Byzantine world of Whitewater, one investigator's target may be another's witness.

Consider Richard Iorio, the Kansas City, Mo., field investigator for the Resolution Trust Corp. Attorneys for the General Accounting Office recently attempted to enlist him in a probe of the RTC's inspector general. But Mr. Iorio is a target of a misconduct probe coordinated by the inspector general.

He also is a source of information in Whitewater Independent Counsel Kenneth Starr's attempts to sort out the charges of financial chicanery at the heart of the Whitewater morass. And Mr. Starr is said to be investigating disciplinary actions the RTC has taken against Mr. Iorio.

"How many people are going to get involved in this investigation anyway?" wondered RTC spokesman Steve Katsanos.

The RTC and Mr. Starr have expressed misgivings about the GAO's overtures to Mr. Iorio. In a Sept. 9 letter, the GAO, an investigative arm of Congress, asked Mr. Iorio to "keep us informed" and report on "information indicative of the performance" of the inspector general, and to "mail relevant documents" to the GAO in Washington.

The GAO described the letter as routine. "The intent of the letter was to open the door," said Lowell Dodge, the GAO's associate general counsel. "If Iorio wants to send information, he can."

Mr. Iorio was one of three RTC field investigators put on two weeks administrative leave last month following the high-profile Whitewater hearings on Capitol Hill. Critics allege that he and his colleagues, who were the early force behind the RTC's Whitewater investigation, provided sensitive information to Republican lawmakers.

In a letter to Mr. Iorio yesterday, the GAO withdrew its request for immediate assistance, noting that the agency's usual role is to review and assess matters after the fact.

The Wall Street Journal
Sept 27 1994

Whitewater

GAO Action - Whitewater -2-: Investigators Probe Each Other

Nevertheless, it is peculiar, to say the least, to have the target of an investigation report on those who are investigating him.

Iorio was one of three RTC field investigators put on two weeks administrative leave last month following the high-profile Whitewater hearings on Capitol Hill. Critics allege Iorio and his colleagues, who were the early force behind the RTC's Whitewater investigation, provided sensitive information to Republican lawmakers.

One colleague, Jean Lewis, secretly taped a conversation with a Washington-based RTC official that Republicans have used to support claims of political interference in the investigation.

President Clinton and First Lady Hillary Rodham Clinton were investors in the Whitewater land deal, along with the owners of Madison Guaranty Savings and Loan, a failed Arkansas thrift.

The affair has taken more twists than a Victorian parlor mystery, inspiring a host of inquiries into the civil, criminal and political accusations of impropriety. Dodge insists the GAO, ''in the grand scheme of things,'' is not a 'player'' in the unfolding drama.

Still, the agency's Sept. 9 missive elicited a cautionary call from an attorney in Starr's office. The independent counsel, according to sources, is also investigating the RTC's actions against Iorio as part of its broader probe.

''He initially thought we ought to get together,'' said Dodge, noting the counsel's office was one of several agencies that ''misunderstood'' the intent of the letter.

A meeting, it turns out, wasn't required.

A clarifying letter sent today to Iorio withdraws the GAO's request for immediate assistance, noting the agency's traditional role is to review and assess matters after the fact.

''While we are clear on the scope of our review, others may not be,'' Dodge explains, ''and may have taken the Sept. 9 letter to suggest we were expanding our role.'

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Whitewater

RTC Employees Claim Retaliation

Associated Press

Four federal regulators sued the S&L cleanup agency they work for yesterday, alleging that the agency has engaged in a pattern of retaliation against them for trying to expose waste, fraud and abuse.

The four Resolution Trust Corp. employees, seeking protection under federal whistleblower statutes, seek $2 million in damages. The four are two lawyers from the RTC's Denver office, a Dallas-based lawyer and an asset manager in Valley Forge, Pa.

Others are contemplating joining the suit, including L. Jean Lewis, the investigator who prepared criminal referrals on a failed savings and loan that mentioned President Clinton.

The lawsuit, filed in U.S. District Court for the District of Columbia, alleges that the RTC systematically has targeted for retaliation employees who have testified before Congress, cooperated with General Accounting Office probes or tried to alert the agency's inspector general to misconduct, waste, fraud and abuse.

The suit seeks an immediate injunction to end further harassment and asks that personnel records be corrected, back pay issued and the plaintiffs reinstated to their former posts. It also requests a court hearing within 20 days.

The lawsuit is another public relations debacle for the S&L cleanup agency, which has been under intense scrutiny in recent months for leaks involving the investigation of Madison Guaranty Savings & Loan Association—the Arkansas thrift at the center of the Whitewater affair—and other matters.

"We're aware of the lawsuit, but we have not seen it and we cannot comment specifically," said RTC spokeswoman Felicia Neuringer.

"This is like a RICO suit, except with the RTC, that stands for Retaliation-Influenced Corrupt Organization," said Bruce Pederson, a senior RTC lawyer in Denver who has twice testified about agency problems before the Senate Banking Committee. "It's a bureaucratic Mafia."

Within the last year, documents obtained by the Associated Press show, high-ranking RTC officials in Washington authorized a search of Pederson's office computer, a move he alleges violated his privacy rights.

Another plaintiff, Denver lawyer Jacqueline Taylor, has been stripped of her management duties and ordered by the agency's top attorney not to talk to reporters about agency issues.

Richard Dunn, the asset manager, alleges that after he reported overcharges by independent contractors working for the agency, he was fired and placed under surveillance by detectives hired by the RTC.

The fourth plaintiff, Dallas lawyer Juan Luis Burgos-Gandia, is on administrative leave while agency officials review their decision to fire him. Burgos-Gandia contends the RTC retaliated against him when he tried to alert officials to the fact that a law firm was overbilling the government by charging $1,000 an hour for S&L cleanup work.

