

PM-Whitewater-D'Amato,0280

D'Amato Awaiting Fingerprint Data On Mrs. Clinton's Billing Records

AP Photo NYR106

NEW YORK (AP) Sen. Alfonse D'Amato says he's awaiting FBI fingerprint data on some of Hillary Rodham Clinton's billing records from her former law firm.

D'Amato, who heads the Senate Whitewater Committee, said Sunday that the list should be compared to people who have testified before the committee about the records.

''There are several other people who testified they never saw them,'' D'Amato said after an appearance on ABC-TV's ''This Week with David Brinkley.''

The billing records detail Mrs. Clinton's work at the Rose Law Firm for Madison Guaranty Savings and Loan, the failed Little Rock thrift owned by James McDougal, the Clintons' partner in the Whitewater real estate venture.

McDougal faces 84 years in prison and \$4.5 million in fines following his conviction last week on fraud charges by a federal jury in Little Rock.

The Republican-led committee recently subpoenaed independent prosecutor Kenneth Starr for the FBI analysis of the fingerprints. Under an agreement with Starr, the committee would be told whether the FBI has identified the fingerprints of 25 named people on the billing records: President Clinton and Mrs. Clinton, former deputy White House counsel Vincent Foster, who committed suicide in 1993, and 22 other people, most of them current and former White House aides.

The records which prosecutors had sought for two years and which the White House said were lost were discovered by an aide in the White House living quarters last August and turned over in January.

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PHOTOCOPY
PRESERVATION

PM-Whitewater-Poll,580

Poll: Whitewater Verdicts Have Little Impact On Clinton's Standing

Eds: Moved for AMs during the weekend; available for PMs

tp2wdc

WASHINGTON (AP) Fewer than a quarter of Americans believe the Whitewater matter is a serious issue for the country to resolve, while more than 60 percent see it as a case of partisan politics, according to a new poll.

The Newsweek poll released Saturday was of 761 adults, 622 of them registered voters, also found that the Whitewater verdicts had caused little significant change in President Clinton's standing with voters, even though 58 percent of those polled said they think the Clinton administration knowingly covered up information about Whitewater that could be damaging to the president or Hillary Rodham Clinton.

If the elections were held today, Clinton would receive 49 percent of the votes, while Sen. Bob Dole, the presumptive Republican nominee, would get 32 percent, according to the survey. Ten percent would choose a third party candidate. That was a drop of three points each for Clinton and Dole and a gain of four points for a third party candidate from a week earlier.

Sixty-four percent of the respondents said they thought of the Whitewater affair as a case of partisan politics, while 23 percent considered it as a serious issue for the country to resolve, according to the survey. Those figures were essentially unchanged from March 1994.

The findings of the Newsweek poll mirror those of a CNN-USA Today-Gallup poll released Thursday, two days after an Arkansas jury returned guilty verdicts on 24 charges against Arkansas Gov. Jim Guy Tucker and two of Clinton's former Whitewater business partners.

If Dole proposed a major tax cut, 19 percent of the registered voters would be more likely to vote for him, compared with 66 percent who said it would make no difference and 13 percent who said they would be less likely to vote for him, according to the Newsweek poll.

The Newsweek poll had an error margin of plus or minus four percentage points for the total sample and five points for the registered voters.

A separate Time-CNN poll released Saturday indicated that a quarter of voters who supported Republican congressional candidates in 1994 would vote for Clinton if the election were held today, up from 14 percent who were asked the same question last October.

The poll of registered voters also found that 41 percent said Republicans in Congress are going too far in proposing legislation that would benefit the wealthy.

However, 63 percent of the respondents disapproved of the way Clinton was handling his job as president, and 53 percent believed the president was more to blame for the government shutdown during budget negotiations than the Republicans in Congress.

Looking at the presidential race, 49 percent said the country's economic problems will be the decisive factor in determining who they would vote for. Thirty-nine percent cited moral issues.

The polled voters were drawn from a fixed sample of nearly 5,000 voters who will be tracked throughout the presidential campaign to determine election trends.

Among the 831 respondents who voted for GOP congressional candidates in 1994, 533 are Republicans, 200 are independents and 82 are Democrats. The poll, conducted May 24-28, has an error margin of plus or minus 3.5 percentage points.

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The Nation

Whitewater Enters Its Season of Danger

By STEPHEN LABATON

BURIED in an otherwise mundane letter three weeks ago, Kenneth W. Starr, the independent counsel investigating the Whitewater affair, dismissed the White House's single most important political defense, and offered a tantalizing new clue about the direction of his secretive inquiry.

In the letter, Mr. Starr made clear that his office disagreed with a Government report that the Clintons have said vindicates them of wrongdoing. That report found no evidence that President Clinton, Hillary Rodham Clinton or others had been involved in improperly diverting money from an ailing savings association into the Whitewater land venture.

"The people doing that report did some good work," the usually taciturn prosecutor quoted his deputy, the day-to-day supervisor of the investigation, as saying. "However, they were doing it from a different perspective than what we're doing. We would not agree with all their conclusions. We do have some facts that they apparently did not have."

There was no elaboration on the report, prepared by regulators and the law firm of Pillsbury, Madison & Sutro. But it's now clear that this will hardly be the final word on Whitewater.

After the fraud convictions last week of the Governor of Arkansas and the President and First Lady's former business partners — the first verdict in the 30-month Whitewater inquiry — the questions now are 1) what's next? and 2) how much new legal or political danger do the Clintons themselves face?

Judging by the Starr letter and other recent events, the answers are 1) a lot, and 2) same as answer 1.

It may be months before Mr. Starr finishes his inquiry, and it still could end without new indictments. But consider what has happened in the last few weeks, and what is scheduled to occur over the next month.

Mr. Clinton has provided sworn testimony that he played no role in what a jury of 12 Arkansans has concluded was a fraudulent \$300,000 loan, almost \$50,000 of which was used for Whitewater expenses. The Clintons' ex-business partners, James McDougal and his former wife, Susan, now face significant prison time and enormous pressure to cut a deal for leniency.

Of course, even if they decide to reverse themselves and implicate others, the McDougals would face huge credibility problems now that they are convicted felons. Still, other witnesses in the investigation who have not been convicted, wary of Mr. Starr's newly emboldened staff, may be encouraged to offer more evidence than they have to date; they now know there is not necessarily a home-court advantage when the independent counsel decides to make a Federal case in Arkansas.

More Video Testimony

A new grand jury was convened in Little Rock last month — apparently a new phase in Mr. Starr's inquiry, since some prospective jurors were reported to have been asked by prosecutors what they knew of various Whitewater matters. And a separate grand jury in Washington continues to examine whether anyone at the White House obstructed justice by failing to turn over copies of billing records from Mrs. Clinton's law firm. The records describe Mrs. Clinton's legal work for the savings association operated by the McDougals.

On June 17, two Arkansas bankers appointed to patronage jobs by Gov. Bill Clinton will go on trial for laundering money in his 1990 gubernatorial campaign. The President has been subpoenaed to testify, and the White House says he intends to provide videotaped

deposition, like he did in the trial just concluded.

White House aides have said the President had no knowledge of any improper conduct by the bankers. Still, Mr. Clinton's deposition will create yet another record of presidential testimony for aggressive prosecutors to scrutinize. (He is already opposing efforts by TV networks to obtain copies of the first deposition.)

Around the time the money-laundering trial begins, the Senate Whitewater Committee is expected to conclude its work and issue a report. The committee's chairman, Senator Alfonse M. D'Amato, said in an interview last week that he intends to seek a vote to grant immunity to David Hale, a self-confessed felon who was been sentenced to spend 28 months in prison. Mr. Hale has already testified in the McDougal case that he was asked by Mr. Clinton to make the \$300,000 Federally

backed loan to Mrs. McDougal, a loan that was supposed to be made only to the economically disadvantaged.

Senator D'Amato last week wrote Mr. Starr asking whether granting immunity to Mr. Hale and having him testify would impede the counsel's investigation. But even if Mr. Starr gives Mr. D'Amato the go-ahead, the Whitewater committee isn't likely to muster the three Democratic votes for the two-thirds majority it would need to grant immunity to Mr. Hale.

Beyond the fray in Congress, Mr. Starr's staff shows no signs of letting up. Four years ago, Mr. Clinton's presidential campaign concluded that it had put Whitewater behind it. Now, with Mr. Clinton again preparing to claim his party's nomination, Mr. Starr has just hired more prosecutors, hardly the kind of thing done by an independent counsel winding up his business.

Whitewater Verdict Didn't Taint the Clintons

To the Editor:

In his May 30 column "Partners in Crime?" William Safire falsely states that the jury in Little Rock "ignored the President and believed the crook." All but one of the jurors who commented about President Clinton's testimony said they found it to be credible but had not relied on it because it was irrelevant to the charges. They also said they disregarded or disbelieved the testimony of the convicted felon David Hale.

Lacking evidence of wrongdoing by Mr. and Mrs. Clinton, Mr. Safire relies on guilt by association, referring to various people under prosecution in Arkansas as "associates" of the Clintons. Typically, he fails to point out that the charges allege no wrongdoing by the Clintons.

Then he lists Federal crimes like obstruction of justice and perjury that "may" be filed against the Clintons. Will Mr. Safire ever decide that, in fairness, he should refrain from accusations of criminality against President and Mrs. Clinton until he can cite credible evidence to support them?

LARRY J. DAVIS

Washington, May 30, 1996

The writer, a lawyer, is an ex-Democratic National Committee member.

Don't Run Again

To the Editor:

In light of what seems never-ending harassment by his enemies, President Clinton should do the right thing for himself and the Democratic Party by not running for re-election.

The Paula Jones lawsuit is finding its way to the front pages this election year; the Whitewater "scandal" persists, after almost three years, millions of dollars and not one example of illegal activity on the part of Mr. or Mrs. Clinton; and we have a Republican partisan special prosecutor, Kenneth Starr, in no hurry to wrap up his investigation.

Most of the anti-Clinton hysteria comes from people still sore over the 1992 election. Why not allow someone like Al Gore or Bill Bradley to take over, and let's see who wins in November?

DANIEL TORLUBOFF

Cedar Park, Tex., May 30, 1996

Hot Springs Reborn

To the Editor:

Re Manroen Dowd's slicing comments about the Clintons in "Hot Springs Eternal" (column, May 30): In the 1930's and 40's, Hot Springs,

Ark., could possibly have been described as a "hangout of gamblers and rascals." By 1952, when Bill Clinton arrived there as a small boy, change was already under way, and by the late 1980's the town was shut tight and has been strictly on the up and up ever since.

To any child there, Hot Springs made a lovely little case study of how government can work: an economy can be overhauled, and the law enforced, when the people have a mind to do it. Too bad more of our politicians (and communists) didn't grow up there.

SHIRLEY ARBETT

Haydenville, Mass., May 30, 1996

No Time for Siblings

To the Editor:

Frank Rich's skewering of the proclaimed family values of both the Doles and the Clintons was a delight (column, May 29). Missing only was the question I had when I read of Mrs. Clinton's avowed yearning to give Chelsea the experience of having a sibling: How much time would any 16-year-old going off to college in two years have with any new family member?

B. MCKENRITH BULKE

Palo Alto, Calif., May 30, 1996

From New England, an S O S for R's

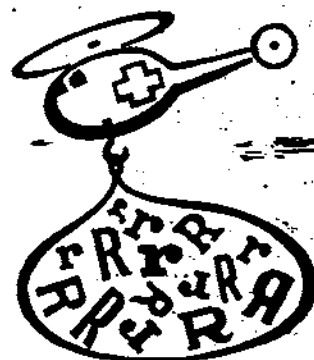
To the Editor:

I am a New Yorker in exile, living in northern New England for the past eight years. Perhaps you have heard the rumors, but the dearth of R's here is much more serious than can be appreciated by any outsiders. New Englanders call it the death of Oz.

Tough Yankees have performed as well as can be expected in this vacuum, but identity confusion reigns. When it comes time for invitations, is your next-door neighbor's name Mark or Mack?

There is gender confusion, too. Are the lifeguards at the lake gossiping about Barney or Bonnie?

We are at risk of losing touch with the outside world. I ask that New Yorkers open your hearts, you who dwell in R abundance. Could some foundation please collect some of your excess R's and ship them to us?



James Williams

We are holding out, but can only last so long.

THOMAS E. LAWLESS

Antrim, N.H., May 30, 1996

Trust in Zyuganov Is Naïve and Ominous

To the Editor:

Respect for the Russian writer and Gulag veteran Andrei Sinyavsky borders on reverence. But his comments on the forthcoming election ("Worse Than Communists," Op-Ed, May 30) are politically naïve.

Mr. Sinyavsky and other former dissidents broke with the Government after the shelling of the Parliament in October 1993 and the attack on Chechnya the following year. While writers in the ultra-nationalist camp have had no scruples about throwing their weight behind Gennadi Zyuganov, Boris Yeltsin has received little support from the more progressive literary factions.

Mr. Sinyavsky may have taken the moral high ground on this question by choosing to back Mikhail Gorbachev. But while such righteous behavior has always been highly valued in Russia, it is not what the nation requires during this important election process.

Mr. Sinyavsky discounts fears that a Communist victory would bring back the "Iron Curtain, censorship, the Gulag [and] persecution of dissidents." Perhaps not. But Zaytra, the newspaper most responsible for Mr. Zyuganov's platform, began its coverage of the Communist victory in the parliamentary elections last December with the mocking phrase: "Hanukkah has been spoiled," and the paper's demonization of Jews and other "non-Russians" has been echoed in Mr. Zyuganov's writings and speeches.

If the Yeltsin camp is using scare tactics to warn about the possible consequences of a Communist victory, perhaps that is because there are aspects of Mr. Zyuganov's agenda that are truly frightening.

KATHLEEN PARTHE

Princeton, N.J., May 30, 1996

PM-AR--Whitewater-Suspicious Juror, Ark Bjt, 700
Juror Says Pretrial Suspensions Played Part in Verdict
tp2fonatf

By DAVID A. LIEB- Associated Press Writer-

LITTLE ROCK (AP) A Whitewater juror says she suspected wrongdoing by President Clinton's friends before hearing testimony, and her suspicions probably had "a little bit of" influence on her decision to judge them guilty.

Attorneys for Gov. Jim Guy Tucker and Susan McDougal, convicted this week in the Whitewater trial, said Greer's acknowledgment that her suspicions partially influenced her verdict could be grounds for reversal.

Janice Greer said a news article she read shortly before the trial seemed to implicate the defendants as well as President and Hillary Rodham Clinton and that the impression stayed with her during the trial.

The suspicions "probably played a little bit of a part" in her verdict, Greer said in interviews this week.

Greer, 47, gave no hint of her suspicions when, under oath, she answered questions put to her by prosecutors and defense attorneys before the trial.

She swore March 5 that she had no negative feelings toward Clinton or the defendants. On Tuesday, the jurors convicted Tucker, Mrs. McDougal and her ex-husband, James, on fraud charges.

"That could be a pretty serious admission that was not disclosed in voir dire," said Tucker's attorney, W.H. "Buddy" Sutton. Voir dire is the questioning of sworn potential jurors.

During jury selection in March, Sutton asked Greer if she had read anything about Whitewater "that gives you a negative feeling where you say there must be something to it there's been so much said about it?"

"I really don't keep up with it," Greer answered.

She said Wednesday that she read an article in the Arkansas Democrat-Gazette shortly before she was called for jury duty.

That was the first time she had heard of Whitewater or anything relating to it, Greer said, adding she didn't read or hear anything about the trial after it was under way.

She said she remembered from the story "that Hillary (Clinton) purchased some of the land."

In interviews this week, when asked if she suspected Mrs. Clinton had done something wrong, Greer said, "Yes."

Of President Clinton, she said: "I think he had something to do with it, I really do, that's my own opinion. I think he ought to be man enough to face it he and his wife instead of letting other people take the blame."

President and Mrs. Clinton have not been charged.

Greer said that, based partly on the article she read before the trial, she had suspicions about the McDougals and Tucker.

She said "yes" in an interview when asked if she thought before the trial that the defendants probably had done something wrong.

Her suspicions played a part in her verdict, she said. "I think it did a little bit, but not a whole lot," she said. Another time in the interview, she answered, "It probably played a little bit of a part, but not much."

Greer told the court in March she could judge the case fairly. This week, she said she believed she did, despite her suspicions. She said she saw no problem with carrying her suspicions to the jury room.

During jury selection, she said "No" when asked by assistant independent prosecutor Amy St. Eve, "Is there anything that would prevent you from being a fair and impartial juror?"

Sutton said he would have sought to bar a juror who mentioned such suspicions.

"You wouldn't accept a juror like that that's exactly the sort of thing you are looking for that's what voir dire is for," Sutton said.

Sutton and defense lawyer Bobby McDaniel said defense attorneys try to weed out jurors who have any opinion no matter how mild about a defendant's

alleged wrongdoing.

"You are entitled to a clean slate when you go in there. If you've got jurors with their minds made up or preconceived notions, it could be pretty dangerous," said McDaniel, a lawyer for Mrs. McDougal.

McDougal's attorney, Sam Heuer, declined comment.

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PHOTOCOPY
PRESERVATION

PM-Whitewater-Suspicious Juror, 0330

Juror Says Pretrial Suspicions Played Part in Verdict

By DAVID A. LIEB= Associated Press Writer=

LITTLE ROCK, Ark. (AP) A Whitewater juror says a newspaper article she read shortly before the trial planted suspicions in her mind that probably had "a little bit" of influence on her decision to convict.

Her admissions could be grounds for reversal of this week's convictions of Gov. Jim Guy Tucker and James and Susan McDougal, attorneys said Thursday.

Janice Greer, a licensed practical nurse from Traskwood, Ark., also said she thought the President and Hillary Rodham Clinton were involved.

"I think he had something to do with it, I really do, that's my own opinion," Greer said. "I think he ought to be man enough to face it he and his wife instead of letting other people take the blame."

Greer, 47, said a news article she read seemed to implicate the defendants as well as the president and Mrs. Clinton and that the impression stayed with her during the trial.

The suspicions "probably played a little bit of a part" in her verdict, Greer said in interviews this week.

"You wouldn't accept a juror like that that's exactly the sort of thing you are looking for that's what voir dire is for," said Tucker's attorney, W.H. "Buddy" Sutton. Voir dire is the questioning of potential jurors.

"It's a very strong potential ground for a new trial and or a reversal," said Bobby McDaniel, a lawyer for Susan McDougal.

During jury selection, Greer said "No" when asked if she had read anything that would prevent her from being a "fair and impartial juror." And when asked if she had read anything about Whitewater that gave her a negative feeling about the case, she said "I really don't keep up with it."

This week, she said of her suspicions playing a role in the verdict: "I think it did a little bit, but not a whole lot."

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(ATTN: Editorial Page editors)
Whitewater Yields Grist for the Mills of Campaign '96
- (c) 1996, Los Angeles Times-

The following editorial appeared in Thursday's Los Angeles Times:

A public that according to opinion polls has until now found the Whitewater case complex, confusing and less than compelling can nonetheless expect to hear a lot more about it between now and Nov. 5. The convictions in Little Rock, Ark., on various felony charges of James B. and Susan McDougal, former business partners of President and Mrs. Clinton in the Whitewater real estate project, and of Arkansas Gov. Jim Guy Tucker assure that the matter will play a significant political role in the coming campaign.

The Clintons were not involved in any of the allegations brought against the McDougals or Tucker, which chiefly involved the improper transfer of money from a federally insured lending institution to fund various real estate deals. But the Little Rock verdicts, along with continuing investigations by independent counsel Kenneth W. Starr, inevitably will cast a shadow over the president's campaign image.

Clinton has already been subpoenaed to testify in another trial next month, this one involving the owners of a small bank charged with hiding political contributions when Clinton was Arkansas' governor. Still unfolding are investigations involving certain of Hillary Rodham Clinton's activities both in Arkansas and during her time in the White House.

Where these investigations might lead is uncertain. At a minimum they promise to be a distraction for the president; potentially, they are politically explosive. Certainly eager Republican campaign organizers intend to use Whitewater, whatever the president's involvement, as a vehicle for raising anew questions about his character and credibility. Whether voters will begin paying closer attention probably depends not so much on what GOP spinmeisters say. It depends on what substantive evidence Starr's dogged investigation, undeterred by the criticism it has received, is able to lay before the public. From some indications, there could be plenty to ponder.

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PHOTOCOPY
RESERVATION

3 Air Force commanders relieved of command due to Brown crash By Michael E. Ruane Knight-Ridder Newspapers(KRT)

WASHINGTON Three Air Force commanders who oversaw the squadron that flew Commerce Secretary Ron Brown and 34 others to their deaths in Croatia last month have been relieved of command, the Air Force announced Thursday.

It was the first official punishment to come after the April 3 crash of the Air Force transport plane that slammed into a mountain during a storm outside the city of Dubrovnik.

The Air Force has been hurrying a massive investigation into the disaster, which is now complete enough and clear enough to warrant the disciplinary action, officials indicated. The probe is to be made public in about a week.

The Air Force did not say precisely why the men were relieved, but said their commander had lost confidence in their ability "to effectively discharge their responsibilities."

Many questions were raised after the crash, including why top officials were being flown in a 22-year-old airplane; why the plane had no "black boxes" to record voices and flight data; why the crew acted against Air Force landing guidelines; and why they tried to fly in a storm to an unfamiliar airport that had primitive navigational aids.

The pilots, who were apparently trying to use those aids to make an instrument approach, drifted well off course and wound up 1.8 miles northwest of Dubrovnik's Cilipi airport runway, crashing on a 2,300-foot-high mountain.

Everyone aboard the plane, which was a military version of the Boeing 737, was killed.

The Air Force identified the three officers who were relieved as Brig. Gen. William E. Stevens, the commander of the 86th Airlift Wing, based in Ramstein, Germany, and his two chief deputies: Col. Roger W. Hansen, the wing's vice commander, and Col. John E. Mazurowski, who directed the wing's daily flying operations.

The action against them was taken by Maj. Gen. Charles R. Heflebower, commander of the 17th Air Force in Europe.

A Pentagon spokesman, Air Force Col. Doug Kennett, noted: "The action that's taken ... does not infer any judgment regarding the cause of the accident or the involvement of these three individuals. It indicates simply ... lost confidence in their ability to carry out their duties."

"We say that they've been relieved of command," he said. "They have not been forced out of the service in any way, shape, or form, and they're awaiting reassignment."

Brown and an entourage of Commerce Department officials and private businessmen were aboard an Air Force CT-43 transport jet being flown by the 76th Airlift Squadron, one of the 86th wing's two flying squadrons.

Stevens, Hansen and Mazurowski were thus the senior officers responsible for the Brown flight.

(EDITORS: NEXT 2 GRAPS OPTIONAL TRIM)

"Ultimately General Stevens is of course responsible for anything and everything that happened in his unit, his wing, regardless of which unit in his wing," Doug Moore, a spokesman for the U.S. Air Force command in Europe, said in a telephone interview Thursday.

"Of course, Hansen is in that chain of command, and then Mazurowski was in that chain of command, too."

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Stevens, who has had a distinguished, 25-year Air Force career, was in the news shortly after the Brown crash when it was revealed that he had fired the 76th squadron's commander five days before the crash.

The military newspaper Stars and Stripes reported at the time that the commander, Lt. Col. James Albright, had been fired after he voiced concerns about the safety of flying dignitaries around the former Yugoslavia.

Stevens said he had fired Albright because he regularly operated outside the chain of command. Both men agreed that Albright's safety worries concerned gunfire from hostile ground forces in the former Yugoslav republic.

It not Thursday if anyone else might be punished in connection with the crash, or if further measures might be taken against the three officers.

(EDITORS: STORY CAN TRIM HERE)

In other serious mishaps, Article 32 investigations similar to grand jury probes have been ordered, followed by court-martials on criminal charges.

In the 1994 "friendly-fire" shootdown of an American helicopter by American jet fighters over Iraq, serious charges including negligent homicide were lodged against six officers. But only one was court-martialed, and he was acquitted last June.

"The Air Force has been very clear, and (Chief of Staff) General (Ronald R.) Fogleman, as you know, has been very clear about accountability as being one of the most important things within the military service and in the Air Force," according to spokesman Kennett.

"If anyone else needs to be held accountable, I'm sure they will. But we certainly don't know at this juncture and I wouldn't want to speculate. We will very soon have an accident report and that should have all the facts for us."

Since the disaster, Defense Secretary William Perry has ordered that all military passenger planes be equipped with so-called "black boxes," which record voice and data and can help investigators find the cause of crashes and with better on-board navigation equipment to prevent catastrophes in the first place.

Whitewater counsel seen as conservative Republican activist By Aaron Epstein Knight-Ridder Newspapers (KRT)

WASHINGTON For Kenneth Winston Starr, it was a moment to savor.

A hard-working Arkansas jury had convicted President Clinton's former business partners in the first Whitewater trial, demonstrating that the much-ridiculed scandal involved real crimes and actually could infect Clinton's re-election campaign.

Starr, the Whitewater independent counsel whose Republican activism and anti-Clinton clients have generated charges of partisanship, was careful not to gloat or claim personal vindication.

It was, at once, the ideal melding of the two sides of Ken Starr: the judicial man and the political man.

A bright, gracious lawyer and former judge with a reputation for thoroughness and integrity, the judicial Starr rose so rapidly through the Republican firmament that he figured to realize his ultimate goal: the U.S. Supreme Court before he was 50.

But something political happened on his way to becoming Mr. Justice Starr. President Bush filled a Supreme Court vacancy in 1990 with the less controversial David Souter. Then, in 1992, voters sent Democrat Bill Clinton to the White House, and Starr put his ambition on hold.

Now Starr, who will turn 50 on July 21, is a potential time bomb that will continue to tick away or go off during the 1996 presidential race.

Will he be able to persuade one or more defendants to furnish damaging testimony against the Clintons in exchange for leniency? Will coming trials or inquiries into Hillary Rodham Clinton's law-firm billing records ensnare the White House in a Whitewatergate coverup?

And if that were to happen, would Americans perceive it as a fair-minded act by the judicial Starr or as a biased ploy by a less-than-independent prosecutor?

The political Starr has not only contributed to various Republican candidates, but considered a run of his own for the Republican nomination for U.S. senator from Virginia, where he lives with his wife, Alice, and their three children.

He volunteered to help a conservative group's argument that Clinton was not immune from a sexual-harassment suit. He endorsed a Republican candidate in a partisan letter that attacked the president for being involved in "personal scandals."

He did legal work for a tobacco company opposed to

foundation that helped finance the American Spectator, which published an Arkansas state trooper's allegations of womanizing by Clinton while he was governor.

In recent months, Starr has run into flak over his unwillingness to stop his lucrative law practice or at least cut off corporate clients doing business with the government.

Eager to muffle his critics, Starr hired an ethics adviser, former Senate Watergate Committee counsel Samuel Dash, who said Starr might have made mistakes of judgment but did nothing unethical.

But even if he does the independent counsel's job beyond reproach, some observers believe he'll never reach the highest court, even in a Republican administration.

"This job is not well-suited to his long-term career goal," said Andrew Schwartzman, executive director of a telecommunications public-interest law firm and an admirer of Starr's legal competence and craftsmanship.

"It has dashed any opportunity to get confirmed ... Democrats in the Senate would blame him (for Whitewater) and sit on the nomination and it would be bloody and awful."

(EDITORS: STORY CAN TRIM HERE)

Born in Vernon, Texas, the son of a Baptist minister, Starr attended a Christian college in Arkansas for 18 months, then headed north. He studied political science at George Washington University, then graduated from Duke University Law School at the top of his class in 1973.

He clerked for a federal judge in Miami for a year, then for Chief Justice Warren Burger from 1975 to 1977. At the huge Los Angeles law firm of Gibson, Dunn & Crutcher, Starr's association with William French Smith brought him to the attention of Smith's most famous client, Ronald Reagan.

Starr joined President-elect Reagan's transition team and became counselor to Smith, Reagan's attorney general. In 1983, with the blessing of Smith and Reagan, Starr became the youngest judge ever to serve on the powerful federal appeals court for the District of Columbia. He was 37.

He was a member of an extraordinary cast of jurists that included future Supreme Court Justices Antonin Scalia, Clarence Thomas and Ruth Bader Ginsburg, almost-justice Robert Bork, and Abner Mikva, who was the Clinton's White House counsel until retiring last November.

Somewhat reluctantly, Starr left the bench in 1989 to become the Bush administration's chief advocate at the Supreme Court.

In each of his major jobs—Justice Department counselor, federal appeals judge, solicitor general—Starr was regarded as generally conservative, but with a streak of independence.

David L. Shapiro, a Harvard Law School professor who worked for Solicitor General Starr from 1989 to 1991, said Starr "rarely overturned us even when it was clear that the recommendations I and other lawyers made were not popular in other agencies or in the White House."

After Clinton's election, Starr returned to private practice, relative obscurity and earnings believed to be close to \$1 million a year.

But he didn't stay out of the limelight long.

In 1994, he agreed to use a \$6 million annual budget to supervise about 20 prosecutors and more than 50 FBI and IRS agents in an open-ended hunt for Clinton administration-related crimes. The quest, convicted Whitewater defendant James McDougal predicted last week, may "go on and on ... like the tale of the Ancient

The Old Dole bids welfare as cause of domestic violence By Jodi Enda Knight-Ridder Newspapers(KRT)

CHICAGO The New Bob Dole took a stroll up swanky Michigan Avenue on Thursday, joshing with tourists, donning a cap that proclaimed the glory of the Bulls, pulling his horoscope out of a bucket.

The Old Bob Dole went to a poor, minority neighborhood afterward, bemoaning the rise in domestic violence but offering no new ideas to fix it, blaming abuse on the welfare system and drawing the ire of an advocate who said rich women are victims, too.

Though his aides continue to herald the arrival of a fresh, Outside-the-Beltway Bob, a Bob who publicly exhibits his personality and compassion, the Senate hasn't completely left the soon-to-be-ex-senator.

Even when the New Bob Dole said voters needed to learn more about him, the Old Bob Dole couldn't figure out what they should know. "Beats me," he told reporters on his campaign plane.

The two sides of Dole were painfully apparent Thursday. After a brief morning meeting with Lech Walesa, the former president of Poland

and now, Dole noted, "just an electrician" the presumptive Republican presidential nominee took a jaunt walk on several blocks of Chicago's prime shopping district.

Surrounded almost entirely by Secret Service agents and television camera crews, Dole managed to shake some hands, make small talk with shoppers and pick out a purse for his wife, Elizabeth, for which he sheepishly asked an aide to pay.

The lighthearted banter shifted promptly when Dole and Illinois Gov. Jim Edgar rode in a motorcade from Michigan Avenue to Lawndale, a poverty-stricken neighborhood about 30 minutes southwest that residents say has been all but incapacitated by gangs and drugs. There, in a small room in the Anton Dvorak Elementary School, Dole met privately with counselors and advocates for victims of domestic violence, the latest in a string of crime issues he is highlighting in this week's campaign swing.

Dole then briefed reporters about his meeting and voiced his concern for victims of abuse. He talked about how, as county attorney in Russell, Kan., some 40 years ago, he had to take children from their parents.

"My experience was a long time ago. It's gotten worse," he said.

But he got into a jam when he tried to explain why.

"I frankly think a lot of it's been the failure of the welfare system, which was apparently designed to fail," Dole said. "We spent trillions of dollars in the welfare system and we've seen the problems mushroom ... My view is we need a radical change. We've had a total breakdown in this country. It's a total disaster, the welfare. Nobody can defend the present welfare system."

Pressed to explain what welfare had to do with a problem that crosses economic lines, Dole said: "It has a lot to do with domestic violence. What we want to do is get people who can work, get back to work. Able-bodied people ought to work."

Dole, who has espoused overhauling welfare by limiting benefits and encouraging personal responsibility, said he wanted to "provide a whole new outlook for people on welfare as far as gaining their self-esteem and their dignity, give them opportunities that have been denied."

The answer did not sit well with Berta Hinojosa, who coordinates a domestic-violence program and participated in the private meeting with Dole.

"Can I please reply?" Hinojosa called over the cacophony in the cramped room. "I just want to mention that what I hear is you're making it that only people who are on welfare are victims of domestic violence."

"Oh, I didn't suggest that at all," Dole said in the kind of low, mumbling tones he uses on the Senate floor.

"I'm just suggesting that's one way we can ..."

"That's one way," Hinojosa interjected. "Because I work with a whole scope of people in the community, and let me tell you, I don't think that domestic violence

R. EMMETT TYRRELL JR.

PAUL GREENBERG

Moving forward from Little Rock

Ripples in Paris

PARIS

Revolution is in the air! Grasping, selfish, establishments are under siege! From Arkansas comes the welcome news that one of America's oldest and most corrupt establishments is being threatened by a jury of ordinary people and by a rarity in them there parts, an apparently incorruptible judge. Here in Paris a new and until now burgeoning establishment is being threatened by an enormously wealthy self-man wielding ideas that a strangely American, Sir Goldsmith.

First, review the glad tidings of Little Rock. The Clintons' partners in the Whitewater scam, James and Susan McDougal, and President Clinton's successor as Arkansas governor, Jim Guy Tucker, have been found guilty of fraud by an Arkansas jury. As readers of this column might know, I followed this case with utmost attention. Why other journalists have been so

President Clinton's testimony on the defendants' behalf was not believed

careful mystifies me. The case is very important, though its outcome has been uncertain. For weeks my agents in and around Little Rock have sent me conflicting reports. One reliable source insisted that the judge was dishonest, the jury frivolous, and the case a sham, badly mishandled by lead prosecutor W. Ray Jahn. Other reliable sources insisted that the judge, George Howard Jr., was an honorable man and that the case was being handled very professionally.

Whenever the case, I expected the jury to arrive at its decision in a day or two. When it went for more than a week without a decision, I took heart. When the major American media saw the jury's singleness as bad news for those of us who wanted a conviction, I became still more optimistic. Soon our suspicions were confirmed. Once again the major media are arrogantly and gloriously wrong about Whitewater and the Clintons. The jury has found the McDougals and Tucker guilty. Justice is served. What this means is that, in Arkansas, that establishment of grafters and bullies known as the "machine" — or, as referred to in the trial, "the political family" — is no longer above the law.

It also means President Clinton's testimony on the defendants' behalf was not believed. What is more, Independent Counsel Kenneth Starr now has encouragement to proceed with whatever prospective cases he has developed against other members of the family. I know a not mention what political couple now living out of state is most prominent in that family. But when journalists tell you the array of scandals jumped under the catch-all term Whitewater are too complicated for ordinary citizens to understand, remember Judge Howard and this diligent jury. They seem to have gotten the drift of corruption within the



Here in Paris the establishment under assault is a much newer phenomenon than Arkansas' political family. Of its corruption, I know very little. But Jimmy Goldsmith is opposing it both here and in other European countries. I am speaking of the establishment of Europeanists who with amazing speed and busyness have since the early 1970s been endeavoring to merge some 25 ancient European nations into one European superstate. Mr. Goldsmith certainly thinks many of these bureaucrats are corrupt. More to the point, he feels that the "artificial state" they would perpetrate will lead to years of racism, the opposite of the bureaucrats' intentions. Equally bad, the European superstate will take decisions out of the hands of free people and put them into the hands of insensitive bureaucrats whose vision of the future is that of yesterday's social engineering socialists.

From the age of 16, when he left school, until 1991 when he turned 58, Mr. Goldsmith made several billion dollars in business both in England and France, as well as in other parts of the world — notably, America. He is a man of intellect who regularly reports to a vast estate in Mexico to cogitate with thoughtful persons from different walks of life. He has concluded that the movement for European unity has gone too far. My expatriation into these wilds suggests that he is right. The European Community's treatment of the British over Mad Cow disease is a graphic example of how much freedom will be lost to independent nations if the move toward the European superstate goes further. But the Europeans' meddling on a more paltry level is even more alarming. From Brussels, the European Community's headquarters, came word last week that the famous grill on the Rolls Royce is going to have to be abolished because some bureaucrat calculated that it is responsible for 200 deaths a year.

Such marplots, Mr. Goldsmith says over lunch, would "force 25 ancient nations into a superstate controlled by 20 unelected commissioners who have both legislative and executive power." Already the nations of Europe "have largely given up the right to make their own laws." Thousands of "directives" from the Brussels bureaucrats override them. Mr. Goldsmith cites polls that indicate a majority of Europeans believe the movement toward the superstate has gone too far. He would settle for a free-trade zone and has founded a political movement in France and Britain — he holds dual citizenship — to stop the move toward a superstate. The European establishment is in a state of alarm. Establishments

View from Washington

On this overcast afternoon, the long-avoided jury verdict back in sunny Arkansas has come in, and the state governor has been pronounced guilty of two criminal counts: conspiracy and mail fraud. Lights, cameras, mob scenes.

The biggest conferences and post-mortems begin immediately outside the federal courthouse on Capitol Avenue in Little Rock. Here in Washington, the independent counsel has called a sidewalk press conference at 10th and Pennsylvania — only a few blocks away from the Democratic Caucus bureau at the National Press Building. Kathy Kieley, the bureau chief, leads the way through the traffic. She's not a bad sprinter when the lights change.

Washington provides its own distinctive background to the press conference: near-traffic accidents, street entertainers and a gathering throng of inky wretches. Knowing our place, we hasten to join the pack. After the kind of hum that precedes the opening notes of a symphony, Kenneth Starr appears, leading a small platoon of prosecutors.

You remember Kenneth Starr, the prosecutor Democratic pardons love to hate: Kenneth Starr the shameless prosecutor Kenneth Starr who was in pursuit of a cover-up without a crime. Kenneth Starr, who was drowning in Whitewater.

Strange. The man in shirtdoes who comes gridding out of 1001 Pennsylvania doesn't look like that Kenneth Starr. He looks, and sounds, like the judge he has been. He looks like the head of a team of prosecutors who won't give up. He looks like a very independent counsel.

As always, Kenneth Starr's words are direct, correct, always within the bounds of propriety. But he glows. Like a man who believes in a cause. Like a man who hasn't been responding to the usual attacks because he knows it wouldn't be judicious, or smart.

His words roll on like a tide, washing away the Kenneth Starr painted by the partisan jibes. Was the verdict a personal vindication? "I am not going to get into personal issues." The question is beneath him. It is one more politicization of law. But there can be little doubt that Kenneth Starr is aglow with the news from Little Rock. Something has been vindicated.

"This really is a vindication of a justice system," he is saying. A system that "ultimately depends upon what the

because not once was there a serious question that a juror would have to be replaced, and yet with that the alternatives continued to do their duty. So it is, above all, a tribute to the people of Arkansas and a tribute to Judge Howard." He can seem to stop talking about Arkansas, its integrity, its pride

It takes the independent counsel only a few words to indicate that the country may be facing not the end of Whitewater but only the beginning of further investigations, trials and perhaps even more results. "What now?" he asks. And he answers: "We move forward." The man is as dogged as an Indian scout, and he heads a posse of experienced federal prosecutors, not to mention a small army of FBI agents and investigators. Kenneth Starr is no quitter.

His words about moving forward must have an ominous ring for this administration, which was poised to celebrate the end of its ordeal but now must continue the spin. Bill Clinton made a brief appearance at the White House to extend his sympathies to the defendants, and then disappeared in the distance. One suspects this will not be his last comment about Whitewater and its over-riding ripples.

All through the night after the decision was in, pardons on both sides were busy politicking this verdict, handing speculation at each other with a real vengeance. The president was definitely hurt. Newt Gingrich and company were saying, Al D'Amato of the endless congressional investigation appeared yet again on television to borrow a little legitimacy and dignity from the verdict of an Arkansas jury. For didn't these charlatans demonstrate that an Arkansas jury hadn't believed the testimony of the president?

Not necessarily. It would have been possible to convict the defendants solely on the basis of the long, long, documentary trail a-windin'. The prosecution had laid out a mountain of paper for the jury to examine, and examine all of it the jury did — in great detail through day after day of solemn deliberation even after sitting through months of arguments and counterarguments. At least one juror is quoted as saying that "President Clinton is a very credible witness, but his testimony didn't really relate to the transactions we were dealing with."

The jury could have been concentrating on the law and the facts, not politics or personalities or puffery. This distinguishes it from the louder politicians' and commentators here in Baghdad on the Potomac. It is the nation's capital, and today's big news here in Arkansas. Tomorrow it will be something else, and the pack will move on, still baying

PHOTOCOPY
PRESERVATION

Pruden on Politics

By Wesley Pruden

Arkansas speaks, and the earth moves

LOS ANGELES

Now we'll find out what kind of gossamer this White House is really made of.

Spinning is what the Generalissimo and his men (and women) do best, but this time they've got themselves a fine mess to dig themselves out of, Ollie.

A little distance lends perspective. Watching the drama unfold from as far as a man can get from Washington without getting his feet wet, even the casual observer can see that the verdicts in Little Rock have clarified with astonishing swiftness the muck the Clintons have splashed across the White House. Suddenly the phenomenon called Whitewater comes clear, as something as simple as a bank robbery. Bonnie and Clyde stand not so far above it all as they could pretend to be a week ago. Now nearly everybody recognizes that stuff on their shoes as Whitewater muck.

The spinnelsters on Pennsylvania Avenue moved at warp speed after the verdict to prepare



The Generalissimo

an eight-page argument that, whatever it was that the Arkansas jury did, it didn't have anything to do with the man who has made Arkansas a metaphor for sordid sport and merry chicanery at the expense of honest folk.

The White House wants us to believe that the verdicts are a final exoneration of — indeed, a tribute to — the Generalissimo and his lady. What a stroke of

good fortune it was to have had the president called as a defense witness in a criminal trial! Said George Stephanopoulos: "One juror told Reuters that Clinton (as a defense witness) was magnificent." Other jurors said Mr. Clinton's testimony was "irrelevant."

Relevant or not, the president's testimony was measured against the testimony of David Hale, the self-described crook who agreed to rat on the other members of the bank-robbery gang, including, according to Hale's testimony, the president himself. The president, by coming to the defense of Gov. Jim Guy Tucker, James McDougal and his ex-wife, Susan, put a straightforward proposition to the jury: Do you believe David Hale, or do you believe me? The jury answered with 24 ringing verdicts of guilty as charged.

Now the Generalissimo and his confederates must argue that, well, OK, so maybe there were some crimes down there. Maybe some people did rob banks. Maybe somebody did lie about how people did business with the state of Arkansas during the various Clinton administrations. Maybe, even, someone did lie about how she put her connections with the governor's office at the service of the clients of her law firm. Maybe the Democratic political establishment down there is reeking stinkpile, but just because Bill Clinton was extruded from that reeking stinkpile doesn't mean that he was in any way a part of it or had anything to do with it. Now could anyone imagine that?

Everyone who has been paying close attention to Whitewater over these past three years, and this includes only a few of us in the media, remembers the first line of defense drawn around the Clinton White House: Whatever it was that happened down there, it was just the way Arkansas people do business, so what does it have to do with guilt or innocence in this White House?

The first (but not the last) Whitewater petit jury has smashed this pretense. With the verdicts this week these 12 Arkansans shouted loud and clear that sham, lies and corruption are not the way of life in Arkansas. Some of us have been shouting, with all the efficiency of a man spitting into a gale, that despite Bill and Hillary Clinton and their friends, Arkansas is a good state, whose good people have always tried to do what is right and who work hard to make up the difference when they don't. The jury said it better, with the simple eloquence of ordinary folk.