FDA Panel Urges Further Tests Of Breast Self-Examination Aid

By John Schwartz
Washington Post Staff Writer

An advisory panel to the Food and Drug Administration recommended yesterday that a Decatur, Ill., company conduct further tests on its controversial breast-cancer self-examination aid before the FDA approves the device for sale.

The company, Inventive Products Inc., had become something of a poster child for FDA critics, who point to the firm's nine-year fight to get the relatively simple product approved as an example of an overprotective government bureaucracy stifling innovation and damaging public health.

Breast self-examination to detect lumps is made more difficult by the friction of fingers on dry skin, which is why many women examine their breasts in the bathtub or shower. Inventive Products designed its Sensor Pad—a 9½-inch sandwich of latex-like plastic filled with liquid silicone—as a "dry lubricant" device to overcome the friction problem.

But members of the advisory panel said the company, which in 1988 tried to circumvent the FDA approval process by selling the product directly to hospitals, has never proved the device is any more effective at improving users' sense of touch than using lotion, oil or soapy water.

Speakers and panelists questioned whether using the device might give users a false sense of security, leading them to skip mammography tests, which catch more cancers than the self-exam does. Others noted it had been tested by only 45 women who tried the device on plastic breast models.

Cynthia Pearson, program director for the National Women's Health Network, said the company's evidence purportedly showing the benefits of the device "doesn't look strong at all" and called the company's efforts to drum up support in the community of breast cancer activists "exploitation of women."

But several people speaking at the Rockville meeting claimed that in the case of such a simple device, the agency should let the market decide. "If some women find it helpful," said Washington physician Katherine Alley, "we ought to allow women the right to purchase this device under their own judgment."

Sensor Pad inventor Earl Wright, 64, angrily castigated panel members at the close of the hearing, but said his company would work with the FDA "to see what we have to do."

THE WASHINGTON POST FRIDAY, SEPTEMBER 2, 1994

42

FAA Bars 9 National Airlines From U.S. Sky

Listing Is First-Round Action Arising From Worldwide Safety Survey of 93 Governments

By Don Phillips
Washington Post Staff Writer

The Federal Aviation Administration today will release a list of nine countries whose national airlines have been barred from flying to the United States because of inadequate safety oversight.

The listing marks a change in the administration's policy of keeping the names secret. The list was compiled as part of a worldwide FAA safety survey of the 93 governments that have commercial airliner service to the United States. The survey is to be completed by the end of 1996.

Belize, Dominican Republic, Gambia, Ghana, Honduras, Nicaragua, Paraguay, Uruguay and Zaire have been told over the last few months that their commercial airliners may not fly to the United States unless the deficiencies are corrected.

The nine nations were told that they may work with third countries to certify safety compliance or they may lease U.S. airplanes with U.S. crews to operate service under the country name, giving the FAA direct jurisdiction over safety. Officials said Ghana, Zaire and Gambia dropped plans for air service, and the six other countries have decided to lease planes and crews.

Four other countries were given "conditional" ratings that allow them to continue flying under stepped-up FAA scrutiny: Bolivia, El Salvador, Guatemala and Netherlands Antilles.

These nations were among 30 in the first round of safety assessments; FAA teams are surveying other countries, including major inspections of Russian and Chinese aviation operations.

Seventeen countries passed muster, although three will be identified as giving adequate safety oversight to U.S. operations but not to flights to other countries: Guyana, Marshall Islands and the Organization of Eastern Caribbean States, which includes several Caribbean nations.

The FAA assessments concentrated only on governments, not airlines. However, an official said it can be assumed that "if the country does not hold them to international safety standards, they probably don't."

In its first worldwide survey, the FAA sent four-person teams to each nation for a week or more to assess whether the country has a civil aviation authority and whether it has the expertise and willingness to enforce safety standards of the International Civil Aviation Organization (ICAO).

Of the 63 countries still being surveyed, officials said the United States has cooperative agreements with 22 and that they are certain to be found capable. These include the 18 European nations of the Joint Aviation Agreement, plus Canada, Japan, Australia and New Zealand.

Several European countries objected to the U.S. inspections when they were proposed last year, citing sovereignty reasons. However, officials pointed out the United States can deny landing rights to any nation's airliners and has additional powers under the safety standards of the 1944 Chicago Convention on International Civil Aviation.

Few African, South American or Asian nations objected, and officials said many have taken advantage of the inspections to improve safety. As a prime example, officials cited Bangladesh, which hired additional expert staff to oversee DC-10 airliner pilots and flight safety.

Until now, the FAA has assumed that if a country certified an air carrier, the airline was in compliance with ICAO safety standards. However, FAA inspectors began to notice incidents and problems.

Finally, FAA action was spurred by two events. The Jan. 25, 1990, crash of a Colombian Avianca Boeing 707 on Long Island focused intense news media and public attention on foreign airlines.

Additional pressure was applied by House hearings, led by Rep. Robert A. Borski (D-Pa.), on "loophole airlines" that would be allowed to fly a country's flag but essentially were leased aircraft with "pickup" crews.

Several groups and publications filed Freedom of Information Act requests to get the FAA list, but the agency resisted until Transportation Secretary Federico Peña decided that withholding the information was inconsistent with the Clinton administration's "openness" policy.

The State Department still had qualms and "there was more general convincing that had to go on," an official said.

One FAA official likened the inspection program to "exporting safety." Increasingly, the FAA and the National Transportation Safety Board are being asked by various countries to help improve airline safety. They includes Russia and China, which have experienced several aviation disasters in the last few years.

RATING NATIONAL AIR SAFETY

Of 30 countries assessed by the Federal Aviation Administration:

Nine did not meet international standards, and their licensed air carriers may not fly to or from the United States:

- Belize
- Dominican Republic
- Gambia
- Ghana
- Honduras
- Nicaragua
- Paraguay
- Uruguay
- Zaire

Four have conditional acceptance ratings that allow them to fly into the United States under heightened FAA inspections:

- Bolivia
- El Salvador
- Guatemala
- Netherlands Antilles

The remaining 17 countries are adhering to international standards:

- Argentina
- Bahamas
- Bangladesh
- Brazil
- Bulgaria
- Chile
- Colombia
- Costa Rica
- Guyana
- Marshall Islands
- Mexico
- Organization of Eastern Caribbean States *
- Oman
- Panama
- Peru
- Ukraine
- Venezuela

* Antigua and Barbuda, St. Kitts and Nevis, St. Vincent and the Grenadines, Dominica, St. Lucia, Montserrat, Grenada and Anguilla.

TODAY IN CONGRESS

SENATE

Not in session.
Committee:
Governmental Affairs—9:30 a.m. Regulation & government information subc. Invention marketing scams. 342 Dirksen Office Bldg.

HOUSE

Not in session.
Committee:
Joint Economic—9:30 a.m. National unemployment & employment statistics from July. 2359 Rayburn House Office Bldg.

In Cold Pursuit A1

RTC Chases Billions From Failed Thrifts, But Nets Small Change

Former S&L Managers Keep Their Money as Agency Gets Foiled by the Courts

William Walde's Wild Ride

By ALBERT R. KARR
Staff Reporter of THE WALL STREET JOURNAL

MCLEAN, Va. – When John Reardon tried to serve William Walde with a subpoena, the former chairman of the failed Trustbank Savings & Loan hopped in his Mercedes coupe and sped off – racing through residential streets in northern Virginia, shifting lanes, ignoring stop signs and running red lights. The 15-minute chase ended when Mr. Walde was forced to a stop by a school-crossing guard. Mr. Reardon, who had been following, says he jumped out of his car and, acting as a process server for the Resolution Trust Corp., stuck the legal order under Mr. Walde's windshield wiper.

But the RTC, the government repository for failed thrifts, hasn't managed to wring a thin dime out of Mr. Walde to help offset the $20 million in losses arising from the collapse of the thrift he ran until it was taken over by the government. For his part, Mr. Walde remains free, shuttling between his $750,000 home in Bethesda, Md., and residences in Rehoboth Beach, Del., and Palm Beach, Fla.

Few Successes

Mr. Walde isn't the only fallen thrift executive to elude the RTC. Although the S&L disaster is costing U.S. taxpayers an estimated $180 billion, the agency has had surprisingly little success in squeezing any money out of many of the executives who ran the thrifts. The RTC and its sister agency, the Federal Deposit Insurance Corp., have collected $3.1 billion from lawsuits against those thrift managers and advisers. (RTC officials estimate that their outside legal fees amount to less than $400 million.) Some of those managers, such as Charles Keating of Lincoln Savings & Loan, are serving prison terms, and some law and accounting firms that advised the thrifts have paid big sums. But many of those who brought about the crisis are living quite well, thank you, apparently beyond the reach of the feds.

One reason, as in the case of Mr. Walde, is that the government isn't accusing him of fraud, but of negligence. Only about 15% of the thrift failures were caused by out-and-out fraud, a congressionally named commission has determined. The bulk of the failures that involved wrongdoing were caused by reckless business tactics that fall into the category of negligence, RTC officials say.

But even though the law empowers the agency to recoup some taxpayer losses from negligent managers, the agency has often been frustrated in its efforts to do so. Moreover, the RTC has been similarly stymied in wringing cash out of some of those who have been convicted of fraud – including Mr. Keating.

'Doomed to Disappointment'

Speaking of the stumbling assault on S&L wrongdoers, one RTC lawyer concedes that the agency's strategy "hasn't gone according to plan." And William Seidman, the first RTC chief, says those who expected to get substantial recoveries from managers and directors of failed thrifts "are doomed to disappointment."

The tortuous case against Mr. Walde illustrates how the RTC's recovery efforts can run aground.

Soon after the RTC took over Trus in 1991, the RTC says Mr. Walde mov substantial portion of his assets beyond government's reach. He created a $6 mil lion trust for his then school-age children, including a long list of real-estate properties. The RTC, in a suit filed against Mr. Walde in Alexandria., Va., calls the trust a "charade," noting that Mr. Walde has extracted management fees and rental income from it, along with funds to cover some of the costs of the RTC litigation.

Shifting Fortunes

The role of the original trustee, Charlotte Rae Weiss, Mr. Walde's sister-in-law, hasn't ever been clear. The RTC has argued in court papers that it is Mr. Walde himself who controls the trust. In January, two days after the RTC filed its suit against Mr. Walde, $95,240 was wired from the trust to a law firm advising his wife, Gay, in RTC litigation (she was also sued as a director of the failed thrift), and another $97,890 was withdrawn from one of the trust's accounts. Mr. Walde's attorney, Thomas Buchanan, says this money was later deposited in another account.

Last November, in a letter to one of Mr. Walde's attorneys, Mrs. Weiss's lawyer said the trustee had "reason to believe" that the Walde children weren't benefiting from the trust property. And she later testified in a deposition that Mr. Walde controlled the trust and often took money out of it.

The RTC also accused Mr. Walde of moving his retirement account to the District of Columbia to enjoy the immunity from attachment that the district gives Keogh accounts. Mr. Walde disputes this, saying retirement accounts would be protected elsewhere. His attorney, Mr. Buchanan, also says Mr. Walde had wanted to set up the children's trust for years, and that, as a real-estate expert, it is only natural he would manage it.