In Arkansas, the verdicts give the Republicans a rare opportunity to smash the web of corruption that, with an occasional brief interlude, has enveloped the state for decades. Though by some measures the most conservative of all the states, Arkansas has been the hardest nut for the Republicans to crack, so deep are the 120-year-old memories of the Reconstruction years. These memories and impressions are absorbed with the culture, and many — no doubt most — of the Democrats only vaguely understand why they are expected to hate Republicans with such a vengeance. But hate they often do, and it was this reservoir of ill will that the Clintons and their confederates tried to exploit.

Only a fortnight ago, Bill Clinton looked invulnerable. He was such a happy-go-lucky guy that he could fantasize putting his moves on a 500-year-old Peruvian mummy, the first lady was speculating wistfully about the prospect of the patter of little feet in the White House, and that rumbling noise outside sounded like the beginning of a November landslide. The rumbling is louder now, and the ground beneath their feet actually is trembling.

The Washington Times

★ FRIDAY, MAY 31, 1996.

PHOTOCOPY
PRESERVATION

D'Amato seeks advice on immunity for Hale

By Jerry Seper
The Washington Times

The chairman of the special Senate Whitewater committee, seeking the testimony of the government's key witness in its Whitewater trial in Little Rock, asked independent counsel Kenneth W. Starr yesterday if a grant of immunity to former Judge David L. Hale would interfere with his investigation.

In a letter to Mr. Starr, Sen. Alfonse M. D'Amato, New York Republican, said the committee was considering the possibility of granting Hale immunity because it considered his testimony important.

"Now that the Tucker-McDougal trial is over, there are compelling reasons for the American people to hear David Hale's testimony," Mr. D'Amato wrote. "Our committee also needs to hear from Mr. Hale to provide a full picture of the Whitewater matter in our upcoming report."

Mr. Starr was not available yesterday for comment.

Hale was the government's chief witness in the trial of Clinton business partners James and Susan McDougal and Arkansas Gov. Jim Guy Tucker, found guilty on Tuesday on 24 felony counts in conspiracy and fraud charges involving \$3.13 million in bogus loans through Madison Guaranty Savings and Loan Association.

The convictions stunned White House officials, who had predicted the three would be found not guilty

Whitewater juror 'probably' swayed by article she read

LITTLE ROCK, Ark. (AP)—A juror says a news article she read shortly before the Whitewater trial seemed to implicate defendants, as well as President and Hillary Clinton, and that it "probably" influenced her guilty verdict.

Attorneys for the defendants were quick to seize on the statement, saying it could be grounds for a reversal of Tuesday's convictions.

Janice Greer said a news item she read seemed to implicate the defendants, Gov. Jim Guy Tucker and James and Susan McDougal, as well as the Clintons. Those suspicions, she said, "probably played a little bit of a part" in her

verdict.

Mrs. Greer also broke ranks with other jurors, saying she thought Mr. Clinton "had something to do with it, I really do, that's my own opinion. I think he ought to be man enough to face it — he and his wife — instead of letting other people take the blame."

Mrs. Greer gave no hint of her suspicions when she swore, under oath, during jury selection that she had no negative feelings toward Mr. Clinton or the defendants.

During jury selection, she said "no" when asked if she had read anything that would prevent her from being a "fair and impartial

juror." Asked if she had read anything about Whitewater that influenced her, she said, "I really don't keep up with it."

Mrs. Greer said Wednesday that she had read an article in the Arkansas Democrat-Gazette shortly before she was called for jury duty, and that her suspicions, in part from that article, contributed to her verdict.

"That could be a pretty serious admission that was not disclosed," said Tucker's attorney, William H. "Buddy" Sutton.

Bobby McDaniel, a lawyer for Mrs. McDougal, said, "It's a very strong potential ground for a new trial and/or a reversal."

Dougal trial, said in a letter to the committee that he had been advised that any testimony he might give could be used against him by Arkansas prosecutors. He said he had been "explicitly threatened, in writing, with prosecution in Arkansas by Arkansas state authorities."

Pulaski County prosecutor Mark Stodola in Little Rock has said he might file charges against Hale in the suspected theft of \$150,000 from an insolvent burial insurance firm. He has declined comment and no charges have

been filed.

A Senate resolution creating the Whitewater panel forbids it to immunize a witness if doing so would interfere with "the ability of the independent counsel to successfully prosecute criminal violations." A grant of immunity would protect Hale from prosecution for any evidence he provided the committee.

"If the independent counsel indicates that he will not object to the grant of immunity to Mr. Hale, I believe the committee then should meet early next week to

discuss and perhaps to vote on this subject," Mr. D'Amato wrote.

The committee has not granted immunity to any other witness.

Meanwhile, Rep. Jim Leach, Iowa Republican and chairman of the House banking committee, said during a briefing with reporters yesterday he had no plans to renew Whitewater hearings in the House, but did not rule out that possibility.

"That is not our current intent, but obviously if some witness of enormous interest surfaces, we would proceed," Mr. Leach said. "But, as I announced from the beginning, it's not my intention to plow old ground. I have no plans of dragging this out."

He said the panel, however, was considering issuing a report on its lengthy Whitewater probe.

Mr. Leach, one of the first members of Congress to ask questions in the Whitewater scandal, also described his reaction to the guilty verdicts against Tucker as one of "sadness." He said he and Tucker were both elected to the House in 1976 and he called the Arkansas Democrat "the single most impressive member of that freshman class."

"I cannot say I was surprised by the trial verdict, but I can say that my reaction was one of sadness," he said, noting that based on documents he reviewed and hearings he chaired he was convinced that "white-collar crimes" had occurred in the Whitewater affair. "A jury has now proven it," he said.

* FRIDAY, MAY 31, 1996

The Washington Times

PHOTOCOPY
PRESERVATION

Misgivings over Whitewater

But voters still give president edge over Dole

By Richard Benedetto
USA TODAY

To hear veteran Republican consultant Eddie Mahe Jr. tell it, Whitewater is a "dry rot" beneath the Clinton presidency that will eventually erode it to the verge of collapse.

But to Clinton strategist James Carville, Whitewater is an issue "the American people are tired of (and) don't give a damn about."

The truth lies somewhere between.

A USA TODAY/CNN/Gallup Poll taken after the Whitewater guilty verdicts were announced Tuesday shows that when former business associates of Clinton and the man who succeeded him as Arkansas governor are convicted of crimes, the public takes notice.

"There is a new public concern about it that the White House should be worried about," says Democratic consultant Brian Londe.

Fully 60% say they think Clinton is hiding something about his role in the Arkansas land deal, up from 51% earlier.

But the poll shows their skepticism doesn't mean they are ready to throw him out of office, at least not based on Whitewater revelations to date.

Clinton leads Bob Dole by 16 points, down four points from two weeks ago, but still a comfortable lead to most analysts.

"It takes much more to get voters to go from yes to no," says Mahe.

Analysts say the true picture will become clearer as Whitewater-related events continue to play out and Election Day gets closer.

"Much depends on what happens next and how both sides play it," says Emory University political scientist Merle Black.

Another Whitewater-related trial starts next month in Little Rock. And the Senate Whitewater committee is expected to make its report in mid-June.

Another thorny problem, the

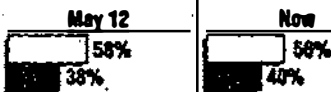
Clinton credibility doubts linger

A USA TODAY/CNN/Gallup Poll shows President Clinton is vulnerable on character issues like Whitewater, but that vulnerability hasn't translated into a big boost for Republican Bob Dole, who still trails Clinton by 16 points.



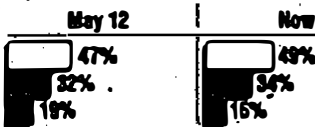
If the 1996 presidential election were held today, would you be more likely to vote for Clinton or Dole?

☐ Clinton ☒ Dole



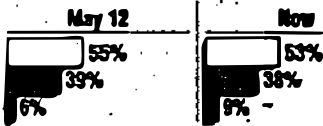
If the 1996 presidential election were held today and Ross Perot were running as an independent candidate, would you be more likely to vote for Clinton, Dole or Perot?

☐ Clinton ☒ Dole ☒ Perot



Do you approve or disapprove of the way Clinton is handling his job?

☐ Approve ☒ Disapprove ☒ No opinion



Source: USA TODAY/CNN/Gallup Poll of 1,000 adults conducted Tuesday-Thursday. Margin of error: 3 percentage points. Underestimated questions are based on 100 sampled voters. Margin of error: 4 percentage points.

An Arkansas woman, Paula Jones, filed a sexual harassment lawsuit against Clinton in 1994. Should that case proceed while Clinton is in office, or should the court postpone the case until he is out of office?



Do you believe that what Clinton has said about the Whitewater real estate deal has been completely true, mostly true, mostly false or completely false?

	Completely or mostly true	Completely or mostly false	No opinion
April 18, 1994	51%	29%	10%
May 23, 1996	51%	38%	11%

Is Clinton hiding something concerning his role in Whitewater?

	Yes	No	No opinion
April 18, 1994	51%	43%	6%
May 23, 1996	60%	30%	10%

By Kevin Phillips, USA TODAY

White House travel office firings, also are expected to be discussed in House hearings.

In the meantime, most Americans are still giving Clinton the benefit of a doubt.

The poll shows only marginal slips in Clinton's job-approval and favorability ratings.

But the findings suggest he could be vulnerable on the character issue.

In addition to 60% believing Clinton is hiding something about Whitewater, those who believe his public explanations have been "mostly true" have fallen from 59% to 51%.

"This gives people pause over whether they can believe

Clinton or not when he says something," says Black.

Black adds that Clinton's sympathetic words for the Whitewater defendants after they were convicted could offer the GOP some ammunition.

"It was a strange position for a law-and-order president to take," he says.

Also, 51% say the courts should proceed with the sexual misconduct suit brought against the president by Paula Jones. She charges Clinton made unwanted sexual advances when he was Arkansas governor and she was a state employee.

The White House is asking

the Supreme Court to have the case delayed until Clinton leaves office.

Carville says the fact the president hasn't lost more ground suggests the Whitewater issue is a GOP fizzle.

"Dole's got serious problems if he can't capitalize in the immediate aftermath of this."

But GOP pollster Ed Goetz says it will take time for voters to make connections between Whitewater, the Clintons' amended tax returns, travel of office firings and related events.

"This is not an issue that will die before the election."

► Clinton credibility hurt, 1A

PHOTOCOPY
PRESERVATION

REVIEW & OUTLOOK

Israel's Choice

Wednesday's balloting in Israel, we were told by the world's opinion and political elites, was a referendum on the entire Middle East peace process. Most of the spectators, including the President of the United States, told Israelis to vote for Shimon Peres for prime minister. When the final results are tallied, they are likely to show that most Israelis rejected that advice, choosing Benjamin Netanyahu to lead Israel through its next chapter of precarious nationhood.

The margin will be razor thin, probably a fraction of a percentage point after absentee ballots are counted. This, plus the fragmentation of the Israeli parliament through heavy votes for small parties, will provide the winner with serious political problems. But in fact Israel's Jews, for whom national security is the crucial are not so deeply divided. They favored Mr. Netanyahu by 58% to 42% in some pre-election polls. The fault line falls between the 85% of Israelis who are Jewish and the 15% who are Arab. Israeli Arabs gave more than 1% of their votes to Mr. Peres.

The vote demonstrates that Jews were not at all comfortable with the peace process Mr. Peres was conducting under the guiding hand of U.S. secretary of State Warren Christopher. In rejecting Mr. Peres they also expressed distrust of the reliability of the Clinton Administration.

President Clinton said yesterday the election doesn't change U.S. policy. "If Israel is prepared to take risks for peace, we are determined to do our best to reduce the risks and insure the security of those who do not." But by their vote Israel's Jews suggested that they don't regard some of the risks the U.S. has been asking to take as acceptable. They have every reason to be nervous about Mr. Christopher's "land-for-peace" tourbidity of Syria's Hafez Assad. Hard-headed Israelis ask themselves what exactly Bill Clinton would do in the not unlikely event of Mr. Assad enacting on a deal. Make war on Syria?

Mr. Netanyahu has a reputation for being a hard-headed realist. It has argued that he is in fact too hard-headed and that his toughness will revoke Israel's enemies to test his settle. One fear is that PLO leader Arafat, having thrown in his lot with Mr. Christopher and Labor, will become beleaguered in the Palestinian camp, unable to carry out the West Bank-Gaza administrative role

he undertook as part of the Oslo peace agreement. One close observer sees the possibility of the radical Hamas launching a new intifada, this time against the PLO administrative police, in an effort to destroy Mr. Arafat's power.

But it is not clear that the strategies of Hamas or Hezbollah or Assad or other disturbers of Israeli tranquility would have been any different under a continued Peres regime. The issue for Israelis in this election was not whether their troubles would go away. It was who would be the best qualified leader to handle them.

The Knesset vote was in some ways even more interesting. In the first election in which Israelis have been allowed to vote separately for the prime minister and their parliamentary representatives, Labor and Mr. Netanyahu's Likud party lost 19 seats between them in the 120-seat assembly. Gains of the religious parties could reduce Israel's ability to make even appropriate bargains with its adversaries. But there are some good signs as well, namely a discernible shift toward free-market domestic policies, something Israel has long needed. Most notably, Labor's leftist coalition partner, the Meretz party, dropped to nine from 12 seats, an exception to small party resurgence. The economically liberal Yisrael Ba-Aliya party, led by Nathan Sharansky, won at least six seats, which should guarantee him a cabinet post and the opportunity to push for real economic reform.

We hope a Netanyahu regime will suspend Israel's tired policy of blaming its economic shortcomings on the demands of the peace process. As the U.S. demonstrated in wars against the two of the most totalitarian states in history, a competitive private sector and the private ownership of land are an asset in both peace and conflict. Mr. Netanyahu says he wants to reduce marginal tax rates, which reach up to 60%, and abolish the capital gains tax altogether. He and Mr. Sharansky even expressed support for the low-tax and low-regulation free processing zone that the Labor government shamefully destroyed in January.

In all, this election should not be viewed as a rejection of the peace process as a whole, but as a rejection of the kind of peace process that would have left Israel increasingly dependent on foreign aid. If Mr. Netanyahu follows through on his promises, Israel may have peace based on its own economic and military strength.

The Whitewater Ado

"Much ado about nothing" is the spin now hurdling out of various Clinton products in the wake of Independent Counsel Kenneth Starr's victory Tuesday in the Tucker-McDougal fraud trial.

The line first out of the White House was that all this is happening to someone else. Mr. Clinton, who testified for the defense in the case involving his former Whitewater Development Co. partners and his hand-picked successor as governor, was credible, the White House says, but irrelevant.

"We're letting the jurors' words speak for themselves," said designated White House spokesman Mark Fabiani, who released seven pages of juror remarks culled from interviews and supportive of Mr. Clinton's testimonial appearance. Alas, missing from the Fabiani packet was juror Janice Green's observation to the Associated Press about the Clintons: "I think he and his wife had just as much to do with it."

Spin, for all its shortcomings, normally has at least a toehold on reality. The political lexicon will have to search elsewhere for an apt description of Senator Christopher Dodd's performance Tuesday night on "Nightline." Senator Dodd castigated critics of the President for engaging in "guilt by association" and claimed that the Little-Rock verdicts "had nothing to do with Whitewater."

This, among other things, is nonsense. For the benefit of people only now joining the ranks of Whitewater aficionados, we would suggest that two words in the entirety of the just-completed trial need be committed to memory: Master Marketing. Among the James and Susan Mc-

Dougal connections were four counts, the Master Marketing charges, which anyone paying attention knows were directly linked to Whitewater Development Co.

The purpose of President Clinton's videotaped testimony at the trial was to rebut the claims of former municipal judge David Hale that then-Gov. Clinton and Jim Guy Tucker pressured Hale for a loan to help the "political family." Mr. Hale, who confessed to two felonies and cooperated with the prosecution, said he made the \$300,000 loan to a McDougal front company called Master Marketing.

An FBI agent testified at the trial that he traced nearly \$50,000 of those funds to two payments that benefited Whitewater Co.—\$24,455 for a loan payment and a \$25,000 down payment on a tract purchase from International Paper. Post-verdict juror deference to the Presidency aside, the jury's opinion was clear: David Hale had provided an accurate road map to Arkansas corruption, and one of those avenues led straight to Master Marketing, which funneled money to the Whitewater project.

Based on this FBI testimony, the Clintons as Whitewater partners were the beneficiaries of the Master Marketing fraud. We will quickly add, however, that so far only Mr. Hale's testimony directly links Mr. Clinton to the now-proved conspiracy to loot two federally backed institutions, the McDougals' Madison Guaranty S&L and Mr. Hale's Capital Management Service Lending company. At this juncture, this is an essential distinction, and one might expect the President's defenders would make it. Instead, they're attempting to rewrite reality.

Asides

White House didn't have a legal leg to stand on when it came to those documents. Among them were such non-permanence items as "Analyses of issues related to Mrs. Clinton . . . re: Foster document handling matter." The White House still claims the remaining 1,700 pages deserve the same executive privilege normally accorded only sensitive military and diplomatic documents. The vote holding the White House in contempt has been postponed, but it looks as if the House may have to schedule a couple more votes before the full Travel Office files are produced.

Stonewall Update

For months the White House has refused to comply with a bipartisan Congressional subpoena for 2,700 pages of documents relating to the Travel Office scandal. It insisted every single document was covered by executive privilege and couldn't be released. The House in turn scheduled a vote on holding the White House in contempt of Congress. Yesterday, on the eve of the vote, Presidential lawyers turned over 1,000 pages of material. Apparently, a review by Attorney General Janet Reno found that the

FRIDAY, MAY 31, 1996

Facts Finally Catch Spin On Whitewater

This election won't pit Bill Clinton against Bob Dole after all. The main event is going to be Bill Clinton vs. himself, the virtuous pol vs. the suspect character.

How the Clinton presidency has gone has depended on which Clinton is prevailing at the moment. For weeks until this last one, the master politician had dominated. This is the Clinton who co-opts Republican ideas, mouses traps Newt Gingrich on the budget and eulogizes Ron Brown so many times that even Mr. Brown would have been amused.

But then the Other Clinton always intrudes, like a half brother home to claim his inheritance. This is the Clinton who was a Whitewater partner with Jim and Susan McDougal, now felons, not in some distant past but right up through his election in 1992; the same president whose wife allegedly cashed in, and whose Justice Department then unjustly indicted, Billy Dale of the Travel Office.

This week's Whitewater convictions guarantee that the Two Clintons will compete head-on through November, and maybe beyond. Already Clinton the Pol is spinning to suggest his alter ego hasn't done much damage. But Democrats who aren't part of the spin cycle know the convictions, by a dozen independent Arkansians, change everything.

Tuesday "was the day Whitewater began," says Ted Van Dyk, a Democrat who has known both Clintons for years. "Democrats cannot pretend that Whitewater will go away. It probably will be a centerpiece of the campaign."

White House spinners had been so good for so long that they'd even persuaded Republicans it was all Whitewater under the bridge. Al D'Amato, pressed by his pollster, was ready to pack it in. That's why the convictions were such a shock here. Now the same apologists who would have buried Whitewater had this week's defendants been acquitted claim the conviction is old news from the pres-

the McDougal S&L, at what Mr. McDougal says was her husband's request. Would it have mattered to voters?

Mr. Clinton had to worry it might have, which begins to explain why he and his wife have worked so hard to obscure their Arkansas past. Apologists keep saying that Whitewater is "smoke without fire," but now we know the fire was fraud and conspiracy. At a time when George Bush's son Neil was being pilloried merely for being an S&L director, the Clintons had good reason to avoid any association with S&L crooks. Other politicians have done more to avoid being embarrassed by less.



Bill Clinton

So starting in 1992 the Clintons ignored their late aide David Ilishin's advice to let it all hang out, turning instead to enforcer Susan Thomases to stonewall. We now know she did her job too well. A note recently turned up by the Senate Whitewater Committee has Ms. Thomases scribbling that "BC tells me to call Tucker" for Whitewater answers. That refers to soon-to-be-ex-Arkansas Gov. Jim Guy Tucker, now a 52-year-old felon who still refuses to cooperate with prosecutors despite facing 10 years in the big house. Ms. Thomases, as is her habit, said she didn't recall making such a call.

(Mr. Clinton called Mr. Tucker on Tuesday after his conviction; an intrepid White House reporter should ask the president if he'll rule out pardoning all of the Whitewater defendants.)

As the independent counsel's probe gains credibility, the Clintons may yet come to regret their attacks on Ken Starr's integrity. They insulted not only Mr. Starr but especially his staff of mostly career prosecutors. Those lawyers didn't appreciate being called Republican hacks. Now vindicated, these are the nonpartisans who will have the largest say in future decisions to indict.

The Clintons may also yet regret the "no crime, no foul" standard of accountability they've set for Whitewater. As Rep. Jim Leach (R., Iowa) has said all along, their role in Whitewater once might have been settled with disclosure and some civil sanctions. But instead of admitting mistakes, the Clintons dismissed their critics as partisans or liars.

Mesmerized by polls instead of reporting the facts, the Beltway press corps has reinforced the spin that only an indictment matters. But the irony is that this makes indictment the only option for a prosecutor who cares about official accountability. And the first lady is especially vulnerable given her flat-out denial, contradicted by former aide David Watkins, that she had anything to do with firing Billy Dale, among other discrepancies.

Bill Clinton's Whitewater strategy has been a four-year gamble that his political skills could overwhelm incriminating details. But thanks to a jury in Little Rock, voters are being reminded that the same president who has Ronald Reagan's charm also has Richard Nixon's scruples.

Potomac Watch

By Paul A. Gigot

ident's pre-1992 past, like Jennifer Flowers and the draft.

But Whitewater won't go away this year precisely because it did go away in 1992. Imagine if Americans had known then what we know now: that the candidate's business partners had looted both a savings and loan and a fund to help the poor and minorities.

Or that \$50,000 from that fund, according to FBI testimony at the Arkansas trial, made its way into the Clinton-McDougal Whitewater partnership itself. (So much for the spin that the convictions have nothing to do with Whitewater.) Or that lawyer Hillary Rodham Clinton had represented

FRIDAY, MAY 31, 1996

Washington Wire**A Special Weekly Report From
The Wall Street Journal's****A1 Capital Bureau****WHITEWATER PROBES** pick up steam after this week's Arkansas convictions.

More fingerprints are found by FBI agents analyzing Hillary Rodham Clinton's long-lost Madison Guaranty billing records. Seeking a match, the agency has fingerprinted a number of people, including Rose Law Firm staffers, White House officials and 1992 Clinton campaign aides. The FBI's analysis is due on the desk of Sen. D'Amato next week.

"They have a pretty good idea of the chain of custody," says one person who met with FBI agents, but it isn't clear if all the prints were identified. D'Amato renews efforts to bring Clinton accuser David Hale to testify. Clinton was hit hard by news of this week's convictions, associates say. The Dole campaign plans to keep quiet about Whitewater for now.

Dole should stay focused on "an affirmative agenda," agrees commentator Rush Limbaugh, "and let other people, like me, handle the character stuff."

REPUBLICANS LOOK for legislative openings but hurdles stand in the way.

The GOP plans a new effort to jump-start welfare and Medicaid overhaul by attaching its \$500-per-child tax credit to the same bill. To improve their environmental image, Republicans press for bills on safe drinking water and Superfund. But Clinton currently opposes any welfare-Medicaid link, and Democrats demand more compromise on environmental bills.

Mississippi's Lott, who is expected to succeed Dole as Senate majority leader, is more in sync with conservative House members. "We trust Trent implicitly," House GOP Whip DeLay says. But some GOP splits remain. Dole forces want a health-insurance bill before he leaves, though proposed compromises on medical savings accounts are expected to be a hard sell in the House.

TAX CUTS for consumers emerge on Gingrich's agenda.

The House speaker maps strategy for seeking to roll back various consumer taxes and provide other "family" tax relief this fall. He has met twice in recent weeks with a coalition of lobbyists for beer, bread, gasoline and diaper interests. Another meeting is planned for mid-June. Gingrich stresses keeping tax cuts on voters' minds as a way to help the GOP keep control of Congress.

Meanwhile, the Senate Finance Committee summons vacationing staffers back so it can take up the small-business tax-relief bill by Wednesday or Thursday. Senators lobby Chairman Roth to load up the bill with pet provisions.

GOP Finance Committee members are promoting a 50% cut in the capital-gains tax for individuals and a 31% maximum capital-gains tax rate for corporations.

WISE MOVE? Facing criticism for not reaching out enough to GOP heavyweights, the Dole campaign on Monday will convene a group of "wise men" to gather strategic advice. Included are former Secretary of State James Baker, former Defense Chief Richard Cheney and former Labor Secretary William Brock.

POWELL'S PROFILE will rise again when his blockbuster biography is reissued in paperback in July, just as speculation about Dole's running mate surges. Powell's office says he still isn't interested. Dole tells reporters he wants to set up a private meeting to discuss a campaign role for the retired general.

BUTTING OUT: Democratic Rep. Waxman and other tobacco foes back off a compromise proposal they had planned to announce at a news conference this past Wednesday. The proposal would have imposed FDA measures to curb tobacco marketing to minors while temporarily restricting the agency's ability to regulate cigarettes as drug-delivery devices.

NETWORK NEWS: The FCC is nearing final approval of entertainment mogul Barry Diller's purchase of 12 television stations with which he hopes to create an upstart network reaching about 28 million households. Commissioners could vote early next week on a staff proposal to alter a condition that has threatened the deal.

HACKER BREAK-INS of federal computer systems get wider scrutiny.

A Senate subcommittee, after finding Pentagon computers are hit with 250,000 break-ins a year, will focus next on the State Department. Investigators say State has only a foggy notion of how outsiders regularly invade its computers hooked to the Internet. The Justice Department slows computerization programs out of concern about hackers.

Only one in 500 break-ins is detected and reported at the Pentagon, which has the government's most advanced hacker-awareness program. Two hackers used the Internet to gain access to an Air Force computer in Rome, N.Y. The hackers then used that connection to invade a computer system at NATO headquarters in Europe.

Another of their victims is NASA, which apparently was tapped for coded passwords that the hackers sent to an unknown location in Latvia.

MINOR MEMOS: Dole, asked by a reporter the most important quality he would like voters to know about himself, replies, "Beats me." ... Dickensian twist: The Heritage Foundation's senior researcher on children and foster-care is named Patrick Fagan.

-By RONALD G. SHAFER

The Verdict on Whitewater: It's in the Eye of the Beholder

By MICHAEL WINERIP

Continued From Page A1

CANTON, Ohio, May 30 — Jason Burnette, 25, a local television producer who votes Republican, was at home channel surfing the other day when he hit a CNN news bulletin on the Whitewater verdict.

"I kept it right there," he said, "and listened intently."

He put down his turkey and cheese sandwich. He was all alone, but when he heard that President Clinton's former business partners were guilty, he said, "Yes!"

Charles Brown, the Stark County Republican chairman, was driving home from his law office, listening to National Public Radio, when he heard, "Thank God!" he said.

He went right into the house and made 20 telephone calls to friends to spread the "good news."

At the North Canton Barber Shop on Main Street in that Republican suburb, it was not just the clippers that were buzzing these last two days. "We get mainly Republicans in here," said Don Schrader, the barber. "I'm a Republican myself. The Republicans have been looking for an in, so there's been lots of talk."

The first Whitewater trial did not directly involve President Clinton but there is no doubt that the out-

come has energized Senator Bob Dole's supporters and caught the public's attention here in Stark County, a bellwether for national politics.

Which is not to say that it has changed many voters' minds yet or cut into the President's apparent lead here. At Democratic barber shops, like Downriver Barber on Market Street in the Democratic city of Canton, customers mainly dismiss Whitewater as "politics."

"We're mostly working-class people," Fran DeMarco, a Democratic barber, said of his customers. "Their way of thinking is toward Mr. Clinton."

And at the taverns alongside the Timken Company's mills, where steelworkers gather at the end of their shift, the common reaction seems to be: All politicians are crooks and Clinton may be, too, but he is our crook.

"They all have skeletons in their closet," said Ray Cole, who voted for Mr. Clinton in 1992 and plans to again.

George Seich, another union man

Continued on Page A21, Column 1

at Mark's Tavern, felt the verdict by the Arkansas jury on Tuesday was "probably right, the proof was in the documents." But he said it would not dissuade him from voting for Mr. Clinton again. "This stuff," he said, "is all, it's all..."

"Political," said Mr. Cole.

"Political," agreed Mr. Seich. "It's something that's been going on since real estate and politics started."

In the barber shops and taverns, at the foot of the monument honoring President William McKinley and in the public parks, from the Donut Kettle in white, blue-collar Perry Township to the Ambush ribs restaurant in a black neighborhood on the east side of Canton, people have generally heard the verdict and found a place to fit it into their world view.

And if most could not recite the 24 felony counts that the McDougals and the Arkansas Governor, Jim Guy Tucker, were found guilty of, they got the gist of it. "Look, how many people do you know who've been indicted or convicted?" said Carolbae Herold, a Republican Dole supporter, visiting the McKinley monument. "I don't know any. I don't think many people know people who've been indicted. These are Clinton's friends."

Most, like John Bush, owner of the Ambush ribs restaurant and a Clinton supporter, spoke well of the jury. "I was impressed with all those documents they pored through," he said. Even Mr. Clinton's strongest supporters, like Don Singer, who ran the Clinton campaign here in 1992, acknowledged, "It's certainly not good for us."

Mr. Clinton has enjoyed a wide lead in polls here and across the nation, and several of the happy Dole supporters here, like Norman Dick, a salesman, felt there would have to be more Whitewater developments before Mr. Clinton would be hurt politically. Mr. Dick is looking forward to the next Whitewater trial in mid-June, and keeps wondering if James B. McDougal or his former wife, Susan, might "flip" and cooperate with the prosecutor. "Flipping would be nice," he said, "I'd like to see some flipping."

Already, it is possible from here to see the shape the national campaign will take. Mr. Brown, the Stark Republican leader, is talking about the central importance of the candidates' "character." Don Singer, the 1992 Clinton campaign leader, says "substantive issues like Medicare" are what matter.

A poll in Stark County earlier in the month, before the Whitewater verdict, showed Mr. Clinton ahead of Mr. Dole 50 to 33 percent among registered voters. Mr. Clinton's positions on issues like Medicare, legal aid and financing job training had strong support among those polled in the survey by The New York Times, the Ohio State University School of Journalism and the Northwestern University Survey Laboratory. The poll of the 814 adults completed May 15 has a margin of sampling error of plus or minus 4 percentage points.

Even on welfare financing, an issue that usually hurts Democrats nationally, Mr. Clinton has shown his ability to co-opt an issue. Fifty-seven percent of those polled felt the Republican Congress's effort to scale back welfare was a good thing. But even those who favored such welfare reductions split their support between Mr. Clinton and Mr. Dole, giving each 43 percent.

On the other hand, Mr. Clinton did poorly on "character" questions. Asked if Mr. Clinton had more honesty than most in public life, 53 percent polled said no, 33 percent yes.

Before this week's verdict, Whitewater was not a problem for Mr.

Clinton here. Only 21 percent at the time said what they knew of Whitewater would make them less likely to vote for Mr. Clinton, and two-thirds of those were planning to vote for Mr. Dole anyway.

Kae Yoder, an administrator at an environmental laboratory, has followed the trial more closely than most here. Of the three dozen Stark residents interviewed in the last two days, she was the only Clinton supporter who said that this could change her vote. "I believe the three were guilty," she said, "I believe they're covering up. I believe this involves Clinton, and Hillary too."

"I like that Clinton is for the environment," said Ms. Yoder, who voted for him in 1992. "But I'm going to watch how he handles this."

Jeffery Fehn, a refrigeration technician drinking at Frank's Tavern, also was not convinced by the President's denials. "Let me give you a hypothetical," he said. "If you came home from work and caught me sleeping with your wife, what would you do? That's right. Shoot me. So what am I going to say if you ask me, did I do it? 'I didn't do nothing.' It's common sense."

Still, Mr. Fehn said he had not made up his mind. "It completely ain't over yet," he said, turning back to the bar.

THE NEW YORK TIMES
FRIDAY, MAY 31, 1996

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AM-Whitewater-What Next, Bjt, 0975

Uneasy Times Ahead For The Clinton White House

By PETE YOST= Associated Press Writer=

WASHINGTON (AP) With two grand juries at work and another court appearance looming for President Clinton, the Whitewater investigation is building momentum.

The same possibilities that tantalize prosecutors and Clinton foes strike uneasiness in a White House gearing up for the campaign.

One question is whether prosecutors can gain the cooperation of any of the Clintons' former business partners or Arkansas Gov. Jim Guy Tucker, a onetime Clinton nemesis. All now face lengthy prison terms.

While the White House was trying to minimize the fallout from the guilty verdicts in Arkansas, prosecutor Kenneth Starr spent much of Wednesday in meetings with his Whitewater staff in Washington and Little Rock.

In the coming weeks:

The president is expected to be subpoenaed again to testify in a second Whitewater criminal trial by two bankers accused of committing crimes to aid Clinton's 1990 gubernatorial campaign.

Grand juries in Washington and Little Rock will step up their investigation of the truthfulness of statements made by White House aides as well as the disappearance and reappearance of Hillary Rodham Clinton's law firm billing records.

The Republican-controlled Senate Whitewater Committee will release its official findings in a report detailing its year-long investigation.

It all points to a long season of damage control for the White House and the re-election campaign.

For now, all three newly convicted Whitewater defendants vow they will never cooperate.

But "you never know what somebody's going to do or say to save their own skin," Paul Rothstein, professor of law at Georgetown University law center, said Wednesday.

If Jim or Susan McDougal or Tucker cooperates with prosecutors, "that's a real danger zone for both Clintons," said Stephen Gillers, a law professor at New York University.

The questions are whether "any of the three defendants has the goods, whether they're willing to trade their information and whether the prosecutor is willing to give them a payback," Gillers added.

A prosecutor recommending leniency to a judge can result in a sharp reduction in a defendant's prison term.

Because of Tuesday's guilty verdicts in Little Rock, Tucker, 52, could get a maximum 10 years in prison, Jim McDougal, 55, could get 84 years in prison and his ex-wife Susan, 41, could get up to 17 years behind bars.

"Susan will not try to work out" a deal "to implicate others to get leniency for herself," said her lawyer, Bobby McDaniel.

And Jim McDougal's lawyer, Sam Heuer, said "we're going to fight" the convictions in the appeals court.

On occasion, convicted defendants can swiftly find themselves subpoenaed before federal grand juries under court orders compelling them to testify.

Even before the guilty verdicts, Whitewater prosecutors were looking at: Mrs. Clinton's sworn account of her work for the McDougals' collapsed savings and loan.

The mysterious reappearance in the White House family residence of Mrs. Clinton's law firm billing records outlining her work for the S&L.

The answers the White House gave to congressional investigators denying a role by Mrs. Clinton in the purge at the White House travel office. It was the first lady who supplied the information for the written denials.

The questions surrounding Mrs. Clinton arose early this year when the White House produced the first lady's billing records to prosecutors two years after they were subpoenaed. A longtime Clinton aide found the records in the White House family residence.

The law firm records show Mrs. Clinton had more than a dozen discussions with a part-owner of Castle Grande, one of Jim McDougal's real estate projects whose failure cost taxpayers nearly \$4 million.

Also surfacing early this year from White House files was a 2&1/2-year-old memo saying Mrs. Clinton was behind the firings of travel office employees. The first lady says she had nothing to do with the dismissals and her denials of involvement were submitted on her behalf by a White House lawyer to the General Accounting Office in 1994.

In recent weeks, Starr hired two veteran federal prosecutors to examine the record in the travel office controversy.

While the work of Whitewater grand juries in Little Rock and Washington will be secret, prosecutors also are preparing for a trial June 17 in Little Rock that will once again put President Clinton on the witness stand.

The defendants in that trial are Arkansas bankers Herby Branscum Jr. and Robert Hill, whose fund-raising efforts in Clinton's 1990 re-election effort were followed swiftly by Branscum's appointment to the state highway commission.

Evidence gathered by prosecutors shows Hill hand-delivered campaign contributions to Clinton right after the election and the two discussed the state appointment.

In declaring he needs Clinton's testimony, Branscum's lawyer, Dan Guthrie, said "there are only certain witnesses who have certain facts" and who can deny that Branscum's state appointment was a payoff.

Guthrie predicts that Starr will delve deeply into the actions of the 1990 Clinton re-election campaign a move that could embarrass the president.

Starr has assigned his top deputy in Little Rock, Hickman Ewing, to prosecute the case.

In the Senate committee report, Chairman Alfonse D'Amato can be expected to press the Republican case that the Clintons did favors for business associates who are now convicted felons, and sought to hide the nature of their business dealings after he became president.

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Whitewater Verdicts Expected to Have November Impact (Washn)By Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON The guilty verdicts in the Little Rock trial of Arkansas Gov. Jim Guy Tucker and James and Susan McDougal assure that Whitewater allegations will hound President Clinton and first lady Hillary Rodham Clinton through this November's election.

Tuesday's convictions may help Independent Counsel Kenneth Starr's ongoing criminal investigation and inoculate the former Republican judicial appointee from charges of partisanship, lawyers said.

Also, in the wake of the verdicts of guilty on most of the fraud and conspiracy charges the three-faced, bicongressional Republicans including Whitewater Committee Chairman Sen. Alfonse D'Amato, R-N.Y., and Rep. Jim Leach, R-Iowa, and House Oversight Committee Chairman Rep. William Clinger, R-Pa., expressed willingness to reinvestigate their waning investigations.

It remains unclear whether Starr's path will ever lead directly to the front door of the White House.

"Prosecutors are always fired up after they win big cases," one Democratic attorney said Wednesday. "But where do they get to the Oval Office? I don't see it."

Still, D'Amato said the convictions show "there is a 'there' there" and will lend added credence to his panel's final report when it is presented June 17. Even some Democrats Wednesday acknowledged privately that the focus on the Clintons has shifted from the purely political to the possibly criminal.

Starr, who after the convictions vowed to "move forward," has convened two federal grand juries - one in Washington and the other in Little Rock.

In the Washington phase, Starr's prosecutors are looking into the disappearance and rediscovery at the White House of Hillary Clinton's Rose Law Firm billing records and whether the first lady lied under oath when she denied firing White House travel office employees. An investigation into the suicide of White House Deputy Counsel Vincent Foster is still under way.

Wednesday on Capitol Hill, Clinger said he intends to push for a full House vote Thursday or Friday to hold White House aides including Counsel Jack Quinn in contempt of Congress for refusing to yield documents to the committee related to the travel office firings.

"It is not my objective to put anybody in jail. ... I'm just trying to get the documents," Clinger told reporters, in releasing a report that decried White House claims of "executive privilege."

In an interview, D'Amato said he instructed committee lawyers to report to the panel on how convicted financier David Hale, the lead prosecution witness in the Tucker-McDougal trial, could be granted immunity from additional charges to testify. The senator said such a move would require a two-thirds vote of the committee as well as approval from Starr.

In Arkansas before the verdict, Tucker and the McDougals said through their attorneys that they would never cooperate with prosecutors to save their own skins.

Nevertheless, sources in Little Rock anticipate that Starr will try to encourage Susan McDougal and Tucker, who resigned after the verdict, to offer evidence and testimony against others in return for recommendations leading to reduced sentences. (James McDougal, convicted on 18 of 19 counts, offered bizarre testimony and discredited himself on the stand, lawyers say.)

(Optional add end)

That may be an attractive option for Tucker, 52, who has chronic health problems and faces 10 years in prison and \$500,000 in fines as well as a second federal trial on charges he defrauded the Internal Revenue Service. Susan McDougal, 41, faces 17 years behind bars and \$1 million in fines.

Starr's top deputy in Little Rock, Hickman Ewing, is also preparing to prosecute on June 17 the next major case, which involves possible illegal contributions to

Clinton's gubernatorial campaigns. Unlike the Tucker-McDougal trial, which covered events during the mid-1980s, this case more directly involves Clinton in the period leading up to his election as president in November 1992. Clinton is expected to testify.

Sources said prosecutors possess evidence showing that defendant Robert Hill hand-delivered then-Arkansas Gov. Clinton a \$7,000 campaign contribution in December 1990 at a meeting during which they discussed the appointment of defendant Herby Branscum to a lucrative patronage job on the state Highway Commission. Attorneys for Clinton and the defendants deny a quid-pro-quo.

Jury Says It Wasn't Clinton's Word Against Hale's (Washn)By Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON White House officials took some heart Wednesday after jurors in the trial of Arkansas Gov. Jim Guy Tucker and James and Susan McDougal said that they found President Clinton's videotaped testimony very credible and that they didn't believe the statements of rogue financier David Hale, but that they convicted the defendants on the strength of overwhelming documentary evidence.

The jurors said they simply ignored the advice of attorneys for Tucker and the McDougals to weigh Clinton's word against Hale's. They told reporters that Clinton's testimony was irrelevant to their decision and that they convicted on the strength of 618 documents presented by the prosecutors.

"The president's credibility was never an issue," jury forewoman Sandy Wood said on ABC's "Nightline." "He was telling us to the best of his knowledge what he knew."

The point was not lost on White House aides, who distributed transcripts and copies of news reports carrying comments by jurors favorable to Clinton.

"The jury seems to have concluded that the president's testimony was extremely credible, but it wasn't really relevant to the large amount of documentary evidence," said White House Special Associate Counsel Mark Fabiani. "That is precisely what the White House has been saying all along. We are content to let the jury speak for itself."

Through their verdict the jurors seemed to accept Hale's basic allegation that the defendants engaged in a financial conspiracy. In interviews, they split over whether there was enough evidence to merit further investigation of Clinton and first lady Hillary Rodham Clinton. And Republicans pointed out that the White House would have vigorously lauded acquittals as a vindication of the president.

But Fabiani argued that congressional Republicans mistakenly "tried to make political hay" by criticizing Clinton before the jurors commented.

White House officials pointed to juror Colin Capp, who said Clinton was "magnificent" in his testimony for the defense. Indeed, the panel determined that Clinton had nothing to do with the fraudulent loans at the heart of the case and that Clinton's testimony did not relate to the transactions at issue, Capp said.

As for Hale, Capp said the jurors considered him "an unmitigated liar."

Similarly, Juror Risa Gayle Briggs said, "We didn't need to use David Hale's testimony" - sentiments echoed by juror Janice R. Greer, who said the verdict was not a rebuke of Clinton. "The documents told me more than the testimony," Greer said.

PHOTOC
PRESERV

process or not."

Election day also a day of mourning as masses gather at Rabin's grave By John Donnelly Knight-Ridder Newspapers(KRT)

JERUSALEM Grandfathers brought grandchildren. Tearful mothers walked with tearful daughters. And a man two months shy of his 90th birthday shuffled to the summit of the most quiet hill in Jerusalem.

For thousands of Israelis on Wednesday, Election Day meant fulfilling two duties: voting and visiting Yitzhak Rabin's grave.