Mr. Walde's complex financial rearrangements – as well as the early 1992 car chase – appear to have been unnecessary. A federal court in Alexandria recently dismissed the RTC case against Mr. Walde and other Trustbank directors and officials, on the grounds that the applicable Virginia statute of limitations on the bad lending had run out years ago. The RTC has appealed the case in a federal appellate court in Virginia, claiming there are grounds for an exception.

The RTC went to considerable legal lengths to get around the Virginia statute's expiration, but the court didn't buy its arguments. The legal problem is just one of several kinds of difficulties caused by state laws that serve to protect many former S&L officials from federal litigation.

"They're making it difficult to maintain a consistent [legal] approach to the same kind of conduct," from state to state, says Thomas Hindes, an RTC assistant general counsel.

The RTC had hoped that Congress would extend the statute of limitations for cases like Mr. Walde's. But in July, after heavy lobbying by former S&L officials and insurance firms, House/Senate conferees said the agency could reach back in cases involving fraud, but not those that involved some kind of negligence.

Foiled Again

The RTC has been foiled elsewhere, too. The agency attempted to sue a trust valued at between $500 million and $1 billion, set up by Caroline Hunt, a sister of the Texas silver kings. The RTC contends that the trust, tied to the failed Southwest Savings Association in Dallas, reneged on an obligation to shore up the thrift's finances. The RTC is trying to pry loose some money, but hasn't had any success in breaking the legal barriers that surround the trust.

Another RTC target, William Smith, a director of failed Pelican Homestead Savings & Loan in New Orleans, was ordered by courts to pay $1.6 million, but hasn't paid anything because he is insolvent. Mr. Keating, who is serving a prison term of 12 years and seven months for a criminal conviction, also has pleaded poverty, despite rumors that he has $70 million

63

Washington Wire

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A Special Weekly Report From The Wall Street Journal's Capital Bureau

SUPPORT ERODES among Republicans for approving a world-trade pact this year.

Texas Sen. Gramm, a free trader, now says he prefers that Congress wait until next year to approve GATT. Gramm says he wants to be sure the pact's costs are paid for "100% with spending cuts." His remarks follow Senate Republican leader Dole's statement that there isn't any compelling reason to vote this year.

A business group, Alliance for GATT Now, tries to decide who should approach Dole to argue against delay. "I just think we need to sit down and have some serious discussions," Dole says. Groups out to kill GATT run TV ads in Nebraska, Iowa, Montana, North Dakota and South Dakota – as well as in Clinton's vacation spot, Martha's Vineyard.

Asked if the president will press for passage of GATT this year, Press Secretary Dee Dee Myers says, "Absolutely."

ON THE EDGE: A last-gasp push for a telecommunications bill faces hurdles.

Lobbying against the bill backed by Sens. Hollings and Danforth is expected to step up when Congress briefly returns. The U.S. Telephone Association, state regulators, consumer groups and others complain that the bill would impose too many regulations. It also "certainly will push phone rates up," says Idaho regulator Joe Miller.

With elections near, lawmakers aren't eager to make tough choices that could anger various phone-industry, union and consumer interests. Democratic Sen. Metzenbaum still plans a hearing on the bill this month. And Danforth can't count on help from Dole, who was mad that the Missouri Republican backed the crime bill.

CLINTONITES COMPLAIN he doesn't get his due for the stock rebound.

Clinton is blamed when the market drops but gets no credit for the recent rise, aides gripe. "Is he responsible? I would say no," says Fuji Securities chief economist Sam Kahan, citing the Fed's inflation fighting. One cynical view even credits Clinton's health-care setbacks. While the overall market rose 3% in August, health-care stocks were up more than twice as much.

Signs of slowing growth ease market fears of another Fed rate rise soon, but that could change as early as today if new jobs data are strong. The Congressional Budget Office predicts the Fed will raise interest rates another 1 to 1.5 percentage points "in order to slow the economy to a sustainable pace." That is more than the White House and many private economists expect.

New Fed Vice Chairman Blinder, stung by hints of conflict with Greenspan, tells a Fed meeting that their only differences were that he went white-water rafting in Wyoming while the Fed chief golfed there.

INSIDE AGITATORS? Counterintelligence specialists at the Defense Intelligence Agency worry that Castro is sending provocateurs to stir up the Cuban refugees detained at the U.S. Navy base at Guantanamo. Riots at the base "will be Castro's next move," predicts one Pentagon official.

BABY NUKES: Pentagon officials push to create a loophole in the test-ban treaty to permit tests of tiny nuclear warheads under an interpretation that they are nonexplosive. The Energy Department, environmental groups and a panel of outside scientists warn that the tests would be a new way for countries to hide nuclear programs.

KNOW THY ENEMY: The Christian Coalition, fearing a fall reprise of attacks from Democrats, plans a pre-emptive TV ad to try to fend off the expected assault. The coalition's "Road to Victory" conference later this month in Washington promises to bring new attention to the religious right.

THEME OF THE WEEK: Seeking to put the Democratic Party more in tune with the administration, White House staff chief Panetta holds a "message meeting" each Thursday to lay out political themes for the week, followed by a tactical session with cabinet members like Housing chief Cisneros and Commerce Secretary Brown.

SANCTIONS LOOM as the U.S.-Japan trade fight worsens.

U.S. negotiators see no progress on Japanese government purchases and autos, though Tokyo holds out hope for a deal on insurance issues. Japan hasn't responded to a U.S. proposal, made six weeks ago, to reform purchasing practices, a top U.S. official complains. If a deal on such practices isn't cut by Sept. 30, sanctions could follow.

That also is the deadline for the U.S. to name "priority" countries for investigations under a tough trade law. It is "politically unimaginable" that Japan won't be named, says Linn Williams, a former U.S. trade negotiator who predicts the action will backfire. The dollar's recent stabilization further emboldens the U.S. to take a tough line toward Japan.

Japanese delegations are due in the U.S. next week, including trade minister Hashimoto, who is seen as a potential deal maker.

MINOR MEMOS: A T-shirt lists the top 10 reasons Clinton vacations at Martha's Vineyard, including: "The crabs are in the mud, not in the Senate." . . . Comedian Mark Russell describes the health-care plan of some Republicans as "Just say no to illness." . . . In newly released transcripts of 1987 Fed meetings, then New York Fed President Gerry Corrigan based his concerns about the economy on "Kentucky windage," meaning: "You throw a piece of grass up, and you see which way it blows."

—RONALD G. SHAFER

62

stashed abroad. The RTC says it is still interested in grabbing any money he may have, under a $4.3 billion judgment.

The FDIC, which took over failed thrifts before the RTC was formed in 1989, has had similar troubles trying to sue some former S&L executives. A Tyler, Texas, jury recently found that John Henderson Jr. was grossly negligence and breached his duties as head of two Texas thrifts, finding that he should pay $7 million in a failure that produced over $100 million in losses. But the court then ruled that the state's statute of limitations had run out before the FDIC took over the S&Ls.

RTC critics also argue that the agency shouldn't have pursued so many negligence cases. Even Mr. Seidman, the former chief, says, "If we made any mistake, it was in suing too many people. Very often, it wasn't cost effective."

Comfortable 'Dark Hole'

For his part, Mr. Walde charges that the RTC is "out of control" in its pursuit of former thrift executives. Mr. Buchanan, his attorney, says the agency is driven "solely by politics" and that it pressures defendants to "cave" rather than incur huge legal expenses.

Mr. Walde blames the RTC for adding to his financial woes following the failure of Trustbank. "I'm struggling to work my way out of a dark hole," he says.

If so, it is a dark hole many might gladly crawl into. His Rehoboth Beach home is a large, two-story house with a swimming pool, its own floating dock and a boat on the canal that runs behind the property. And the Bethesda house, bought after the Trustbank failed, is one of a string of large new homes in the Goldsboro Heights area. It has a heated outdoor swimming pool, sauna and exercise room. A full-time housekeeper keeps the place tidy, and a $6,000-a-year homeowners' association tends the grounds. Mr. Walde belongs to swimming, tennis and golf clubs in Rehoboth Beach, and to the Columbia Country Club in Chevy Chase, Md., which collects $3,120 a year in dues.

His Palm Beach residence, valued at $400,000, is a tan stucco condominium on South Ocean Boulevard. The RTC says that while he operates from Bethesda, he has declared Florida his legal address—apparently to use a state law that shields one's home from legal judgments.

Mr. Walde, who built Trustbank into a regional powerhouse in the 1980s, recently estimated his net worth to be $77,000, down from $51 million before his troubles began. But that doesn't include the trust he set up in his children's names. Furthermore, Mr. Walde didn't follow "normal" accounting procedures when calculating his net worth, his lawyer admits. The RTC knows "he's worth millions," Mr. Buchanan, the attorney, says, adding, "He couldn't have hired us if he's a pauper."

The RTC, in court papers, points to Mr. Walde's role in the Trustbank collapse. The agency says that Mr. Walde and eight other Trustbank officers and directors caused the thrift's losses by making $58 million in loans to Equity Program Investment Corp., or Epic, a subsidiary of Community Savings & Loan, a Maryland thrift that failed in 1985. The RTC says the loans were made in "grossly negligent fashion," often skipping even rudimentary underwriting, while also violating federal rules limiting lending to a single borrower. Even after a "supervisory agreement" with federal regulators to curb those loans, Mr. Walde's S&L made an additional $45 million in loans to Epic. Such lending typified overly aggressive thrift practices that caused many failures.

The agency called Epic a "real-estate Ponzi scheme," that defaulted on many loans, including those from Trustbank, and caused the more than 300 limited partnerships to fail when it collapsed.

In an interview, Mr. Buchanan argues that Mr. Walde was a victim of fraud perpetrated by Tom J. Billman, Community's chairman and principal owner. He also notes that many other lenders were bilked by Mr. Billman. But Jay Stephens, the outside attorney handling the Walde case for the RTC, argued in a recent court hearing that Messrs. Walde and Billman had a "special relationship," each sometimes borrowing from the other's thrift. Mr. Billman is currently in jail.

Loans to Epic were given little scrutiny. The lending was arranged by David Neal, a former Trustbank president, and approved by the chairman. Mr. Walde, in a 1982 letter involving a real-estate partnership between Trustbank and Epic, said that Dominion Federal Savings & Loan (later named Trustbank) agreed to extend a $500,000 mortgage on Mr. Billman's home at a rate that was three percentage points below the prime rate.

Messrs. Walde and Neal both got loans from Community Savings, Epic's parent, the RTC said. Mr. Buchanan says that Mr. Walde didn't know Mr. Billman, and met him only once.

But with the RTC's case against Mr. Walde dismissed, these dealings are likely to fade into S&L history. As the RTC threat fades, Mr. Walde seems to be bouncing back into the real-estate business, picking up an orange grove in Florida, and exploring other deals closer to home.

And, in a odd twist, he petitioned the judge involved in his case to impose sanctions against the RTC for acting irresponsibly in certain respects. But that request was denied.

64

Arms and the Men

Russia Combines War And Peace to Reclaim Parts of Its Old Empire

The Military Sells Weapons And Ministries Set Policy To Preserve Influence

Pop Music Instead of Gunfire

By NEELA BANERJEE
Staff Reporter of THE WALL STREET JOURNAL

DUSHANBE, Tajikistan – Three years after the splintering of the Soviet Union, Russia has reconstituted a version of the old U.S.S.R. through a canny and ruthless mix of war and peace.