It was a pilgrimage of remembrance for their fallen prime minister and for the terrible moment of his murder, a journey painfully poignant Wednesday because there would have been no election if there were no assassination. These voters cast ballots for Prime Minister Shimon Peres but they sorely missed Rabin, killed Nov. 4 by a right-wing religious Jew whose aim was to murder the peace process as well. These voters also missed Rabin's presence during the election campaign.

The spirit of Rabin fluttered off-stage during the last month, putting a damper on election debate for fear that it would trigger more violence. But the assassination never became a matter of public discussion, kind of like a tragedy in the family that no one wants to talk about.

PAINFUL MEMORY

Rabin's Labor Party believed that invoking his image could alienate wavering centrist voters and also that not everyone wanted the reminder. "I think people would rather not think about trauma and tragedy," said Amit Schejter, 34, a lawyer, who sat in the shade of a giant pine tree only a few feet from Rabin's stark black-and-white tombstone.

"It was only five years ago, during the Gulf War, that we walked around in gas masks for six weeks. Now, it's like it never happened. People talk more about the Six-Day War in 1967 than they do about the Gulf War."

His wife, Judy Maltz, 34, an Israeli journalist, believed Labor missed an opportunity. "There's a way of reminding us subtly. You don't have to completely ignore it."

She hoped that Peres still could benefit from Rabin's legacy, especially since he is the candidate who would continue Rabin's policies.

Rabin's widow, Leah, wished for the same. "I miss him," she said of her husband after voting for Peres. "However, we have to continue his legacy, and I hope we shall win the elections."

It wasn't until the final days of the race that Labor ushered in the memories of Rabin. In the most emotional moment of Sunday's debate, Peres said that Rabin should have been in his seat. And in what TV analysts said was the most powerful campaign ad of the election, Labor's last TV spot on Monday showed Rabin delivering his last speech at a Tel Aviv peace rally: praising Peres; walking off stage, alone; a rhythmic thudding sound; and lit candles on the ground.

LEAVING ROSES ON TOMB

On Wednesday, scores lit memorial candles on his tomb; laid down cut roses; prayed; left stones on the mantle of the grave, an ancient Jewish custom; and wept.

"I told my daughter before I go to vote, I would like to come here," said moist-eyed Risa Bursela, a producer of a classical music radio show. She held daughter Ariane, 14, close. "I think people want to forget. There have been so many events since he was killed that the murder has been pushed aside."

Eldad Doron, 58, voted immediately after polls opened Wednesday and then drove more than two hours from Haifa to Jerusalem with his family.

We pray that the results today will show that we are on the right way to peace," he said. "I wanted to bring my grandchildren here. They will see it, feel it. This is something very, very important. I believe everyone must come here."

TRIBUTE TO NATIONAL HERO

Yaakov Shragai, nearly 90, traveled alone by bus from his home in Ramat Gan, outside Tel Aviv, a journey that would last six hours. He had thought about coming here for months; he wasn't going to be denied on this day.

"I might be old, but I do what I want," said the man, bent by age.

"I've been in this country 70 years. I was a Zionist pioneer. There was nothing here when I came. And there has been nobody else who has done what Rabin did."

"He fought in the Independence War. He was a hero in the Six-Day War. Now he has shown us the road to peace. We are on that road today, and I want to stay on it," Shragai said, taking baby steps off the Mount Herzl cemetery hill. "That's why I came."

Whitewater verdict renews GOP attacks By David Jackson Dallas Morning News(KRT)

WASHINGTON While White House aides sought to protect President Clinton from political damage over the Whitewater convictions, Republicans on Wednesday renewed their attacks on the administration's "character."

"These were his friends, these were his partners," said Rep. William Clinger, R-Pa., chairman of the House Committee on Government Reform and Oversight. "There was,

certainly, a climate there that does call into question, you know, the character of the administration."

The White House, meanwhile, distributed an eight-page "fact sheet" of quotes from jurors who said Clinton's credibility was not at issue in the fraud convictions of James and Susan McDougal and Arkansas Gov. Jim Guy Tucker.

"They found the president's testimony very credible," White House press secretary Mike McCurry said.

Clinger made his comments as he announced plans to ask the House of Representatives to issue contempt citations against administration officials who are refusing to turn over documents in a related investigation involving the 1993 firings in the White House travel office. The House is scheduled to consider the request as early as Thursday.

"What we're really talking about here are two things," Clinger said. "One ... the rights of the Congress to have production of documents. The second, though, is really the character of this administration."

White House officials said the documents in question are legally privileged. They said the papers involve work on a pending criminal investigation of the travel office, as well as previous congressional investigations.

Clinton aides also criticized the committee for refusing compromise offers, including a private review of documents by Clinger, or a submission of the dispute to a federal judge.

"You know, Chairman Clinger has 40,000 pages worth of paper, and, you know, he all but wants the rolls of toilet paper in the men's room here," McCurry said. "It's part of a calculated, orchestrated attempt to keep some of these matters going."

The sniping took place a day after an Arkansas jury convicted the McDougals and Tucker in federal court of participating in a \$3 million scheme to defraud federally backed financial institutions.

Tucker promptly announced plans to resign the governor's office by July 15. Aides said President Clinton phoned Tucker late Tuesday night to offer his condolences.

"I've known Jim Tucker for years, and on a personal level I'm sad for him and his family," Clinton said in a statement. "The people of Arkansas have been served well by his work as governor."

Meanwhile, Clinton's aides took to the radio and talk-show circuits, emphasizing that their boss was not on trial. Aides also noted that the trial did not involve the failed Whitewater land deal itself.

The trial featured testimony by David Hale, a businessman and convicted swindler, who said Clinton pressured him to make an illegal loan to Mrs. McDougal. Clinton denied Hale's allegations in testimony that was

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The Washington phase of Starr's investigation also covers Travelgate, the term used to describe the firings of White House travel office workers during the early months of the Clinton administration. Starr is also examining the circumstances of former Deputy White House Counsel Vincent Foster's death and the disposition of papers from his office after his July 1993 suicide. Mrs. Clinton and senior White House aides have been at the center of both controversies.

"This is a very serious dilemma for the White House because it concerns conduct by current administration officials," said diGenova, who also has served as an independent counsel. "This is not the kind of investigation that involves things five or 10 years ago. It is the most dangerous because it involves obstructive conduct."

Eric Sirulnik, criminal law professor at George Washington University, said it's not inconceivable that Starr, a Republican, could go after Mrs. Clinton.

"Starr is a risk-taker. He is politically motivated. This is an election year. I don't know that Mrs. Clinton, for one reason or another, has the political currency to deflect someone's decision to indict. If this was Eleanor Roosevelt or Mamie Eisenhower, this wouldn't happen," Sirulnik said.

And if the first lady is indicted, it would be politically harmful for the president.

"It depends on the nature of his own role and his knowledge," said Democratic consultant Van Dyk. "If he is in 90 percent hot water if he is indicted, he's in 75 percent hot water if she is."

DRIP-DRIP-DRIP CASE: Nothing touches the Clintons directly, but Whitewater continues to dog them.

This could happen if the June trial involving the bankers delivers another guilty verdict.

Even if the Washington phase of Starr's investigation doesn't touch the Clintons directly, top aides or associates may be the subjects of these serious probes.

"I don't see any dramatic developments involving the first family," said diGenova.

Keeping the pot boiling also hurts the president.

"To the extent it is kept alive by these convictions and other things, it hurts him worse than if it weren't kept alive," said GOP consultant David Keene, president of the American Conservative Union. "But I think the degradation of his image in a moral sense took place in the first couple of years of his presidency. So that's always there. ... It's like Chappaquiddick."

BEST CASE: Whitewater disappears from the screen, and the president puts it behind him.

Most political analysts don't even see this as an option.

"It ain't gonna fade away. Believe me," said Democrat Van Dyk. "This buys running room and credibility for Ken Starr. There's no way it goes away."

Still, if the McDougals or Tucker win their appeals, that would take some of the edge off.

"Given the number of issues and the intersection of the various players, there is probably some likelihood for an appeals court to say some, if not many, of the conviction verdicts may be in doubt," said Sirulnik of George Washington University.

If the bankers are acquitted in the upcoming trial involving campaign contributions, that also could defuse Whitewater.

It's possible that the Washington phase of the case goes nowhere. It's also possible that if the first lady is indicted, it could backfire.

"You take a risk in indicting the first lady," said Sirulnik. "She could garner sympathy. And then it haunts those parties who would like to see this undermine the president."

Children to rally for first time in Washington for better care By Rachel L. Jones Knight-Ridder Newspapers(KRT)

WASHINGTON The sight of poor people begging for food makes Judy Barr sad. The thought of Congress spending billions of dollars on the military while schools are closed makes her brother Philip mad.

But the Barrs aren't two angry taxpayers clamoring for answers. They're two 9-year-old Washington, D.C. children who'll join thousands of others from across the United States Saturday during the Stand for Children Rally at the Lincoln Memorial.

"Most grownups think we're like ants, because we're so small," Judy said Tuesday. "They think our opinions don't matter, and that we don't know anything about the world."

But Judy and Philip think kids today know a lot about issues like violence, education and poverty. And they believe their opinions should be heard.

"Education is far more important than all that stuff they put billions of dollars into, to make more tanks and stuff," Philip said, twirling a small American flag nervously. "We should improve the quality of education so that kids will be smarter and know how to get jobs."

During Saturday's rally, convened by Children's Defense Fund founder Marian Wright Edelman, American kids will have the unique opportunity to form a national lobby of sorts, as their parents, child advocates, community activists and child welfare administrators take part in a first-of-its-kind rally at the Lincoln Memorial.

"It will be our day, to show that we're important," said Florence Farris, a 10-year-old Girl Scout who'll be joined by at least 3,000 other Scouts. "Without us, grownups don't have a future."

Though organizers say they can't predict numbers, preparations for the rally rival those for last year's Million Man March. But while children will be carrying colorful banners, some adults are nursing serious grudges about being left out of the day's festivities.

"The question that should be asked is WHO is standing for children, and what are they standing for?" said Kristi Hamrick, spokesperson for the conservative Family Research Council in Washington. Although organizers boast that more than 3,200 organizations have pledged support, Hamrick said groups like her organization and the Traditional Values Coalition were not invited.

The Park Service is braced for what some wags have called "Toddler Fest '96." The city's Metro mass-transit system will start an hour early on Saturday, and there will be several hundred portable toilets plus food stands and first-aid stations to accommodate the throngs of children.

But whether 1,000 people or 100,000 show up, organizers believe the timing is perfect.

"What we need in 1996, in the last election year of the century, is to focus the country's attention on the needs of children and families," said Edelman's son Jonah, who is associate director for the event. "We intend to draw a line in the sand below which no leader would stoop when it comes to our children."

While Edelman has said the day will be totally nonpartisan, groups like the Family Research Council and the Traditional Values Coalition say the link between the liberal, activist Children's Defense Fund and the Clinton administration is proof that the Stand For Children will be just one more piece of the Big Government, anti-parent puzzle that conservatives have railed against for years.

(EDITORS: NEXT 2 GRAPHS OPTIONAL TRIM)

They say the fact that Marian Wright Edelman is a longtime friend of first lady Hillary Rodham Clinton, a former CDF board member, is proof that the benign, carnival-like atmosphere on the Mall will be pointedly anti-conservative.

March supporters insist the Stand for Children will be off-limits for political sniping. They also hope the unseasonably cold, rainy weather will end before Saturday.

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Starting at 9 a.m., three stages will offer music and skits aimed at children. An informal program with no

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This time he is being cautious, saying he will not answer speculative questions about his intentions.

"This is not a normal election, because in a normal election we are fighting other parties," he said during a campaign swing on Wednesday in his Londonderry constituency. "The objective this time is to go into negotiations, and we are not doing anything that will intensify the disagreements that exist."

(EDITORS: STORY CAN TRIM HERE)

In Catholic West Belfast, Sinn Fein leader Gerry Adams knocked on doors in the Beechmount district off the Falls Road as his campaign drew to a close. Behind him was a wall on which someone had painted the words: "Release our weapons. We can fight, you know."

Adams blames British Prime Minister John Major for the predicament in which Sinn Fein finds itself.

"Mr. Major said elections would be the direct route, clear and automatic, into negotiations," he said. "He can't pontificate about the primacy of the ballot box and not respect the ballot box. If Sinn Fein gets no votes, fair enough. But otherwise we have a right to be represented."

Adams said he had "stopped speculating" about whether the IRA would declare a cease-fire, but he did not sound hopeful.

"We want to see an end to all armed actions," he said. "This is the main objective and focus of Sinn Fein's work. But we can't have that precondition placed upon us."

Sinn Fein took 10 percent of the vote in the 1992 British general election, and Adams said he would be satisfied if it gets that much again. This statement appears to reflect concerns that Sinn Fein will be penalized at the ballot box because of the collapse of the cease-fire.

Ulster Unionist leader David Trimble has his own election worries. He is the leader of what has been Northern Ireland's largest party. But the Unionist movement is going into the election sharply divided, with new parties springing up overnight and 10 represented on the ballot.

There are indications the Ulster Unionists may finish well behind Hume's Social Democratic and Labor Party.

A part of the Ulster Unionists' traditional vote may be siphoned off by Robert McCartney's United Kingdom Unionist Party. McCartney, a respected lawyer and independent member of the British Parliament, appeals to voters with a combination of liberalism on social and economic issues and staunch support for ties to Britain. But he, like many politicians, is pessimistic about the forthcoming talks, saying they will "undoubtedly" break down.

Trimble brushes aside the threat from other Unionist parties, but frets that voter apathy could prove damaging.

"There's a mood that says, what's the point of voting, seeing that the ballot box is regularly ignored?" he said. "You can't deny it. It's true. Governments do regularly ignore the verdict of the ballot box."

Trimble said the important things to be decided in the coming negotiations were the establishment of local institutions within Northern Ireland and finding a way to coexist with the Irish Republic.

His openness to any kind of relationship with the Irish Republic is a new factor in Unionist politics. He said it would require some "changes of attitude" in Dublin, "a coming to terms with the reality that Northern Ireland will remain a part of the United Kingdom."

There are 891 candidates from 23 parties contesting the election. The results will not be known until Friday afternoon because, in Northern Ireland, votes are counted by civil servants and they keep regular office hours, beginning the count Friday morning.

What next? There are several Whitewater scenarios By Angie Cannon and Robert A. Rankin Knight-Ridder Newspapers(KRT)

WASHINGTON How bad could Whitewater get for the Clintons?

No one really knows. But after Tuesday's guilty verdicts of the former business partners of Bill and Hillary Clinton, it's hard to imagine their surviving without a scratch.

A beaming independent counsel Kenneth Starr says his investigation "is very active."

Here are some possible but speculative scenarios:

WORST CASE: President Clinton gets indicted and is forced off the presidential ticket.

At this point, almost nothing points to any wrongdoing by the president.

But what if:

One or more of the Whitewater defendants found guilty Tuesday—either Susan or James McDougal or Arkansas Gov. Jim Guy Tucker—testifies against Clinton or others in exchange for more-lenient sentences.

Former municipal judge and investment banker David Hale, who is serving a prison term for fraud, has testified that Clinton pressured him to make a federally backed loan to Mrs. McDougal, a charge that the president repeatedly has denied. An FBI agent testified that about \$50,000 of that \$300,000 loan ended up in Whitewater, a failed real estate venture in which the Clintons and McDougals were partners.

Damning evidence emerges from a trial starting June 17 involving two Arkansas bankers who raised money for Bill Clinton's 1990 gubernatorial campaign. Once again, the president will be asked to provide testimony, notably about his appointment of one of the bankers to the Arkansas Highway Commission.

Guilty verdicts or a plea bargain in exchange for testimony against the president would be damaging. Other damage to Clinton could conceivably come from another criminal trial of Tucker, who faces charges that he plotted to cheat the IRS out of taxes.

Some legal experts say they don't see the McDougals or Tucker turning on the Clintons.

"They all have to live in Arkansas," said Joseph E. diGenova, a Republican and a U.S. attorney here from 1983 to 1988. "James McDougal is useless as a witness. Susan is a scared rabbit. Jim Guy Tucker is a politician and he won't turn on anyone."

Still, if—and it's a big if—Clinton were indicted, "he withdraws from the campaign and lets Al Gore have a shot at being elected," said Democratic political consultant Greg Schneiders.

Or, says veteran Democratic consultant Ted Van Dyk, another worst case would be a "replay of 1972" when Democrats attacked President Nixon on Watergate, "but it never stuck with the public until after the second inauguration. Then we had a constitutional crisis."

"That's the worst case here... Clinton is weakened but manages to win, then the hammers fall on him after the second inauguration, and it tears apart the country."

VERY BAD CASE: Hillary Rodham Clinton gets indicted, creating a huge political liability for her husband.

At this point, nothing points to any clear wrongdoing by the first lady, but the so-called Washington phase of Starr's investigation has raised more questions about her than about her husband.

Indeed, Mrs. Clinton testified for four hours before the grand jury in Washington, although she was not a target of the investigation.

Part of Starr's probe concerns the disappearance of long-subpoenaed billing records from the Rose Law Firm in Little Rock where Mrs. Clinton was a partner.

A White House aide has said she mysteriously found the billing records lying on a table near Mrs. Clinton's office in the White House residence last August, nearly two years after investigators had subpoenaed them. The records pertain to legal work Mrs. Clinton performed for Madison Guaranty Savings & Loan, which was owned by James McDougal.

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Whitewater probe expected to expand into areas closer to Clintons By David Jackson Chicago Tribune(KRT)

WASHINGTON Despite statements by Whitewater jurors that they found President Clinton believable, the sweeping convictions of his onetime friends and business partners offer fresh stimulus to the Whitewater investigation as it moves into potentially troubling areas for the president and first lady.

In the wake of the verdicts, independent counsel Kenneth Starr is focusing on matters such as the 1993 firing of White House travel office staffers and the handling of papers taken from the office of White House aide Vince Foster after his suicide that year.

Legal observers say the convictions could alter the legal landscape for the Clintons by increasing the likelihood that minor figures may step forward with fresh information, as well as by re-energizing the federal agents handling the case.

"An early victory always encourages prosecutors and agents to follow through and expand on whatever evidence developed during their investigation and trial," said Chicago criminal defense attorney Howard Pearl, a member of the team that handled prosecutions stemming from the 1990 Iran-Contra investigation.

"Successful convictions demonstrate that there is something there and that prosecutors have the capacity to find it," Pearl said.

Clinton's former White House counsel, Lloyd Cutler, told reporters that the convictions indicate "the investigation will be with us right through the election. And that is unfortunate."

The verdicts come as Starr prepares for the June trial of Arkansas bank executives Herbert Branscum Jr. and Robert Hill, who are accused of illegally diverting contributions to Clinton's gubernatorial re-election campaign.

That trial, at which Clinton again may be forced to testify as a defense witness, could highlight questions of cronyism in Clinton's Arkansas administration and the funding of his 1990 campaign.

The jury Tuesday found two of the Clintons' former business partners, James McDougal and his ex-wife, Susan, as well as Arkansas Gov. Jim Guy Tucker guilty of fraud and conspiracy in the trial stemming from Starr's investigation into the failed Ozark Mountains real estate development. Tucker announced he would step down by July 15.

White House aides were heartened by statements from several of the Little Rock, Ark. federal court jurors, who told reporters and talk show hosts that Clinton's videotaped testimony was credible and showed he had little knowledge of a fraudulent \$300,000 loan at the center of the 12-week trial.

"I would tend to believe President Clinton simply because he was the most credible witness," juror Tracy Pleasants, 30, told NBC's "Today."

(EDITORS: NEXT 3 GRAFS OPTIONAL TRIM)

White House spokesman Mark Fabiani said the jurors' statements underscored his view that Tuesday's verdicts would have no legal impact on the Clintons.

"The facts are the same today as they were yesterday, and will be the same tomorrow as they were two weeks ago," Fabiani said. "This matter has been investigated for four years by two independent counsels, two congressional panels and legions of reporters."

"People have turned up an incredible amount of information, but one allegation after another has evaporated. To presume that there is more information out there that no one has heard anything about is wishful thinking on the part of Republicans," Fabiani added.

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But armed with Tuesday's convictions, Starr's investigators are preparing for the upcoming Branscum-Hill trial and pursuing several unresolved questions raised by the original investigation of the Whitewater real estate deal.

A Washington grand jury is probing whether White House aides lied to investigators about Hillary Clinton's role in the 1993 firings of White House travel office

employees.

(EDITORS: NEXT 4 GRAFS OPTIONAL TRIM)

David Watkins, then a White House aide, told General Accounting Office investigators in December 1993 that he was under no pressure from Hillary Clinton to dismiss the staff members. But later a June 1993 memo was discovered in which Watkins wrote, "There would be hell to pay" if the travel workers were not fired "in conformity with the first lady's wishes."

The travel office staffers were replaced by people from a Little Rock travel firm and were overseen by a distant cousin of the Clintons. The charges of travel office mismanagement that led to the firings were first made by Harry Thomason, a Clinton friend and campaign financier who had a consulting firm that sought White House business.

Clinton has told congressional investigators that she had no personal role in the dismissals and didn't recall details of a May 1993 conversation on the subject with Watkins. She has not been charged with wrongdoing.

Fabiani said Clinton "was concerned about reports of mismanagement, but she didn't have any role in deciding how to deal with them or the individuals involved. That's how she remembers it and hers is a position that happens to be backed up by other people involved in the matter."

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The Washington grand jury is continuing to examine the mysterious reappearance of Clinton's billing records outlining her legal work for Madison Guaranty Savings & Loan, a thrift controlled by James McDougal, the Clintons' Whitewater partner who was convicted Tuesday.

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The billing records were discovered on a table in the library of the White House family residence in January. They detail legal work Clinton did on a real estate development called Castle Grande, which spawned deals Starr's prosecutors dubbed "sham transactions." Clinton has said she had no knowledge of how the records got there or of any impropriety.

The billing records were among Whitewater papers taken by Hillary Clinton's chief of staff from Foster's office after Foster's July 1993 suicide. White House aides refused to allow career Justice Department officials to review the contents of Foster's office.

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As Starr's investigation proceeds, the McDougals and Tucker could be given immunity from prosecution and forced to testify before Starr's grand jury.

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The McDougals may be asked to resolve conflicting statements James McDougal has made about Hillary Clinton's legal work for Madison Guaranty Savings & Loan.

Tucker's attorneys say he has little information to offer on the Clintons; he and Bill Clinton were widely considered political rivals, and Tucker played no part in the Whitewater land development.

In addition, it is unlikely Starr would try to force Tucker to testify until after a second, separate trial on a complex cable TV-financing deal in which Tucker took part. That trial has been delayed by legal appeals.

Both Democrats, GOP find they can't fulfill grand promises By Michael Tackett Chicago Tribune(KRT)

WASHINGTON The new unofficial bumper sticker for Congress: Think Small.

Forget about the ambitious national health care plan from President Clinton or another "Contract With America" from House Speaker Newt Gingrich.

The grand rhetoric of campaigns now collides with the crushing reality of today's politics: Nobody's got the numbers.

Clinton lacked sufficient Democrats in Congress to pass his health care plan. Gingrich, despite the historic Republican victories in 1994, found much of the GOP agenda stalled in Congress or nullified by Clinton's veto pen without the votes to override it.

Though American culture thrives on the grandiose, with

PHOTOCOPY
PRESERVATION

Mr. Clinton, irrelevant by choice this time

One might almost feel pity for the Clinton administration's public cheerleaders. There they were, on the morning and evening news shows, chief Clinton boosters Rep. Barney Frank and Sen. Christopher Dodd, trying to salvage something from the devastating Little Rock guilty verdicts against Bill Clinton's friends, partners and political associates.

And they had precious little to work with. They, and every other member of the White House PR machine, dutifully intoned that old mantra about the political motivations of anyone and everyone who questions the Clintons' involvement in Whitewater — most particularly, of course, Republican legislators who have been investigating the Clintons and their land deal (Whitewater independent counsel Kenneth Starr seems to have been quietly dropped from the list). But it really rang quite hollow — considering that Jim and Susan McDougal, the president and first lady's former Whitewater partners, could go to jail for a combined total of 101 years, after being convicted by a very unpolitical Arkansas jury.

And then there were the jury statements — seven pages of them cobbled together by the White House — to the effect that President Bill Clinton was really a very credible witness. But, of course, Mr. Clinton was a credible witness. For one thing, he couldn't have gotten where he is today without being persuasive. Indeed, the president's ability to persuade is clearly

what defense attorneys were counting on when they rested their case after his testimony (after having presented no other evidence beyond James McDougal's rather less credible testimony). One may be forgiven for suspecting that if his taped testimony had not been convincing, the defense might not even have presented it. In any case, Mr. Clinton's credibility simply could not compete with the overwhelming evidence presented by the prosecution of the fraud committed by the McDougals and Arkansas Gov. Jim Guy Tucker. It seems safe to say that Mr. Starr is every bit as well prepared for the upcoming trial of two bankers accused of fraudulent contributions to Mr. Clinton's gubernatorial campaigns.

Which brings us to another line of defense that is popular in Democratic circles just now: That since neither Bill nor Hillary Clinton is actually a defendant — in either case — the prosecutions really have nothing to do with them. In point of fact, of course, it was very legitimate questions about the propriety of their Arkansas financial dealings — and their less than forthright responses to inquiries about those dealings — that led to Mr. Starr's investigation in the first place.

In short, the McDougal-Tucker convictions, the upcoming bank-fraud case, and any others that might arise from Mr. Starr's ongoing and very active investigation, have everything to do with the president and first lady.

No justice for the Roosevelt beating

Anyone still clinging to the hope that the judicial system might provide some relief or protection for our violence-ridden schools had a rude awakening last week. That was when D.C. Superior Court Judge Harriet Taylor handed down less than rigorous sentences to three men who beat up a teacher at Roosevelt Senior High School in January.

Kenneth Matturi and Nicholas Kennedy, both 19, and Nabieu Seisay, 20, were hanging out in a hallway at Roosevelt (where they are not students), making noise and smoking marijuana. ROTC instructor Col. Frank Scotti stepped out of his classroom to ask them to leave. Shortly thereafter, the three attacked Col. Scotti and beat him until he was bloody and unconscious — cheered on by a group of Roosevelt students (whose names and punishment have not been released). The beating, during which Matturi, who is black, allegedly called Col. Scotti a "white [expletive]," left the teacher with a broken nose, cheekbone and eye socket, as well as a concussion and facial-nerve damage; he still has no feeling in part of his face.

Matturi, Kennedy and Seisay admitted their crime and pleaded guilty to aggravated assault. One might have assumed that the nature and severity of the crime merited the maximum sentence — particularly since Kennedy and Seisay had been accused two years ago (when they were students there) of assaulting another Roosevelt teacher, who refused to press charges. Judge Taylor felt otherwise. She chose to sentence the men under the District's Youth Rehabilitation Act — which allows a judge to send 18- to 22-year-old criminals to the Youth Rehabilitation Center, a special jail-within-a-jail at Lorton. The act also allows the criminals' record to be cleared if they stay out of trouble after their release.

And for Matturi, Kennedy and Seisay, release will come far sooner than they deserve. Judge Taylor sentenced them to only five years; and she piled insult

on injury by suspending all but 16 months for Matturi and Kennedy; two years for Seisay. Matturi and Kennedy will have to do 100 hours of community service, Seisay 150 hours. (This can only seem like some sort of cruel parody to D.C. high school students, all of whom are automatically "sentenced" to 100 hours of community service as a graduation requirement.)

Exercising remarkable restraint, Col. Scotti refused to criticize the judge — citing his faith in the judicial system. But he had spoken up in court before the sentencing, asking the judge to consider the damage wreaked upon education by fear and violence. Nor, of course, was Col. Scotti the only one hoping the full weight of the law would be brought against the three criminals. Indeed, many in the city were outraged when these three demonstrably violent men, who had committed a vicious act in a place meant to be a haven of peace and sanity for children, were permitted to plea-bargain and avoid a trial, a jury, and additional charges of mayhem, burglary, and drug possession.

The usual explanation — an overload in the court system — was offered. No doubt it was true. But one can't help feeling that a jury might have made it more difficult for Judge Taylor to impose her fun-house mirror view of the situation.

Judge Taylor's explanation for her remarkable leniency toward Matturi, Kennedy and Seisay? "I believe they can benefit from it. They need a great deal of help, help of the sort that youth today have no chance of getting at an adult jail facility," she said.

The truth is, of course, that the "youth" really in need of help here are the decent, peaceable students beset by danger and violence at Roosevelt and other schools. They need the sort of help that can prevent predators like Matturi, Kennedy and Seisay from ruining their schools — or their lives. But that's help of the sort that youth today have no chance of getting from the likes of Judge Harriet Taylor.

Whitewater verdicts embolden Dole supporters

By E. Michael Myers
THE WASHINGTON TIMES

LONG BEACH, Calif. — Sen. Bob Dole wasn't talking about convictions in the Little Rock Whitewater trial yesterday as he stumped through California.

But friends and admirers were.

At a rally for the Kansas Republican at Perry Park here, Eric Hartman said the news "goes to the character of the president and the people he is associated with — convicted felons."

"It is a big hit on Bill Clinton. The Democrats say it is a big ploy. These charges have merits. They are not a ploy."

Mr. Hartman's wife, Nancie, described the presumptive GOP presidential nominee as an honorable man. She said Whitewater is emblematic of President Clinton's character flaws: "Bill Clinton does not have character or a backbone."

"I have no idea what the impact of that is going to be," California Gov. Pete Wilson said of the Whitewater verdicts.

"Bob Dole isn't relying on that and doesn't have to," said Mr. Wilson, a onetime rival of Mr. Dole's for the GOP presidential nomination. "What he will do is come and take Clinton very much to task, as he is on welfare reform, his failure to enforce drug laws with the resources necessary" and other issues.

Former California Gov. George



Senate Majority Leader Bob Dole presses the flesh yesterday at the Perry Park Senior Center in Redondo Beach, Calif.

Deukmejian said, "People understand convictions, indictments, and understand what a felony is."

"They may not be interested in the intricacies of Whitewater, but they understand these things, and that these were business partners of the president and Mrs. Clinton."

"This gives more credibility to the special prosecutor. Where this winds up, especially if there are any disclosures about... a cover-up effort by the White House, that could be quite damaging."

California's Republican At-

torney General Dan Lungren at first declined to talk about the issue but later said Whitewater is about more than a botched land-development deal.

"If I was the president sitting in the White House and I read the news about the conviction, I wouldn't say, 'Hot damn,'" Mr. Lungren said.

"What is important to us is, a person stands for what he says and says what he stands for, which is Bob Dole," he added.

"This president stands for

everything, which is to stand for nothing. I think people are beginning to talk about Whitewater, but it is not the issue I think we should be talking about."

Andrew Hopwood, chairman of the Los Angeles Republican Party, said it will still take more time for Whitewater to develop as a central issue in the presidential campaign.

"I do not know if it will stick to him," he said of the impact of the trial convictions on Mr. Clinton. "But the president says one thing, and his friends are found guilty."

Mr. Dole was courting the suburban vote in a 24-hour swing through California.

Accompanied by Gov. Pete Wilson and Mr. Lungren, Mr. Dole's speeches here and in San Diego and Sacramento focused on the issues of integrity, crime, economic growth, and dismantling the excesses of the welfare state.

The president has twice vetoed a Republican-backed welfare-reform plan, and is calling for another one.

"Give it to me once," Mr. Dole declared. "I'll sign it."

Mr. Dole encountered pro-Clinton hecklers in Long Beach and San Diego.

"I salute everybody, even those on the far left," Mr. Dole said to the hecklers. "I have found out there are more people in the middle and on the right than on the far left everywhere I go."

The Washington Times
* THURSDAY, MAY 30, 1996

Arkansans see Clinton role in Whitewater

By Joyce Price
THE WASHINGTON TIMES

President Clinton's name came up frequently yesterday as members of the "9 o'clock coffee club" at Doug's Restaurant in Natchez, Miss., rehearsed the convictions of three Clinton associates in the Whitewater fraud and conspiracy trial.

"We had between 15 and 20 people here this morning, and the consensus was ... that Clinton was mixed up in it," said restaurant owner Doug Madison. "They think it's really looking bad that the president testified for the defense and the defense lost."

The felony convictions Tuesday of Arkansas Gov. Jim Guy Tucker and Mr. Clinton's former business partners, James B. McDougal and his ex-wife, Susan, dominated much of talk radio and were a popular topic among customers at diners, convenience stores and barber shops.

Vickie Beel, owner of the Yellowville Quickstop in Yellowville, Ark., a town of about 1,200 in the Ozarks, said, "The customers weren't surprised at the verdicts, and they felt the guilty verdicts were deserved."

Asked if her customers believe Mr. Clinton was implicated, she replied, "They kind of feel — how should I say this? — that poop rolls down hill, and the guy who's doing it won't get any on him."

At KARN radio in Little Rock, talk-show host Pat Lynch said he spent "three solid hours" on the Whitewater verdicts, and ABC's "World News Tonight" was there for an hour of the discussion.

"At one extreme, there was a certain amount of total denial of guilt [by Tucker], and at the other extreme, there were those who said this just proves Clinton is guilty as sin," Mr. Lynch said.

Not everyone in the Arkansas capital was aware of the convictions. A man reached at the Hideaway Bar on Main Street had this reaction: "What verdicts?"

Employees and customers at Versie's Happy Hour Tavern in Chicago were better informed. Barmaid Jethena Fife said that before the convictions, "a lot of people here didn't think [Mr. Clinton] was involved. I still don't think so, but the majority of the customers feel it looks bad for him now."

William Kresment, a dishwasher at the Sparrows Point Inn near Dundalk, Md., said he remains convinced the entire Whitewater investigation is "definitely political."

Dan Morrisette, a manager of the Tilton Diner in Tilton, N.J., said no one there was discussing Whitewater yesterday. "People don't care, and I'm right in there with him," he said.

But Tom Hanson, owner of Bangor Hardware in Bangor, Maine, said he does care. "I'm a little amazed at the free ride the press is giving Clinton," he said.

Mr. Hanson said he believes Whitewater "will hurt Clinton after the election," but not before, because the media will do its best not to allow the scandal to derail his reelection.

Steve Bainter, owner of Steve's Barbershop in Peoria, Ill., believes Whitewater will be a major campaign issue. "And I think it will hurt Clinton because the Republicans certainly aren't going to let it die," he said.

Conservative national radio talk-show host G. Gordon Liddy, one of Mr. Clinton's harshest critics, told his audience, "The corruption [in Arkansas] is something, but at least those honest Arkansas jurors weren't corrupted."

Michael Harrison, editor and publisher of Talkers Magazine, said "Whitewater was the most talked-about topic" on radio talk shows yesterday. He stressed that it is not a hot topic with talk-show callers generally and predicted that the Little Rock verdicts will have a longevity of only about a day or two on the talk-show circuit.

Jury calls Clinton credible, irrelevant Document trail more important

LITTLE ROCK, Ark. (Reuters) — For President Clinton, the good news about the Whitewater trial is that many on the jury believed his testimony. The bad news is that it didn't count for much.

Jurors who spoke out publicly after helping convict all three defendants the day before said they found the president to be a credible witness but not an important one to their verdict.

"We really used [Mr. Clinton's testimony] very little, and not because there was any credibility problem. It just wasn't pertinent to decide the issues we were asked to decide," jury forewoman Sandra Wood told the Arkansas Democrat-Gazette.

"It didn't carry any more weight than any of the other evidence," said juror Josie Felton.

Of greater importance, the jurors said, was a trail of documents dating back to the mid-1980s that proved prosecution charges that defendants James McDougal, his ex-wife, Susan McDougal, and Arkansas Gov. Jim Guy Tucker bilked federally backed financial institutions of \$3 million to fund their private business ventures.

A small portion of that money was siphoned off to help pay for the troubled Whitewater real estate venture, in which then-Gov. Bill Clinton, his wife, Hillary Rodham Clinton, and the McDougals were partners, prosecutors said.

Star prosecution witness David Hale testified that Mr. Clinton pressured him in 1986 to make an illegal \$300,000 loan to Susan McDougal. The president emphatically denied the charge in videotaped testimony submitted by the defense at the trial.

Defense lawyers attacked Hale as a liar and a con man who lied to curry favor with prosecutors as part of a plea bargain on his own federal charges. Hale has been sentenced to 28 months in jail for defrauding the Small Business Administration.

Juror Colin Capp said the 12-member jury thought Hale was an "unmitigated liar" and the chief value of Mr. Clinton's testimony was to confirm that view.

"President Clinton was magnificent in his presentation. He cleared up a lot of things for us. He just added to the lack of credibility that we had for David Hale," Mr. Capp said. But he said "the deciding factor was the hard evidence, the paper trail. It was almost impossible to reach any other conclusion."

Mrs. Wood agreed regarding Mr. Clinton's performance. Asked if she had found him a credible witness, she replied: "Oh, absolutely."

Juror Tracy Pleasants said that, based on the testimony she heard, there was no need to investigate further the actions of the president and first lady. Asked on NBC's "Today" show if there were enough unanswered questions to continue investigating the Clintons, she replied "From where I sit ..."

POLITICS & POLICY

Starr's Victory Puts Whitewater on Center Stage With Implications Beyond Presidential Politics

By GLENN R. SIMPSON

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — Kenneth Starr's courtroom victory radically alters the Whitewater landscape.

The verdicts against the Clintons' former Arkansas business partners and Governor Jim Guy Tucker have pushed Whitewater back onto the front pages as the presidential campaign swings into high gear. Mr. Starr has obviously dashed the White House's hope that interest in Whitewater was flagging. Indeed, the White House itself yesterday released a seven-page document containing the statements of jurors saying that neither Mr. Clinton's credibility nor his actions had been a major factor in their deliberations.

But far more serious than political and public-relations fallout is the very real worry inside the White House that President Clinton, Hillary Rodham Clinton and their associates are now in real legal jeopardy and are likely to remain so long past November.

To be certain, the Clintons currently remain on the periphery of Mr. Starr's scope. To the extent that details of his inquiry are known, the independent counsel continues to aim at Mr. Clinton's Arkansas associates and current or former administration officials. To date, only one person has publicly leveled an accusation of illegality against Bill or Hillary Clinton — former municipal judge David Hale, who says Mr. Clinton pressured him to make a fraudulent loan. And Mr. Hale is himself a convicted felon.

Yet the Clintons clearly face an increased potential of legal peril on a number of fronts in both Washington and Arkansas. For example, Mr. Starr said this



Kenneth Starr

week that the "the Washington phase of our investigation is very active," by which he was referring to several separate but related inquiries into whether White House officials, and possibly Mrs. Clinton, obstructed justice by hiding evidence and otherwise seeking to derail investigations of Whitewater. The independent counsel's staff is also looking into whether White House officials and Mrs. Clinton obstructed inquiries into the 1993 firings of the White House travel-office staff. In Arkansas, the financing of Mr. Clinton's gubernatorial campaigns and the awarding of state appointments and favors to donors have attracted Mr. Starr's scrutiny.

Another area of danger is the possibility that an associate of the president or first lady could decide to cooperate with prosecutors rather than risk a harsh jury verdict like the ones meted out this week to Mr. Tucker and James and Susan McDougal, the former savings-and-loan owners who were partners with the Clintons in the Whitewater real-estate investment. While Mr. Starr and his colleagues have ardently denied that the current indictments and prosecutions are intended to produce witnesses against the president, it is standard procedure for prosecutors to work their way up the ladder with a string of prosecutions that encourage smaller players to turn against superiors.

As the Whitewater investigation deepens, Mr. Starr and his staff are moving aggressively on several different fronts:

Arkansas: Money and Politics

Mr. Starr's second trial is slated to begin next month in Arkansas and presents potentially thornier problems for Mr. Clinton than the first one. The issue at the heart of Mr. Starr's case against two relatively obscure Arkansas bankers is whether Mr. Clinton's gubernatorial campaign was illegally financed and whether donors received special favors from his office. The bankers, Herby Branscum and Rob Hill, go on trial June 17 on charges of illegally funneling \$7,000 in bank funds

into Mr. Clinton's 1990 re-election campaign.

Mr. Clinton named Mr. Branscum to the state highway commission, and prosecutors are known to be focusing on the appointment. On Dec. 17, 1990, Mr. Clinton accepted \$7,000 in donations from Mr. Hill and allegedly discussed with him Mr. Branscum's state appointment. The defendants have adamantly denied any quid pro quo, and prosecutors haven't lodged any allegation against Mr. Clinton. It is a federal crime to trade government jobs for campaign support.

While it is thought unlikely that the bankers will make a deal with prosecutors, it is possible that Tuesday's verdict in the McDougal-Tucker trial diminishes their resolve. In addition, the two bankers had signaled that their defense would rest in part on the notion that they are politically persecuted Democrats, a strategy that totally failed Mr. McDougal.

Jim Guy Tucker II

Gov. Tucker, convicted Tuesday on conspiracy and fraud counts, faces a second trial on additional charges relating to his role in a \$300,000 loan obtained by a company once controlled by Mr. Hale. He has announced that he will step down as governor to focus his energies on his legal defense.

Mr. Tucker isn't known to have a direct connection to the Whitewater real-estate investment. However, he is a charter member of what Mr. Hale has called the Arkansas "political family" that was close to President Clinton.

Mr. Tucker has considerable incentive to strike a deal with prosecutors. He faces as many as 10 years in prison already and could get considerably more time if he is

convicted of tax evasion in his coming trial. As a former governor, Mr. Tucker would be a far more credible witness than Mr. McDougal or Mr. Hale in a criminal trial.

The big question, of course, is whether Mr. Tucker has anything to offer Mr. Starr. He has already denied possessing any knowledge or evidence that would implicate Mr. Clinton in wrongdoing. However, there are cryptic references to Mr. Tucker in documents from the 1992 Clinton presidential campaign, including a note by Clinton confidante Susan Thomases indicating she planned to contact Mr. Tucker in order to find out more about Whitewater. (She later gave Senate testimony that she never did contact him). As the Whitewater controversy heated up in 1993, Mr. Tucker flew to Washington and met with Mr. Clinton privately at the White House. President Clinton called Mr. Tucker yesterday to express his sympathy, which intensified speculation in Arkansas over what Mr. Tucker will do.

The Travel Office

By all accounts, President Clinton isn't the prime subject of Mr. Starr's inquiry into the 1993 firing of the White House travel-office staff. However, Mr. Starr is keenly interested in whether Mrs. Clinton played a role in the firings and then concealed her actions when federal investigators looked into the firings. Mr. Starr recently hired an experienced prosecutor to pursue the travel-office matter.

Also in jeopardy is longtime Clinton associate David Watkins, who in a memo appears to have admitted deceiving congressional investigators in an attempt to conceal Mrs. Clinton's role in the firings. Mrs. Clinton has said she played no role in the firings.

But even if Mr. Watkins were to allege that the first lady wasn't truthful to investigators, his claims alone might not be enough to bring a charge. "You would have to come up with more evidence against the president's spouse than any

other person you would charge with this kind of crime," said former prosecutor Victoria Toensing, a Republican. "It's sort of like if you're going to kill the queen."

The Billing Records

The discovery in the White House late last year of a thrift's billing records by the Rose Law Firm is also a problem that leads directly to Mrs. Clinton, who was one of several Rose partners working for Mr. McDougal's savings and loan in the 1980s.