The best example of how Russia combines its army's influence and its foreign ministry's peacekeeping is Tajikistan, a mountainous nation of five million bordering Afghanistan. In 1992, a ferocious civil war tore through the country. At the height of the conflict, Russia provided one side with the heavy weaponry needed to win.

As elsewhere, the reasons behind this form of Russian military intervention were simple: the chance for some of the Russian military to make lots of money, and to ensure an obedient, or at least friendly, neighboring regime. After the loss of the Soviet Union itself and forced to end its nearly 50-year military presence in Germany and Eastern Europe, the army realized "that empire can't exist without territory," says Sergei K. Oznobichtchev, head of the Center for International Security Problems at the USA-Canada Institute in Moscow.

Once the Russian arms sales in Tajikistan proved decisive, Russian troops there switched roles: Last year, more than 15,000 Russian soldiers and border guards took up positions as peacekeeping forces. More important, they established Russia's presence in Central Asia. Says Brigadier General Valery Patrikeyev, head of the peacekeepers, "Tajikistan's borders with Afghanistan are Russia's borders."

From Russia and Loved

In the capital of Dushanbe, several hundred Russian officers are billeted in the Hotel Tajikistan, whiling away their nights gulping vodka and occasionally brawling in the basement bar.

That kind of loud, swarming presence would anger the citizens of many occupied lands. But in Tajikistan, the Russians have won over most people by ending the civil war. After the Russians arrived, the sound of gunfire after dark has been replaced by bad Swedish pop music blaring from car stereos. Amid afternoon shoppers, Russian soldiers stroll, clearly unarmed, in their camouflage uniforms bearing the sky-blue peacekeepers' patch on their chests.

"It's a good thing that the Russians are here. If they left, that would be the end of Tajikistan," says Gulya Hassanova, 20 years old, who remained in Dushanbe through the war. "We don't see them as foreigners. We think of them as our own."

Russia's Foreign Ministry concedes that this pattern of military meddling, then peacekeeping, is beyond its control, for the Russian army holds the upper hand in a vital area: gun sales. Units located in the old republics routinely sell guns during civil-war conflicts, relegating the Foreign Ministry to mopping up with peacekeeping treaties once the outcome was clear. "The local army units have great influence in their own regions. They're like kings," says one senior Foreign Ministry official. "It's hard for the Ministry of Defense to control them, and it's even harder for us."

Indeed, diplomats and officers alike point out that the breakdown of authority plaguing the rest of Russian society is creeping into the once highly disciplined armed forces. Says First Deputy Foreign Minister Anatoly Adamishin, "Local units act with the approval of generals [in Moscow] – and often, without."

To be sure, the Defense Ministry formally bristles at suggestions that the army is beyond its control. Nevertheless, discussions with senior officials in the Russian government and military, Western diplomats and aid officials give convincing details of the military conducting far-flung intervention without ministry oversight.

Russian military meddling has been made easy by the fact that there are thousands of Russian servicemen remaining in former Soviet states. Russia has brought home some of these veterans of the old Soviet army in recent years, but the process of demobilization is slow, expensive, and few job prospects exist for the returnees.

When ethnic clashes broke out in several former states, Russian soldiers stationed there were told to remain neutral unless attacked. But no policy makers could stop them from dealing arms. Even senior Russian officers concede this occurs, although they dismiss such episodes as isolated. "We try to adhere to neutrality in these conflicts, because in theory, it's best," Gen. Patrikeyev says. "But adhering to it, in reality, is very hard. There are all kinds of people in the army, including criminals who sell arms."

Tajikistan is a land where people walk miles to fetch water and where donkeys are slightly more common than cars. But millions of dollars' worth of minerals lie below the arid earth, and Tajikistan supplies cotton to Russian factories. Moreover, once Russia lost Afghanistan, Tajikistan stood as Russia's buffer against South Asia.

In August 1992, long-buried clan and political enmities exploded. The war in Tajikistan was cast as a battle between neo-Communists and a coalition of intellectuals and moderate Muslims, but most observers agree that it was an old-fashioned clan fight: the Popular Front, supported by a clan that had supplied the Soviet elite, against the disenfranchised Garmis and Pamiris. Pitched battles centered on the city of Kurgan Tyube. The entire war was fought by bands of 7,000 to 8,000 men on each side, armed mainly with automatic rifles.

Military Meddling

At first, the Russians armed both sides, but they eventually grew suspicious of the Garmis' links with Muslims, fearing they would turn extremist if they came to power. Because the Popular Front had links to the old Soviet leadership of Tajikistan, it also had closer ties to the Russian army. The Russians ultimately aligned themselves with the Popular Front. In late 1992, just as it seemed that the Garmis would capture Kurgan Tyube, the Popular Front appeared in the field with 10 Russian tanks and armored personnel carriers, recalls a senior foreign diplomat in Tajikistan.

Russian army spokesmen portray the incident as a mutiny among soldiers in Kurgan Tyube who were sympathetic to the Popular Front, but the diplomat says that "every time there was a new battle, the Popular Front had more armored vehicles. They weren't just getting tanks, but spare parts and fuel, none of which would have been possible in a rebellion. There was a whole logistics train behind it, an obvious concerted effort down there by the Russians."

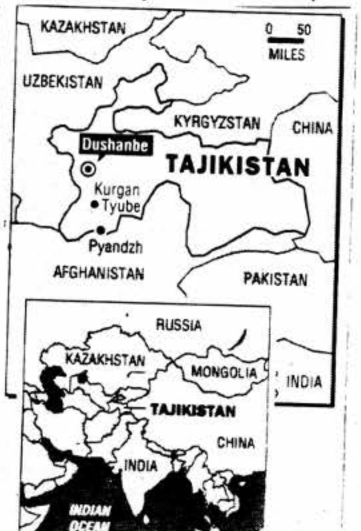
Within days, Kurgan Tyube ... Popular Front. By December 1... Popular Front won the war. Its suppo... now form the Tajik government and ... members are part of the Tajik Interior Ministry forces. The war left an estimated 20,000 dead and drove another half million from their homes.

Military Muscle

Tajikistan is only one in a string of conflicts that the Russians resolved in their own favor by applying some military muscle. In June 1992, ethnic Russians in the breakaway Moldovan province of Transdniester clashed with Moldovan government forces. Russia's 14th Army supplied men and heavy weapons to the Transdniester side. As a result, the Moldovan government forces were repelled and Transdniester is now a de facto autonomous state.

Also in 1992, Georgia was drawn into a war with its rebellious state of Abkhazia. While the Russian Foreign Ministry negotiated cease-fires between the Georgians and Abkhazians, Russian army officers supplied Abkhazian forces with tanks and armored personnel carriers. The Abkhazians violated the truce in October 1992 and defeated the Georgians. "Russia's official position was for the territorial integrity of Georgia," says Valerian S. Advadze, Georgia's ambassador to Moscow. "But it's widely known and acknowledged in Russia that Russian citizens fought in the war and that Russia supplied arms. It's the same all over the old republics."

Moscow now has more than 20,000 peacekeepers in Tajikistan, Georgia and Moldova. Indeed, some units accused of supplying arms in a particular country now constitute part of the peacekeeping forces there, such as the 201st Motorized Division in Tajikistan. But their past



65

RTC sued by four workers who tried to expose abuses

ASSOCIATED PRESS

Four officials of the Resolution Trust Corp. sued the savings and loan cleanup agency yesterday, accusing it of retaliating against them for trying to expose waste, fraud and abuse.

The four RTC employees, seeking protection under federal whistleblower statutes, want $2 million in damages. They include two lawyers from the RTC's Denver office, a Dallas-based lawyer and an asset manager in Valley Forge, Pa.

Others are contemplating joining the lawsuit, including L. Jean Lewis, the Kansas City, Mo., investigator who prepared criminal referrals that mentioned President Clinton in the case of a failed Arkansas savings and loan.

"Ultimately we anticipate having as many as 10 people in this suit," said Jeff Ruch, executive director of the Government Accountability Project, a whistleblower protection group.

"I have talked to the Government Accountability Project, and we are giving consideration to joining their lawsuit," said Michael Forshey, Mrs. Lewis' attorney. "We have not made a final decision yet."

The lawsuit, filed in U.S. District Court in Washington, says the RTC sytematically targeted for retaliation employees who testified before Congress, cooperated with General Accounting Office probes, or tried to alert the agency's inspector general to misconduct, waste, fraud and abuse.

The suit seeks an immediate injunction to end further harassment and asks that personnel records be corrected, back pay be issued and the plaintiffs be reinstated to their former posts. It also requests a court hearing within 20 days.

The lawsuit is the latest public relations debacle for the RTC, which has been under intense scrutiny in recent months for leaks involving several cases, including the investigation of Madison Guaranty Savings and Loan Association, the Arkansas thrift at the center of the Whitewater affair.

"We're aware of the lawsuit, but we have not seen it and we cannot comment specifically," RTC spokeswoman Felicia Neuringer said.

"This is like a RICO suit, except with the RTC, that stands for Retaliation Influenced Corrupt Organization," said plaintiff Bruce Pederson, a senior RTC lawyer in Denver who has twice testified about agency problems before the Senate banking committee. "It's a bureaucratic mafia."

RICO, the Racketeer Influenced and Corrupt Organizations Act, was intended as a legal weapon against mobsters and in recent years has been used by prosecutors in several financial cases unrelated to organized crime.

Within the past year, documents obtained by the Associated Press show, high-ranking RTC officials in Washington authorized a search of Mr. Pederson's office computer, which he says violated his privacy rights.

Another plaintiff, Denver lawyer Jacqueline Taylor, has been stripped of her management duties and ordered by the agency's senior lawyer not to talk to reporters about agency issues.

Richard Dunn, the asset manager, says that after he reported overcharges by independent contractors working for the agency, he was fired and placed under surveillance by detectives hired by the RTC.

The fourth plaintiff, Dallas lawyer Juan Luis Burgos-Gandia, is on administrative leave while agency officials review their decision to fire him. Mr. Burgos-Gandia says the RTC retaliated against him after he tried to alert officials to the fact that a law firm was overbilling the government by charging $1,000 an hour for S&L cleanup work.

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Clinton's pen works OT as summer winds down

President signs bills worth $120 billion-plus

By Frank J. Murray
THE WASHINGTON TIMES

While all eyes focused on the crime bill and the health care stalemate during Washington's August getaway, President Clinton quietly kept moving the paper that fuels government.

With little notice and no fanfare, the president signed into law 20 bills that will provide upwards of $120 billion for vital services as well as fluff and pork.

Among other things, the new laws:

- Give the Federal Trade Commission broad authority to curb "unfair" advertising except in public policy cases, such as restrictions on liquor or tobacco ads.
- Cut federal regulation of intra- and interstate trucking companies, which costs the industry and taxpayers $8 billion a year in "unnecessary regulatory" expenses, according to White House Staff Secretary John Podesta.
- Fund 1,000 or so Army Corps of Engineers water development projects members of Congress seek for their districts, and authorize $6.5 billion for airport improvements by the Federal Aviation Administration.
- Fund Radio and TV Marti with $25 million and the new Radio Free Asia with $10 million in an appropriation measure for the courts as well as the Commerce, State and Justice departments.

Mr. Podesta, who regulates the flow of legislation and other official messages to the Oval Office, said Mr. Clinton signed most of the 20 bills in the hours before departing for vacation — including 12 bills on getaway day.