Prosecutors have found Mrs. Clinton's fingerprints on the records, which has led to intense speculation — in the media and at Senate hearings probing the Whitewater affair — over whether she may have played a role in keeping the subpoenaed billing records from investigators. However, since they were her own billing records, it isn't terribly surprising that her fingerprints are on them. It is also unclear whether anyone else's fingerprints are on the records.

THE WALL STREET JOURNAL
THURSDAY, MAY 30, 1996

PHOTOCOPY
PRESERVATION

Whitewater Fallout Not Over Yet

Republicans Will Exploit Issue; New Trial Will Start Soon

By R. W. APPLE Jr.

WASHINGTON, May 29 — The guilty verdicts returned on Tuesday in the Whitewater case in Arkansas hit political Washington like a bomb, surprising almost everyone. But after a night's reflection

News Analysis

and a day's gossip, most of the political professionals concluded that it had been a small bomb.

"We thought Al D'Amato had killed Whitewater as an issue," a White House official conceded this afternoon. "The Little Rock jury has brought it back to life, but we still doubt it will dominate the Presidential campaign."

Senator Bob Dole declined to make a substantive comment on the verdict — "I haven't commented on Whitewater since Day 1, so I won't comment on today's whatever," he said — and one of his advisers, Senator John McCain of Arizona, predicted that Mr. Dole would avoid the issue, for the most part, in the months ahead.

"It would be a big mistake," Mr. McCain said by telephone from Phoenix, "for Bob Dole to take the President on this. First, the American people are perfectly capable of making a judgment on their own without a lot of name-calling, and second, it's not Dole's nature. We need issues, and if this is the best the Republican Party can do, then we don't have any real issues."

But whatever Senator Dole himself does, other Republicans, including Senator Alfonse M. D'Amato of New York, a staunch Dole ally who has been holding a meandering series of hearings on Whitewater, are sure to do what they can to keep the pot bubbling.

Typical comments came from Tony Blankley, Speaker Newt Gingrich's spokesman, who said what he called "the cover-up" had "started to unravel," and from William Kristol, a top Republican strategist, who said the 12 Arkansas jurors would have an effect none of the Capitol Hill hearings had achieved to date.

Much will depend on what lies ahead — not only what new informa-

tion is disclosed, but when. Ralph Reed, the executive director of the Christian Coalition, said today that the verdicts made Whitewater "a wild card" in the November balloting. But Mr. Reed warned that the truly damaging revelations in past scandals, from Teapot Dome to Watergate to Iran-Contra, came so late that they had little effect on the fortunes of the Presidents and parties involved.

From President Clinton's point of view, there is ample reason to worry, not because he was implicated in this first trial, in which he testified for the defense on videotape. Indeed, all but one of the jurors who spoke with reporters after the verdicts were delivered said they had believed the President's testimony — a fact that the White House damage-control team sought to drive home by compiling their comments in an all-night session and then releasing them.

But there is much more to come. The President is expected to be subpoenaed again to testify in a second trial; beginning next month, grand juries will be studying statements made by Hillary Rodham Clinton and White House aides about the loss and reappearance of some of her law firm's billing records, and Republican-controlled investigations on Capitol Hill will drag on.

It is possible, though highly unlikely, according to those involved in the case, that those convicted on Tuesday — Gov. Jim Guy Tucker and the President's onetime business partners, James B. McDougal and Susan McDougal — might agree to cooperate with Federal prosecutors in return for shorter prison sentences.

In any event, Tuesday's events have greatly strengthened the hand of Kenneth W. Starr, the chief prosecutor, who is a Republican. Had the defendants been found guilty on only a few counts or found not guilty, as the White House had reportedly expected, that would have lent weight to charges that Mr. Starr was conducting a politically motivated witch hunt without much substance. He had also been accused of conflicts of interest because he has continued to

represent private clients who have legal dealings with the Government.

Now, however, his work will get intensive media attention — especially the trial, set to open on June 17, of Herby Branscum Jr. and Robert M. Hill, a pair of Arkansas bankers. Mr. Clinton is more directly involved in this case, because at its center is an allegation that they raised money for his 1990 gubernatorial re-election campaign in return for a promise that Mr. Branscum would get a state job. He was later named to the State Highway Commission.

"I don't think it's helpful," said Anne Wexler, a Washington lobbyist with close ties to the Clinton Administration. "You get words like 'Clinton,' 'guilty' and 'Whitewater' in close juxtaposition, and you have a kind of open-ended problem. But I think I'm like most people who try in vain to follow the story, and find that there are no real links between the Clintons and all this."

A prominent Senate Democrat, who spoke on condition of anonymity, said he thought the main impact of Tuesday's events would be indirect. The Republicans, he said, would use "this general aura of sleaze" to try to suggest that the President, who has changed or modified his positions on a number of issues recently, "can't be trusted to do what he says he will."

Ted Van Dyk, a Democratic strategist who has criticized Mr. Clinton on numerous occasions in the last five years, predicted without qualification that Whitewater would take a dominant place in the campaign.

"If the American people have not been watching these matters closely," Mr. Van Dyk said in the current issue of his newsletter, "they will begin to do so now. The G.O.P. convention this August in San Diego will surely become a Whitewater feast, with prime-time speeches and films over several days."

Few leaders in either party are making similar predictions. But by the same token, few profess to say when the hubbub will die down.

Verdicts Buoy G.O.P. Prospects in Arkansas

By KEVIN SACK

LITTLE ROCK, Ark., May 29 — With its guilty verdicts on Tuesday, the jury in the Whitewater trial turned Arkansas politics topsy-turvy and raised the prospects for significant Republican gains in a state that has long been dominated by Democrats, most notably Bill Clinton.

Lieut. Gov. Mike Huckabee, a Republican who will become Governor upon the resignation of Gov. Jim Guy Tucker, said today that he would probably announce on Thursday whether he would continue to run for the United States Senate or would abandon that race to fill the remaining two and a half years of Mr. Tucker's term. After spending the morning in the Capitol fielding calls from political advisers, including the chairman of the Republican National Committee, Haley Barbour, Mr. Huckabee left this afternoon for his home in Texarkana to discuss the decision with his family.

Mr. Huckabee's choice comes down to a complex political calculation about how best to leverage the opportunity created when Mr. Tucker was convicted on one count of conspiracy and one count of mail fraud. Mr. Tucker, a Democrat who succeeded Mr. Clinton after the 1992 Presidential election and then won election in 1994, said on Tuesday that he would appeal his convictions but would resign by July 15 to spare the state continued turmoil.

Whatever Mr. Huckabee's decision, it will set off an avalanche of political maneuvering that could radically refashion the state's hierarchy in both Little Rock and Washington. "For candidates, there's a whole new realm of possibilities out there," said Bud Cummins, a Little Rock businessman who is a Republican Congressional candidate.

The fallout from the Whitewater verdicts may also accelerate the partisan realignment of Arkansas politics, which has lagged behind the Republican surge in other Southern states.

In a state that has not had a Republican Senator in more than a century, and has had only two Republican governors and lieutenant governors since Reconstruction, the developments on Tuesday gave the party a chance to gain all three positions by the end of the year.

Republican candidates are also favored or considered highly competitive in all four of Arkansas' Congressional districts. The delegation is now split, but both of the Democrats, Representatives Blanche Lambert Lincoln and Ray Thornton, are retiring. And the Democrats have all but conceded the Fourth District in south Arkansas, a seat that was reliably Democratic until Jay Dickey, a Republican, won it in 1992.

"We've been working for a two-party system for 25 years and we're about there," said Ken Coon, a former state Republican chairman.

Exactly how close will depend on Mr. Huckabee, a 46-year-old Baptist minister and former president of the Arkansas Baptist Convention who, like President Clinton, was born in a



Associated Press

Lieut. Gov. Mike Huckabee of Arkansas, a Republican who will become governor when Jim Guy Tucker resigns, talking to reporters yesterday.

place called Hope.

Like many Arkansans, Mr. Huckabee apparently never believed the jury would convict Mr. Tucker and did little planning for a possible succession. "I know everybody thinks I had it all figured out, but the truth is it was never really something I believed would happen in this trial," he said after the verdict on Tuesday.

In a brief discussion with reporters today, he said: "No one in his right mind would want to take over

a chance at a Senate seat, particularly given that Republicans already control the Senate. Mr. Huckabee, they said, could help build a Republican power base in Arkansas by raising money and dispensing patronage, and could then run for the Senate in two years, when the state's other Democratic Senator, Dale Bumpers, may step aside.

The downside of that strategy, political analysts said, is that Mr. Huckabee would greatly improve Democratic chances in the Senate race if he did not run.

In either instance, Mr. Huckabee, once Governor, would have to call a special election to fill the Lieutenant Governor's job. If Mr. Huckabee chooses to run for the Senate and wins in November, the new Lieutenant Governor would become Governor in January, and yet another special election for Lieutenant Governor would be called.

Diane B. Vandiver, executive director of the state Democratic Party, acknowledged that Mr. Tucker's conviction would set her party back. But, she said, "There's a lot of pride here in the Democratic Party and a lot of pride in Clinton, and this isn't going to erase that."

Even without Whitewater, the Tucker administration was having problems. Voters overwhelmingly rebuffed Mr. Tucker in two referendums last year, one on a new Constitution and one on a sales tax increase for road construction.

Now the Democrats must also bear the taint of scandal. "This is a result of, or a symptom of, one-party domination," Mr. Cummins said. "It's going to fuel the notion that it might be better if we have a two-party system here."

Whitewater may spur a political realignment.

the Governor's office under these circumstances. This is not a pleasant way to inherit the office."

Under one possible strategy, Mr. Huckabee would continue to run for the Senate seat being vacated by Senator David Pryor, a Democrat who is retiring. Mr. Huckabee ran unopposed for the Republican nomination and is favored in polls to defeat either of the two Democrats competing for their party's nomination in a June 11 runoff: Attorney General Winston Bryant and State Senator Lu Hardin.

The governorship would give a higher profile to Mr. Huckabee's Senate candidacy. And if he lost, he would still be Governor. But running for Senate after inheriting the governorship could tarnish Mr. Huckabee as an opportunist, several Republican leaders said. And if he lost, he might be too damaged to win election to a full term as governor in 1995.

That is why some Republican leaders maintain that a bird-in-the-hand governorship is more valuable than

THE NEW YORK TIMES

THURSDAY, MAY 30, 1996

PHOTOCOPY
PRESERVATION

White House tries to control trial's damage

By Warren P. Strobel
THE WASHINGTON TIMES

AT

The White House moved aggressively yesterday to limit the political fallout from Tuesday's Whitewater verdicts, attempting to distance President Clinton from the trial of his former business associates.

Underscoring the political stakes in the renewed focus on Whitewater, the White House released an eight-page "fact sheet" quoting jurors who said Mr. Clinton's videotaped testimony was not a major factor in their deliberations. Several said they saw no evidence of wrongdoing on the president's part.

The document, produced by the General Counsel's Office in sessions Tuesday and yesterday, supports a strategy that was decided on long before a Little Rock jury returned the guilty verdicts: to focus on the fact that Mr. Clinton faced no charges in

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TRIAL

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the trial.

That strategy was confirmed in a meeting Tuesday and coordinated with the Democratic National Committee, which supplied prominent Clinton supporters with "talking points" minimizing the president's role in the scandal.

"Our general strategy prior to the verdict was that we ought to have the same reaction no matter what the verdict," White House spokesman Mark Fabiani said, and to turn public attention to prosecutor W. Ray Jahn's closing statement that Mr. Clinton was not on trial.

Political analysts said it is an open question whether the Whitewater verdicts will influence any votes in November.

But almost all said that further revelations from the reinvigorated probe by Whitewater independent counsel Kenneth W. Starr pointing more directly at Mr. Clinton or first lady Hillary Rodham Clinton could be devastating.

"Potentially, it has enormous impact on the big picture of the campaign. By itself, no," said Allan Lichtman, a professor of history at American University.

If Mr. Starr charges the president or the first lady with wrongdoing, "it could be the pivotal episode of the campaign," he said. If not, "this will fade away, just like Iran-Contra faded away in 1988."

A jury of nine women and three men found Arkansas Gov. Jim Guy Tucker and James and Susan McDougal, the Clintons' partners in the Whitewater real estate venture, guilty of 24 of 30 fraud-related charges. Tucker announced his resignation two hours after the verdicts.

Most Republicans were cautious yesterday in using the events in Little Rock, preferring to let the convictions speak for themselves.

On Tuesday, Scott Reed, manager of Senate Majority Leader Bob Dole's presidential campaign, issued a "confidential" memo to campaign leaders that a GOP adviser said was "designed to be leaked."

"We believe the Whitewater investigation should be allowed to continue without presidential politics playing a role," Mr. Reed wrote. "No members of our campaign staff or official campaign representatives will take part in interviews on today's guilty verdicts."

Whitewater is likely to add to the questions about Mr. Clinton's character that Mr. Dole implicitly raises by talking about his own character.

Mr. Starr has vowed to press forward with his investigation. June 17 is the scheduled start of the trial of two bankers accused of illegally diverting campaign contributions to Mr. Clinton when he was Arkansas governor.

Sources close to the Starr probe said the McDougal-Tucker trial linked Mr. Clinton to suspected wrongdoing despite White House denials.

They said the testimony of former Municipal Judge David L. Hale directly tied Mr. Clinton to a conspiracy to defraud the government of a \$300,000 loan and that Mr. Starr and Mr. Jahn both said they would not have offered Hale as a witness if they did not believe his testimony.

About \$50,000 of the loan, which went to Mrs. McDougal and was never repaid, was used by Whitewater Development Corp. to buy property.

At the very least, the Whitewater verdicts and the controversy over Mr. Clinton's citing of a 1940 law that applies to active-duty servicemen to protect himself from a sexual-misconduct lawsuit have put the White House on the defensive.

For months, Mr. Clinton and his aides have run an upbeat campaign, patterned after President Reagan's 1984 re-election bid, that places him in the political center.

Whitewater "causes a problem in that [it is] time spent talking about a subject that the White House would rather not be talking about," Democratic political consultant Mark Mellman said. "It's certainly distracting."

"In terms of influencing people's votes, I think people have decided that these events don't matter much."

Mr. Mellman said it would take "much more than I've heard" to change that situation.

Other Democratic analysts said the verdicts are unlikely to have any significant effect on the election beyond cementing the beliefs of voters who would not choose Mr. Clinton anyway.

The verdicts are "not causing much of a stir here at all," said Jim Brady, the Democratic chairman in Louisiana, which Mr. Clinton visits today.

• Laurie Kellman and Jerry Seper contributed to this report.

PHOTOCOPY
PRESERVATION

Susan McDougal not looking for deal

Prosecutors may talk to her; Tucker

By Jerry Seper
THE WASHINGTON TIMES

A1

The attorney for former Clinton business partner Susan McDougal, convicted Tuesday in the first Whitewater trial, says his client will not testify against President Clinton or Hillary Rodham Clinton in exchange for leniency in her pending sentencing.

Still, sources close to the case contended yesterday that Mrs. McDougal and Arkansas Gov. Jim Guy Tucker might turn up as prosecution witnesses against the Clintons as the revived Whitewater investigation continues, looking to reduce their pending multiyear sentences in exchange for their testimony before two grand juries now in session or in a possible trial.

The lawyer, Bobby McDaniel, said no deal had been sought from independent counsel Kenneth W. Starr or offered by Whitewater prosecutors in the wake of Mrs. McDougal's conviction on four felony counts and her possible sentence of up to 17 years in prison.

"There have been no discussions with anyone," Mr. McDaniel said. "Mrs. McDougal will not be providing any incriminating infor-

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DEAL

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mation against President and Mrs. Clinton for any leniency in her sentencing."

Tucker faces 10 years in prison and fines totaling \$500,000 on his conviction on two of seven felony counts. Besides the possible 17 years, Mrs. McDougal also could be ordered to pay \$1 million in fines. Both she and Tucker plan post-trial motions to set aside the verdicts and, failing that, will appeal the convictions.

Given immunity, as would be expected, neither could refuse to testify for the government, the sources said. A recommendation of leniency by Whitewater prosecutors, in exchange for their cooperation, could result in a reduction of their sentences.

James B. McDougal also was convicted on 18 of 19 felony counts, but his credibility is questionable and his failing health makes him unreliable, the sources said. During the trial, McDougal's outrageous testimony and conduct came under repeated challenge by Whitewater prosecutors. He was the only one of the three defendants to testify.

The governor, who announced he will resign by July 15, also faces a second trial — as yet unscheduled — in a separate fraud indictment sought by Mr. Starr. In that case, Tucker and a business associate are charged with lying to an Arkansas lending company owned by former Little Rock Municipal Judge David L. Hale to obtain \$300,000 in loans to buy a cable TV company.

Hale was the government's chief witness in the Tucker-McDougal trial, spending nine days on the witness stand.

Tucker's attorney, William H. "Buddy" Sutton, did not return calls to his office for comment. Mr. Sutton said after the verdicts were announced that he planned to appeal the convictions. Tucker has steadfastly said he would not cooperate with federal prosecutors in the case.

The sources, including several Little Rock lawyers close to the ongoing Starr investigation, said that while Mr. and Mrs. Clinton were not named in the 21-count indictment that snared Tucker and the McDougals, the president and first lady nonetheless could be vulnerable. They noted that:

• Hale testified during the Tucker-McDougal trial that Mr. Clinton, when he was Arkansas governor, received proceeds from a \$300,000 Small Business Administration-backed loan he knew was illegal after warning two co-conspirators. "My name can't show up on this." That loan, which was never repaid, went to Mrs.

McDougal.

• Whitewater prosecutors alleged that Tucker and McDougal conspired with Hale to arrange an \$825,000 loan from Madison Guaranty Savings and Loan Association, owned by the McDougals, to leverage deposits at Hale's lending firm, Capital-Management Services Inc. The loan allowed Hale to get matching SBA funds, which he said he lent to the defendants and friends — including Mr. Clinton.

• Mrs. McDougal has said she delivered Whitewater Development Corp. documents to Mrs. Clinton at the governor's mansion at her request — documents the Clintons later said did not exist. Mrs. McDougal also dealt with Mrs. Clinton on various Whitewater business deals.

• Tucker was the attorney for Madison at a time when the thrift also sought Mrs. Clinton's legal services on a \$2,000-a-month retainer. She did work for the firm in connection with its ties to a project known as Castle Sewer & Water — a development near Little Rock owned by Tucker and others.

• Tucker met with Mr. Clinton in October 1993, days after the White House and the president received a "heads up" that a government investigation of Madison had identified Tucker as a "target" of the probe and the Clintons as potential witnesses. Investigators want to know whether that information was turned over to Tucker at that meeting.

A Little Rock jury of nine women and three men found Tucker and the McDougals guilty on 24 felony counts in a fraud scheme involving Madison Guaranty Savings and Loan Association, owned by the McDougals. The government said \$3.13 million was siphoned off, all of it through Capital-Management, Hale's company.

Top of page:

Col 1: Ib Melchior is waging an agonizing long-distance battle with German authorities, trying to regain the childhood idyll that was taken by the Nazis but was willed solely to him when his father, Wagnerian opera star Lauritz Melchior, died in 1973. (GERMANY-MELCHIOR, will move Thursday).

Cols 2-6: Prime Minister Shimon Peres and right-wing challenger Benjamin Netanyahu are virtually tied in early results of the national election that will determine the course of Israel's peace negotiations with its Arab neighbors. (with art). (MIDEAST-TIMES, moved).

Above fold:

Col 2: Taking his California campaign from San Diego to Sacramento, Bob Dole hammers away at an anti-crime message, saying his presidential quest is in part about "taking back America" from violent criminals, young and old. (CAMPAIGN-DOLE-TIMES, moved).

Col 4: A new technique for freezing sperm-producing tissues can provide "biological immortality" for males, a finding that could have major impact on conserving endangered species, protecting valuable research animals and preserving the ability of males who undergo intensive chemotherapy to subsequently reproduce. (SPERM-TIMES, moved).

Col 6: From the halls of power in Washington to the law offices in President Clinton's home state of Arkansas, Whitewater Independent Counsel Kenneth W. Starr's stature undergoes a dramatic transformation. (WHITEWATER-TIMES, moved).

Below fold:

Col 3: Heidi Fleiss' conviction is overturned on appeal because of jury misconduct; an appeals court remands the case back to the trial court. (HEIDI, moved).

Cols 5-6: In a roar of supersonic power and bravado, a cherished part of San Diego's identity soars away, never to return. Four F-14 Tomcats and 12 FA-18 Hornets punched into the morning sky from the runway at Miramar Naval Air Station, as the Navy's Topgun school completed its move from Miramar to Fallon, Nev. (with art). (TOP-GUN, moved).

Bottom of page:

Cols 1-2: Feature on local architect.

White House Tries to Distance Clinton From Whitewater Case (Washn) By Sara Fritz and John Broder = (c) 1996, Los Angeles Times =

WASHINGTON White House officials struggled Wednesday to insulate President Clinton from the outcome of the first Whitewater trial while Republicans insisted the resounding guilty verdicts prove their investigation was not motivated by politics.

Indeed, the entire legal and political landscape of the Whitewater scandal seemed to shift suddenly as a result of the convictions Tuesday of Arkansas Gov. Jim Guy Tucker, and Clinton's Whitewater investment partners Susan and Jim McDougal, on charges of conspiracy and fraud.

On Wednesday, White House officials tried to distance Clinton from the case by circulating copies of comments from jurors in the trial who said they did not question the truthfulness of the president's testimony in the case.

White House Press Secretary Mike McCurry said the

jurors "examined documentary evidence in the case, and some of those jurors who have spoken publicly have indicated they found the documentary evidence persuasive, and they found the president a credible witness."

Clinton spokesman Mark Fabiani noted: "The president was not on trial."

Meanwhile, on Capitol Hill, Republicans took the offensive. Michael Chertoff, GOP counsel to the Senate's Whitewater probe, declared that the verdict proves "the issues central to our investigation are matters of serious concern, matters of right and wrong, that go beyond partisan politics."

While Whitewater committee attorneys continued interviewing witnesses in private, Chairman Alfonse D'Amato, R-N.Y., said the panel's final report to be issued on June 17 will raise serious questions about the conduct of the president and first lady Hillary Rodham Clinton in numerous matters loosely related to their 1970s investment with the McDougals in the Whitewater venture.

Wednesday's partisan byplay between congressional Republicans and the White House illustrates how the tables have turned as a result of the verdict. Just a few days ago, Republicans were on the defensive, pressed by allegations that Whitewater Independent Counsel Kenneth Starr and the Senate Whitewater committee were conducting a political witch hunt.

(Begin optional trim)

Now, Starr is moving on to his next prosecution, which has a stronger link to Clinton than the McDougal-Tucker loan fraud case did, and the White House is under pressure to contain the potential damage.

While the political forces were repositioning, lawyers representing possible Whitewater defendants in Washington and Arkansas also appeared to be reassessing their strategy. Some were even said to be considering seeking plea bargains from Starr to avoid a trial.

"You have some people who are more likely to get scared and give into the tidal wave of the independent counsel," observed Richard Holiman, a Little Rock, Ark., attorney who has advised some suspects in negotiations with the independent counsel.

(End optional trim)

In Little Rock, defense attorneys acknowledged that the Tucker-McDougal verdict will focus increased public attention on the upcoming prosecution by Starr's team of Herby Branscum and Robert Hill, who are accused of illegally converting funds from their Perryville, Ark., bank into contributions to Clinton's 1990 gubernatorial campaign.

Lawyers involved in the Whitewater case believe the Branscum-Hill trial, beginning June 17, could be more embarrassing for the president than the previous trial.

Not only has Clinton been subpoenaed to testify as he did in the previous trial but Bruce Lindsey, one of the president's closest aides and now associate White House counsel, will have to testify that he received some of the Perryville bank cash in 1990. Lindsey has said the money was used to finance election day activities.

In addition, D'Amato's aides said the verdict in the first trial has emboldened the Whitewater committee chairman to renew his bid to obtain public testimony before the Senate Whitewater committee of former Little Rock municipal judge David Hale, who was the star prosecution witness in the Tucker-McDougal trial and the president's chief accuser in the Whitewater case.

Earlier, Hale, who is already facing a jail term, told the committee that he would take the Fifth Amendment if called to testify. But some committee members are now suggesting that the panel should grant him immunity from further prosecution.

In light of these developments, the White House resolved to say as little as possible about the Whitewater matter in the coming days, declining even to respond to charges from Republicans that the trial had demonstrated Clinton's ethical lapses.

PHOTOCOPY
PRESERVATION

Preserve the system

OPPOSING VIEW The facts belie the perception that our grandparents are impoverishing our children

By Dean Baker

Polls show most young people don't believe that Social Security will be there when they retire.

The numbers show otherwise.

According to the projections of the Social Security Administration, the Social Security fund will be able to pay every cent of its obligations through the year 2030 without any cut in benefits or increase in taxes.

These projections are not based on rosy-eyed assumptions. In fact, they assume the economy will experience far slower growth over the next 35 years than it has at any point in the history of the United States, even the period that included the Great Depression.

The current debate over "fixing" Social Security obscures the fact that it has been a remarkable success story.

It is a portable retirement benefit that has kept tens of millions of retirees out of poverty. Without Social Security, half of the nation's elderly would be living in poverty. In addition, it provides life and disability insurance to almost the entire workforce. It does all this at an administrative cost of 0.7% of benefits. By comparison, the operating expenses of private insurers exceed 40% of benefits.

Leading "reformers" would destroy this efficient and sound system.

While people have always had the option to speculate on financial markets with their savings, the reformers would elimi-

nate the base retirement level provided by Social Security and force individuals to speculate in the financial markets for their retirement income. Their plans call for large tax increases and untested proposals for government-mandated saving.

To gain support for these schemes the reformers have tried to convince people that Social Security is facing bankruptcy. The truth is otherwise.

What happens after 2030, when today's 30-year-olds turn 65?

If the pessimistic projections prove true and we do absolutely nothing to change the program until then, the Social Security fund would still be collecting more than \$2.3 trillion a year in revenue. However, to meet all future benefit obligations it would be necessary to have a series of small tax increases.

A tax increase of 0.05% of payroll per year on both the employee and employer for 30 years beginning in 2010 (a total increase of 3%) would keep the fund solvent indefinitely and still allow real after-tax wages to grow by 0.9% a year. This would be less than the 4% increase in the tax from 1980 to 1990.

In 2040, after this tax increase would be fully in place, the average real wage (the value of the wage after adjusting for the effects of inflation) would be more than 45% higher than it is at present, even after deducting the higher Social Security taxes.

This doesn't sound like our grandparents are impoverishing our children. The Social Security system should be preserved for the next generation.

Dean Baker is an economist at the Economic Policy Institute and the author of Robbing the Cradle? A Critical Analysis of Generational Accounting.

Voices: How will the Whitewater convictions affect President Clinton's campaign?

An Arkansas jury found two of Clinton's former real estate partners guilty of fraud and conspiracy. The president, who testified via videotape for the defense, was not a target of the case. But the convictions during his bid for re-election could present problems for him; opportunities for his opponents. USA TODAY asked readers for their views.



Wallace Brown, 34
Systems administrator
Boston, Mass.

It will be quite crucial to his campaign, given that these were friends of his. If you have business acquaintances, it's highly unlikely you would not know exactly what they're doing. He will have to prove to the American public that their deeds were unknown to him.



Katy Harvey, 48
Middle school principal
Albuquerque, N.M.

I don't think it will affect his campaign and this is one instance where guilty by association will not prevail. He's had a rough four years and overcome a lot of obstacles, and I'm sure he'll overcome this one.



Kathy Salerno, 30
Auditor
Kansas City, Mo.

I hope the convictions will not affect his campaign. There are more important issues. I don't believe the Whitewater controversy should affect the credibility of the president in doing his job.



Tom Wals, 65
Hotel association CEO
Tallahassee, Fla.

I think the decision will create a lingering and negative impact on the president's bid for re-election. Whether directly or indirectly involved, the association can't help but present another image problem which he needs to overcome if he's to win.



Becky Elder, 21
Public relations
Mountlake Terr., Wash.

I don't think it will affect his campaign. It hurts Hillary's image a little more, not necessarily Clinton's. There are other issues, such as the possible sexual harassment, that might affect him more than the Whitewater issue would.

At the White House, damage-control time

By Pete Yost
The Associated Press

With two grand juries at work and another court appearance looming for President Clinton, Whitewater special prosecutor Kenneth Starr's investigation is building momentum.

The same possibilities that tantalize prosecutors and Clinton foes strike uneasiness in a White House gearing up for the campaign.

One question is whether prosecutors can gain the cooperation of any of the Clintons' former business partners or Arkansas Gov. Jim Guy Tucker, a longtime Clinton nemesis.

All face lengthy prison terms: Jim McDougal faces 84 years in prison, Susan McDougal 17 years and Tucker 10 years.

In the coming weeks:

► Clinton is expected to testify in a second Whitewater trial of two bankers accused of committing crimes to aid his 1990 gubernatorial campaign.

► Grand juries in Washington and Little Rock will step up their investigation of statements made by White House aides as well as the disappearance of Hillary Rodham Clinton's law firm billing records.

► The GOP-controlled Senate Whitewater committee will release its official findings.

That all points to a long season of damage control for the White House and the Clinton-Gore campaign. It means continued interest in the Whitewater case, although most of the hearings and evidence so far has had little to do with the land dealings that prompted appointment of a special prosecutor.

Starr said Tuesday his probe is "very active right now."

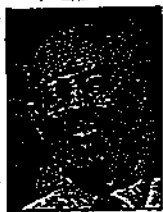
For now, all three convicted Whitewater defendants vow they will never cooperate.

But "you never know what somebody's going to do or say to save their own skin," said Paul Rothstein, professor of law at Georgetown University law center.

If the McDougals or Tucker cooperate with prosecutors, "that's a real danger zone for both Clintons," said Stephen Gillers, a New York University law professor.

The questions are whether "any of the three defendants has the goods, whether they're willing to trade their information and whether the prosecutor is willing to give them a payback," Gillers added.

► Verdict fallout, 1A



Starr: Probe 'very active right now'

ALSO IN WASHINGTON

Welfare points made in the White House

Democratic governors say the Republican Congress is trying to provoke another presidential veto by linking welfare and Medicaid in new legislation. After a meeting Wednesday with President Clinton, a group of governors led by Nevada's Bob Miller said any federal reform in welfare could be blocked because the GOP plan ties it to controversial changes in Medicaid. "There's every reason to believe that this Medicaid and welfare linkage is designed to put... the president... in another veto position," he said.

After the Democrats left, Wisconsin's Republican governor, Tommy Thompson, arrived to deliver his request for federal permission to implement Wisconsin Works, "the biggest change in social welfare policy in the last 50 years." He said he would press the president to grant a waiver within 30 days. The Works plan would replace the main welfare program with a system requiring most welfare parents to work in return for assistance. Clinton surprised Republicans by embracing Thompson's program last week.



Reno: Working together with Florida

ILLEGALS WATCH: Attorney General Janet Reno, facing election-year concern over illegal immigration, unveiled an initiative for Florida aimed at removing criminal illegals and stepping up enforcement along the state's border. The plan focuses on Miami's airport, which handles a heavy volume of international air traffic. Included in the plan: more security at Florida airports and seaports, a Caribbean anti-smuggling effort and better enforcement of immigration laws. "We will do everything possible to control illegal immigration and protect Florida's treasured immigrant tradition," Reno said.

ABORTION PLANK: Christian Coalition leader Ralph Reed predicted that Republican opposition to abortion will remain in the party platform. Several GOP governors have vowed to take abortion out of the platform, but Reed said he was "absolutely confident that a majority of delegates will be pro-life and will vote down any changes to the plank." He also said that Pat Buchanan, Bob Dole's rival in the primaries, has a right to speak at the Republican convention as long as Dole's campaign gets to look at his speech in advance. And he said Dole should look for a "Christian businessman" to be his running mate, to "energize his base."

FOREIGN AID: The House appropriations panel voted to trim foreign aid to \$11.9 billion in 1997, continuing a decline that began at the end of the Cold War. The committee's version represents a \$200 million reduction from 1996 and would be \$1 billion under President Clinton's request for 1997. The Senate has not yet considered its version.

USA TODAY

THURSDAY, MAY 30, 1996

NAACP's woes resurface in court

Civil case pits former executive director Chavis against ex-aide

By Desha Moss
USA TODAY

The scandal that led to the ouster of NAACP executive director Benjamin Chavis and imperiled the nation's oldest civil rights group has come down to a mudslinging match in a Washington courtroom.

The civil trial asks a jury to believe Chavis, a civil rights leader attempting to salvage his reputation, or Mary Stansel, a lawyer and one-time Senate aide who accuses him of firing her as his assistant after their personal relationship went awry.

Stansel, 51, is suing the NAACP for breach of contract and seeking \$245,200 she says the organization failed to pay on her contract. Before the agreement she made with Chavis collapsed in June 1994, she received \$87,200 in NAACP funds.

Stansel explicitly described an on-again, off-again relationship with Chavis. Stansel, who is single, testi-

fied that the pair had a year-long sexual relationship, ending in 1991 when Chavis, who is married, dumped her.

In April 1993, Chavis hired her as a \$9,000-a-month executive assistant to answer phones and handle correspondence, scheduling and other duties that were never defined.

She said she began a sexual relationship with Chavis two weeks later because she felt pressured. "There was no positive way out of it and if I had left that day, I would not have had a job the next day," she said.

But during three days of testimony, Chavis, 48, denied ever having sex with Stansel. He said he fired her after receiving complaints that she was rude and disruptive.

He also testified that he had the authority to make the settlement with Stansel and did so to protect the NAACP from negative publicity and potential financial damage.

—Chavis was fired in August 1994 after NAACP board members learned

he had made a secret \$332,400 settlement with Stansel. The trial will determine whether the NAACP shares financial responsibility.

The disclosure of the settlement and a host of financial improprieties brought the NAACP to near bankruptcy. Donations plummeted, driving up a deficit the organization is still trying to wipe out. The debt now stands at \$1.5 million, down from more than \$3.5 million after the scandal broke. The NAACP is seeking to recover the money she was paid and arguing it should not have to pay her anything since Chavis acted without the knowledge or approval of its board and general counsel.

Since his firing, Chavis has set up the National African-American Leadership Summit and served as national director of last year's Million Man March, the largest civil rights demonstration ever held.

The trial, which began May 20, is expected to end next week.

PHOTOCOPY
PRESERVATION

Jurors Say Clinton Testimony Was Credible, but Incidental

Al

By STEPHEN LABATON

LITTLE ROCK, Ark., May 29 — When they finally began their deliberations on May 18, after absorbing three months of tortuous testimony and hundreds of documents about an interlocking chain of complicated financial deals, some of the jurors in the criminal trial of the Whitewater partners James B. and Susan McDougal discussed the testimony of President Clinton for a few brief moments.

It was the only time they talked about Mr. Clinton's two-and-a-half hours of videotaped deposition, and most of the jurors who have decided to speak publicly felt that the President's words were credible and that he raised questions about the truthfulness of the Government's main witness, David Hale.

But the jurors also saw Mr. Clinton's testimony as peripheral and hardly bothered to consider it further. Some jurors discounted Mr. Hale entirely while others believed in significant portions of his testimony, but all agreed that they would not rely on any one witness when it came to deciding the fate of the McDougals and Gov. Jim Guy Tucker of Arkansas. Instead, jurors said, they relied on their unusually large volume of notes about the 700 exhibits and the testimony of witnesses other than Mr. Hale and the President.

The jurors said that Whitewater prosecutors had presented so much evidence aside from Mr. Hale's testimony that they had no choice but to convict the defendants on virtually all of the charges. And one of the jurors said that if Mr. McDougal had sat silently rather than insisting on taking the stand, against the advice of defense lawyers, there would have been more acquittals and far fewer convictions. "I would have shot Jim McDougal if I had been one of the other defendants," said the juror, Colin C. Capp.

A three-hour interview with Mr. Capp, a 51-year-old car salesman from Little Rock and the son of Al Capp, the cartoonist who created L'il Abner, and accounts provided by five other jurors showed that the nine

Continued on Page D21, Column 1

Continued From Page A1

women and three men who sat in judgment were an unusually tightly knit group, even though they were never sequestered.

Each morning they began their deliberation with a prayer for divine inspiration, and most afternoons, they ended with a prayer of thanks that they had survived another intense day. They cast themselves in the roles of the defendants and other witnesses, acting out the scenes that were described in the 21-count indictment to test whether they were believable.

They also took turns at an easel in the tiny jury room, drawing diagrams to illustrate their theories about the participation of the defendants and witnesses in the dealings that prosecutors say sank Madison Guaranty Savings and Loan Association, the financial institution that the McDougals ran and Mrs. Clinton briefly represented as a lawyer before regulators appointed by her husband, then Governor of Arkansas.

To pass the hours of seeming interminable delay during the trial, the jurors played spades. And through most of the trial, they set up a kitty, each kicking in \$2 a week, for ice for their soft drinks and candy to help them keep awake during the hours of dull testimony.

But for all the nation's interest in the trial, which was the result of Mr. Clinton's participation in the case, the jurors said they paid almost no attention to the President because he had provided virtually no illumination on the underlying charges of fraud and conspiracy against the McDougals and Governor Tucker.

Mr. Capp called the President's testimony "magnificent." He said that he and other jurors had come to believe "that David Hale perjured himself" when he testified.

Mr. Hale, the Government's main witness, had told the jurors that he was asked by Mr. Clinton to issue a \$300,000 federally backed loan. During the trial, an agent of the Federal Bureau of Investigation testified that nearly \$50,000 of that money went to pay for Whitewater expenses.

Mr. Clinton, called to the stand by the defense in an attempt to undermine Mr. Hale's credibility, said in videotaped testimony that he never discussed any business with Mr. Hale, who on Friday is scheduled to begin serving a 28-month sentence for two felonies to which he has pleaded guilty.

But the jury foreman, Sandra Wood, said that the President's testimony, "cast little light on the issues" in the trial, although she added that she and other jurors had come to believe Mr. Clinton when he said he had no knowledge of the series of loans that the jurors ultimately found to be fraudulent.

And the jurors said they did not intend by their verdict to send any kind of political message.

"Our verdict was absolutely not meant to be any kind of statement on the President, and it is demeaning to us to think that it was at all politically motivated," said Tracy H. Pleasants, a 30-year-old hospital worker from Conway. Of the defendants, she said: "We fought really hard for their liberty. We were defeated by the evidence."

In fact, Mr. Capp was downright critical of the prosecution. He said that he ultimately believed that the Whitewater independent counsel, Kenneth W. Starr, had been motivated by politics and that he had been offended that Mr. Starr "appeared to be too busy with his private practice to ever bother to show up at the trial."

Mr. Capp, who said he was a registered independent who had voted for Mr. Clinton in 1992, criticized the chief Whitewater prosecutor in the case, W. Ray Jahn, saying he was unnecessarily disrespectful in his cross-examination of the President, and called another prosecutor, Jackie Bennett, a "schoolyard bully."

"Ken Starr wanted to do something to embarrass the State of Arkansas," Mr. Capp continued. "He couldn't get the President, so he did the next best thing and got the Governor. And David Hale invoked the President's name for one reason: to save his butt. We all thought that way."

None of the other jurors who were interviewed were as critical of the prosecutor, and all agreed that they had ignored the politics surrounding the case. Rather, they said they had

reached their verdicts after a cool analysis of the testimony, of the checks and promissory notes and multiple bank accounts and shell companies that demonstrated that the McDougals and Mr. Tucker had committed fraud.

"One of the instructions we got from the judge was that we shouldn't leave our common sense at the door when we got in the jury room," Mr. Capp said. "We didn't."

The jurors were drawn from many walks of life, and included two nurses, a public school teacher, a factory worker, a payroll official from a state agency, a switchboard operator, a painter at a local lumber yard and a retired telegraphist.

Judging by their first votes, it looked like a consensus among the jurors might prove elusive. On four successive votes on May 16, they deadlocked 6 to 6 about whether Ms. Wood or Mr. Capp should be their leader. Ultimately, Ms. Pleasants said, they flipped a coin and Ms. Wood, a 38-year-old nurse from Russellville, prevailed.

But in a sign that the jurors were willing to work closely together, Ms. Wood immediately invited Mr. Capp to sit with her at the head of the table, as a kind of informal co-head of the jury, to help lead the jury through their deliberations.

Mr. Capp accepted the invitation and, describing himself as a natural salesman, said he talked more than most of the other jurors, expounding on his views on business and the difference between legitimate deals and fraudulent ones as the jurors went through each element of each offense.

Following the order of the verdict sheets they were given by the judge, George Howard Jr. of the Federal District Court here, the jurors decided to first consider the 19 charges against Mr. McDougal and then turn to the 4 counts against his former wife, Susan, and the 7 counts against Mr. Tucker.

But by May 20 they were confused about the charges and overwhelmed by their notes and exhibits. Calling for help, they asked for an index of exhibits and a list of the charges.

Once each juror was given a copy of the indictment, they proceeded to examine the lesser counts against Mr. McDougal, and by the middle of last week ended with more complex conspiracy count. They found him guilty of 18 of the 19 counts.

Mr. Capp said that Mr. McDougal's two days of rambling and contentious testimony helped convince the panel that he could not be believed. "I thought McDougal killed himself and hurt the others," he said. "There would have been different verdicts all around if McDougal had kept his mouth shut. They should have just put Clinton on and rested."

They also had a relatively easy time with Mrs. McDougal, Mr. Capp said, finding her guilty of four felonies associated with the same loan that Mr. Hale had said Mr. Clinton had solicited.

Turning to Governor Tucker, the jury struggled. By Friday, the day before the Memorial Day weekend, the jurors had agreed to convict Mr. Tucker on one mail fraud count and acquit him on most of the other charges. But they were deadlocked, 9-to-3, in favor of the biggest count against the Governor, alleging conspiracy. Mr. Capp said he was one of the holdouts.

They left exhausted for the weekend, with some under the mistaken impression that there would be a mistrial on all the counts unless they were able to reach agreement on the final count against Mr. Tucker.

Shortly after noon on Tuesday, the last holdouts turned, and the jurors announced that they had convicted Mr. Tucker for conspiracy as well as mail fraud, making him the first Arkansas Governor in history to be convicted of a felony.

PHOTOCOPY
PRESERVATION

Robert D. Novak

Churning Up Whitewater

The setback for President Clinton resulting from the torrent of guilty verdicts in Little Rock Tuesday can be measured by how seriously his political opponents viewed the outcome of the first Whitewater trial.

If the jury had returned blanket acquittals for Arkansas Gov. Jim Guy Tucker and the McDougals, the Whitewater affair would have been close to being terminated as far as the campaign of 1996 was concerned. The White House would have succeeded in its long-range efforts to destabilize independent counsel Kenneth Starr and Sen. Alfonse D'Amato, chairman of the Senate Whitewater committee.

Instead, Starr is revitalized, given new life for prosecutions that will come closer to the Clintons than the just-concluded trial. D'Amato, who has shown every sign recently of losing his nerve, may finish his investigation with a bang rather than a whimper. The interest of the great American public may be aroused.

The totality of the prosecution's victory was unexpected. Starr's lawyers were happy about the methodical

case they had presented, and felt that James McDougal's testimony was a disaster. But they worried about whether an Arkansas jury, including civil servants and schoolteachers, could disregard the testimony of their native-son president. That is why Starr was so enthusiastic in his affirmation of the jury system after the verdicts were delivered.

Tuesday, the president lost a major battle in a game where the stakes are high. Foes who have been hounding him on Whitewater since 1992 were privately ready to call it quits. The champagne was chilled at the White House, ready to be popped. Instead, his enemies have been given another chance to sell the public on Whitewater.

That is why Clinton's iron discipline of recent months snapped Tuesday night. He unexpectedly and inexplicably ran to a microphone outside the White House to praise the jury system and express sorrow for his old friends, who had just been convicted of what amounts to a bank robbery at taxpayer expense.

The president's obvious discomfi-

ture reflects the emphasis the White House had put on the Whitewater

Kenneth Starr is revitalized. Alfonse D'Amato, who has shown every sign of losing his nerve, may finish with a bang rather than a whimper.

prosecution, following its patented quick-reaction tactics. Clinton agents had worked hard to discredit not only the prosecution's star witness, David Hale, but also Starr and D'Amato. Until the Little Rock jurors concluded their deliberations, that campaign

seemed to be working—particularly when it came to D'Amato.

The feisty New Yorker appeared to have lost his nerve. Alarmed by plummeting poll ratings 2½ years before his Senate reelection campaign, D'Amato indicated that he was about to close shop on Whitewater hearings and disconnect himself from House Speaker Newt Gingrich and the Republican revolution.

But now, Senate Republican sources said, Hale may change his mind and agree to testify before D'Amato's committee. Contrary to the White House spin, Hale's story has been consistent since he said he decided to stop lying. Clinton strategists do not relish the prospect of Hale's testifying with more than C-SPAN cameras targeted on him.

Other D'Amato committee activities are on hand as well, assuming that the chairman has regained his nerve. D'Amato's staff has just won permission from the FBI for access to its fingerprint analysis of Hillary Rodham Clinton's Whitewater billing re-

cords, which were discovered in the White House.

But the real significance is the vindication of special prosecutor Starr, who was uncharacteristically ebullient in the wake of the verdicts. He was intent on carrying his investigation forward regardless of the verdicts in the first trial, but it would have been exceedingly difficult had the jury voted no.

Now Starr moves to issues that are closer to the Clintons: allegedly illegal contributions to past Clinton campaigns for governor, the Washington-based part of the independent counsel's inquiry involving alleged interference with federal investigations and, most menacing, the White House travel office affair.

Starr has put skilled prosecutors on the payroll to press allegations that the Clinton White House acted illegally and improperly in the way it purged the travel office in early 1993. That means the investigation is well underway and Starr intends to go to court. No other element of Whitewater so directly threatens the first lady.

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FINAL

THE WASHINGTON POST

THURSDAY, MAY 30, 1996

As Whitewater Jurors Prayed and Weighed Evidence, Clinton Barely Mattere

By Michael Haddigan and Serge F. Kovaleski
Washington Post Staff Writers

Outside the jury room, everyone wanted to know if the jurors believed President Clinton when he testified for the defense in the fraud and conspiracy trial of his former Whitewater business partners and Arkansas Gov. Jim Guy Tucker (D). Inside the jury room, Clinton barely mattered.

Instead, the nine women and three men spent their eight days wading methodically through a mountain of paper, matching up 600-odd prosecution exhibits with the 30 counts in the indictment.

Jurors said yesterday they started out each morning holding hands in a circle and praying for three or four minutes. "We felt like kind of a family because we were together for so long," said Laura M. Malat, a 56-year-old state employee.

Then they turned to their new tools of trade—a time line of events, scrawled on a large sheet of paper, the notebooks many kept during three long months of testimony, and an index to the legal and financial documents that were the backbone of the prosecution's case of illicit loans used to finance business deals. "We tackled this very systematically," said Sandra Lynn Wood, a 38-year-old nurse and the jury forewoman. "We proceeded one defendant at a time, count by count."

By walking themselves slowly down the paper trail, the jurors were able to avoid the very question that so fascinated the watching political world: Did Clinton tell the truth when he testified that he had nothing to do with an allegedly illegal \$300,000 loan to his Whitewater business partner, Susan McDougal? Or did the truth lie with David Hale, the chief prosecution witness and former Arkan-

sas lender, who said Clinton urged him to make the illicit loan?

Even though they barely addressed it during their deliberations, a number of the jurors said in interviews yesterday that they believed Clinton. Said Wood: "I had no reason to doubt what he said . . . that he had no memories of meetings with David Hale or any conversations regarding any of the transactions."

Tracy H. Pleasants, a 30-year-old hospital employee, said, "I felt like he was just a credible witness. I just felt like he was telling the truth." Asked if the trial produced evidence warranting further investigation of Clinton, she said, "I don't see where that would be necessary based on the evidence I saw." Randy K. Hill, a 43-year-old juror, agreed, although he pointed out that the jurors were not charged with examining the Clintons. "That's somebody else's job," he said.

Colin Capp, a 51-year-old car salesman and the son of cartoonist Al Capp, was even more sympathetic to the president, calling him a "compelling" witness who "did a magnificent job." He said he views Clinton as the nation's "most beleaguered president. Even Nixon never faced this much scrutiny."

It was not unanimous that Clinton was truthful. Janice Greer, 47, a nurse, told the Associated Press she thinks the president and Hillary Rodham Clinton were mixed up in shady deals with the defendants. "I think he and his wife had just as much to do with it, but that is my personal opinion," she said.

The case centered on charges that James B. McDougal, his ex-wife Susan and Tucker used McDougal's thrift and Hale's federally backed lending firm as their personal piggy banks, drawing up a series of phony loans to fund their various business ventures.

As the government's main witness, Hale was

not terribly impressive to the jurors. Capp they viewed him as tainted by his own misdeeds, and his own earlier lies to the government. Even the lead prosecutor, W. Ray Jahn, "in his closing statements, was backing off from Hale," Capp noted.

Wood said the jurors decided from the start not to take the word of any witness without corroboration. "Because the memories of the witnesses were 10 years old in some cases, and because we recognized that some people may have had motives for giving testimony one way or another, we decided among ourselves that we would not render a guilty verdict . . . [with out] multiple sources and a paper trail," she said.

Capp said he and one other juror were unconvinced of the defendants' guilt until near the end. Then the panel rendered its decision: a slam-dunk for Whitewater independent counsel Kenneth W. Starr.

PHOTOCOPY
PRESERVATION

For Clinton, Whitewater Flood May Soon Crest

THE WASHINGTON POST
THURSDAY, MAY 30, 1996

PHOTOCOPY
PRESERVATION

By R.H. Meltzer and Susan Schmidt
Washington Post Staff Writers

If President Clinton is wondering how uncomfortable the summer may be after the resounding Whitewater convictions issued here this week, he need only consult his calendar for June 17.

On that Monday three weeks from now, a special Senate committee is scheduled to issue a scathing report on Whitewater and the White House's handling of the issue. Also that day in Little Rock, a new trial opens that is likely to

renew questions about improper financial transactions by Clinton associates while Clinton was Arkansas governor in the 1980s.

For Clinton, the June coincidence is an unhappy one, unhappier still in an atmosphere of heightened attention about Whitewater and its many subplots. Democrats and Republicans from Washington to Little Rock and beyond agreed yesterday that the convictions of former Clinton business partners James B. and Susan McDougal will redouble the scrutiny this summer of Whitewater threads that may have been largely ignored had the verdicts been different.

"You will have a Chicken Little syndrome, with people scurrying around not knowing that these charges relate to, and that will send a certain amount of dust up in the air," said Richard Ben-Veniste, counsel to the Democratic majority on the Senate committee.

Michael Chertoff, his Republican counterpart, said the verdicts will reverberate for weeks. "It sharpens public understanding of the Whitewater saga," Chertoff said. "The lesson of this jury is that people do understand complicated financial transactions. There was

See WHITewater, A16, Col. 1

Little Rock, Ark.

not smoking gun here, but there was a signal being

As the full force of the jury's 24 guilty verdicts sank in yesterday, Clinton aides and Republican strategists hoped their gun toward the months between now and the presidential election, a period when the White House will be peppered by the Senate subcommittee's report, the next Little Rock trial, a fight with the House over White House travel office records, the Paula Jones sexual harassment complaint and a fresh inquiry into the travel office fringes by independent counsel Kenneth W. Starr.

Early next week, Starr's office is expected to order the Senate Whitewater committee to release information from an ongoing investigation of the billing and expenses of Hillary Rodham Clinton's legal work for a savings and loan owned by James McDougal. The committee, the Starr, is attempting to unravel the mystery of how these records appeared on a table in the White House residence, 18 months after they were subpoenaed.

There will be renewed publicity when the McDougals and co-defendant Jim Guy Tucker, the Arkansas governor who is resigning following his conspiracy conviction, are sentenced by U.S. District Court Judge George Howard Jr. Howard is expected to issue sentences within two months. He is also expected to rule by the end of June on whether a videotape of Clinton's testimony in the McDougal-Tucker trial will be released to the public—and to Clinton's political opponents. Only transcripts have been available so far.

Clinton's testimony was a dramatic preparation to the first Whitewater trial and he may testify separately the defense, this time for Henry Branscum Jr. and Robert M. Hill, co-owners of a small-town bank in Arkansas who go on trial in June.

Starr has leveled indictments against Branscum and Hill for allegedly diverting bank funds to Clinton's 1990 race for governor and then attempting to hide the transactions from regulators. Branscum was a Clinton friend and supporter in the state highway commission. Hill was a Clinton appointee to the state banking board.

Similarities between the two trials about Starr's prosecutors will again have a key witness who has already pleaded guilty to crimes in the case and are likely to focus more on the inspection of public and commercial interests in a Little Rock establishment dominated by the Clintons. The new trial will be conducted one floor up in the federal courthouse from where the first one was held.

Don C. Guthrie Jr., Branscum's attorney, said yesterday from his Dallas office that the connections between the defendants and Clinton may be even clearer than they were in the first trial.

"It's not going to be a direct, hard run, but it is my firm belief that [Starr's team] will put on trial virtually the 1990 campaign and the president himself," Guthrie said. "To the extent that the public's interest in the president's involvement, this clearly has much more factual involvement than Tucker-McDougal."

While the public "spat" wars continue—the White House yesterday was trumpeting some comments by jurors supporting Clinton's credibility as a witness—there will be behind-the-scenes developments that could prove troublesome for the president.

For instance, W. Ray Jahn, who led the prosecution in the first trial, hinted this week that Starr's office may approach the McDougals or Tucker to win their cooperation in return for possible lighter sentences.

Asked whether his victory would help win their cooperation, Jahn said, "It establishes a certain basis from which future actions could be taken, which I'm not at liberty to discuss."

Tucker and Clinton spoke by telephone Tuesday night after the verdicts came in. The president called the governor to express his sympathy, the White House said.

Starr and some Senate Republicans are interested in reviewing any communication between the two over the past four years about the Clintons' failed Quartz band venture or related federal inquiries. Recently released documents show Clinton instructed campaign aide Susan Thomases to call Tucker in 1992 when a New York Times reporter began looking into the Whitewater investment.

In October 1993, Tucker met with Clinton at the White House. Both men said they discussed state issues. The meeting occurred several weeks after David Hale, the key prosecution witness at the trial, publicly said Clinton and Tucker pressured him to make illegal loans from his federally backed lending firm.

Northern was the political state of flux caused by Tuesday's verdicts more pronounced yesterday than in Little Rock, where the pressing question was who will lead the state? Lt. Gov. Mike Huckabee, a Republican, said he would announce today whether he will abandon his Senate race to be governor for the 2½ years remaining in Tucker's term.

Meltzer reported from Little Rock; Schmidt corresponded from Washington to Little Rock. Staff writer David

PM-AR--Whitewater-Short Chronology,530

With PM-AR--Whitewater Trial

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By The Associated Press=

Events in the Whitewater controversy:

1978 Bill and Hillary Rodham Clinton and James and Susan McDougal buy 200 acres in the northern Arkansas Ozarks for a resort development.

1979 Whitewater Development Corp. is formed. The Clintons and the McDougals each own 50 percent of the corporation.

1986 McDougal is ousted as president of Madison Guaranty Savings and Loan but remains as owner. The Federal Home Loan Bank Board says the S&L made risky real estate investments, had low cash reserves and did a shoddy job of keeping records.

March 1989 Madison fails, at a cost to taxpayers of up to \$65 million.

March 1992 Clinton's presidential campaign releases a report saying the Clintons did nothing improper in their Whitewater dealings with McDougal.

Nov. 8, 1992 Clinton is elected president.

December 1992 The Clintons sell their share in Whitewater to McDougal. They record a \$1,000 capital gain on their tax form.

Jan. 12, 1994 Bowing to intensifying political pressure over his Whitewater dealings, Clinton asks that a special prosecutor be appointed.

Jan. 20, 1994 Reno selects Robert B. Fiske Jr., a Manhattan lawyer, as special counsel.

March 22, 1994 Former municipal judge and Little Rock businessman David Hale pleads guilty to two felony counts of defrauding the Small Business Administration through his investment company, Capital Management Services Inc. Seeking a bargain with federal prosecutors, Hale accuses Clinton of pressuring him to make

a \$300,000 loan in 1986 that would benefit Clinton and James McDougal.

Aug. 5, 1994 Former Bush administration Solicitor General Kenneth Starr appointed to take over from Fiske. Starr, like Fiske a Republican, was chosen by a three-judge panel of the U.S. Court of Appeals in Washington. The judges noted that Fiske was appointed by the Clinton administration and they wanted to make sure the prosecutor's independence was apparent.

Aug. 17, 1995 The McDougals and Arkansas Gov. Jim Guy Tucker are indicted by the Whitewater grand jury on fraud and conspiracy charges stemming from transactions dating from 1985 to 1987.

March 4, 1996 Little Rock trial begins for Tucker and the McDougals, who say they've done nothing wrong and call the prosecution political.

March 25, 1996 Hale sentenced to 28 months in prison and ordered to repay the government \$2.04 million for defrauding the SBA by misrepresenting private capital in his company so he could get more matching federal funds. He also was sentenced to three years probation and fined \$10,000.

April 1, 1996 Hale, the chief prosecution witness, takes the stand against Tucker and the McDougals. He claims Clinton benefited from the \$300,000 loan.

April 28, 1996 President Clinton gives videotaped testimony denying ever meeting with Hale about money or pressuring him to make the Susan McDougal loan.

May 9, 1996 President Clinton's testimony is played to the jury. All three defendants rest after the tape is played. The only defense witnesses were McDougal and Clinton.

May 16, 1996 Jury deliberations begin.

May 28, 1996 Tucker convicted on two counts, McDougal on 18, Mrs. McDougal on four.

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Whitewater: A tale of small-time opportunism

From the beginning, Whitewater has been about opportunism.

For Bill and Hillary Clinton and James and Susan McDougal, a chance to make money out of the vacation-home boom.

For Jim Guy Tucker and others who weren't in on the start, a chance to participate in the go-go financial atmosphere that led to the savings and loan crisis of the '80s.

For Republicans anxious to unseat Clinton, a chance to raise embarrassing questions and capitalize on the Clintons' difficulty in explaining themselves.

Tuesday, an Arkansas jury saw fit to punish some of that opportunism, convicting the McDougals and Tucker, for now still Arkansas' governor, of bank fraud.

Unfortunately, what it didn't do — couldn't do — was establish whether Clinton did anything wrong.

That wasn't at issue in this case.

But the conviction of the Clintons' one-time investment partners guarantees the scandal fresh life beyond Arkansas.

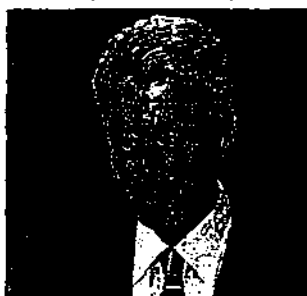
The story began in 1978, when then-Arkansas Attorney General Bill Clinton and his wife invested with the McDougals in a 200-acre land development on the White River.

Arkansas officials are notoriously low-paid, the future first lady had not yet reached Little Rock's legal big time, and the opportunity must have been enticing.

From that grew a mumbly complex saga of financial opportunism, carelessness and misjudgment involving a large cast of small-bore figures and a future president.

Tuesday's convictions ended the first criminal trial. But another looms next month, and still unanswered is the question of whether the Clintons abused their positions to help their friends or were merely passive investors who picked the wrong people to do business with.

The principal Clinton connection to the trial was a claim two years ago by prosecu-



By William Lutz, AP
Whitewater: President Clinton tells White House reporters of his sorrow about the convictions.

tion star witness David Hale, that Clinton as governor had pressured him to make a loan to Susan McDougal. In videotaped testimony, the president again denied the claim.

The prosecution scrambled to distance itself from Hale, an admitted liar, and focus on a paper trail of 600 documents that didn't implicate the president. But the Clintons are a long way from being in the clear.

Resistance to questions and vagueness about details of their relationships with figures implicated in the mess has left an impression of possible inconsistency and law-yerly slickness.

Further, Republicans have shown they can be just as opportunistic as Democrats were in keeping embarrassing investigations alive.

One committee that wandered into a White House suicide, law-firm funny business and the politically inept lynching of the White House travel office staff winds up next month. More is coming.

Will all of this show in the end that Whitewater was more than a story of small-time opportunism? It hasn't yet.

Voices: What do you think the minimum wage should be?

The House of Representatives voted to increase the minimum wage to \$5.15 an hour from \$4.25. If the Senate agrees, this would be the first minimum wage increase since 1991. Supporters say the increase will benefit American workers. Opponents say it will cost jobs. USA TODAY asked readers for their views.



Rita Ellis, 34
Marketing analyst
Roswell, Ga.

It should be more. So many young adults are coming out of college in a job market that cannot accommodate them and minimum-wage jobs tend to be the best available opportunity. For any chance to succeed, they need to have a standard of living above the poverty level.



Betty Hine, 63
Railroad
Alexandria, Va.

It should be increased so families can have a better way of life. In my industry (hotels), most people make more than the minimum. But there are many industries where they do make the minimum and it just doesn't go very far in this day and age.



Ken Perry, 30
Landscape designer
Silverdale, Wash.

It needs to be higher. The working class is the backbone of America and they can't adequately support themselves. The increases in executive salary have been blown out of proportion and the people who actually are working need to make more money just to survive.



Kirsten Edwards, 19
Sales assistant
Clarksville, Ind.

It should be at least \$5.50 if you have training. If you don't, it should be at least \$5. If you're just starting a new job, people should give you the chance to earn \$3, and if you prove yourself as a hard worker you should get a raise within a certain amount of time.



David Mason, 37
High school teacher
Upper Sandusky, Ohio

Businesses should pay a fair wage to employees, but a higher minimum wage is ultimately going to affect the prices of goods and services and thus our standard of living. This issue not only affects employees, but also will detrimentally affect our deficit.

Up next: Trials, grand jury testimony

Question: Was President Clinton on trial?
Answer: No. Jim and Susan McDougal and Arkansas Gov. Jim Guy Tucker were charged. Clinton testified in defense of the McDougals, denying claims that he had pressured business partner David Hale to make an illegal loan to Susan McDougal while governor in 1991. What's next for Whitewater special prosecutor Kenneth Starr?
A Republican and former

appellate judge, Starr has won his first convictions after a 21-month investigation.
New leaders: Fierce critics of Starr, Robert Mueller and Robert F. Kennedy Jr., and Robert Mueller are scheduled to go to trial June 17 on charges of using funds from their Ferry County Bank to reimburse campaign contributions to Clinton's 1990 gubernatorial campaign and other political races. Clinton is expected to testify in their defense by videotape.
Will there be more trials?

Starr last month won a ruling by a federal judge allowing another grand jury to be impaneled in Little Rock to continue hearing testimony. Is there any sign that Clinton will stand trial? Without new evidence, experts on both sides say it is doubtful the Clintons could face criminal charges. Prosecutors conceded in charging Clinton that the president's chief accountant, Jack, was involved.

What about the Washington investigation?
Starr continues to investigate issues ranging from the outside of White House lawyer Vincent Foster to the White House Travel Office. In 1993 to the resignation of the secretary of the White House, Starr's investigation of Hillary Clinton's legal billing record. A federal grand jury in Washington is reviewing these issues. What about the congressional hearings?

The Senate Whitewater Committee staff has a June 17 deadline to make its report to the committee. That panel held 13 public hearings, 264 depositions and spent \$1.3 million. It's unclear just what that report will say, but there is no doubt for asking the report just how far Starr's investigation has come. Michael Chertoff, counsel to the committee, says more hearings and testimony are possible. Members are weighing whether they will subpoena Hillary Clinton or Hale.

Arkansas gov will resign, then appeal

By Susan Page
USA TODAY

Arkansas Gov. Jim Guy Tucker announced Tuesday night that he would leave office by July 18 to work on appeals to his Whitewater conviction.

"I cannot and should not allow our people or our state to bear any part of that burden," he said.

His resignation sets off a political cascade in President Clinton's home state, where Republicans now threaten the Democrats' long dominance.

Replacing Tucker will be Republican Lt. Gov. Mike Huckabee, who then will call a special election to fill his old job.

Huckabee already has been nominated for the Senate seat now held by retiring Democrat David Pryor. Huckabee is favored to win the November election, which would make him the state's first Republican senator since Reconstruction.

Democrats in a June 11 runoff are Attorney General Winston Bryant and state Sen. Lu Hardin.

If Huckabee stays in the Senate race and wins, the new lieutenant governor would serve out Tucker's term, which expires in January 1999.

In Little Rock, Huckabee said he hadn't decided whether to stay in the Senate race. Calling it a sad day for the state, he called on Arkansians to "stop pointing fingers and start joining hands."

For Clinton, ripples of concern

Character issues may resurface

By Bill Nichols
USA TODAY

Even some of President Clinton's staunchest supporters long have feared some new event would relitigate concerns about Clinton's character into a raging campaign-year bonfire. Republicans clearly felt Tuesday's convictions in the first major trial in the invest-

NEWS ANALYSIS

igation into the Whitewater real estate deal — a trial featuring videotaped testimony by Clinton — did just that.

Whitewater independent counsel Kenneth Starr "is certainly the MVP for Republicans so far this year," said GOP analyst Bill Kristol.

Said Sen. Alfonse D'Amato, R-N.Y., chair of the Senate Whitewater Committee: "To those who said there was nothing in Whitewater — today the jury's verdict in Arkansas has proven them wrong."

But White House aides said that Clinton was not on trial and that the verdict will give neither Starr's investigation nor congressional Whitewater probes any new credibility.

White House Whitewater spokesman Mark Pabiani, in a brief statement, said even the prosecutor in the Little Rock trial noted in his closing argument that "the men occupying the position of the office of the presidency of the United States is not on trial here."

Clinton, who was in a scheduling meeting with White House chief of staff Leon Panetta when he was informed by White House lawyers of the verdict, said that while he felt personal sorrow for the three defendants, the trial had nothing to do with him.

"I was asked to give testimony. I did that. It's time for me to go back to work," Clinton said.

Yet this verdict, in which three former business partners of the president and first lady Hillary Rodham Clinton — James and Susan McDougal and Arkansas Gov. Jim Guy Tucker — were found guilty on 24 of 30 counts, is decidedly bad news for Clinton loyalists.

Presidential friends — and neither Clinton was truly close to any of the three defendants — have been convicted before.

One of Lyndon Johnson's favorites, Bobby Baker, was convicted of fraud and income-tax evasion in 1967.

Tucker, who announced his plans to resign his job effective July 15, was actually Clinton's most persistent Democratic rival for decades in Arkansas and the private feud between the two men ended only after Clinton appointed Tucker to succeed him in 1993.

But character issues are Clinton's greatest fear. And despite the united show of resolve, Tuesday marked the return of a familiar feeling at the Clinton White House: butterflies in the stomach.

Democrats said the verdict was the dying investigation will say dead, or is Frankenstein going to get up and start walking around again?

Some scoffed. Starr's investigation, which appeared to be seriously wounded by charges of Starr's conflicts of interest in recent weeks, seems reinvigorated.

Clinton aides had mounted a formidable campaign to question whether Starr's other clients — such as four tobacco companies — indicated a conservative or anti-Clinton bias.

But this verdict "encourages the independent counsel to go on," says former U.S. attorney and independent counsel Joseph O'Connell.

Of particular concern at the White House: Any encouragement for Starr to continue or expand his probe, with the possibility remaining, however remote, that either of the Clintons might yet be implicated.

The verdict at the very least reminded voters of questions about Clinton's past and character at the very time Senate Majority Leader Bob Dole, the GOP presidential nominee, is beginning to focus his campaign on just that idea.

Dole's ultimate theme is that you can't trust this guy in a second term and Whitewater helps a lot," says Kristol. "Not so much by itself, but it fits nicely into a Dole assault on Clinton's credibility."

But White House aides, who have seen Whitewater media frenzies come and go, steadfastly believe that most voters not only don't care about Whitewater, they believe Republicans have tried to use it for political gain.

Though Clinton testified for more than four hours at the White House April 28 and is expected to testify in another Whitewater-related trial that begins next month, senior aides believe most of the public won't see these verdicts as an indictment of the Clintons.

Democratic pollster Mark Mellman said most people believe that not everything the Clintons have done and said has been perfect.

But he says voters also believe that "whatever happened happened a long time ago and was not very important and that Republicans are parading this as part of a political vendetta."

Clinton's political history demonstrates with painful clarity that if his race with Dole narrows, it will close because of a careless remark or mistake by the president, or from a ghost from his personal past.

There is no indication Tuesday's verdict will have any real effect on the presidential race. White House officials remain resolute that the general public won't care.

But for the first time in months Tuesday, the White House was playing defense — and on an issue Clinton aides fear more than any other.

"Obviously it's a bump in the road," says political analyst Charles Cook. "Is it a huge one? We don't know."

Contributing: Judi Hanson, Tony Mauro and Susan Page

USA TODAY

WEDNESDAY, MAY 29, 1996

Whitewater verdicts: Guilty

Partners' convictions political blow to Clinton

By Judi Henson
USA TODAY

President Clinton was dealt a political jolt Tuesday when his partners in the Whitewater real estate venture were found guilty of fraud and conspiracy. A federal jury in Little Rock convicted James McDougal on 18 of 19 fraud charges, his ex-wife, Susan McDougal, was found guilty on four.

Arkansas Gov. Jim Guy Tucker — not a Whitewater partner — was found guilty on two of seven charges in a conspiracy to defraud financial institutions and get illegal loans.

All the charges stemmed from loans issued by the McDougals' failed Madison Guaranty Savings and Loan.

Tucker said he will resign; all three plan appeals.

While Clinton was a defense witness, he was not a target of the charges in the trial.

But the verdict is ammunition for his political opponents, who have questioned his role and that of the first lady in the failed land development deal.

"The cover-up began to unravel," said Tony Blumenthal, spokesman for House Speaker Newt Gingrich, R-Ga.

Alfonse D'Amato, R-N.Y., chairman of the Senate Whitewater Committee, said the verdict shows the seriousness of Whitewater "for those who said there was nothing there."

GOP candidate Bob Dole said he hadn't "commented on Whitewater since day one so I won't comment on it today."

But the verdict was a shot in the arm for special prosecutor Kenneth Starr, beset with questions about his impartiality in the long-running investigation.

Clinton was sorry "on a personal level" for his friends.

And he said he doubted "that's what was going on" when asked whether the verdict meant the jurors did not believe his testimony.

Jury Rita Briggs, 41, called Clinton "very credible" and said she didn't see "enough evidence" to justify more investigation of Clinton's role.

► Fallout from verdicts, 3A

Clinton's nod to Peres criticized

By Lee Michael Katz
USA TODAY

President Clinton tacitly endorsed Israeli Prime Minister Shimon Peres Tuesday, the eve of the watershed election between Peres and challenger Benjamin Netanyahu.

Clinton, who officially is supposed to be neutral, said if Israeli voters "decide to stay with peace, we will do what we can to make sure they have security as well."

The election has become a test of the peace process.

Peres wants to accelerate negotiations with Palestinians and Syria over Jerusalem and return of the Golan Heights. Netanyahu, who considers land-for-peace deals a threat to security, wants to slow talks.

Israeli polls show the race is too close to call.

Clinton's comments were criticized as favoritism by Netanyahu's Likud Party. Likud policy chief Uri Landin said Clinton's comments were "a clear violation of the old tradition" of presidents not interfering in Israeli campaigns.

Landin said other administration efforts to prop up Peres include providing new military hardware to Israel and the signing of a U.S.-Israel anti-terrorism agreement last month.

Even so, Netanyahu's camp says he has momentum and a sign lead in their own polls. Peres is confident of victory, but he warns that "polls are like perfume" — better scented than swallowed.

It will be the first election Israeli voters choose the prime minister directly.

Key voting blocs include Israeli Arabs, ultra-Orthodox Jews, Russian immigrants and young, first-time voters.

► Last minute campaign, 6A

More vets to get Agent Orange benefits

do of the hands and feet. Veterans must have developed it within a year of exposure.

► Children born with spina bifida. As many as 1,000 veterans' children may be affected.

All 1.8 million veterans who served in Vietnam will be eligible in October to receive the expanded disability benefits.

Disability payments range from \$30 for 10% disability to \$1,170 for 100% disability.

of Vietnam veterans, says Dennis Rhoades, executive director of the Agent Orange Class Action Program.

Old-time estimates that 100 million will be spent on payments in the next five years for: ► Prostate cancer. Up to 1,200 vets are likely to develop it in the next five years. Cases will skyrocket as vets age.

► Acute or chronic peripheral neuropathy, a nerve disorder of the hands and feet.

► Diabetes. Veterans exposed to the herbicide will be eligible for disability benefits.

► Blood disorders. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Skin conditions. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Hearing loss. Veterans will be eligible for disability benefits if they develop it within five years of exposure.

► Vision problems. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Respiratory problems. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Reproductive problems. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Other conditions. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

► Agent Orange. Veterans will be eligible for disability benefits if they develop them within five years of exposure.

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Boorda letter writer steps in

By Judi Henson
USA TODAY

A Navy officer who wrote an anonymous letter attacking Adm. Mike Boorda and urging him to resign has identified himself and apologized.

The letter appeared in the Navy Times on May 13, three days before Boorda's suicide.

Rear Adm. Kendall Pease, chief Navy spokesman, said the letter "hurt Boorda. It concerned him."

Cmdr. John Carey this week admitted he wrote the letter that said few in the Navy respected Boorda, 56, and that admirals referred to him as "Little Booby."

"They are not behind you. You are not their leader. Go on," the letter said.

Carey was relieved of command in 1995 for verbally abusing his ship's crew.

But in a signed letter published this week, Carey wrote that he was "sorry for Adm. Boorda's family and for the sailors he loved."

The Navy Times said it regretted printing Carey's anonymous letter and will no longer publish personal attacks.

"We should have required Carey to sign his name," said editor Tobias Naegle.

In a suicide note, Boorda said he was worried about possible scandal over questions about two combat pills he had worn.

USA TODAY
WEDNESDAY, MAY 29, 1996

REVIEW & OUTLOOK

Immunize Hale

As the Whitewater trial in Arkansas ran its lengthy course, we kept reading that it came down to the word of David Hale, a confessed felon, against Bill Clinton, President of the United States. The jury's verdict is now in: it believed Mr. Hale.

Now, as we kept pointing out, the case was not really Clinton v. Hale. There were mountains of other testimony, including that of the appraiser in land flips, against the defendants, James and Susan McDougal, Mr. Clinton's partners in the Whitewater venture, and Jim Guy Tucker, Mr. Clinton's hand-picked successor as Arkansas governor. The jury found the three had defrauded the government through Mr. McDougal's Madison Guaranty Savings & Loan and Mr. Hale's Capital Management Services. The jurors found that Mr. Hale's testimony was extensively corroborated by other evidence, but his inside account was the well from which Independent Counsel Kenneth Starr drew the other evidence; so his help does tarnish his tarnished credibility.

As for Mr. Clinton, obviously the jury was not blown away by Presidential testimony, despite efforts of the defense to wrap the defendants in their sometime buddy the President. Close observers of the trial recognized the jury could give the President a pass with an innocent verdict on the "Master Marketing" counts, which involved the illegal \$300,000 loan Mr. Hale testified that the President helped solicit. These were the only counts to which Mr. Clinton's testimony was directly relevant, and were also the principal counts against Susan McDougal. But instead of deferring to the President and freeing Mrs. McDougal, the jury voted guilty on Master Marketing.

The big impact of the verdict is likely to be its effect on further investigations. Mr. Starr can only be encouraged to press even harder with his investigations; he has a trial starting in three weeks of two bankers on charges of illegally diverting money to Mr. Clinton's 1990 gubernatorial campaign. (He must be especially ebullient since he also won his much-criticized case to decertify the big tobacco class-action suit.) Gov. Tucker now faces up to 10 years in prison, plus another trial on related counts. Mr. Starr may want to inquire about the content of the governor's meetings with Mr. Clinton immediately after the White House learned of the RTC criminal referrals on Madison.

We also think the verdict is a big message for Senator Alfonse D'Amato, who has seemed content to let his Whitewater probe fizzle out in the Senate. In recent weeks, for example, he let Senator Paul Sarbanes bully him into directing a subpoena for fingerprint tests on the notorious Rose-White House billing records to Mr. Starr, starting a fight with the Independent Counsel and guaranteeing the

committee will not get the records. And he was quoted as saying the committee was concluding because potential hearings were "of no interest to the public."

Mr. D'Amato has been negotiating for a Hale appearance with Ted Olson, the big-time Washington lawyer now representing Mr. Hale. Mr. Olson has said Mr. Hale would claim the Fifth Amendment, unless the committee gives him use immunity for his testimony. Why not, since Mr. Hale has already been convicted of the federal offenses? The immunity would apply to a threatened prosecution by Pulaski County Prosecuting Attorney Mark Stodola, currently an Arkansas Congressional candidate. These threats against Hale are retribution and a warning to other potential co-operators, and are anything but a reason to deny a witness immunity for Congressional testimony. But Senator D'Amato has refused to press for the votes necessary for this step.



Al D'Amato

Then too, there is the matter of Dan Lasater, a sometime Clinton buddy, bond trader and cocaine convict. He came before the D'Amato committee and was asked whether he got favoritism from Gov. Clinton's administration. But the real question about Mr. Lasater is whether he was laundering drug money through his bond trades, as an RTC investigative report explicitly speculates. In particular, there is the curious tale of Dennis Patrick, a Kentucky resident of little means who was talked into opening a trading account at Mr. Lasater's firm, and has records to show that about \$60 million in bonds were moved through it.

No one on the D'Amato committee asked Mr. Lasater about Mr. Patrick because it was "out of scope," that is, not covered by the formal Senate resolution chartering the committee. But surely money laundering is within the scope of the Banking Committee, which Mr. D'Amato also runs. He owes it to a drug-worried public to haul Mr. Lasater back before the banking committee, get him to explain the Patrick matter, and follow where it takes him.

We would also hope, without much expectation, that the national media will be discouraged from burying the Whitewater story for the duration of this election, as it did for the duration of the 1992 one. And we would hope that spokesmen for the state of Arkansas stop complaining about the intervention of outsiders such as Ken Starr and ourselves. This verdict came from 12 ordinary citizens of Arkansas, clearly a wholesome force, and perhaps one that appreciates a little help from the outside.

Three Defendants in Whitewater Case Are Found Guilty on Fraud Charges

Verdict Against McDougals, Gov. Tucker of Arkansas Is Blow to White House

By GLENN R. SIMPSON

Staff Reporter of THE WALL STREET JOURNAL
Arkansas Gov. Jim Guy Tucker and Whitewater figures James and Susan McDougal were found guilty of fraud at the Whitewater trial in Little Rock, dealing a blow to the White House as the presidential campaign heats up.

The jury clearly rejected the argument defense lawyers, which was echoed by President Clinton's defenders throughout the trial, that independent Counsel Kenneth Starr's case was politically motivated and without legal merit. The guilty counts mean that the White House's Whitewater problems won't be fading anytime soon, and were a reounding vindication of the prosecution.



James McDougal

Just hours after the verdict, it was clear that Mr. Starr had also inflicted major political damage inside the state Mr. Clinton once governed. Gov. Tucker announced his plans to resign from office

by July 15. He will be succeeded by Lt. Gov. Mike Huckabee, a Republican.

After deliberating for more than a week, jurors gave a strong endorsement of the prosecution's contention that the defendants made fraudulent use of loans from the Small Business Administration and funds from Mr. McDougal's federally insured Madison Guaranty Savings & Loan. James and Susan McDougal were former business partners of the Clintons in the Whitewater real-estate venture.



Susan McDougal

In remarks to reporters yesterday, Mr. Starr called the verdicts "a very important vindication of the jury system" and emphasized that his staff is aggressively pushing forward. "The Washington phase of our investigation is very active," he said. Rather than dealing with long-ago matters in Arkansas, as in this first trial, Mr. Starr has been presenting evidence to a grand jury in Washington involving the actions and statements of a number of former and current Clinton administration officials as well as first lady Hillary Rodham Clinton. Mr. Starr also went out of his way to praise the jury for disregarding allegations made by the defendants and Mr. Clinton's supporters that the charges brought by his office were politically inspired.

In terse comments to reporters gathered in front of the White House, Mr. Clinton, who was one of only two witnesses called by the defense, expressed personal sympathy for the defendants. Asked directly if the jury had repudiated his credibility, the president replied, "You ought to ask them that. I doubt that."

Mark Fabiani, a White House lawyer, also released a short statement attempting to distance the White House from the trial. "The president had nothing to do with the allegations that were the subject of the trial," Mr. Fabiani said. He noted that prosecutor Ray Jahn had said in his closing arguments that Mr. Clinton "is not on trial here."



Gov. Jim Guy Tucker

But it will be almost impossible for the White House to remain outside the politically embarrassing Whitewater spotlight. In less than three weeks, prosecutors from Mr. Starr's team will begin a second trial. The defendants in this proceeding are Arkansas bankers who raised funds for Mr. Clinton's gubernatorial campaign. Again, the president isn't accused of wrongdoing in the case, but he is expected to be called once more to testify as a defense witness.

While complicated in its myriad transactions, the thrust of the government's case in the first Whitewater trial was that the three defendants enriched themselves by making improper use of some \$3 million in loans from Madison Guaranty and an

Please Turn to Page A20, Column 2

Whitewater Jurors Find Three Guilty, In a Blow to Clinton

Continued From Page A3

SBA-backed company, Capital Management Services, once headed by David Hale, a former municipal judge in Little Rock.

Mr. McDougal was found guilty of 18 of the 19 counts against him, while his former wife Susan was convicted of all four of the counts the jury considered against her. Mr. Tucker received convictions on two of seven counts. There is no sentencing date for the defendants. All three defendants said they plan to appeal.

Yesterday's verdict is likely to bolster the credibility of Mr. Hale, the government's chief witness in the trial and an admitted felon who claimed to have conspired with Messrs. McDougal and Tucker. He is also President Clinton's chief accuser, maintaining that Mr. Clinton pressured him to make a \$300,000 loan to Ms. McDougal. In his testimony, which was presented to the jury on videotape, Mr. Clinton denied any role in arranging the loan. The jury found that loan to be fraudulent, but it wasn't required to take a position on the truthfulness of Mr. Clinton's testimony.

Most troubling for the White House are the convictions of James and Susan McDougal related to this loan, which have the effect of making Mr. Clinton an alleged accomplice to a fraudulent transaction. In addition, there was testimony at trial that some of the funds from the loan ended up in the Whitewater investment in which the Clintons were partners with the McDougals.

The trial's outcome also raises the possibility that the McDougals and Mr. Tucker may now entertain offers from the government to give testimony against Mr. Clinton or others in exchange for the possibility of lenient treatment at sentencing. All three face lengthy prison terms, and Mr. Tucker is under indictment by Mr. Starr for tax evasion in a separate case. The resounding verdicts could also encourage others involved in the Whitewater affair to cooperate with prosecutors rather than face a jury.

What's News—

Business and Finance

World-Wide

MUTUAL-FUND INVESTORS put a net \$26.35 billion into stock funds in April, marking the second-biggest monthly influx of cash, behind only January. In just four months this year, investors put a remarkable \$89 billion into stock funds; the record for a full year is 1994's \$128 billion.

The Dow Jones Industrial Average fell more than 53 points, despite the healthy report on mutual-fund investing, to end its centennial at \$708.67.

(Article on Page C1 and C8)

The Supreme Court signaled that targets of some big punitive-damage awards won't necessarily benefit from a recent ruling limiting damages. The court also agreed to take a high-stakes case over the international reach of U.S. commodities-trading laws.

(Article on Page A3)

Existing-home sales rose 0.6% in April, continuing their recent strong performance. The month's seasonally adjusted, annual rate of 4.21 million homes was the second-best on record.

(Article on Page A2)

H-P is preparing an aggressive sales push for its next generation of NetServers, marking a key step in its shift away from emphasizing in-house chips and the Unix operating system.

(Article on Page B4)

Cable-TV giant TCI is discussing an agreement to carry the 24-hour news network planned by News Corp.'s Fox, possibly in exchange for a 20% stake in the cable channel, people familiar with the negotiations said.

(Article on Page A3)

The NTSB's chairman is weighing whether additional steps are needed to protect flight crews from potentially disabling smoke in the cockpit.

(Article on Page A-6)

Several fund companies and Foster Wheeler tentatively agreed to concessions to head off a possible default on some Illinois Incinerator bonds.

(Article on Page C2)

Kodak is preparing a new imaging technology, with Microsoft support, aimed at speeding up the editing and transmission of photos by computer.

(Article on Page B6)

Wheat prices fell and corn prices rose following rainstorms that stand to help drought-stricken wheat crops but further delay the planting of corn.

(Article on Page C16)

Genzyme plans to pay \$250 million for Deknatel Snowden with the goal of using the surgical-instrument maker's marketing clout with surgeons to bolster sales of Genzyme's Septrafilm.

(Article on Page B6)

A FEDERAL JURY CONVICTED all three defendants in the Whitewater case. Arkansas Gov. Tucker and two former real-estate partners of the Clintons were found guilty of most fraud counts after more than a week of deliberations. Tucker resigned after the verdict. The panel rejected defense arguments, bolstered by the president's testimony, that the case was politically motivated and without merit. The verdicts are a blow to the president's re-election bid and guarantee his Whitewater woes won't be receding. (Article on Page A3)

The outcome raises the possibility the defendants may now entertain government offers for lenient sentences in return for testimony against Clinton.

INDIA'S GOVERNMENT RESIGNED and a new prime minister was designated.

The Hindu-nationalist administration of A.B. Vajpayee, India's shortest-lived ever, quit before a parliamentary vote it looked certain to lose. H.D. Deve Gowda, head of a diverse group of leftist and regional parties, is to be sworn in as prime minister Saturday. He is backed by 190 of 543 legislators, plus the 136 votes of the Congress Party, which will support the new government but not join it in a coalition. (Article on Page A12)

Many wonder how long Congress's support for the new government can last, given that most of its new allies campaigned against it in recent elections.

YELTSIN WENT to Chechnya and proclaimed victory over separatist rebels.