They included the $13.8 billion foreign aid bill that allotted $50 million for Rwanda and $99 million for Jordanian debt forgiveness to reward King Hussein for acquiescence to Israel, which some senators didn't know was in the bill.

"I think it is unfortunate that, on two matters of significant national interest, the administration basically blindsided Congress," said Sen. Mitch McConnell of Kentucky, ranking Republican of the Appropriations Committee.

The FAA's $21.9 billion authorization also prohibits gambling on international flights, requests that the president prepare forces to defend South Korea and asks the Equal Employment Opportunity Commission to withdraw proposed guidelines on religious harassment.

A bill authorizing $75.3 million for hazardous materials transportation safety programs carried a provision eliminating requirements for trucking companies to obtain licenses and file tariffs from the Interstate Commerce Commission. Another bill completely unrelated to trucking effectively eliminates federal regulation of intra-state trucking.

Mr. Podesta has interrupted the presidential vacation with Federal Express packages requiring immediate action, such as the executive order setting up an emergency board to deal with the 7-week-old strike on Canadian Pacific Ltd.'s Soo Line Railroad and the proclamation on federal civilian pay raises.

As of yesterday, every bill delivered to the White House clerk from Congress had been signed and anything less than an emergency was being held until after Labor Day, Mr. Podesta said. A ceremony is planned for signing the crime bill.

"I'm holding a bunch of stuff. If it doesn't need to be done this week, I'm holding it. We're really trying to keep off his back," said the presidential assistant, who is a lawyer and a former staffer of the House Judiciary Committee.

He clears bills through the Budget Office and solicits formal clearance from affected agencies on whether Mr. Clinton should sign the bill, hold a ceremony or notify an affected party before writing a summary for the president.

Although Mr. Clinton enjoys leaving the impression that he knows all the details, Mr. Podesta admits the president has been stumped.

"I've sat there with him as he signed bills when he's asked 'What is this?' " Mr. Podesta said without saying which issues did the trick. "I don't think he knows everything that's in every bill."

Press releases are issued on a minority of the bills signed, but there seems to be no pattern in what is made public.

"It depends on the timing. . . . Generally, it's the things we disagree with that get written statements, such as when the president notes exception to a provision that amounts to a legislative veto," Mr. Podesta said.

Fugitive hid out with judge

By Brian Reilly
THE WASHINGTON TIMES

A1

A D.C. traffic judge last year may have unwittingly housed a fugitive who ran a multimillion-dollar drug network in Detroit before fleeing.

William "Big Mac" McReynolds, who is suspected of running a cocaine-and-heroin network in Detroit, stayed in the Bethesda home of Judge Leon Larue from December 1992 to January 1993, according to federal and Michigan authorities.

The judge, who has since retired, kicked out Mr. McReynolds after he "wore out his welcome," an investigator said. But authorities think Mr. McReynolds may still be hiding in this area.

Federal investigators met with Judge Larue, his sister and his girlfriend at his Topaz House apartment June 2 to try to learn where Mr. McReynolds went.

The judge's memory is faulty because he suffered serious head injuries last year in a car accident that forced his retirement, and he could not lead investigators to the fugitive.

Judge Larue could not recall

see **JUDGE**, *page A17*

JUDGE

From page A1

how he knew Mr. McReynolds, according to documents obtained by The Washington Times. The judge remembered he had known him "for a long time."

"We don't know how that friendship developed, but the judge used to go out to Detroit to visit Bill, and Bill visited the judge," said Ellis Stafford, a Michigan State Police detective who interviewed the judge.

The link to the judge is the only solid account of Mr. McReynolds' whereabouts since he dodged Michigan police nearly two years ago.

"We've run into a dead end," said a federal agent searching for Mr. McReynolds. "Since he left Larue's, we've had a real cold trail."

Detective Stafford said Mr. McReynolds was far from a typical drug dealer. He owned a small market in Detroit. He favored the most expensive restaurants and was an avid golfer, skier and boater. He often took trips to Europe.

He is savvy and articulate, the detective said. He never was violent and never carried a gun.

"All things being as they are, he's a cut above," Detective Stafford said. "That's why so many people never suspected him."

Michigan State Police raided Mr. McReynolds' Detroit condominium Nov. 25, 1992. They did not find him but seized $2.7 million in assets, including two homes and a 48-foot powerboat.

"He's been on the run ever since," Detective Stafford said.

Mr. McReynolds, 45, is probably still living the good life, dining at fine restaurants and boating, investigators said.

William McReynolds favored the most expensive restaurants and was an avid golfer, skier and boater.

"He's a very high-profile guy and loves sailing," a federal agent said.

Detective Stafford said that if he is not in the District, Mr. McReynolds might have headed to the Caribbean, where he would revel in the beaches and nightlife.

Mr. McReynolds' girlfriend, who works at a U.S. Equal Employment Opportunity Commission office in Detroit, told investigators she does not know where he is.

With John Yopp of Arizona, Mr. McReynolds is suspected of bringing up to 2,200 pounds of cocaine and heroin — worth approximately $20 million on the street — to the Detroit area from California, according to a warrant for his arrest. Police broke the drug ring two years ago, ending an 18-month investigation of Yopp and Mr. McReynolds.

Yopp has been sentenced to life in prison, and seven others have been arrested. Mr. McReynolds, who faces life if convicted, is the only loose end.

Detective Stafford suspects Mr. McReynolds is in the Washington area. He noted that Mr. McReynolds came to the District several times over the years and was arrested and charged with assault in Alexandria in 1977. The outcome of that charge could not be determined last night.

Mr. McReynolds is 6 feet tall and weighs about 180 pounds. A task force of police and federal agents known as the Southeastern Michigan Conspiracy Organization is offering a $5,000 reward for his arrest.

Anyone with information on his whereabouts should call the D.C. Joint Fugitive Task Force of police and federal agents at 202/252-7278.

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