The Russian president's trip was a surprise, apparently even to the rebels' leader, who remained in Moscow after signing a cease-fire agreement with Yeltsin Monday. "The war is over and you have won," Yeltsin told Russian soldiers during the four-hour visit. Polls show the truce has raised support for Yeltsin's bid for re-election in the June 16 presidential vote. (Article on Page A12)

Continuously tumbling stock economic figures, which is basically a plan for state control over banks, prices, natural resources, manufacturers and incomes.

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is expected to be heavy in May's elections for prime minister and 128 Knesset seats. Whether Labor's Shimon Peres or Likud's Benjamin Netanyahu wins is the first direct vote for the premiership, weeks of political bargaining are expected before a government is formed. Late polls continue to show the race too close to call.

A Hamas spokesman said the Islamic group's military wing, which claimed responsibility for recent bombings that killed 26 people, has agreed to halt attacks against Israel until after the elections. A bombing now could swing the vote against Peres.

China rejected an offer by Taiwan's president to travel to Beijing for talks to defuse tensions, saying relations won't improve unless Taipei's rulers give up all efforts toward independence. Separately, China pledged to punish any companies or individuals found to have helped smuggle 2,000 automatic weapons into the U.S.

Columbia's Congress began debate on whether to begin impeachment proceedings against President Samper, who is accused of taking campaign funds from drug gangs. The legislature, which is dominated by Samper allies, is to decide by June 28. Last week, a congressional panel recommended the president be cleared of the charges.

Serbia's president met with Bosnian Serb leaders to decide the fate of indicted war criminals Karadzic and Mladic, who were in Belgrade yesterday. Serb media said. The U.S. has threatened renewed sanctions against Serbia if the two aren't turned over to a U.N. tribunal for trial.

Albanian police broke up a Tirana rally called to protest Sunday's elections, which opposition parties and international monitors said were rigged in favor of the ruling Democratic Party. Police beat many in the crowd of several hundred and at least four opposition leaders were taken into custody.

Nigerian opposition groups criticized a U.N. report endorsing the military government's plan to hold elections and return the country to civilian rule in 2000. A fact-finding mission toured Nigeria last month at the invitation of Gen. Sani Abacha, and issued a report recommending against sanctions.

France's Juppe rejected separatist demands for greater self-rule for Corsica, denying threats that a campaign of violence may be expanded to France itself. The prime minister adopted the hard-line stance as opposition Socialists said the Mediterranean island should be granted more autonomy.

THE WALL STREET JOURNAL
WEDNESDAY, MAY 29, 1996

Health Systems named financial consultant Jay Gellert to be its new president, marking the first of several appointments expected in the wake of the HMO's failed WellPoint merger.

(Article on Page B5)

Germany's KHD said surprise losses at a subsidiary "threaten the existence of the company," which ranks among the nation's largest.

(Article on Page A14)

Southern Water's shares jumped 38% in London in the wake of a \$2.36 billion offer from ScottishPower.

(Article on Page A14)

Markets—

Stocks: Volume 338,238,070 shares. Dow Jones industrials 5709.67 off 53.19; transportation 2262.53; off 13.41; utilities 212.34, off 2.58.

Bonds: Lehman Brothers Treasury index 6118.06, up 2.74.

Commodities: Oil \$21.13 a barrel, off 50 cents. Dow Jones futures index 153.15, off 0.70; spot index 155.78, off 0.54.

Dollar: 105.85 yen, up 0.93; 1.5465 marks, up 0.0078.

Verdict in Little Rock

AFTER TWO MONTHS of testimony by the prosecution and after hearing only two witnesses for the defense, a federal court jury in Little Rock rendered its verdict in the fraud and conspiracy trial of James B. and Susan McDougal and Arkansas Gov. Jim Guy Tucker. To the charge of scheming to obtain \$3 million in illegal loans from former city judge and Arkansas businessman David Hale's lending company and Madison Guaranty Savings and Loan, once owned by James McDougal, the jury found the McDougals and the governor guilty on several counts.

Plainly the shadow of this judgment falls beyond Little Rock. But it needs to be clearly understood that those who were found guilty of crimes were the defendants, and so one else: President Clinton was not on trial there. Nor is it clear that in reaching their verdict the jurors paid particular heed to, or passed judgment on, the president's videotaped testimony—that the verdict in fact had anything directly or substantively to do with him at all. He was one of the two witnesses for the defense; his testimony was intended to undercut the credibility of prosecution witness Hale. But the jury had plenty of other evidence on which to rely, and members of the panel said last night that they reached their decision without particular reference to the president.

The case nonetheless involves Mr. Clinton politically. Two of those found guilty were his former associates and the third his successor as governor. The outcome also lends new credibility and force to what promises to be a continuing prosecution. It will probably blunt the offensive that has been launched against independent counsel Kenneth Starr. Those who question his integrity and accuse him of conducting a partisan witch hunt must consider what has taken place inside that Little Rock courtroom. Whether Mr. Starr, as a private lawyer, has represented Republican-leaning interests, blue-chip clients or tobacco firms was not the issue in the jury. Neither was Mr. Starr's objectivity or fairness. It was the evidence assembled against the McDougals and the governor by the prosecution that was before the jury.

Mr. Starr has been authorized to investigate whether White House officials and others covered up Hillary Rodham Clinton's role in the White House travel office firings. He has hired a highly regarded prosecutor to assist him. And a second trial is slated to start in Little Rock concerning illegal contributions to then-Gov. Clinton's campaign for the state house. Far from being a curtain-closer, yesterday's verdict may mark the opening of a new phase in Whitewater.

Just Like Old Times in the City

IF YESTERDAY'S front-page story about the chaotic state of the D.C. mental health provider JMC Associates Inc. has a familiar ring, it should. JMC's track record of District government-fed growth, preferential treatment by city officials, financial collapse and default on services follows an all-too-familiar course. In the wheeling and dealing world of D.C. contracting, others have been there and done that, too, with District taxpayers usually left holding the bag. This case is no exception. It has the added disgrace of having left hundreds of mentally ill people in the lurch as well.

With her firm now ordered out of business by a U.S. bankruptcy judge, JMC President Carla J. Burrell considers herself a victim of the city's budget crisis. Haphazard contracting and late payments did her in, she claims. Federal officials and the D.C. Commission on Mental Health may see it another way. Mental Health Commissioner Guido Zanni, for instance, can't understand how JMC, which pulled in \$4 million a year from the city to shelter and treat the mentally ill, could end up with landlords filing eviction notices, clients living in deteriorated conditions, workers not being paid on time and an indebtedness to the city and Internal Revenue Service in the amounts of \$237,000 and \$561,000 in taxes, respectively. Payments to mental health contractors have been slow, Commissioner Zanni admits, but no other contractor is in such financial chaos, he says.

Social Security Administration officials also want to know how JMC used monthly benefits that were sent to JMC clients. And District

auditors are questioning the way Department of Human Services (DHS) officials overrode the city's financial management system to manually issue more than \$250,000 in checks to JMC—at a time when the city had a tax lien against the company.

JMC stands out among mental health contractors for other reasons. How many can Mayor Marion Barry's close friends John Cyburn and David Rivers as close connections? Mr. Cyburn, who once employed Carla Burrell as a trainee in one of his city-funded programs in the mid-1980s—and whom she regards as "friend and mentor"—hired on as JMC's chief executive officer at \$93,000. Mr. Rivers, who met Ms. Burrell through Mr. Cyburn when Mr. Rivers was running DHS for Mayor Barry in the '80s, is now JMC's landlord to the tune of \$1,100 a month. Messrs. Rivers and Cyburn are further connected, having both gone to trial in 1990 on federal bribery and conspiracy charges. They were acquitted of charges that they steered more than a dozen DHS contracts worth \$2 million to companies, one of which was JMC. Ms. Burrell was not charged.

Whether officials will look into the \$659,000 personal loan she took from the company for "household furnishings" (she says it was "more like \$200,000 or \$300,000") is unknown at this time. Ms. Burrell has fired an accountant for the discrepancy. Said she, "Unfortunately, we will probably never know what the exact figure is." Pray tell, what "we" is that? This city needs some better answers.

Independent Counsel Starr Has a New Lease on Case

By Schmidt
Washington Post Staff Writer

A jury's decision yesterday in a Whitewater-related trial was a shot in the arm for independent counsel Kenneth W. Starr and is likely to embolden him in his pursuit of other aspects of the Whitewater matter, lawyers familiar with the probe said yesterday.

The convictions of the Clintons' former Whitewater business partners, James B. and Susan McDougal, along with Arkansas Gov. Jim Guy Tucker, also gives Starr a powerful new prosecutorial tool: the chance to question Tucker and the McDougals about matters relating to the Clintons.

"Trying a sitting governor, having a former governor—now president—as a defense witness in front of a home-grown jury, presents, I think, significant obstacles for a prosecutor," said George Terwilliger, deputy attorney general under President George Bush. Overcoming them was a big win for the prosecution, he said. "Unquestionably, it gives increased momentum to Starr's investigation, assuming his office believes there are avenues yet to pursue," he said.

Throughout the spring, White House supporters complained Starr is a partisan Republican using the Little Rock case to damage the president. A well-known Democratic criminal defense lawyer who has provided advice to Clinton White House officials said that claim is belied by the verdict. "It makes most the criticism of Ken Starr as being political and of Whitewater being a stale news story. This gives him new life to continue and puts Whitewater back on the radar screen of current events," said the lawyer, who asked that his name not be used.

In a statement that seemed to reflect some of the recent criticism directed at him, Starr praised the jury's focus on the events within the courtroom as a "great tribute to our system at a time our system of justice is under criticism, under assault, when participants in the system find themselves under assault. . . . This really is a vindication of a justice system that ultimately depends on what the jurors themselves describe as integrity."

The trial was widely cast as a credibility contest between its two key witnesses—Clinton, testifying for the defense, and David Hale, the key prosecution witness. Some jurors said Clinton's videotaped testimony, in which he denied Hale's allegations, had little effect on the deliberations.

But lawyers who followed the trial said the verdict showed the jury rejected both the president's testimony and that of James McDougal, the defense's only other witness. "Obviously, the jury didn't believe the defense witnesses," said Victoria Toensing, a former Justice Department official who oversaw savings and loan prosecutions during the Bush administration.

The verdict does show that the jury credited the essence of Hale's testi-

mony. The conspiracy charges on which McDougal and Tucker were convicted rested almost entirely on Hale's account of a scheme to obtain fraudulent loans that began at Tucker's home one night in the fall of 1985.

Hale is a former municipal judge and small-time political operative who nearly three years ago went public with allegations that Clinton, McDougal and Tucker pressured him to make illegal loans from his Small Business Administration-backed lending company. He testified that he assumed Clinton would be getting some of Susan McDougal's loan proceeds, but did not actually know where they ended up.

Prosecutors demonstrated that \$50,000 went into an account maintained by the Whitewater venture at James McDougal's S&L, and from there into loans and land ventures Clinton testified he knew nothing about.

Starr needed convictions on at least some of the 31 counts in the indictment to maintain momentum for two more Arkansas trials ahead—including a second case against Tucker.

In addition, some areas of the Washington phase of the investigation have reached a point where prosecutorial decisions are being made, according to lawyers knowledgeable about some aspects of the probe. A major defeat in Little Rock would almost certainly have had a chilling effect on prosecutors here weighing whether or not to press forward.

"The Washington phase of the investigation is very active," Starr told reporters yesterday.

The convictions also may give new life to the Senate Whitewater committee's hearings. Had the jury acquitted the defendants, Republicans were prepared to shut down the hearings immediately. Now, they are likely to renew efforts to get Hale to testify, according to Chairman Alfonse M. D'Amato (R-N.Y.). Hale has been waiting out the verdict himself, staff aides on the Whitewater committee said, and last week declined to appear, citing his Fifth Amendment right against self-incrimination.

The outcome of the trial was not a total loss for the Clinton White House.

James McDougal's outlandish and unconvincing testimony—in which he

maintained that D'Amato forged his signature on bank documents—may have sealed his fate and embarrassed the president. But it also made him virtually useless as a government witness against Clinton in the future, lawyers who have followed the trial said.

Starr's office may take the McDougals and Tucker before a grand jury to question them about the Clintons. If they are given immunity from further prosecution, they would have no choice but to testify. They also could seek to make a deal on sentencing in exchange for cooperation.

"McDougal is not credible," agreed a lawyer familiar with the government's strategy. "Even if he corroborates Hale, it's not much good. But he might tell them things they can use."

McDougal and Tucker have not testified before, so they are not locked into sworn statements the way James McDougal is, this lawyer said.

Among the issues Starr would likely question them about, according to lawyers familiar with the investigation, are what discussions they had with Hillary Rodham Clinton about the Whitewater investments—something about which they they have not yet

testified. They might also be asked about various conflicting accounts that have been given about how Madison hired Hillary Clinton as a lawyer—and whether Bill Clinton, as governor, asked James McDougal to put Hillary Clinton's law firm on the Madison payroll.

Both McDougals also might be asked about what work Hillary Clinton did on the Castle Grande project, the 1,650-acre venture south of Little Rock that spawned some of the deals that were at issue in the trial. Rose Law Firm billing records belatedly discovered at the White House early this year show that the majority of the work Hillary Clinton did for the S&L involved Castle Grande.

Tucker faces a second criminal trial on charges he conspired to defraud the IRS of taxes due on the \$4 million sale of his cable television company. The scheme outlined in the second indictment, also brought by Starr's office, alleges Tucker used capital from Hale's company to leverage a bank loan to buy his cable company, then placed the company into a phony bankruptcy to evade income taxes.

THE WASHINGTON POST
WEDNESDAY, MAY 29, 1996

The Question Now Is Where the Trail of Trials Leads Next

By David Maraniss
Washington Post Staff Writer

The riddle of the Whitewater investigation is that virtually every important event related to it prompts the same seemingly odd question: What does this have to do with Whitewater? That became the central question again yesterday after a federal jury in Little Rock convicted James B. and Susan McDougal and Arkansas Gov. Jim Guy Tucker on fraud and conspiracy charges brought by the Whitewater special counsel's office.

In its original definition, Whitewater was only a real estate partnership along the White River in north-central Arkansas that the McDougals held with Bill and Hillary Clinton from 1978 to 1992. What appeared most interesting about the land partnership when it first entered the national consciousness during the last presidential campaign were the relationships of the key figures.

Bill Clinton was the governor of Arkansas for all but two of those years. Jim McDougal embarked on an ultimately reckless career as a savings and loan executive whose operations were regulated by the state. And Hillary Clinton briefly represented McDougal and his thrift as a lawyer for the Rose Law Firm, which later represented federal regulatory agencies seeking to recover money lost by failing S&L ventures, including some related to McDougal.

But in the four years since Whitewater first entered the political vernacular, its meaning has become at once more amorphous and encompassing. Whitewater now means everything from the original real estate investment, to the slide dealings of McDougal and his savings and loan with various Arkansas politicians and businessmen, to the responses of the Clinton White House to federal inquiries into McDougal's thrift—even to such unrelated events as the first lady's role in the firing of White House travel office clerks.

Two main threads run through most of those events: money and politics. And it is money and politics that connect the convictions of the McDougals and Tucker to the larger Whitewater saga. McDougal's savings and loan functioned as a sort of political piggy bank in which various notable

figures in state Democratic politics were invited into moneymaking schemes concocted by McDougal and funded by his financial institution.

At the heart of the government case against the McDougals and Tucker

was the prime example of this easy-money atmosphere—their participation in what amounted to a loan-swap arrangement in which, according to the government case, everyone involved benefited illegally, while the

government and two financial institutions were defrauded of about \$3 million.

Some of the money that the McDougals and Tucker misused found its way into the Whitewater partnership account. One of the prosecuting witnesses, Little Rock businessman David Hale, charged that Gov. Clinton himself, using his political clout, pressured him to make an illegal loan, at the center of the conspiracy and fraud charges—an accusation that Clinton repeatedly denied, including once under oath in videotaped testimony shown at the trial. Hale had pleaded guilty to charges stemming from the criminal investigation before the trial of the McDougals and Tucker began.

The investigative trail leading to yesterday's convictions began long before Whitewater. Independent counsel Kenneth W. Starr arrived on the scene in the summer of 1994. Two years earlier, during the campaign in the fall of 1992, some elements of the case against the McDougals and Tucker were included in criminal referrals sent to the Resolution Trust Corporation's main headquarters in Washington by its regional investigators, who had begun a probe after the initial press account of McDougal and Whitewater, New York Times reporter Jeff Gerth's article, in March 1992. The information in the criminal referrals became part of the documentary record compiled later by Starr and his predecessor as special counsel, Robert Fiske.

There had been several lesser indictments and plea bargains stemming from the Whitewater investigation after Fiske was appointed in early 1994, but the indictments of Tucker and the McDougals in August 1995 took the probe into a new stage: The investigation was moving up the political ladder with the indictment of a sitting governor, and closer to the Clintons with the indictment of their former partners.

Starr and his assistants were careful to say that the case against the McDougals and Tucker did not imply wrongdoing on the part of the president. They minimized the importance of Hale's testimony regarding Clinton, arguing that their successful case was built more on documents than testimony by a questionable witness. But the verdict yesterday evokes once again the other question that has haunted the Whitewater investigation from the start: Will the trail of trials ever lead to the White House?

In his news conference yesterday, Starr avoided all such questions. "What now? We move forward," was the most he would say.

Shadow Falls Over Campaign Trail

By Ann Devroy and Dan Balz
Washington Post Staff Writers

IMPACT, From A1

Throughout the long trial in Little Rock, President Clinton's top aides were monitoring developments virtually minute by minute. They explained their close attention with a nearly unanimous assessment: If the defendants there were acquitted, Whitewater could disappear as a campaign-year scandal.

Which is why, when the succession of guilty verdicts was read out in the courtroom in Arkansas yesterday, there was clear disappointment at the White House. Whatever else emerges in the tangled saga of Whitewater, Clinton's advocates acknowledged yesterday, the scandal now may shadow the president right up to Election Day in November.

The Whitewater scandal has been marked by confusion and complication. Congressional hearings produced no bombshells, and politicians from both parties agreed the public was paying little attention.

But yesterday's verdicts, in a case where the president appeared as a witness for the defense, produced the kind of clarity that had not previously existed: convictions of Clinton's former business partners, James B. and Susan McDougall, and the man who succeeded

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him as governor of Arkansas, Jim Guy Tucker (D).

"I think it has the potential to be a very significant event," said Earl Black, a political science professor at Rice University. "I think it will be interpreted as a situation in which the president's word was not persuasive to a jury of his own state."

The verdicts by themselves do not redefine the presidential race between Clinton and Senate Majority Leader Robert J. Dole (R-Kan.). But they keep alive growing questions that have plagued Clinton since the Whitewater case first unfolded and provide Republicans with a fresh opportunity to press the public to make character and credibility central issues this fall.

Although Clinton was not a defendant in the case, he stands to suffer politically from yesterday's verdicts. While the White House and Democratic defenders pointed out that the case had nothing to do with the Whitewater land deal the Clintons and McDougals participated in, Republicans countered that his past business relationship with the McDougals—and his appearance as a witness for the defense—made him a central figure in the proceedings.

"It says to the American people there were some crimes committed here," said Greg Stevens, a Republican political consultant. "The public doesn't understand the issue or what went on, but it's not a good day for Bill Clinton. It reaffirms what the Republicans have said, that there was more to this than anyone understood."

As if to prove he has nothing to be defensive about from the verdicts, the president himself appeared in the White House briefing room little more than an hour after the jury rendered its findings.

He said he felt sorry from the defendants but that he respected the decision by the jurors. Asked whether he felt the jury had rejected his testimony, he said, "I don't think so. I doubt that that's what was going on, but you ought to ask them."

But the convictions of the McDougals and Tucker were far from what Clinton and his advisers had hoped when they heard that the jury had completed its deliberations.

Buoyant on the day his videotaped testimony was shown in Little Rock, the president's advisers were hoping

yesterday for relief from the long months of uncertainty. Acquittals, they believed, would have crippled the investigation of independent counsel Kenneth W. Starr.

The Senate's Whitewater buildup, Sen. Alphonse M. D'Amato (R-N.Y.), whose hearings are scheduled to end next month, would be muzz-

led. Clinton could be free from scandal.

"You know that if all the defendants had gotten off, the White House would have been proclaiming the Clintons innocent," said Ben Ginsberg, a Washington attorney and former counsel to the Republican National Committee. "Much was made of the president's credibility in the testimony. It's now backfired on him."

The White House was prepared with a reaction designed to distance Clinton from the verdict. "There was one thing everyone involved with this trial—prosecutors and defense—could agree on: the president had nothing to do with the allegations that were the subject of the trial," White House speech counselor Mark Fabiani said in a statement.

James Carville, one of the president's political advisers, said yesterday, "If it was good enough for the prosecutor to say the president was not on trial and not accused of anything here, it ought to be good enough for everyone. The president wasn't accused of anything and these verdicts have nothing to do with him."

But Republicans yesterday sensed a new opportunity to put the issues of character and integrity into play in the presidential campaign. "My feeling has always been that unless new information came into the process, people wouldn't take a look," said Ed Gomez, a Republican pollster. "But this is new information. This is a big media event."

Some of this may be wishful thinking on the part of the Republicans, who are looking for something to change the dynamic of a presidential race that largely has tilted toward Clinton in recent weeks. "It's one thing for Al D'Amato to rant and rave," said William Kristol, a Republican strategist. "It's another thing for 12 Arkansians to find these close political associates of Clinton guilty."

Now the Clinton team must worry about what comes next. Three weeks from now Starr's office is scheduled to bring another case against two bankers who raised money for Clinton's 1990 gubernatorial campaign. The two are accused of trying to conceal large cash withdrawals by the campaign from the Internal Revenue Service. The defense is seeking Clinton's testimony in that case as well.

Political scientist Black said, "I don't know that this by itself will alter the nature of the presidential campaign, but it does put more of a microscope back on these events. If the jury had come back and convicted nobody, he'd be in a much stronger political position."

Three Guilty in Arkansas Fraud Trial

Whitewater Counsel Vows to 'Move Forward'

By R.H. McInnis and Michael Haddigan
Washington Post Staff Writers

LITTLE ROCK, May 28—A federal jury handed Whitewater independent counsel Kenneth W. Starr a decisive victory here today by convicting two of President Clinton's former business partners and Gov. Jim Guy Tucker (D) of nearly all the fraud and conspiracy charges Starr lodged against them 10 months ago.

Tucker, now in his second term, promptly announced his resignation at a news conference in the state Capitol, saying he will leave office by July 15.

The jury of nine women and three men ended the three-month-long trial by convicting James R. McDougal, who once owned a Little Rock savings and loan, of 18 charges of conspiracy and fraud.

McDougal's former wife, Susan, who some courtroom observers believed would be acquitted because of her lesser role in the fraudulent transactions, was convicted on all four charges against her, which included mail fraud and making false financial entries and statements. Two jurors said later that Clinton's testimony for the defense had no bearing on their decision to convict his former business partner.

Tucker, 52, who succeeded Clinton as governor, was convicted of conspiracy and mail fraud in real estate development schemes that eventually helped destroy McDougal's savings and loan. "I'm sure they tried to do the right thing," Tucker said of the jurors. "As it happens, they just did the wrong thing."

Clinton's close relationship with the McDougals during his years as Arkansas's governor has been a continuing source of political embarrassment over the past four years, and the jury's decision only exacerbates that. At the White House, Clinton told reporters

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he was addressed by the convictions of his longtime Arkansas friends, who now face years in prison and fines amounting to millions of dollars. The defense had called Clinton to testify in hopes he would damage the credibility of the chief prosecution witness.

The convictions could not have been more timely or competitively powerful for Starr, a Republican who has been criticized for his conduct of the investigation, especially by Democratic partisans. The result also represented a vindication for a sometimes risky prosecution strategy of drowning the jury with documentary evidence, in this case more than 600 exhibits.

By contrast, jurors said, the defense presented almost no case, other than the testimony of the president and James McDougal. "I can't understand why they rested so quickly," said one alternate juror. The panel deliberated for eight days before reaching the verdicts.

In Washington, a beaming Starr told reporters he was "obviously gratified" by the trial's outcome and alluded to a home-court advantage that never materialized for the defendants, calling the convictions "a tribute to the people of Arkansas."

"What now? We move forward," Starr said.

The subject of the trial, so strongly favored by Arkansas politics and the election-year struggle between national Democrats and Republicans, was the contest between Starr and the Clinton White House. As independent counsel, Starr had broad prosecutorial powers and grand juries to help him unravel the go-go real estate deals that transformed Little Rock while Clinton was governor in the mid-1990s.

Clinton faced no criminal charges in this trial, but the White House clearly did not relish the idea of a jury's branding his Whitewater partners as crooks at the very moment the president geared up his reelection campaign.

Although the trial centered on a complex loan-swapping scheme, it touched on the Whitewater real estate development, in which the Clintons and McDougals were partners. Prosecution witness David Hale testified that Clinton, as governor, asked him to approve an illegal \$300,000 loan to Susan McDougal. About \$50,000 of the proceeds of that loan went into a Whitewater account.

Clinton, in videotaped testimony played in court, heatedly denied that he urged Hale to make the loan. Rita Gayle Briggs, a 41-year schoolteacher who sat on the jury, said the panel did not focus on Clinton's testimony, although she called him a "very credible" witness. "His name was brought up during the deliberations maybe once in passing," she said. "The president's testimony had nothing to do with the transactions; we were focusing in on and discussing

"We had enough credible witnesses so that we didn't have to rely on Clinton or Hale," she said. "We drew diagrams, we story-boarded it out, we did a time line, we went over everything with a fine-tooth comb."

Said another juror, Jonathan R. Gower: "It was the documents we went with. The documents told me more than the testimony did."

The verdicts were returned late in the day in a windowless courtroom thick with tension and heat in a spring weather. The defendants and their lawyers haggled and shook heads and clapped one another on the back before the jury returned, but became visibly tense when the clerk read out the 30 verdicts in a monotone.

Tucker scowled as she pronounced him guilty of conspiracy, the most serious charge he faced. McDougal remained impassive, his left hand cradling his chin.

Like the Whitewater hearings conducted by the special Senate committee for the past two years, the lengthy trial was a step backward in time to a period when financial institutions like McDougal's Madison Guaranty became risk-takers venturing into new enterprises, especially large-scale real estate development.

Prosecutors portrayed McDougal as the mastermind of several schemes involving dummy corporations, insider deals and false filings to regulators to increase his personal profits and those of his co-conspirators. The prosecution claimed that the McDougals, Tucker and Hale, who owned a lending firm backed by Small Business Administration funds, used Hale's firm as a source of illegal loans.

There was agreement among defense counsel and prosecutors alike that McDougal fared poorly on the stand, contradicting earlier statements and failing to recall key episodes. Ernest Williams, a 37-year-old alternate juror, said, "Jim McDougal seemed himself up real bad when he got on the stand. . . . There were things he could remember from 30 years ago but not from five or 10 years ago. . . ."

"I think the best thing would have been for him to stay at the table with his lawyer."

Others on the defense team added it may have been a mistake for Tucker not to testify in his defense. They also criticized his attorney's closing argument as weak.

Though he sometimes seemed to meander in talking to jurors, prosecutor W. Ray Jahn constructed a solid documentary case against the three defendants, bolstering the testimony of his witnesses with a lengthy paper trail.

Jahn, a big bear of a man with sandy hair and a mustache who favored striped ties and suspenders, ran his side of the case ferociously, setting up a war room for the prosecution team in the bowels of the federal building across the street from the U.S. District Court building within sight of the Arkansas statehouse.

made the locked room, inspirational posters were hung on cinderblock walls reading "Confidence in our country" and "Once more into the breach, dear friends," symbols of the zeal with which Starr's subordinates brought to the trial.

"It's a crime, not politics," Jahn said in an interview on the first full day of jury deliberations.

Jahn is an expert prosecutor of bank fraud trials, having conducted his first 20 years ago as an assistant U.S. attorney in San Antonio. He said he was fully confident that the Little Rock jury could sift through the complicated transactions that McDougal engineered while at the helm of Madison Guaranty.

"The issue is how do you sincerely R to the better understanding," Jahn said. "If you can show them the judges of fraud, they'll understand."

"They said situation," Jahn added. "This jury stayed with it all the way through."

McDougal, 55, faces up to 24 years in prison and \$4.5 million in fines. Susan McDougal faces as much as 17 years in prison and a \$1 million fine. Tucker could go up to 10 years in prison and a \$500,000 fine.

At a news conference at the state Capitol, Tucker, looking visibly shaken, said: "Although I am innocent of all charges made, I must accept the verdict of the jury while I appeal. But I cannot, and should not, allow our people, or our state, bear any part of that burden."

Tucker will most likely be succeeded by Lt. Gov. Mike Marshall, a Republican who is currently running for the U.S. Senate seat being vacated by retiring Sen. David Pryor (D).

At least nine other sitting governors have been indicted while in office. Among them was Marvin Mandel, the governor of Maryland who served 14 months in prison for mail fraud and bribery, and Guy Hunt, governor of Alabama, who was convicted of violating a federal ethics law.

Republican members of Congress said today's verdicts legitimize the various inquiries into Whitewater. Sen. Alfonse M. D'Amato (R-N.Y.), who heads a Senate committee probing Whitewater, said the verdicts show that "there really is substance to the Whitewater investigation, as opposed to it being challenged as it has, as just being partisan without any substance. I think the jury has certainly demonstrated that this is real."

Rep. Jim Leach (R-Iowa), who chairs the House Banking Committee that has investigated Whitewater, said on CNN: "I have never suggested a legal context needed to be applied to the president. But in terms of the ethical aspects of this whole Whitewater circumstance, it's going to be very serious for him."

Staff writer Serge Savitsky in Washington contributed to this report.

Guilty in Little Rock

A Federal jury in Little Rock, Ark., yesterday convicted President Clinton's former business partners on nearly every count in the fraud case Kenneth Starr, the independent prosecutor, brought against them. A third defendant, Arkansas's Governor, Jim Guy Tucker, stands convicted of two of seven counts against him. However analyzed, the verdict is strong vindication for the methodical work of the prosecution and politically troublesome for Bill Clinton, who was summoned as a witness for the defense.

But the politics of a campaign year should not obscure the real benchmark represented by the Arkansas verdict. For over three years, questions about Whitewater have been dodged or left unanswered. At last the whole affair is moving in the direction of clarity rather than further confusion. The voters will be able to sort out what they think of Mr. Clinton and the other players once the legal record is established through proper investigation, sworn answers, public trial and reasoned verdict like that rendered yesterday by a jury that took its duties very seriously.

The President's critics will argue that the verdict means that the jury believed David Hale, an admitted wrongdoer who testified as part of a plea bargain, instead of the President. Mr. Hale claimed that one of his illegal transactions was in part the result of "pressure" from then-Governor Clinton, a

charge the President adamantly denied in videotaped testimony.

The White House has contended for months that even sweeping guilty verdicts like those handed out yesterday could not implicate Mr. Clinton in any wrongdoing. They can still make that assertion. The prosecutor made clear that Mr. Clinton was not charged with anything. Indeed, he asserted yesterday that this case depended more on documents than on the testimony of either Mr. Hale or Mr. Clinton. In his remarks, Mr. Starr was right to stress the value of orderly procedure and a restrained reading of these verdicts. Such a reading reveals the importance of this moment in the long, confusing saga drawn from the heart of Arkansas's tight business world and its distinctive political culture.

The investment history of Whitewater, the financial connections between the Clintons and James and Susan McDougal, and the operations of Madison Guaranty were legitimate subjects of inquiry among people interested in clean government and fair law enforcement.

At this moment, no one can say that where the inquiry will lead, but it seems beyond dispute that Congress and the Justice Department were right to begin their investigations. It can also be said that Mr. Starr, though unwisely burdened with conflicts of interest, came to court with a solid case.

A Partial Peace in Chechnya

Borrowing Senator George Aiken's 1966 exit strategy for Vietnam, Boris Yeltsin declared victory in Chechnya yesterday and said the war was over. Mr. Yeltsin's declaration to Russian troops during a lightning visit to Chechnya may prove as ephemeral as his earlier pronouncements about ending hostilities. But at least the Russian leader has a peace treaty of sorts in hand this time and he knows his re-election chances next month may hinge on whether the fighting stops.

There is nothing like an election to concentrate the peacemaking energies of a beleaguered political leader. Mr. Yeltsin seems at last to be making a concerted effort to wind down a war he cavalierly started 17 months ago on the assumption that Russian troops would quickly crush secessionist rebels. When the Chechen fighters proved more resilient than Moscow expected, Russian forces conducted a scorched-earth campaign that has left more than 20,000 civilians dead.

Mr. Yeltsin seems to have found an unexpectedly cooperative interlocutor in Zelimkhan Yanderbiyev, the new Chechen leader. Unlike his unyield-

ing predecessor, Dzhokhar Dudayev, who was killed last month in a Russian rocket attack, Mr. Yanderbiyev wisely recognized that further prosecution of the war would be ruinous. On Monday in Moscow he and Mr. Yeltsin quickly signed a treaty to end the fighting by the end of the month. If carried out, it would produce the first real cessation of combat since the war began.

The treaty does not address the underlying sources of the conflict, including the pivotal issue of Chechen independence. Mr. Yeltsin now says he would accept almost any form of autonomy for Chechnya short of full independence. It is not clear whether Mr. Yanderbiyev can sell that idea to his followers, or even if he speaks for many Chechen field commanders. There will not be a durable peace until the status of Chechnya is settled.

Ending a war is always harder than starting one. This war could have ended long ago if Mr. Yeltsin had summoned the courage to concede his mistake and cut his losses. That election expediency now compels him to make peace may not be ennobling, but it is better than more bloodshed.

Clinton Drops Military Issue In Request For Suit Delay

By ALISON MITCHELL

WASHINGTON, May 22 — In the face of Republican attacks, lawyers for President Clinton filed new papers with the Supreme Court today saying his effort to delay trial of a sexual harassment suit against him until he leaves office did not rely on his status as Commander in Chief.

In response, the Republican National Committee immediately said it would not televise a commercial, unveiled to the press last Friday and due for telecast in coming days, that ridiculed the President over the issue. The committee also declared a victory for veterans, some of whom, given Mr. Clinton's avoidance of service during the Vietnam War, had been offended by what they saw as his use of the role of Commander in Chief as a legal shield.

The filing by the President's lawyers, and the response by the Republicans, were the latest in a series of skirmishes over what has so far been a losing effort by Mr. Clinton to win postponement of a suit brought against him by Paula C. Jones.

Ms. Jones has accused Mr. Clinton of making crude sexual advances to her in 1991, when he was Governor of Arkansas and she a clerical employee of the state. Mr. Clinton has denied the accusations and has said he cannot remember meeting her.

In their original papers seeking a postponement from the Supreme Court, the President's lawyers argued that the case raised the issue of separation of powers, and cited Jefferson's warning that the President's independence would be threatened "if the several courts could bend him from pillar to post."

They also said that in ruling against postponement, a Federal appeals court had made a mistake in regarding Mr. Clinton's request for a delay as "exceptional." Delays, they said, are routine in some kinds of litigation: Suits against a debtor who has filed for bankruptcy are indefinitely delayed, their petition noted, and a Federal law, the Soldiers' and Sailors' Civil Relief Act of 1940, ordinarily requires postponement of civil litigation against active-duty members of the armed forces.

"President Clinton here thus seeks relief," the original brief said, "similar to that which he may be entitled to as Commander in Chief of the armed forces and which is routinely available to service members under his command."

The Republicans seized on that language as a political issue, with two members of the House calling it an insult to the armed forces. Last Friday the Republican National Committee unveiled a television commercial, for use after Memorial Day, in which a voice-over said: "Bill Clinton, he's really something. He's now trying to avoid a sexual harassment lawsuit claiming he is on active military duty."

The commercial featured pictures of Mr. Clinton biking, golfing, hunting and, in a Blues Brothers imitation, wearing sunglasses, while someone whistled "You're in the Army Now" as background music.

Appearing to preface a new level of negativity in the Presidential campaign, the advertisement was the subject of much free news coverage over the Memorial Day weekend, as was a Democratic commercial that also went on the attack. That commercial said Bob Dole's decision to leave the Senate, and with it his post as majority leader, to mount a full-time campaign for President amounted to "quitting, giving up."

Today Robert F. Bennett, the President's chief lawyer in the Jones case, said he had included in a routine reply brief submitted to the Supreme Court a footnote stating that Mr. Clinton was seeking to have the Jones suit postponed on constitutional grounds and not under the Soldiers' and Sailors' Act.

Mr. Bennett called the footnote in the new brief "an opportunity to reassert what I thought we had been saying all along": that the act offered merely an example of what the President might be entitled to assert, not that he was asserting it.

"Obviously, with this flag," Mr. Bennett said of the political furor that had greeted the original brief, "I was sure I was being as clear as I'm capable of being."

He acknowledged that with his new papers, he had been responding to the political atmosphere. "Would I have put it in quite that way if the flag hadn't occurred?" he said. "I don't know. Probably not." He accused the Republicans of staging a "phony political stunt."

In response, the Republicans announced that starting Wednesday, they would televise on CNN and local stations in Washington a commercial dealing with a balanced budget instead of the more biting ad about Mr. Clinton, never publicly shown.

But they could not resist a parting shot. "Let me get this straight," said Haley Barbour, the Republican national chairman. "Clinton never relied on the Soldiers' and Sailors' Relief Act to postpone the sexual harassment suit, and to prove it he is rewriting the brief to take out the part that he never relied on in the first place. That's vintage Bill Clinton."

Clinton Voices Sympathy For Whitewater Figures

By ALISON MITCHELL

WASHINGTON, May 22 — President Clinton expressed personal sorrow this evening for his three Arkansas compatriots who were convicted today in the first trial of the Whitewater investigation, and he deflected questions about his own credibility to the jury and the political repercussions of the verdict.

Appearing briefly on the White House lawn, Mr. Clinton, who had testified for two and half hours on videotape in the defense of his former partners in the Whitewater land venture, said he "did what I was asked to do."

Asked if he thought that the jurors had believed him, he said: "You ought to ask them that. I doubt that was what was going on."

Mr. Clinton expressed particular sympathy for Jim Guy Tucker, a longtime political rival who succeeded him as Governor of Arkansas. "On a personal level, I'm very sorry for Governor Tucker," he said.

For weeks, White House aides have been concerned about the political implications of President Clinton's appearance, under the order of a Federal judge, as a defense witness in the criminal trial and how it could be used by the President's political foes. His lawyers have fought to keep the videotaped testimony under seal.

Mr. Clinton was in a scheduling meeting inside the Oval Office when the White House counsel, Jack Quinn, and Jane Sherburne, also of the counsel's office, interrupted to bring him news of the convictions.

Almost immediately, White House officials swung into action to emphasize that Mr. Clinton had been accused of no wrongdoing in

the case, which also involved James B. McDougal and his former wife, Susan, who had been the Clinton's partners in the Osage real estate venture known as Whitewater.

Mark D. Fabian, special counsel to the President, said: "There was one thing everyone involved with this trial — prosecutors and defense — could agree on: the President had nothing to do with the allegations that were the subject of the trial. As the prosecutor noted in his closing argument: 'The one occupying the position of the Office of the Presidency of the United States is not on trial here.'"

Mr. Clinton's political advisers conceded that the verdicts would probably embolden the Republicans, who have already mounted a campaign to question the President's character, even as the Clinton campaign has started to run commercials calling Senator Bob Dole a quitter for leaving his post as majority leader.

Ann F. Lewis, the deputy campaign manager, predicted that while the Whitewater verdict would bring the Republicans a "flurry of hope" that "some of this is going to stick, it's going to be unsuccessful."

In a television interview on the "The New Yorker" with Jim Lehrer, taped before the verdict, Hillary Rodham Clinton said that "it doesn't really matter which way it comes out for us."

Asked whether she agreed that, as a political issue, while convictions would prick it, she said, "I don't have any doubt that since so much of this is politically inspired, it will go on regardless of what happens anywhere. It has a life of its own."

CLINTON PARTNERS IN ARKANSAS DEAL CONVICTED BY JURY

SETBACK FOR WHITE HOUSE

In First Verdict on Whitewater,
Governor Is Also Convicted
and Will Resign in July

By STEPHEN LABATON

LITTLE ROCK, Ark., May 28 — In the first trial of the Whitewater investigation, a jury today convicted President Clinton's former business partners of fraud and other crimes for a chain of bad loans issued by an Arkansas savings and loan association in the 1980's.

James B. McDougal, the owner of the savings association, was convicted of 15 felony counts, and his former wife, Susan, was convicted of four felony counts. The third defendant in the case, Gov. Jim Guy Tucker of Arkansas, was convicted of one count of conspiracy and one count of mail fraud and announced that he would resign by July 15 to prepare his appeal. As a result, the President's home state will now be governed by a Republican, Lieut. Gov. Mike Huckabee, who is also a candidate for the United States Senate.

The verdict, following a 12-week trial in which President Clinton and Mr. McDougal were the only witnesses to testify for the defense, was a victory for the staff of the White House independent counsel just as it was coming under heavy criticism by supporters of the White House for being partisan.

The independent counsel, Kenneth W. Starr, said in a Washington news conference that he was "encouraged" by the verdict, the first in the 30-month-old Whitewater investigation, which Mr. Starr has yet to conclude.

President Clinton said he accepted the result and expressed personal sorrow for the defendants, while his aides issued a statement noting simply that Mr. Clinton had not been charged in the case.

When the President was asked early this evening whether the jurors had believed him, he replied: "You ought to ask them that."

But the guilty verdicts were mixed news at the White House, which had had some success recently in leaving the matter behind as the Presidential campaign got under way. And the Republicans quickly seized on the result. "At 3 P.M. today the cover-up began to unravel as Clinton's hometown jury found Clinton's partners guilty on 23 of 25 counts," said Speaker Newt Gingrich's spokesman, Tony Blankley, who called a reporter shortly after the verdict to offer his comment.

Moments after the verdict was announced this afternoon, the nine women and three men who had deliberated for seven days left the crowded courtroom bare, taking their tabbed loose-leaf notebooks and reams of heavily scribbled legal pads with them, along with any thoughts they may have had about the credibility of the President's two and a half hours of videotaped testimony.

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In a brief statement that was read by a Federal marshal, they said they wanted to assure the public that "we have served with pride and integrity."

By their vote, in which they accepted 24 of 25 counts, the jurors appeared not to have been swayed by Mr. Clinton's testimony, in which he challenged the credibility of the Government's main witness. That witness, David Hale, is a confessed felon who had told the jury that he conspired with the McDougals and Mr. Tucker to issue a series of fraudulent loans of about \$2 million. Mr. Hale also said that he issued one of the federally backed loans after Mr. Clinton had sought it, an accusation that the President adamantly denied.

But by themselves, the verdicts did not indicate whether the jurors believed Mr. Clinton or Mr. Hale about what role Mr. Clinton played.

Federal investigators revealed at the trial that almost \$30,000 of the \$300,000 loan Mr. Hale issued to Mrs. McDougal ultimately wound up paying for expenses for the Whitewater land venture. On all of the charges that involved the loan in which Mr. Hale said the President had a role, the jury came back with guilty verdicts against the McDougals.

"I don't know if they disbelieved the President, maybe they just didn't believe me, I don't know," Mr. McDougal said on the courthouse steps.

In his comments, Mr. Starr played down the significance of Mr. Hale's testimony by noting that the case had been built primarily on a complicated paper trail.

"We obviously are gratified by the verdict," he told reporters outside his office building across the street from the Justice Department. "It was an elaborate documentary case, not just a testimonial case, and that required diligent attention."

Mr. Starr has had to fend off criticism in recent weeks about his continuing work as a private lawyer while also running a case of great importance. He seemed to have that criticism in mind when he said today that his role in the office has not been one who makes all the decisions unilaterally.

"What we have instituted in this office, as I have said publicly before, is a very careful, elaborate, deliberative process," Mr. Starr said. "It is not the judgment of one individual. It is the judgment of a group of professionals who have taken a oath of office, and who take that oath seriously."

Senator Bob Dole, the likely Republican candidate for President, was cautious in his response to the verdict. "I haven't commented on Whitewater since Day 1, so I won't comment on today's whatever," Mr. Dole said today. "I've just sort of stayed out of it. The White House has been saying, 'D'Amain, Dole, all this stuff,' and I have never made any comment."

Not all Republicans were so restrained. Mr. Blankley said, "It is a black night at spin control central in the White House."

For Mr. Clinton, the first sitting President since Gerald R. Ford to provide testimony in a criminal case, the spectacle of his participation so

occurred him that he ordered his lawyers to take steps in court to prevent the public release of his videotape deposition.

But the outcome today is not expected to be the last time Mr. Clinton will have to testify in a case brought by Mr. Starr. As defendants in a second case, set to begin in June, have already issued a subpoena for the President's testimony. In that case, the owners of a small Arkansas bank that held deposits of Mr. Clinton's have been accused of hiding political contributions to several campaigns, including that of Mr. Clinton.

Mr. Clinton is expected to be questioned in that case about his 1992 decision to appoint one of the bankers to the Arkansas Highway Commission, a plum patronage post, after that banker is alleged to have hid illegal campaign contributions.

Other aspects of Mr. Starr's inquiry also remain open. For example, he is still reviewing the circumstances surrounding the disappearance of some billing records from Mr. Clinton's former law firm, which has been sought by investigators in early 1994. A White House aide said she found the records in the back room of the White House. Clinton's office, in August of 1993. They were turned over to investigators this year, nearly two years after the first subpoena was issued for them.

Mr. McDougal had once been a close political ally and business partner of Mr. Clinton. But in the last few years, he has been a source of political difficulty. He drew the President into the criminal case by obtaining a subpoena requiring Mr. Clinton to testify in order to challenge the credibility of Mr. Hale, a pivotal player in most of the counts against the three defendants.

Six of those counts concerned an improper \$300,000 loan Mr. Hale had issued in 1986 to Mrs. McDougal through his federally backed company, Capital Management Services.

Investigators have said that nearly \$30,000 of the loan wound up paying the expenses for the 250-acre Ozark land venture at the juncture of Crooked Creek and the White River that Mr. McDougal named Whitewater. Federal regulations at the time only permitted Mr. Hale to approve such loans to economically disadvantaged borrowers, under a Federal program.

Mr. Hale testified that he issued the loan after it was requested by Mr. Clinton and that the Governor had indicated his name not appear on any documents in the transaction. Mr. Hale also said that Mr. McDougal had sought that loan and others in order to take care of the "political family" in Arkansas.

Mr. Clinton was called to refute Mr. Hale's testimony and raise questions about his character. Defense lawyers calculated that the jury would decide to take the word of the President over that of an admitted felon who is about to enter prison.

On the last day of the trial, after Mr. McDougal had testified for two days, defense lawyers played the testimony of the President. Videotaped a few days earlier in the room in the White House where Roosevelt had in another era chaired the course of World War II, Mr. Clinton steadfastly denied that he had ever discussed any business with Mr. Hale.

Prosecutors had accused the McDougals and Mr. Hale of a variety of fraud violations involving a complex web of loans that prosecutors asserted were intended to loot both the McDougals' savings association and Mr. Hale's investment company. Both institutions were backed by the Federal Government, and the losses from the two were ultimately borne by taxpayers.

During the trial, the prosecutors, Ray Jahn, a personal attorney, said at a press conference that the series of viceroy misdeeds involved in the case had been through the use of trust funds.

The fraudulent transactions included eight loans of more than \$1 million from Madison and Capital Management in the 1980's. One of the central deals was an loan that Madison, with the assistance of Mr. McDougal and Mr. Tucker, lent to an associate of Mr. Hale.

Mr. Tucker faces a maximum sentence of five years in prison and fines of up to \$250,000 on each of the on which he was convicted. He is facing a second indictment on Federal bankruptcy fraud charges.

On each of the 15 of the counts on which he was convicted, Mr. McDougal faces a maximum sentence of five years in prison and a fine of up to \$250,000. The three other carry a maximum sentence of two years in prison and a fine of up to \$100,000. Mrs. McDougal also faces a maximum sentence of five years in prison and a fine of up to \$250,000 on three of the counts against her, and two years in prison and a fine of \$100,000 on the fourth count.

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Continued on Page B4, Column 1

Top of page:

Col 1: Feature on a local murder.

Col 2: With the Palestinian territories under seal and 26,000 police and soldiers on guard against violence, Israelis vote Wednesday in a hard-fought national election that will determine the future of Middle East peacemaking. (MIDEAST-TIMES, moved).

Cols 3-5: The first major trial verdicts in a Whitewater case are in and only seem to add to growing wonderment over what the sprawling affair will mean for President Clinton. (with art). (WHITEWATER-ASSESS-TIMES, moved).

Col 6: A federal jury returns guilty verdicts on almost all counts against President Clinton's former business partners, James and Susan McDougal, in the first major trial of the Whitewater affair and also convicts Arkansas governor, Jim Guy Tucker, on two of seven counts against him. (WHITEWATER-TIMES, moved).

Above fold:

Col 2: Russian Communist Party candidate Gennady A. Zyuganov publishes an economic program calling for the restoration of much of the Soviet-era economy. (RUSSIA-COMMUNIST, moved).

Below fold:

Col 3: Local feature on the Los Angeles Police Department.

Bottom of page:

Cols 1-2: Former Rams player Darryl Henley is expected to be indicted on charges that he was trafficking in cocaine and China White heroin from jail with the help of a jail guard. (HENLEY, moved).

Cols 4-6: Sharply escalating his anti-crime rhetoric, Bob Dole vows to end child pornography, proposing a three-strikes-and-you're-out sentencing policy for convicted producers and traffickers of such material. (with art). (CAMPAIGN-DOLE-TIMES, moved).

Arkansas Gov., McDougals Convicted in Whitewater Case (Little Rock) By Sara Fritz (c) 1996, Los Angeles Times

LITTLE ROCK, Ark. In a sweeping verdict that will intensify the Whitewater controversy as the November election draws near, a jury Tuesday convicted President Clinton's two investment partners, James B. and Susan McDougal, and Arkansas Gov. Jim Guy Tucker, of participating in a \$3 million conspiracy to defraud two federally backed financial institutions.

The convictions provided a victory for embattled independent counsel Kenneth W. Starr in the first Whitewater-related case to go to trial as a result of his lengthy investigation of the president and his Arkansas associates.

Starr told reporters he was encouraged by the outcome of the 12-week trial. "The investigation is actively under way," Starr said.

Clinton, who was the chief defense witness at the trial, expressed sympathy for the defendants "on a personal level." Asked during a brief White House appearance whether the verdicts meant that jurors did not believe him, he said: "I doubt that. I doubt that that's what was going on, but you ought to ask them."

A juror said afterward that the panel questioned the relevance but not the veracity of Clinton's testimony.

"President Clinton is a very credible man but his testimony didn't really tie to the transactions we were dealing with," said Rita Briggs, a 41-year-old schoolteacher.

The government's star witness, former Municipal Judge David Hale, accused Clinton of being a co-conspirator. But the president was not charged in the case and immediately after the verdict his aides issued a statement noting that even the prosecution had said that Clinton played no active role in the conspiracy.

"There was one thing everyone involved with this trial prosecutors and defense could agree on: The president had nothing to do with the allegations that were the subject of the trial," White House special counsel Mark D. Fabiani said in a brief written statement.

Briggs, asked whether the investigation of the president should continue, replied: "No, I don't think there is enough evidence."

The case began, however, with allegations that the president and first lady Hillary Rodham Clinton had profited illegally from an Otark land partnership with the McDougals.

James McDougal was found guilty on all but one of the 19 counts against him. His former wife was convicted on all four of the counts against her. Tucker was judged to be guilty on two of the seven counts against him.

Hale said in his testimony that he conspired in the mid-1980s with the McDougals, Tucker, Clinton and others to defraud both McDougal's Madison Quarry Savings & Loan and Hale's small business investment firm, Capital Management Services.

Essentially, Hale said, the three defendants improperly used money from Madison, a federally insured institution, to leverage additional capital from Capital Management, which was funded largely by the Small Business Administration. Most of the money passed through a wide variety of real estate deals.

The president was linked tangentially to the alleged conspiracy because some of the money from Capital Management passed through the Whitewater bank account held jointly by the McDougals and the Clintons and because Hale purchased with the money was briefly held by their jointly owned Whitewater land development company. Nevertheless, there was no evidence that the Clintons were aware of the transactions.

The defense alleged that Hale concocted the story to win leniency from the government on charges that he had defrauded the government. Hale has been sentenced to 24 months in prison as a result of a plea bargain with the independent counsel.

The verdict was not at all what most of the participants had expected. Stunned silence gripped the courtroom as the court clerk pronounced the defendants guilty on 24 of the 30 counts at issue. Not even the prosecutors had anticipated such a sweeping decision in what was a complex case with more than 700 exhibits and 37 witnesses.

The defendants face fines and prison terms if their convictions are upheld on appeal.

The convictions, all felonies, carry maximum penalties for James McDougal of 84 years in prison and a fine of \$4.5 million. Mrs. McDougal faces a maximum sentence of 10 years and a \$1 million fine, while Tucker could receive a 10-year sentence and a \$500,000 fine.

Sentencing has not yet been scheduled, however, and punishment is not expected to approach the maximum prescribed by law. Neither of the McDougals, who were tried as indigents, have money to pay such fines. In addition, James McDougal's poor health is likely to be taken into account by the sentencing judge.

Tucker, a multimillionaire, is the only defendant who could afford to pay a fine. He also must contend with another indictment brought by Starr that alleges an intimate relationship to Whitewater.

The verdicts brought a swift and surprising end to Tucker's once-promising political career. Tucker, who has served as Clinton's lieutenant governor, announced afterward that he will step down as governor July 15.

ough Arkansas law probably would have allowed him to serve during the appeal process.

"Although I am not of all charges, I cannot and should not let the state of Arkansas bear the burden of my appeal," said Tucker, whose confident smile dissolved into a grimace upon hearing that he had been found guilty of conspiracy and mail fraud in the case.

He will be succeeded by a Republican, Lt. Gov. Mike Huckabee, who is also the GOP candidate for the U.S. Senate seat of retiring Democrat David Pryor.

Sen. Bob Dole, the presumptive Republican presidential candidate, declined to comment about the verdicts.

"The jury reached a verdict. It's out there," Dole said. "But

I am not going to get involved in it."

James McDougal, the eccentric former savings and loan owner whose decision to develop an Ozark Mountains resort called Whitewater in the mid-1970s has been the central focus of this controversy, accepted the verdict philosophically and said he was simply glad the trial was over. An invalid, he expects to undergo heart surgery within the next few months.

McDougal's former wife, Susan, refused to talk to reporters afterward. Her attorney, Bobby McDaniel, said that, while she accepted it, "she does not agree with it." She had been viewed by most courtroom observers as the least likely of the defendants to be convicted.

Hale claimed that Clinton participated in a meeting in which Hale agreed to loan \$300,000 to Mrs. McDougal. But the prosecution offered no corroborating evidence to support Hale on this point and Clinton said he had no recollection of any such meeting.

It was this loan on which Mrs. McDougal's fraud conviction hinged. The jury found her and her ex-husband guilty of filing a false application for the loan. On her application, she said that the money would be used for a public relations business. Instead, it was spent on real estate development.

Both James McDougal and Tucker were found guilty of conspiracy but the conspiracy count against Mrs. McDougal had been dismissed earlier by presiding Judge George Howard Jr. The conspiracy charges were mostly dependent on Hale's testimony.

McDougal also was convicted of fraud in a number of other transactions and Tucker was convicted of fraud in his Madison-financed purchase in the mid-1980s of a sewer and water company previously owned by the thrift.

McDougal and Clinton are longtime friends dating back to the days when both of them worked for the late Sen. J. William Fulbright, D-Ark. Tucker, on the other hand, has been a political foe of Clinton.

Republican Sen. Alfonse M. D'Amato, whose Senate Whitewater Committee is to end its investigation next month, said in a statement that the convictions "indicate the seriousness and depth of the Whitewater tragedy."

"To those who said there was nothing to Whitewater today the jury's verdict in Arkansas has proven them wrong," the New York lawmaker said.

Rep. Jim Leach, R-Iowa, whose House Banking and Financial Services Committee has investigated Whitewater, argued that the trial was mistakenly characterized by the news media as a contest between Hale and the president. Noting that the prosecution has considerable documentary evidence, he portrayed it instead as "the president versus the paper trail."

The jurors, most of whom took extensive notes during the trial, were praised by Judge Howard for being unusually conscientious in their deliberations. He also lauded them for beginning and ending every day's deliberations with a prayer.

In a statement issued after the trial concluded, members of the jury described their task as "a long and tedious process." The statement added: "We want to assure the public that we have served with pride and integrity."

In light of the overwhelming verdict, defense lawyers are likely to be second-guessed on their decision to call only two witnesses: Clinton and McDougal. Some jurors said that McDougal's rambling, often inconsistent testimony was

far more damaging to his case than the prosecution's evidence.

At the same time, the critics of the prosecution's heavy reliance on a complex of documents to its case. These critics accused Starr's staff of confusing the jury with too much evidence.

(Optional add end)

Starr did not attend the trial and left the prosecution entirely to one of his assistants, W. Ray Jahn, an experienced prosecutor who handled the case against Branch Davidson cultists in Waco, Texas. Yet when Starr emerged from his Washington office in shirt sleeves to discuss the verdict Tuesday, he clearly took pride in the outcome.

The victory comes as Starr, a Republican, and his assistants have been under heavy fire from Democrats for prosecuting the case in a partisan manner. In addition, Starr, who earns \$1.5 million annually in private practice, has been criticized for continuing to defend high-profile clients while serving as independent counsel.

In responding to the criticisms, Starr said: "We have instituted in this office ... a very careful, elaborate, deliberative process. It is not the judgment of one individual. It is the judgment of a group of professionals who have taken an oath of office and who take that oath seriously."

Starr also said that the verdict was "a great tribute" to and "a vindication" of the nation's much-criticized system of justice.

In recent months, the attention of Starr's investigators has shifted away from the president and to the first lady. The independent counsel is known to be investigating allegations of obstruction of justice against Mrs. Clinton. These allegations stem from the discovery in the White House of her old legal billing records months after they were subpoenaed by investigators.

In another Whitewater-related case, Starr's team next month will prosecute two other Arkansas men who have been charged with making illegal contributions to Clinton's 1990 gubernatorial campaign. In addition, Starr is soon expected to release the results of his investigation of the 1993 death of White House aide Vincent W. Foster, which has been ruled a suicide.

Whitewater Trial Verdicts Do Not Bode Well for Clinton (Washn) By John M. Broder and Robert L. Jackson - (c) 1996, Los Angeles Times

WASHINGTON The first major Whitewater trial verdicts are in, with only bad portents for President Clinton.

Although the president was not on trial in Little Rock, Ark., jurors resoundingly found his Whitewater business partners and his successor as Arkansas governor of serious financial crimes.

The president's videotaped testimony, offered by the defendants, appeared to do little to help their case.

While few observers expect any legal action targeting the president or first lady Hillary Rodham Clinton any time soon, voters will render a verdict on his govern and his character barely little more than months from now.

"There is absolutely nothing good in this for the White House," said Joseph DiGenova, a former federal prosecutor in Washington and a Republican. While it presents no personal legal consequences for the president or the first lady, it reinvigorates all the other investigations. It is all bad, legally and politically."

Richard Ben-Veniste, chief counsel for the minority Democrats on the Senate panel investigating Whitewater, asserted that the decision in Little Rock is not a judgment on the president's veracity.

"The verdicts, however, present a great deal of guilt by association that the White House will have to deal with," Ben-Veniste said.

At this point, Whitewater remains a cloud hanging over

endent, darkened by Tuesday's verdicts but still
fect to the outcome of continuing investigations into
his conduct in Arkansas and after reaching the White
House.

While the White House insisted that the judgment in
Little Rock is not a verdict on the president's actions,
his character or his credibility, it certainly gives
momentum to a variety of Clinton inquiries still under
way.

Independent counsel Kenneth W. Starr will attack the
remaining parts of his multifaceted investigation with
renewed vigor and confidence.

Starr, speaking to reporters outside his Washington
office, called the outcome a "vindication" of the
nation's much-criticized system of justice.

Now, "we move forward," Starr said. "The Washington
phase of our investigation is very active."

Starr declined to describe the elements of that
investigation, saying: "We are doing our talking in
court."

But based on appearances of witnesses before a federal
grand jury and on House and Senate investigations of
related matters, the most active aspects include whether
former White House aide David Watkins lied to cover up
Hillary Clinton's role in the firings of White House travel
office employees and whether others engaged in obstruction
of justice or perjury in the matter.

In addition, a defense attorney source who declined to
be identified said that investigators are still actively
pursuing the sudden appearance in the White House of the
first lady's Rose Law Firm billing records on her work for
the savings and loan run by Clinton friend James B.
McDougal, who was convicted of multiple fraud counts in
Little Rock Tuesday. Republicans say the two-year delay in
production of the records suggests that someone in the
White House wanted to conceal them.

(Begin optional trim)

Prosecutors have identified no one, at least publicly,
as a target of that investigation.

Moreover, Starr is still looking into the suicide of
former White House aide Vincent W. Foster Jr., a close
personal friend of both Clintons, and the hurried
disposition of Whitewater-related records in his White
House office.

And a number of former Clinton business associates in
Arkansas face scrutiny for dealings that reach much closer
to the president than the trial just concluded, including
a case involving two bankers accused of funneling illegal
contributions to Clinton's 1990 gubernatorial campaign.

Decisive verdicts such as those rendered Tuesday also
tend to embolden previously reluctant witnesses to come
forward, experienced prosecutors noted.

(End optional trim)

In addition to Starr's inquiries, congressional
investigations into the Clintons' activities in Washington
and Arkansas will be treated with new seriousness.

Rep. Jim Leach, R-Iowa, whose House Banking and
Financial Services Committee spent months investigating
the tangled Whitewater matter, said the verdicts hurt the
president because they reflect on the ethical climate that
prevailed in the Clintons' business dealings in Arkansas.

"In terms of the ethical aspects of the entire
Whitewater affair, it's going to be very serious for him,"
Leach said.

John D. Podesta, former Clinton White House staff
secretary who now teaches a course in the politics of
scandal at Georgetown University law school, said that the
verdicts give life to a series of inquiries that appeared
to be expiring.

It puts breath on the murmur and a pulse in the body
but ultimately things haven't changed that much. No one
has found the president or first lady has done anything
wrong. This decision won't substantially affect his
political fortunes but we'll have an earache for a day or
two as the pundits hesh this out," said Podesta, a firm

believer in the president's innocence.

(Begin optional trim)

Clearly, Tuesday's verdicts mark the beginning of the
legal phase of the Whitewater controversy, not its end.

Starr recently hired two veteran white-collar criminal
prosecutors to handle the Washington aspects of the
investigation, indicating that the inquiry will continue
through the fall presidential campaign and almost
certainly beyond.

The new senior counsel for the inquiry is Roger M.
Adelman, who prosecuted attempted Ronald Reagan assassin
John Hinckley and won the conviction of former Rep.
Richard Kelly, R-Fla., in the Abscam political corruption
investigation.

The second seasoned prosecutor to join Starr's
Washington team in April was Eric A. Dubaler, who is
experienced in white-collar and transnational criminal
investigations.

(End optional trim)

In Congress, the Senate Whitewater panel of Sen.
Alfonse M. D'Amato, R-N.Y., will conclude its work next
month and issue its final report.

The summary of its findings is likely to attack the
credibility of the White House and particularly that of
Hillary Clinton, committee sources said. But its hearings
so far have failed to establish any solid potential
criminal charges such as perjury or obstruction of justice
that could be referred to U.S. prosecutors with any
expectation of an indictment.

Republicans repeatedly have accused White House aides
of concealing documents that have been subpoenaed, or at
least slowing down their production to the committee, in
an effort to thwart the Senate investigation.

Signaling what is likely to be in his final report,
D'Amato charged recently that White House officials
engaged in "a continuing pattern, an unacceptable
pattern, that borders on the deliberate withholding of
information."

(Optional add end)

D'Amato's final report is expected to focus its
harshest fire on the tardy production last January of
Hillary Clinton's Rose Law Firm billing records. The
committee wanted to examine the files to determine the
accuracy of her claim that she had spent little time
working for Madison Guaranty Savings & Loan, the now
defunct institution that is at the heart of the Whitewater
controversy.

Some Republicans on the panel claim that the mysterious
appearance of the records two years after they were
subpoenaed constitutes evidence of obstruction of justice.
But the evidence so far is circumstantial; the records
were found in the residential quarters of the White House
in an area frequented by Hillary Clinton as well as dozens
of aides and house guests.

Joe Lockhart, chief spokesman for the Clinton
re-election committee, had little to say about the
verdicts. "We're just going to keep talking about the
issues the American people want us to address, just as we
did yesterday and just as we will tomorrow," he said.

Republican National Committee Chairman Haley Barbour,
showing unaccustomed restraint on matters political, said
only: "The verdict speaks for itself."

Arkansas governor, Clintons' partners are found guilty in Whitewater trial

Tucker will step down, but he says he's innocent

By Hugh Aynesworth
THE WASHINGTON TIMES

A1

LITTLE ROCK, Ark. — In a stunning decision whose reverberations were quickly felt in Washington, a jury here yesterday found President Clinton's former business partners and his successor as governor of Arkansas guilty of 24 felony counts in the Whitewater fraud-and-conspiracy trial.

Two hours later, a teary-eyed Gov. Jim Guy Tucker, though maintaining his innocence, announced he will resign by July 15, making him the fourth governor in modern times to step down in the face of criminal charges.

James B. McDougal, a partner with Mr. Clinton and Hillary Rodham Clinton in Whitewater Development Corp., was convicted on 18 of 19 counts. Susan McDougal, his ex-wife and the other Whitewater partner, was found guilty on all four counts she faced. Tucker was convicted of two of seven counts. All the violations were felonies.

They were convicted although Mr. Clinton testified on videotape on behalf of the McDougals, vehemently denying the testimony of the government's chief witness, who placed the president at the center of a conspiracy to defraud the federal government of a \$300,000 loan.

In Washington shortly after the verdicts were made public, a subdued Mr. Clinton made a surprise appearance before microphones generally reserved for White House visitors to express his concern for his convicted friends. But he turned aside questions about the jury's apparent rejection of his sworn testimony on their behalf.

"Obviously, on a personal level, I'm very sorry for Governor Tucker and for Jim and Susan McDougal," the president said. "But the jury has decided."

Asked if he felt the jurors, who deliberated for eight days, did not believe his testimony, Mr. Clinton said: "You ought to ask them that. I doubt that. I doubt that that's what was going on. But you ought to ask them. I don't know."

The verdicts are expected to provide renewed momentum to

see TRIAL, page A8

TRIAL

From page A1

Whitewater as a political story and to congressional inquiries into the tangled financial dealings of the president and his wife.

James McDougal faces 24 years in prison and \$4.5 million in fines. His ex-wife 17 years and \$1 million in fines, and Tucker 10 years and \$500,000 in fines.

Because most of the charges involve crimes committed before the federal sentencing guidelines went into effect in late 1987, it will be up to U.S. District Judge George Howard Jr., who presided over the 10-week trial, to determine the exact sentences.

The three defendants were charged with 21 different counts of conspiring to defraud the government by inflating property values, lying to federal agencies about their financial worth, using loan proceeds for additional illegal activities, making false reports to lending agencies and using nonexistent companies to secure loans.

The government said \$3.13 million was siphoned off from such activity — all of it coming through a small-business investment company owned by former Little Rock Municipal Judge David L. Hale, who knowingly forwarded false information to the Small Business Administration.

Tucker's conviction could have thrown the state into chaos. The Arkansas Constitution says a governor convicted of a felony must step down but does not specify whether he may stay in office until all appeals are exhausted.

Tucker left the courthouse without comment. "But then reality set in," said a lawyer close to the governor. "He didn't take the stand, and that was a risk. He couldn't face this."

Lt. Gov. Mike Huckabee, a Republican, will succeed Tucker, though he is a candidate to replace Sen. David Pryor, a Democrat and close ally of Mr. Clinton's who is retiring.

The verdicts had to be considered some vindication for Hale, who cut a deal with the government to testify in exchange for guilty pleas to two felonies instead of four. He was sentenced to 28 months and is expected to report to prison tomorrow.

Hale testified that Mr. Clinton, when he was governor a decade ago, "pressured" him to hurry through a \$300,000 loan earmarked for Mrs. McDougal's Master Marketing Inc., a company Hale said both McDougals knew was a dummy firm.

In testimony videotaped at the White House last month, Mr. Clinton — as he has on several other occasions — vehemently denied any such exchange with Hale, insisting that he could not recall a single business conversation he had with the witness.

James McDougal sidestepped a question about whether the guilty verdicts were a direct repudiation of the president. "I don't know if they didn't believe the president," he said. "Maybe they didn't believe me."

"I don't want to cast aspersions in any way or blame on anyone. I came in here to face it. We didn't put on a defense. That was our best judgment; perhaps we were wrong there."

Though he acknowledged being "somewhat surprised" at the verdicts, McDougal said he felt the jury did what it believed was proper.

"Well, obviously this didn't turn out the way Sam and I wanted it to," he said, referring to attorney Sam Heuer. "But I said from the start that what this jury and this judge did I would consider fair — and I accept that."

At the White House, Mr. Clinton said he believed that the jurors "tried to make a good decision, so I think we should all accept that."

W. Ray Jahn, the lead prosecutor in the trial, said he felt "a warm feeling inside" when he heard the verdicts.

"I think that the verdict vindicates the system," he said. "I've said over and over and over again that the United States was receiving a fair trial, a fair jury before a fair judge."

In Washington, Whitewater independent counsel Kenneth W. Starr echoed Mr. Jahn's observation and lavished praise on the jurors, "the 12 Arkansans who sat dutifully, who took ... copious

notes day in and day out, understanding that this was a documentary case, not just a testimonial case."

Mr. Starr was asked about the risk of staking much of the government's case on the testimony of Hale, a felon who admitted on the

stand that he was a liar. "I would simply say what Ray Jahn said, that he would not have put David Hale on the stand if he had not believed David Hale," the independent counsel said.

W.H. "Buddy" Sutton, Tucker's lead attorney, seemed stunned by the verdicts. Asked how the governor took his conviction, Mr. Sutton said: "I haven't had a chance to visit with him very much, but I'm sure he was very disappointed. I was extremely disappointed. I felt grieved very deeply."

In announcing his resignation, the governor told hundreds of well wishers: "Although I know that I am innocent of all charges made, I must accept the verdict of the jury while I appeal. However, I cannot and should not expect the people of our state to bear any part of that verdict. Therefore, I will begin the process of orderly transition of the office of governor."

The jurors left a note with an assistant U.S. marshal saying: "We have prayed each day for wisdom on guidance. ... We would like to assure the public that we have served with pride and integrity."

All 12 jurors signed the note.

The Washington Times
* WEDNESDAY, MAY 29, 1996

PROOF COPY
PRESERVATION

Tucker felt heat waiting for jury

Governor, who quit, may have left career in courtroom

By Hugh Aynesworth
THE WASHINGTON TIMES

LITTLE ROCK, Ark. — Gov. Jim Guy Tucker might have sensed he was headed for disaster moments before the Whitewater jury effected ended his political career yesterday.

As they had for more than 12 weeks, Tucker and his wife, Betty, smiled and shook hands with a couple of dozen well-wishers as a packed courtroom awaited the march of the jurors into the sweltering arena.

The heat index was 102 degrees Fahrenheit outside, and it wasn't much cooler inside as marshals packed reporters and onlookers into the courtroom.

Tucker, surrounded by his three attorneys, who among them are said to bill about \$800 an hour, was pensive, visibly nervous.

A minute before the jury entered, Mrs. Tucker walked up to the defense table, her eyes beseeching, her hands slightly shaking. Tucker kissed her lightly on the cheek.

Then the jurors marched in, not a single one of them glancing toward the governor. Once seated, foreman Sandra Wood sneaked a furtive peek at Tucker.

As they passed within 3 feet of Tucker — an entry point where they usually smiled perfunctorily at Tucker and fellow defendant James B. McDougal — each juror

seemed to walk faster.

It was not lost on Tucker. At that point he seemed to have only two hopes left: slim and none.

McDougal's convictions on 18 of 19 felony charges brought an audible gasp from two spectators and a tightening in Tucker's jaw. He held his hands as if in prayer, but it went unanswered. He was convicted on two of seven counts.

Tucker left the building without saying anything and later resigned as governor. He said he needed to resign so he could work on his appeals. "The people of the state should not be put through that," Tucker said.

He will be succeeded by Republican Lt. Gov. Mike Huckabee, who is also the GOP candidate for Senate.

Defense attorney W.H. "Buddy" Sutton, asked if he and the governor's other attorneys erred in not allowing Tucker to testify, said:

"Well, there's no way to ever know that. That's something that — We crossed that bridge, and there's no way to go back and recross it — and there's not anything to be gained by talking about 'what if'."

McDougal's ex-wife and fellow defendant, Susan, who was convicted on four counts, left the courtroom with a big smile but declined to answer questions. One of her attorneys said she respects the system.

The McDougal's were partners

with the Clintons in the failed Whitewater real estate venture.

Outside the courtroom, McDougal, ever the optimist, was asked how he felt.

"Right now?" he replied. "Well I feel glad to be out of the courtroom. Nothing could be more exasperating than that. I suppose I'll just take what the Lord sends my way and continue from here."

He said he was to have an angiogram in the near future and "I anticipate heart surgery ... and we'll have to see how successful that is."

"I said from the start [that] whatever this jury and this judge did I would consider fair," he said. "I accept that, and I assume that we will simply take up the next stage of the fight."

Outside the courtroom, W. Ray Jahn, who led the prosecution, declined to directly address reporters' questions about the impact of the verdict on Clinton.

"That's for the pundits to decide," he said.

One juror, Rise Briggs, 41, said, "President Clinton is a very credible witness, but his testimony didn't really relate to the transactions we were dealing with." Asked if she had seen reason for any further investigation of the president, she said, "No, I don't think there is enough evidence."

• This article is based in part on wire service reports.

Tucker ends 25 years in Arkansas politics

By James Jefferson
ASSOCIATED PRESS

LITTLE ROCK, Ark. — Gov. Jim Guy Tucker, a Harvard graduate and former Marine who went on to become a congressman and then a millionaire cable-TV operator, always seemed to relish nothing more than a challenge. In the Whitewater trial, he may have faced one too many.

Yesterday, Tucker, the first sitting governor of Arkansas to face criminal charges, resigned just hours after being convicted of fraud and conspiracy. He could get up to 10 years in prison and a \$500,000 fine when sentenced.

Tucker, 52, insisted again that he is innocent and said he will leave office by July 15 to work on his appeals.

"The people of the state should not be put through that," he said.

Republican Lt. Gov. Mike Huckabee will succeed him. Mr. Huckabee is also the GOP nominee for the Senate seat held by the retiring Sen. David Pryor.

When indicted last year, Tucker proclaimed his innocence and swore he would not resign.

Tucker earned an undergraduate degree from Harvard in 1964, and then enlisted in the Marines. However, he suffers from chronic gastrointestinal disease and was discharged for health reasons after three months, despite two appeals to remain on active duty.

In 1965, he went to Vietnam as a war correspondent, and went back for a second tour of duty in 1967.

At 27, after earning a law degree from the University of Arkansas, Tucker was elected prosecutor for the district that includes Little Rock. In 1972, he ran for state attorney general, a job he held for two terms.

In 1975, he married Betty Allen, ex-wife of professional football's Hall of Famer Lance Alworth. Tucker then served two years in Congress before losing a bid for the Democratic U.S. Senate nomination in 1978.

In 1982, he sought the Democratic gubernatorial nomination, but finished third in a five-man primary won by Bill Clinton, who went on to become governor. Tucker then left politics and made millions in cable television.

He returned to politics in 1990, announcing a run for governor. Mr. Clinton, who had been voted out, also opted to run again, prompting Tucker to try instead for lieutenant governor. He won.

Tucker became governor in 1992 when Mr. Clinton resigned to become president. Tucker was elected to a four-year term in 1994 with 60 percent of the vote.



Mike Huckabee

In June 1995, Tucker was indicted on three felony fraud and tax-evasion counts stemming from the Whitewater investigation. The charges were dismissed and then reinstated by a federal appeals court. Trial in that case is pending.

Two months later, Tucker was charged in a separate Whitewater case — this time, with the Clintons' former Whitewater business partners, Jim and Susan McDougal — with 11 fraud and conspiracy violations. Four of those counts were dismissed during the trial, which began March 4.

Tucker was convicted of fraud and conspiracy for his part in a deal involving the purchase of a water-and-sewer utility owned by a subsidiary of Madison Guaranty Savings and Loan, which was owned by the McDougal's.

He is the fourth governor to resign or be removed from office.

The other three were:

• Guy Hunt of Alabama, who was convicted and forced from office in April 1993 for looting his 1987 campaign fund and pocketing the money. He was ordered to pay \$211,000 and perform 1,000 hours of community service.

• Evan Mecham of Arizona, who was indicted in 1988 on fraud and perjury charges for purportedly hiding a campaign loan. A jury acquitted him, but only after he was removed in an impeachment conviction by the state Senate on other grounds.

• William L. Langer of North Dakota, who was removed from office in 1934 by the state Supreme Court after being convicted of obstructing the work of the Federal Emergency Relief Administration and soliciting money from federal employees for personal political purposes.

Appeals may be launched from prison

THE WASHINGTON TIMES

While Arkansas Gov. Jim Guy Tucker and James and Susan McDougal plan to appeal the felony fraud and conspiracy convictions that could land them behind bars for years, they may not be allowed to remain free as they do so.

The defendants will likely be sentenced in 30 to 45 days, when the judge will decide whether they will be allowed to remain out on bond or rescind them and send the defendants immediately to jail.

Attorneys for the McDougal's said they will appeal the verdicts, but they want to see the outcome of several pending motions, including one aimed at a 10-year delay in prosecuting the case.

Tucker, who resigned hours after the verdict, said he did so in order to work on his appeals. "Although I am innocent of all charges, I cannot and should not let the people of Arkansas bear the burden of my appeal," Tucker told reporters.

James McDougal could receive up to 35 years in prison and \$4.7 million in fines. Tucker 10 years and \$500,000 in fines, and Susan McDougal 17 years and \$1 million in fines.

PHOTOCOPY
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The Washington Times

• WEDNESDAY, MAY 29, 1996

Starr prepares for trial No. 2 in Whitewater investigation

Two bankers accused of diverting cash to campaign

By Jerry Seper
THE WASHINGTON TIMES

Independent counsel Kenneth W. Starr, who won stunning convictions yesterday against Arkansas Gov. Jim Guy Tucker and James and Susan McDougal in his first Whitewater trial, is preparing for a trial next month against two bankers suspected of illegally diverting campaign contributions to Gov. Bill Clinton.

Herbert Branscum Jr. and Robert M. Hill, owners of the Perry County Bank in Perryville, Ark., pleaded not guilty in February to charges they illegally diverted bank funds to Mr. Clinton's 1990 race for governor and to other politicians.

Yesterday Mr. Starr won guilty verdicts on 24 of 30 felony counts against the McDougals and Tucker in a \$3.13 million fraud case involving Madison Guaranty Savings and Loan Association.

"It's a megaphone verdict, one that will echo throughout this state and well into the nation's capital," said a federal law enforcement official close to the Starr probe. "It's not good news for those who thought an Arkansas jury wouldn't convict an Arkansas defendant."

Mr. Branscum and Mr. Hill were indicted by a federal grand jury in Little Rock on charges of conspiracy, making false statements and misusing bank funds in connection with suspected crimes Mr. Starr said were uncovered during a look into the finances of President Clinton and first lady Hillary Rodham Clinton.

The bankers' trial is scheduled to begin June 17 in Little Rock.

A third trial in a separate fraud indictment sought by Mr. Starr is pending. In that case, Tucker is accused of lying to illegally obtain \$300,000 in Small Business Administration loans.

The Tucker case was reinstated by a federal appeals court panel, which ruled that U.S. District

Herbert Branscum Jr. and Robert M. Hill were named to state boards after approving 1990 loans totaling \$180,000 to the Clintons.

Judge Henry Woods erred last year in dismissing the case. Judge Woods also was disqualified after the appeals court said he was too friendly with the Clintons.

Tucker and a business partner were charged in the second indictment with making false statements to an Arkansas lending company owned by former Little Rock municipal judge David L. Hale in an effort to obtain the loans to buy a cable TV company.

In the June trial, Mr. Hill and Mr. Branscum are accused of conspiring to defraud the United States by impeding the functions of the Federal Deposit Insurance Corp. and the Internal Revenue Service, making false entries in bank records, misapplying bank funds, and making a false statement to federal regulators.

They were controlling shareholders in the bank's holding company, Perry County Bancshares Inc. Both were named to state regulatory boards after they approved loans in 1990 totaling \$180,000 to the Clintons.

Mr. Branscum's attorney, Dan Guthrie, has said he wants to call the president as a witness. Mr. Clinton testified on videotape for the defense in the Tucker-McDougal trial.

The Perryville bank has been a focus of the Whitewater probe since special counsel Robert B. Fiske Jr. targeted the bank in 1994.

In a deal with Mr. Starr, former Perry County Bank President Neal T. Ainley pleaded guilty this year to misdemeanor counts of evading federal banking laws by hiding large cash withdrawals from an account that Mr. Clinton's 1990 campaign maintained at the bank.

White House Deputy Counsel Bruce Lindsey, the 1990 campaign treasurer, has acknowledged receiving some of the cash but denied any wrongdoing. He said the money was used for "get-out-the-vote" efforts in black precincts.

The Branscum-Hill indictment said the two men were reimbursed illegally for contributions they made to political campaigns between May 1990 and November 1993. It charged that Mr. Hill gave Mr. Clinton at least \$7,000 in illegal political contributions in December 1990.

The indictment said Mr. Branscum and Mr. Hill raised the cash through false expense vouchers submitted to the bank for reimbursement and through a \$3,000 cashier's check directly from bank funds.

Mr. Ainley was sentenced to two years' probation and fined \$1,000 for failing to report cash transactions during the 1990 campaign. He originally was charged with five felony counts involving making false statements to federal regulators, failing to file currency reports and making false entries in bank records.

He was accused of failing to report to the IRS withdrawals for the Clinton campaign of \$30,000 in May 1990 and \$22,500 in November 1990. Mr. Ainley personally delivered the \$30,000 to Mr. Lindsey, who used it to pay campaign debts in four \$7,500 checks. Mr. Lindsey signed all four checks.

Mr. Clinton borrowed \$180,000 from the Perryville bank in 1990 and lent the money to his campaign. The loan was repaid with campaign contributions, some of which came just before his 1992 election as president.

L. BRENT BOZELL III

Whitewater and PBS: A case study

PBS loved the Watergate scandal, as Jim Lehrer has written. "As justice, it was pure delicious. We were being bailed out by the sins of a president who was trying to do us in. He and his minions were so distracted with the crumbling of his presidency that the plan to crumble us was abandoned and forgotten."

So why don't the public broadcasting elite feel the same way about Whitewater? PBS and NPR were slower than most media outlets in touching the Whitewater story. The Nexis data retrieval system includes NPR features, not top-of-the-hour news summaries, but the word "Whitewater" cannot be found until Dec. 21, 1993, when Mara Liasson and Linda Wertheimer stumbled over Troopergate. The same is true of "The MacNeil-Lehrer NewsHour" on Nexis: "Whitewater" first appears on Dec. 24, 1993. That's more than a year and a half

after it was first broken by the New York Times.

When the story gained critical mass, PBS did offer live coverage of House and Senate Whitewater hearings. Or did it? The hearings were only broadcast during the day, unlike Watergate, which were also repeated at night. More telling: The Washington Times discovered that the Republican-led 1995 round of Whitewater hearings was being aired by only 10 of the 25 largest PBS markets.

Even the WETA Washington-based feed of the Senate Whitewater hearings went off the air for a few days in August despite the public relations claim that "WETA has a history of airing live, uninterrupted coverage of congressional hearings." WETA spokesperson Pat Lute explained, "We made an editorial

decision." When prodded that this altered WETA's "history" of uninterrupted hearings, Pat Lute simply repeated: "We made an editorial decision." Despite ongoing Senate hearings, WETA has not covered them live since last summer. That, in turn, had a direct effect on how much attention Whitewater received on the "NewsHour." Although the program would devote long reports summarizing the hearings when they were being broadcast live, Jim Lehrer's show has aired only three segments on Whitewater — hearings, Little Rock trial and all — in the past 10 weeks.

Then there's "Frontline," the program that convicted the Reagan administration of guilt in Iran-Contra and aired two hour-long programs devoted to the October Surprise charge that the Reagan

campaign conspired to delay the release of the American hostages — a spurious conspiracy theory dismissed by Democratic-led House and Senate investigations. "Frontline" has never aired a single show on Whitewater. For that matter, it's never produced a show the least bit damaging to Bill Clinton. The closest it came to that was the show called "What Happened to Bill Clinton?" It featured seven liberal pundits declaring Mr. Clinton had failed to be liberal enough.

Into this complete vacuum has stepped Michael Pack, whose Manifold Productions firm in Washington produced last year's PBS documentary "Inside the Republican Revolution." When PBS officials were charged with a liberal bias in 1995, they quickly

rebutted the argument by citing the coming work of Mr. Pack. He became a virtual PBS poster boy for balance. But Mr. Pack had the bad manners to ask to do another documentary, this time, on Whitewater. And PBS slammed the door shut.

When asked by Rep. Jay Dickey why Mr. Pack could not get any support from the Corporation for Public Broadcasting, CPB President Richard Carlson declared the film would have been high-priced, "didn't break any new investigative ground," and could have been out of date before its completion. These answers are ridiculous coming from an organization that doles out \$11 million in taxpayer dollars a year for "Frontline," including shows about 12-year-old non-scandals like the October Surprise. As for "breaking new investigative ground," Mr. Pack did present his proposal as a summary of all the details that have come to light, something no one on television has

seen fit to do. Besides, breaking new investigative ground is exactly what PBS has failed to do throughout the entire Clinton presidency.

Mr. Pack is now assembling private underwriting (his \$450,000 budget is now one-third funded by the Carthage Foundation) and is willing to negotiate with CPB for any funding they could provide. Mr. Pack is not known to produce the sort of one-sided partisan hatchet job that "Frontline" is famous for, as Mr. Pack explained: "In our show on the Republican revolution, we included Dick Gephardt and David Bonior. We gave them their time, and they never complained about being taken out of context." Whether CPB funds Mr. Pack will become a fascinating test case on public broadcasting's liberal bias during the 1996 campaign.

L. Brent Bozell III is chairman of the Media Research Center.

MONA CHAREN Candidate on the cutting edge

Has anyone noticed that suddenly, Sen. Robert Dole is doing everything right?

In a remarkable transformation, the presumptive nominee has shed the dull, predictable language of Capitol Hill for the arresting and morally engaging issues of a great campaign.

Throughout the primary season, Mr. Dole failed to do this. He permitted Pat Buchanan to define the issues and found himself issuing tepid, me-tooish statements on corporate responsibility and economic security. Mr. Dole's weakest moment came later, during an interview on "Face the Nation," when — asked about the minimum wage — he first responded with a prediction about congressional action and then wandered all over the ideological map. It was, to say no more, a confusing performance.

Republican conservatives could be forgiven for weeping. But they have cause for cheer now. The Dole campaign, by all reports, is shockingly stripped, is showing itself to be substantively rich.

On May 23, in a speech to the Catholic Press Association, Mr. Dole demonstrated that the clarity he would not be lost on the campaign trail.

His pointed criticism of President Clinton's veto of the partial-birth abortion bill got the headlines and deservedly so. But he did more in that speech. He spoke of the "moral drift" in America. "Look around," he said, "Americans are all too often faced with schools that don't teach, courts that don't punish, welfare policies that undermine our most cherished values.... Instead of instilling hope and discipline, too often, our schools breed resentment, despair and mediocrity. Our schools are teaching recycling and AIDS prevention, but our kids can't add and too often aren't allowed to pray."

Not a Mr. Dole merely invoking troubling moral and social problems to position himself with voters. He is proposing serious reforms — the kind of reforms that have languished on conservative wish lists for a decade and more.

Mr. Dole's decision to highlight school choice is significant. This is not an easy, poll-tested runner with voters. A California ballot referendum on the subject a few years ago was defeated following an expensive and choice campaign by the teachers' union. Most voters are uninformed on the issue. But, properly framed, school choice is an issue that can unite home-schoolers, mostly Christian and conservative, with inner-city black and Hispanic parents, among others, yearning for an alternative to the failing public schools. Imagine the rage to use the funds you now pay in taxes to support the public schools to send your child to any school. A cornucopia of new schools would sprout almost overnight. To meet the demand.

New policy makers are aware that the problem of teen-age childbearing is more than a matter of family planning getting carried away in the back seat of the car. Most Democrats treat the issue as a technical problem requiring more and better contraceptives. Bob Dole is actually on the cutting edge by focusing on the fact that more than half of the fathers of babies born to teen-age mothers are fully grown men, age 20 or older. The younger the mother, the greater the age gap tends to be between her and the father of her child. In other words, as the senator noted, this is a problem of "male sexual predators" and must be addressed, at least in part, by a renewed commitment to enforcement of the statutory rape laws.

Mr. Dole has further endorsed a version of the charity tax credit first proposed by Sen. Dan Coats, Indiana Republican, which would permit taxpayers to earmark a portion of their tax payments to a private charity that serves the poor. Churches, synagogues and private organizations have shown themselves far more successful at alleviating poverty than has the federal government.

Mr. Dole argues, so, let individuals decide whether to give their money to The Department of Health and Human Services or to Mother Theresa, to the Department of Housing and Urban Development or to Habitat for Humanity.

When the foregoing is combined with a proposal to spur economic growth, like a 15 percent across-the-board tax cut, the man Republicans have been despairing of shapes up as the most daring conservative since Ronald Reagan.

Mona Charen is a nationally syndicated columnist.

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The verdicts in Little Rock

The White House seems to have been stunned by the 24 guilty verdicts out of 30 counts in the Little Rock Whitewater trial. How else to explain the Clinton spin machine's uncharacteristic and lengthy silence?

Of course the spin had been going strong well before the jury made its determination, to the usual effect that every question about the Clintons' shady Arkansas dealings was a political smear, that Whitewater independent counsel Kenneth Starr is nothing but a Republican hatchet man, and that the verdict would be inconsequential (if it was guilty, that is) because Mr. Clinton was not actually a defendant in the trial. Yesterday's verdicts dealt a serious blow not only to defendants James (18 of 19 counts) and Susan (four of four) McDougal and Arkansas Gov. Jim Guy Tucker (two out of seven) but also to Bill and Hillary Clinton — for a number of reasons.

For one thing, the guilty findings, after obviously serious and thorough deliberation by 12 ordinary Arkansas citizens of every political, economic and racial stripe, put paid once and for all to White House claims that Mr. Starr's investigation is a politically motivated witch hunt.

For another, the verdict makes it pretty clear that the jury believed David Hale's testimony — and the 700 pages of evidence — about fraudulent loans he made to the McDougals and Jim Guy Tucker. This

has particular weight in relation to the four counts against Susan McDougal: It was the illegal \$300,000 loan to her Master Marketing company that Hale accused Bill Clinton of pressuring him to make.

Besides which, the verdicts put some powerful wind in Mr. Starr's sails; and he is by no means finished following the slimy financial and political trail laid down by an Arkansas political elite that very much included the Clintons. In fact, Mr. Starr's next Whitewater-related foray into an Arkansas courtroom — for a trial of bankers who also threaten to call Mr. Clinton as a defense witness — is a mere three weeks away.

The guilty verdicts won't do any damage either to the ongoing investigation of the Senate Whitewater Committee, scheduled to close shop by the middle of June. And the clear evidence of bank fraud uncovered in the trial is giving new life to House Banking Committee investigations of Whitewater as well.

In sum, after dismissing the serious questions raised by their business, tax and political dealings as figments of the Republican imagination, and after trying to tar any and all questioners with a partisan brush, Bill and Hillary Clinton are faced with the plain and naked fact that their good friends and business partners, and one of their longtime political allies, have been found guilty of fraud and conspiracy. However you might try to spin that, it just doesn't look good for the first couple.

gtime advocate of Agent Orange relief claims. His son, Jimo III, died of cancer that the family believes stemmed from his wartime exposure to the herbicide.

One veteran pleased by the news was Frederick L. Rada, 56, of Flushing, N.Y. He served on a Navy tanker off the coast of Vietnam from 1961 to 1965, he recalled in a telephone interview Tuesday.

Rada believes the prostate cancer and non-Hodgkin's lymphoma he later contracted resulted from exposure to Agent Orange inadvertently dumped at sea by aircraft.

"They should have done this six years ago, seven years ago," Rada said. "I've been filing claims since 1990, getting nowhere ... This country gives money to everybody but the veterans. ... The damage is already done to me."

Rada said he has had extensive surgery and lengthy radiation treatments for his illnesses. "I was fighting for something which they refused to give me."

(EDITORS: STORY CAN END HERE)

Bart Stichman, an attorney with the National Veterans Legal Services Programs, which in 1989 successfully sued the VA to ease Agent Orange claims, said: "This is good news for Vietnam veterans but not the final word."

The VA says more than 75,000 claims have been received from Vietnam veterans or their survivors seeking herbicide disability payments or death benefits, but only 3,678 claims have been paid.

A VA payment for a fully disabled single veteran with no dependents would be about \$20,000 tax-free a year for life.

Stichman said that more than 105,000 Vietnam veterans or their survivors also have filed claims with a \$170 million compensation fund that was set up by Agent Orange chemical makers in 1988. About 40,000 of those claims have been paid, with the maximum total payment about \$13,000, he said.

Whitewater verdict raises doubts again about Clinton By Angie Cannon Knight-Ridder Newspapers(KRT)

WASHINGTON Even though the Whitewater guilty verdicts were announced hundreds of miles away from here, they were bad political news for President Clinton.

A federal jury in Arkansas Tuesday convicted the president's two former business partners Jim and Susan McDougal and his Democratic successor, Gov. Jim Guy Tucker, in the Whitewater fraud trial.

What that means for a president trying to put Whitewater behind him in an election year is this: It conjures all sorts of doubts about him in voters' minds.

If nothing else develops, Clinton may be able to withstand any temporary political damage from the verdicts, which apparently discounted his videotaped testimony on behalf of the defendants. But if Clinton or his wife Hillary becomes a target of Whitewater investigators, the political fallout could be severe.

There is always the possibility that his former friends who face years in prison and huge fines could testify against him in exchange for leniency in sentencing.

Even though congressional Republicans have been winding down their Whitewater investigations, this is not the end of independent counsel Kenneth Starr's investigation.

Starr, who seemed delighted by the verdicts, said the Washington segment of his investigation was "very active right now." The next Whitewater trial, he said, is scheduled to begin June 17.

But Starr declined to comment on what the jury may have thought about the president's credibility. "I'm not going to want to get into any kind of characterization about any testimony," he said.

Tucker, who resigned as governor after the verdicts, and McDougal were convicted of conspiring to arrange nearly \$3 million in loans from two federally backed banks, including the McDougals' Madison Guaranty Saving & Loan, via fraudulent appraisals, and using the funds for improper purposes.

Susan McDougal was found guilty of fraud and other charges for illegally benefiting from a \$300,000 loan made in the 1980s when Clinton was governor.

Former banker David Hale claimed that then-Gov. Clinton pressured him to make the loan to Susan McDougal in the mid-1980s.

Some analysts said the jury didn't believe Clinton's celebrated videotaped testimony on behalf of the McDougals, in which he repeatedly denied asking Hale to give them an improper loan.

Rather, they noted the jurors believed businessman Hale, a former municipal judge and the government's chief witness.

"This stirs up the character issue again," said Republican pollster Ed Gocas. "As much as the White House tried to paint Hale as

a scumbag, the jury believed Hale over Clinton. ... It raises the question, 'Are you as clean as you claim to be?' It causes voters to go back and look at it."

Most Americans are fuzzy on the details of Whitewater, a failed Arkansas land deal involving the Clintons and McDougals that has triggered federal investigations. But when Americans hear that associates of the Clintons were found guilty, many automatically assume he had some involvement.

(EDITORS: NEXT 3 GRAFS OPTIONAL TRIM)

"For most Americans, this will remind them of doubts they have about the president," said independent political analyst Stuart Rothenberg. "It's a problem for the Clintons. It's the first period where the campaign has encountered some choppy waters."

How does the White House put a good face on this news?

A statement released by presidential counsel Mark Fabiani said: "The president had nothing to do with the allegations that were the subject of the trial. As the prosecutor noted in his closing argument, 'The man occupying the position of the office of the presidency of the United States is not on trial here ...'"

(END OPTIONAL TRIM)

A clearly uncomfortable president, speaking to reporters outside the White House, expressed sorrow for his friends convicted in the trial.

"The jury has completed its work," he said. "We should all accept that."

Asked if he thought the jurors believed him, he said, "You ought to ask them that. I doubt that was what was going on."

(EDITORS: STORY CAN TRIM HERE)

Rep. Jim Leach, R-Iowa, chairman of the House Banking Committee, which held hearings last summer on the issues considered by the federal jury in Little Rock, said the outcome of the trial there "vindicated the findings" of his committee.

Asked whether this meant that Clinton may be in trouble legally, Leach said: "We must be very cautious about any (legal) implications for those not on trial ... but in terms of the ethical umbrage at issue, this is very serious and people should recognize that ... in terms of the ethical aspects, this is going to be very serious."

Leach said it wasn't a clear case of the jury's believing Hale over the president.

"It wasn't the president vs. Hale," Leach said. "It was the president vs. the paper trail. And the paper trail was very devastating."

Leach said it was documentary evidence not one person's word against another's that directed the verdicts.

"It was books and records and not words that led to the convictions," Leach said.

For his part, Bob Dole, the presumptive Republican nominee, refrained from saying much about the verdicts. "I haven't commented on whatever since Day 1 so I won't comment on today's whatever. I've just sort of stayed out of it," Dole said.

(Knight-Ridder reporters Steven Thomas, David Hess, Robert A. Rankin, Aaron Epstein and Brigid Schulte contributed to this article.)

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Three convicted in Whitewater trial By Thomas G. Watts Dallas Morning News(KRT)

LITTLE ROCK, Ark. Two of President Clinton's former Whitewater business partners and the governor of Arkansas were convicted Tuesday on federal fraud and conspiracy charges.

Onetime savings and loan owner Jim McDougal was convicted of 18 of the 19 felony counts he faced including the main charge that he conspired with Gov. Jim Guy Tucker to illegally obtain about \$3 million from McDougal's thrift and another financial institution in the mid-1980s.

McDougal's former wife, Susan McDougal, also was convicted on fraud-related charges.

Within two hours of the verdicts, Tucker announced that he would resign by July 15 even though he maintained that he was innocent and said he would appeal.

It was the first trial to arise from the investigation into the failed Arkansas real estate development known as Whitewater.

The conspiracy charge was detailed by the chief prosecution witness, David Hale.

Hale's allegation that Clinton had pressured him in early 1986 to give an illegal \$300,000 loan to Susan McDougal led to the appointment of an independent counsel in January 1994.

The president who in videotaped testimony was one of only two witnesses for the defense denied that he had ever met with Hale to discuss the loan or any other business dealing. He also denied an allegation by Hale that he profited from the loan.

In a statement outside the White House, Clinton said he was sad for the McDougals and Tucker, but commented that the jury had worked hard and debated the case fully.

"So I think we should obviously accept that," the president said.

Kenneth W. Starr, the independent counsel who spoke to reporters outside his Washington office, said, "We are obviously gratified by this verdict."

The assistant Whitewater prosecutor who was in charge of the trial in Little Rock, W. Ray Jahn, said, "It gives you a warm feeling where the jury accepts your evidence."

Jahn said convictions were an important step in a "continuing process" that would become more apparent in time. He refused to identify future targets of the Whitewater grand jury.

He was asked about a statement by Hillary Rodham Clinton that he had essentially exonerated the president of any wrongdoing in his closing argument nearly two weeks ago. "I would not put that interpretation on it," he told reporters Tuesday.

Starr issued a statement last week criticizing Clinton for her assertion.

White House special counsel Mark Fabiani said the president "had nothing to do with the allegations."

"As the prosecutor noted in his closing argument, the man occupying the position of the office of the presidency of the United States is not on trial here," Fabiani said. "There've been no allegations of wrongdoing on the part of David Hale directed toward even the president."

(EDITORS: NEXT 6 GRAFS OPTIONAL TRIMS)

The second floor of the federal courthouse where U.S. District Judge George Howard Jr. conducted the trial was nearly empty when word emerged about 2:30 p.m. that the jury had reached its verdict.

The hallways quickly filled, and U.S. marshals tried to organize the crowd to permit both reporters and members of the public to enter the courtroom, which holds about 80 people.

Jurors entered a silent courtroom about 3:45 p.m.

Howard asked forewoman Sandra Wood of Russellville, Ark., whether they had reached a unanimous verdict.

"Yes it is, your honor," replied Wood.

As court clerk Patricia Murray read the verdicts, the McDougals sat without apparent emotion.

As Tucker was pronounced guilty of conspiracy he looked over to his wife, Betty, on the first row of seats, smiled sadly and shook his head.

(END OPTIONAL TRIM)

Tucker was convicted of two of the seven counts he faced including the conspiracy charge.

Susan McDougal who several observers predicted would be acquitted

was convicted of all four charges she faced.

McDougal, 55, could get 84 years in prison and \$4.5 million in fines. His 41-year-old ex-wife could be sentenced to as long as 17 years behind bars and a \$1 million fine. Tucker, 52, could get up to 10 years in prison and a \$500,000 fine.

A sentencing date was not immediately set.

(EDITORS: STORY CAN TRIM HERE)

Before Tucker announced he would resign, it had been uncertain whether he could continue to hold office. Under the Arkansas Constitution, a governor must give up office if convicted of a felony. But it does not define when a person is considered convicted upon the verdict or when all appeals are exhausted.

After all the verdicts were read, the judge polled the jury and then thanked them for their diligence in sitting through more than 10 weeks of trial and eight days of deliberations.

Tucker and his party rushed past the army of reporters and cameras at the courthouse without commenting.

In a news conference about two hours later, he told reporters, scores of state workers and political supporters that he could not put the state through the agony of a long appeal while still serving as governor.

"Therefore I will begin the process of an orderly transition," Tucker said. "My resignation will be effective on or before July 15."

He thanked his wife and others for their support since his indictment last August and said, "I owe a special debt to the people of Arkansas."

"I believe I have served our people well and honestly as governor of this state," he said. "I am very proud of the accomplishments we have achieved over the past several years."

He declined to discuss his and his attorneys' decision that he would not to take the stand in his own defense.

"Oh well," he said, "there's no point in trying to revisit that point."

Tucker, a Democrat, maintained before the trial started that his indictment was part of a political witch hunt and that Starr was motivated by a potential nomination to the U.S. Supreme Court.

On Tuesday he avoided any direct criticism of prosecutors, saying, "Don't get me started on the independent counsel. That could go on all afternoon."

Republican Lt. Gov. Mike Huckabee said he was shocked by the verdict and would make a decision later on whether he would drop his planned campaign for a U.S. Senate seat and remain as governor beyond the elections this fall.

And the chairman of the Arkansas Republican Party, Lloyd Stone of Conway, Ark., said it was a "sad day" for the state.

Bev Lindsey, a longtime Democratic activist and director of the State Department of Arkansas Heritage, said, "I still believe he is not guilty."

Lindsey, the wife of presidential attorney Bruce Lindsey, who has been a target in the Whitewater investigation, added, "It's sad that the federal government can do something like this."

As he left the courthouse, McDougal said he had no criticism of the jury.

His attorney, Sam Heuer of Little Rock, said the case would be appealed. "If necessary, all the way to the Supreme Court," he said.

Jurors contacted Tuesday night said neither the testimony of Hale nor Clinton determined their verdicts.

"It was strictly the documents," said Josie J. Pelton, 62, a switchboard operator of Benton, that convinced her to convict.

"I don't know that any one piece of evidence was more compelling than the other," said Wood, 38, the jury forewoman. "We considered his (Hale's) testimony like everybody else."

"Documents don't lie. It's there in black and white."

PHOTOCOPY
PRESERVATION

In reference to Clinton's testimony, she said: "His credibility was fine. He just did not shed a lot of light. He didn't have a lot of knowledge about the transaction specifically."

(EDITORS: STORY CAN TRIM HERE)

Wood, a homemaker and registered nurse, said she used witness testimony and the documents to render her decision. "This was not a political trial. It was not a political issue," she said.

McDougal said he faced heart surgery and was "glad to be out of the courtroom."

Bobby McDaniel, the attorney for Susan McDougal, said she "is accepting of this verdict. She doesn't agree with it."

He, too, said the case would be appealed.

Jahn said presentence investigations by federal probation officers would take 30 to 45 days, and a sentencing date would be set after that.

Another Whitewater trial starts in Arkansas on June 17, involving two Arkansas bankers accused of making illegal contributions to Clinton's 1990 gubernatorial campaign.

Whitewater now destined to be part of fall campaign, analysts say By David Jackson Dallas Morning News (KRT)

WASHINGTON The convictions of President Clinton's Whitewater partners lend new credibility to the ongoing criminal investigation and assure the issue a place in this fall's political campaign, analysts said Tuesday.

"The White House better get out there and start spinning fast," said political analyst Stuart Rothenberg.

"It's fodder for the Republicans. The whole Republican message is: You can't trust Bill Clinton."

But Rothenberg and others said the complex Whitewater controversy probably won't be a decisive factor in the election unless Clinton or first lady Hillary Rodham Clinton are charged with wrongdoing in one of several continuing investigations.

"In the end it has to get right to the White House, right to the president and the first lady," said William Schneider of the American Enterprise Institute.

Clinton's supporters said that while they expected Republicans to make an issue of the convictions, they planned to emphasize that Clinton was not on trial.

Independent counsel Kenneth Starr is still investigating the financing of Clinton's gubernatorial campaigns, the 1993 firings in the White House travel office and the disappearance of Whitewater-related documents.

At the White House, Clinton said he felt "very sorry" about the convictions of James and Susan McDougal and Arkansas Gov. Jim Guy Tucker.

The president said he did not believe the verdicts reflected juror mistrust of his videotaped testimony on behalf of the McDougals.

"You ought to ask them that," he said referring to the jurors. "I doubt that that's what was going on."

"Now I've got to go back to work," the president said, declining further comment. "That's what I intend to do."

Republicans were quick to point out that Starr's prosecution of the McDougals and Tucker rested largely on Little Rock, Ark. businessman David Hale, the one Whitewater figure who has directly accused Clinton of wrongdoing.

Hale claimed that while governor of Arkansas Clinton pressured him to make an illegal loan to Susan McDougal; the president denied the allegation during his videotaped testimony.

"My initial reading is it means the jurors believe Hale over Clinton," said Republican pollster Ed Gees. "I've always felt voters would not move on Whitewater until there was new information. This was definitely new information."

A supporter of Clinton's said no one should "rush to judgment" about the jury's opinion of his videotaped testimony until the jurors comment publicly.

"The president was not on trial here," said Lynn Cutler, head of

a group called the Back to Business Committee, which has been highly critical of the Whitewater investigation.

"This was not about any wrongdoing by the president."

Meanwhile, Clinton's re-election opponent, Senate Majority Leader Bob Dole, declined to discuss the convictions.

"I haven't commented on Whitewater from day one so I won't comment on today's (verdict)," Dole said on his campaign plane. "I just sort of stayed out of it. You

know, I mean the White House has been saying (Al) D'Amato, Dole, all this stuff and I've never made any comment."

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White House spokesman Mark Fabiani issued a brief statement that emphasized the trial concerned only the McDougals and Tucker, not the Clintons.

"There was one thing everyone involved with this trial prosecution and defense could agree on: The president had nothing to do with the allegations that were the subject of the trial," Fabiani said.

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Clinton is expected to give another videotaped deposition in a second major Whitewater trial, which involves two Arkansas bankers accused of raising money illegally for Clinton's 1990 gubernatorial campaign.

Meanwhile, the Senate Whitewater Committee, headed by Sen. Alfonse D'Amato, R-N.Y., had sought televised testimony from Hale. However, Hale's attorney indicated that his client, who still faces charges in state court, would invoke his Fifth Amendment right against self-incrimination.

(EDITORS: STORY CAN TRIM HERE)

Last week, committee staff members sought to depose Hale, but he "told the committee he was not going to be available as of yet," said one staffer who spoke on condition of anonymity.

D'Amato issued a statement late Tuesday saying, "these convictions indicate the seriousness and depth of the Whitewater tragedy. We have an obligation to continue to uncover the facts and we will continue to do so."

Under a Senate-imposed deadline, D'Amato's committee is expected to issue its Whitewater report by June 17. Most analysts do not expect the committee to produce any bombshells and said Starr's findings are much more important.

Starr recently hired two new prosecutors to look into allegations surrounding the 1993 dismissals in the White House travel office, an investigation that touches on Hillary Rodham Clinton. A memo disclosed in January indicated she played a larger role in the firings than she initially disclosed to investigators.

But the memo's author, David Watkins, told a congressional committee that he made the firings on his own and did not feel pressure. Some White House officials have suggested that Watkins is the real target of the travel office investigation, though his attorney said his client had done nothing wrong.

Hillary Clinton also figures in another part of Starr's inquiry, the reappearance of records for her past legal work on behalf of McDougal's savings and loan. A White House aide said in January that she found the long-subpoenaed billing records last summer, lying on a table in the house's private residence.

That disclosure prompted Hillary Clinton's January appearance before a grand jury, a first for a first lady. She has said she does not know how the billing records got there.

Appearing last week on "Larry King Live," Clinton said the allegations against her were really aimed at her husband.

"Every time there's been any kind of official investigation or report, what people alleged has been proven to be not true," she said. "And eventually that's what the American people will see of all these politically inspired investigations."

Hillary Clinton's subpoena created friction between the White House and Starr's office. Clinton supporters questioned Starr's objectivity, citing his continuing

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legal work on behalf of conservative organizations that have attacked Clinton policies.

Starr's supporters, meanwhile, charged the White House with conducting an organized smear campaign, designed to undermine the prosecutor if he makes a move on either of the Clintons.

In another phase of his investigation, Starr has hired a lawyer to review the 1993 death of Deputy White House Counsel Vincent Foster. Previous investigations have determined that Foster killed himself. Sources familiar with the investigation said Starr was primarily interested in producing a thorough report addressing lingering questions about Foster's death.

The fate of Clinton's videotaped testimony in the McDougal trial must also be determined. Media organizations have asked U.S. District Judge George Howard to release the tape. The president's attorneys have objected, saying political opponents will use the tape for campaign commercials.

James Stewart, author of a book on the Whitewater affair called "Blood Sport: The President and His Adversaries," said the verdicts already represented "a sweeping victory" for Starr. He said it put pressure on the three defendants, and perhaps witnesses in other investigations, to cooperate with the independent counsel.

"And obviously the Clintons are at the top of this investigative pyramid," Stewart said, adding that potential witnesses "can't count on an Arkansas jury to treat this as a politically motivated vendetta to get the president."

Stewart added, however: "If the Clintons are really innocent, I don't think they have anything to be concerned about."

Clinton raising more money than Dole in Bush's neighborhood By Wayne Slater Dallas Morning News(KRT)

AUSTIN, Texas When it comes to fund-raising, President Clinton has found green pastures in former President George Bush's back yard.

The latest federal reports show that Clinton has collected more campaign cash than GOP challenger Bob Dole in the upscale section of west Houston where Bush now lives and works.

Clinton backers say the donations reflect the president's rising popularity in Texas and the lack of voter interest in the Dole candidacy.

Dole supporters say the figures are skewed because home-state Sen. Phil Gramm corralled much of the Texas money before he dropped out of the Republican presidential race.

A Dole spokesman predicted that once all the fund-raising to date was tallied, the presumptive GOP nominee would top Clinton both in Texas and in the ex-president's neighborhood.

Through April 1, in the Memorial Drive-area ZIP code where Bush maintains an office, Clinton received at least \$45,250 for his re-election compared to \$33,700 for Dole, according to Federal Election Commission records.

In an adjacent ZIP code that covers the Tanglewood neighborhood where the former president and first lady Barbara Bush live, Clinton also has done better than Dole.

"I'm surprised Clinton has raised that much money down here," said Houston oil executive Harold Korell, a Dole backer who lives near the Bush office. "I guess there must be some pretty avid Democratic supporters."

Korell and his wife, Patricia, contributed \$1,000 apiece to the Dole campaign. They live west of downtown Houston in ZIP code 77024, a mix of offices and affluent homes that includes the Houston Country Club and lies near the Galleria shopping complex.

The ZIP code's most notable political donors are former President Bush and Barbara Bush, who each gave \$1,000 to Dole in March.

Four years ago, it was Bush country. President Bush raised more than five times as much money as Clinton from that ZIP code. This year, it's Clinton's top ZIP code in Texas as a source of campaign donations.

Gov. George W. Bush, the former president's eldest son, said the financial race so far illustrated "the power of the incumbency" and Gramm's success in attracting much of the early GOP money in Texas.

The governor said Dole's reported totals should not be interpreted as a lack of support for the Republican in the Lone Star State.

"I don't think it translates to votes," Bush said.

"I think 77024 will be a big Bob Dole precinct over President Clinton."

Dole campaign spokesman Andrew Littlefair of Dallas said a mid-April fund-raiser in Houston would put Dole above Clinton once the amounts were filed to the FEC in the next couple of weeks.

"The fact was we were busy winning those early primaries and we weren't worried about fund-raising until those were done," he said.

He said Texas is a bastion of GOP financial strength when Dole's totals are combined with those of the other Republican candidates including the \$4.8 million Gramm raised in the state before he quit in February.

"To me that is very stout," Littlefair said of Republican fund-raising efforts.

A computer-assisted review by the Dallas Morning News of Texas contributions between January 1995 and April 1, 1996 showed Gramm as the clear fund-raising champion among the presidential hopefuls, including \$121,000 from ZIP code 77024 in Houston.

Through the same period, Clinton had collected at least \$1.3 million in the state and Dole had \$950,000, according to the FEC.

Clinton supporters said his fund-raising in ZIP code 77024 partly stemmed from a network of high-profile Democrats.

"You have to realize that it's not just President Bush's neighborhood, it's former Democratic U.S. Senator and Treasury Secretary Lloyd Bentsen's neighborhood," said Land Commissioner Garry Mauro, director of the Clinton campaign in Texas.

(EDITORS: STORY CAN TRIM HERE)

"Secretary Bentsen spent an awful lot of time and effort helping Bill Clinton not only raise money, but helping Bill Clinton get to know his friends and neighbors," he said.

Len Bentsen, the son of the former senator and himself a resident in ZIP code 77024, said business people were contributing to the Clinton campaign because the economy was doing well.

"The business community has a lot of confidence in Bill Clinton and what he has accomplished," said Bentsen, a \$1,000 contributor. "Now that they've seen him, they like him."

Tom Fatjo, a waste-management company executive who voted for President Bush four years ago, has given \$1,000 to Clinton this time. His wife, Shanna, also has donated \$1,000.

"If George Bush were running, I'd vote for him in a second," said Fatjo, who dropped out of the GOP primary for state comptroller in 1990. "He just represents everything I feel we need in leadership. But he's not there now."

Houston lawyer Shelton Smith, a Clinton backer in that ZIP code, said Dole was having trouble pulling in Texas money because he "isn't exciting anybody."

"He's boring, he's dull and they perceive he's not a winner. So now, wallets are slamming shut for the same reason," Smith said.

Gov. Bush said Dole would prevail. "Give him a chance to get out of the Senate and see what people say. It's only going to get better," he said.

The News review found that Dole's donors from ZIP code 77024 included oil executives, investors, an auto dealer and several retired people.

Clinton's money came from lawyers (about one-quarter of the total), accountants and energy-company executives.

Sections of Dallas and Houston with heavy concentrations of lawyers and business executives accounted for a large share of Clinton and Dole's money. Among their biggest Texas ZIP codes:

The River Oaks section of Houston ranked second in

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McDougals, Gov. Tucker Found Guilty in Whitewater Case (Washn) By Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON It came down to President Clinton's word against that of David Hale, an admitted liar and a cheat.

In the end, a Little Rock, Ark., jury believed Hale and a damning paper trail of evidence and convicted the president's former Whitewater partners James and Susan McDougal as well as Arkansas Gov. Jim Guy Tucker of federal charges of fraud and conspiracy.

The verdict in the first Whitewater-related trial stunned Clinton's re-election campaign and strengthened the investigations of Independent Counsel Kenneth Starr and Senate Whitewater Committee Chairman Sen. Alfonse D'Amato, R-N.Y., political analysts and lawyers involved in the case said. It also prompted Tucker's surprise resignation Tuesday, hours after being convicted.

After nearly eight days of tedious deliberation, the jury of nine women and three men ended the 13-week trial by convicting James McDougal on 18 of 19 counts and Tucker on two of seven counts. But perhaps most significantly, his ex-wife Susan McDougal was convicted on all four counts relating to a \$300,000 clandestine loan Hale said Clinton pressured him to make. Clinton denied this in videotaped testimony.

Lawyers for the defendants Tuesday said they will move to appeal the verdicts, which carry substantial jail time.

"Whatever the Lord sends my way, I'll take it up from here," James McDougal gamely offered outside the courtroom in Little Rock.

Clinton and his wife, Hillary Rodham Clinton, are not charged with any crime, although Tuesday's decision renders that remotely possible.

Indeed, lawyers close to the case say Starr has methodically brought his investigation closer and closer to the Clintons by obtaining guilty pleas from individuals who later obtained reduced sentences by turning state's evidence. In all, before Tuesday's verdict, Starr had obtained six indictments and nine guilty pleas.

Yet Starr has been loath to give credence to speculation that he might parlay Tuesday's convictions into possible indictments against the president and first lady.

Nevertheless, Starr said Tuesday that he and his team of career prosecutors were "obviously encouraged" by the verdict.

"What now?" Starr said. "We move forward."

Specifically, Clinton has been subpoenaed as a defense witness before another Whitewater-related trial of two local bankers and involving Clinton campaign contributions, slated to begin June 17 in Little Rock. Meanwhile, Starr said the Washington phase of his probe, including grand jury deliberations, is "very active" in investigating the so-called Travelgate affair, involving the firing of White House travel office staffers, as well as the 1993 suicide of White House Deputy Counsel Vincent Foster.

"We take it a step at a time," Starr said. "We are doing our talking in court."

Clinton's fellow Arkansans on the jury Tuesday told U.S. District Judge George Howard Jr. that Starr's lead prosecutor, W. Ray Jahn, made the case that Tucker and the McDougals conspired to commit fraud in transactions that prompted the failure of James McDougal's Madison Guaranty Savings & Loan in 1989 at a \$65 million cost to taxpayers.

Hale, a former Little Rock municipal judge and investment banker, was Starr's lead witness, testifying that in the mid-1980s he conspired with Tucker and the McDougals to fraudulently obtain \$3 million in loans from two federally backed lenders.

Indicted in 1993, Hale turned state's evidence and obtained a reduced sentence to 28 months in federal prison in March. Defense attorneys argued that Hale lied to save his own skin. And Hale admitted he lied to government bank regulators and even the court when he said in March 1994 that he did not benefit from several fraudulent loans.

This spring Hale told the jury that Clinton knew about the conspiracy and discussed and benefited from the illegal loans. And out of court, Hale said Clinton pressured him to make an illegal \$300,000 loan to the McDougals in 1986. The McDougals also denied this. The proceeds of that illegal loan wound up in Susan McDougal's personal checking account and prosecutors showed that James McDougal used \$50,000 of that money to pay off Whitewater expenses.

Defense attorneys subpoenaed Clinton to rebut Hale's statements, the most damaging lodged against the president since the Whitewater story broke during the 1992 campaign.

Then in his low-key, assertive testimony, videotaped at the White House April 28 and played before the jury May 9, the president repeatedly denied Hale's allegations.

"These things are not true. They did not happen," Clinton said.

"In order to buy into David Hale's bill of goods, you have to disbelieve the president," James McDougal's attorney Sam Heuer said in his emotional closing arguments.

But Tuesday's verdict was a repudiation of Clinton's testimony. "I don't know if they believed David or what," McDougal said. "I am a little bit surprised."

Addressing reporters outside the White House, Clinton said simply, "You ought to ask them."

White House Saddened by Whitewater Convictions (Washn) By Martin Kasindorf and Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON From President Clinton to entry-level staffers, the White House was saddened and subdued Tuesday by Whitewater felony convictions clearly dealing a setback to the president's re-election campaign.

Clinton, in impromptu comments to reporters outside the West Wing offices, said he took the Little Rock, Ark., verdicts as "more of a personal thing" because he felt sorry for the three convicted defendants: his former Whitewater business partners, James and Susan McDougal, and his successor as Arkansas' governor, Jim Guy Tucker.

The jury debated thoroughly "and tried to make a good decision, so I think we should all accept that," Clinton said, adding that he did his duty in giving videotaped testimony the defense requested. Asked whether the jury disbelieved his denials of pressuring the star prosecution witness to illegally grant a \$300,000 government-backed loan, Clinton said, "I doubt that that's what was going on, but you ought to ask them."

Clinton was meeting with aides in the Oval Office when two White House lawyers interrupted to bring the disappointing news of the verdict. Presidential press secretary Mike McCurry said Clinton was "not particularly surprised" at the findings of guilt because the jury had been out for many days, often an indication of a pro-prosecution outcome.

In a written statement, White House special counsel Mark Fabiani said "the president had nothing to do with the allegations that were the subject of the trial."

Campaigning in California, Sen. Bob Dole, R-Kan., the presumptive Republican presidential nominee, declined comment. "I'm not going to get involved in it," he said, citing Democratic charges of partisan motivations behind the Senate Whitewater investigation led by Sen. Alfonse D'Amato, R-N.Y., a prominent Dole ally.

Other Republicans were more eager to capitalize on the Whitewater convictions. "At 5 p.m. today, the cover-up began to unravel," crowed Tony Blankley, spokesman for House Speaker Newt Gingrich, R-Ga.

Whitewater special prosecutor Kenneth Starr said he was "encouraged" by the jury's actions, and Republican-led House and Senate committees were encouraged to continue their own Whitewater investigations. D'Amato, Senate Whitewater Committee chairman, sounded a note of vindication. "For those who said 'there is no there' there when it comes to Whitewater, this verdict says they were wrong," D'Amato said.

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With his hearings halted and his panel's final report to the Senate due June 17, D'Amato stopped short of calling for further hearings. But he said he hoped that key prosecution witness David Hale would now appear before the committee, reconsidering his decision to invoke the Fifth Amendment against self-incrimination. The jury's finding will lend more credibility to the committee's report, D'Amato said.

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House Banking Committee Chairman Jim Leach, R-Iowa, said the convictions were "an extraordinary event" that is "going to be very serious" for Clinton. His committee will not now go over "old ground" covered at the trial, but probably will produce a report on "certain tangential issues," Leach said.

The convictions "are only the latest chapter in this classic story about the arrogance of power," said House Republican Conference Chairman John Boehner, R-Ohio.

University of Virginia political science Professor Larry Sabato,

a specialist in analyzing political scandal, said the verdict would have little effect on Clinton's re-election chances because voters basing their decisions on his dealings with the McDougals "are already in the Republican camp." But the verdict will encourage the news media and the public to pay more attention to Whitewater as Starr's investigation heats up, Sabato said.

Dole Hits Clinton on Crime Issues (Aurora, Colo.) By Elaine S. Povich= (c) 1996, Newsday=

AURORA, Colo. Bob Dole chose crime as his theme for an important campaign swing through the West, calling for an end to parole, attacking President Clinton as soft on crime and taking aim at Clinton's top political adviser who worked for an accused rapist.

Starting a four-day visit to the pivotal state of California with its 54 electoral votes, Dole used a stop in Colorado to attack a Clinton-appointed U.S. attorney who he said was letting captured drug dealers go free, then turned up the political fire on the crime issue by attacking Dick Morris, Clinton's political strategist.

Before going to work for Clinton this year, Morris was hired in 1995 to conduct a poll of local residents for the lawyers defending Alex Kelly, who has been accused in Connecticut of raping two teen-age girls. Kelly is facing two separate trials. The poll was part of an effort to move the trial to another town.

"Last week we learned about another disgrace," Dole told a sparse crowd gathered in a chilly drizzle at a suburban Denver police station. "We found out that the president's top political adviser is also helping an accused rapist beat the rap. The same P.R. consultant who has been helping Bill Clinton pose as a crime-fighter has been moonlighting for an accused rapist in Connecticut, advising the rapist's legal team on techniques for selecting an easy-going jury."

Eight Republican congresswomen last week pressed Clinton to fire Morris, who has been controversial among Democrats from the start of his work for Clinton because he also has done work for Republicans. White House press Secretary Michael McCurry dismissed Tuesday's charges as "nothing new."

Dole said many states already have ended the practice of paroling prisoners, and called on the rest to do so.

Dole said Clinton-appointed U.S. Attorney Alan Bersin of San Diego had sent more than 1,000 "captured drug smugglers" back to Mexico, "free to make another attempt to bring their poison across the border." A recent Los Angeles Times series detailed federal guidelines that allow Bersin's office to prevent the immigration of Mexican nationals caught entering the United States with more than 125 pounds of marijuana rather than prosecute them. Under those guidelines, Bersin's office has taken "green cards" from nearly 1,000 Mexicans, a practice strongly

defended last week by Bersin's two Republican predecessors.

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California and its 54 electoral votes are priority targets for both Dole and Clinton, who carried the state in 1992 with 46 percent of the vote in a three-way race with former President Bush (33 percent) and Ross Perot (21 percent). Bush won California in 1988 by a 51 percent to 48 percent margin.

Despite trailing by at least 12 points in current California polling (some surveys put Clinton's lead as high as 20 points), Dole has shown signs he intends to fight hard for the critical state.

Over the weekend, he named veteran GOP operative Ken Khachigian as his California adviser. And campaign officials indicate he plans to spend a sizable portion of the \$60 million in federal campaign funds he will receive in August on California.

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Dole's stump style seems to be more vigorous since his decision to quit the Senate to campaign. At one point Tuesday, while he was pointing out the differences between himself and Clinton, he strayed from his advance text as he sought to emphasize the point and said, "That's why I'm running for president ... the country ought to have one."

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PRESERVATION

A brief Whitewater tour of the United States criminal code

By Mark R. Levin

The Little Rock trial of former Clinton business partners James and Susan McDougal and Arkansas Gov. Jim Guy Tucker, has been portrayed by the Clintonoids as the be all and end all of the Whitewater scandal. Not surprisingly, the president, a defense witness in the case, denied under oath pressuring former Arkansas municipal judge David Hale to defraud the Small Business Administration of \$300,000. Of course, had Mr. Clinton confirmed Mr. Hale's allegation, he would have confessed to a felony.

While Clinton operatives insist the outcome of the Little Rock trial will determine the fate of the Whitewater scandal, they're wrong. Independent Counsel Kenneth Starr

must still resolve a host of criminal issues unrelated to these indictments. Consider the following:

■ **Selling government jobs.** Last month, we learned that in 1990, while running for re-election, Arkansas Governor Bill Clinton was handed a \$7,000 campaign contribution from Robert Hill, an Arkansas banker. In response, Mr. Clinton allegedly said, "I don't guess you guys would have any problem with my appointing Herby [Branscum] to the highway commission." Mr. Branscum was Mr. Hill's partner. Both Messrs. Hill and Branscum will soon be tried by Mr. Starr for participating in an illegal scheme to help finance Mr. Clinton's 1990 gubernatorial election.

Did Mr. Clinton promise Mr. Hill a job for his partner Mr. Branscum in exchange for the campaign contribution? Federal law prohibits the sale of government jobs: 18 U.S.C. 599 is a criminal statute that makes such conduct illegal. It states: "Whoever, being a candidate, directly or indirectly promises or pledges the appointment, or the use of his influence or support for the appointment of any person to any public or private position or employment, for the

purpose of procuring support in his candidacy shall be fined under this title or imprisoned not more than one year, or both; and if the violation was willful, shall be fined under this title or imprisoned not more than two years, or both.

■ **Tax evasion and conspiracy.** James Stewart, author of "Blood Sport," discloses, in part, the following: In 1978, the Clintons deducted \$10,131 from their taxes as an interest expense on their Whitewater property even though Whitewater paid much less than that amount in total interest that year. In 1979, the Clintons paid \$12,490 toward Whitewater, deducting most of it as an interest expense when, in fact, \$2,900 was not. In 1980, the Clintons paid \$4,350 in interest and \$9,000 in principal toward Whitewater, yet they deducted the entire amount, including the principal payment, on their tax return.

Moreover, John Hartigan, a former general counsel of Solomon Inc., wrote in The Washington Times recently that the Clintons' 1984 and 1985 tax returns "improperly claimed a total of \$5,133 in deductions for interest payments that the Clintons supposedly made themselves but that were actually made by Whitewater. . . [T]his had the effect of understating the taxes they owed the IRS by about \$2,400. . . Do these tax returns represent honest mistakes by the Clintons, or a pattern of behavior evidencing tax evasion?"

26 U.S.C. 7201 defines the crime of tax-evasion as follows: "Any person who willfully attempts in any manner to evade or defeat any tax imposed by this title or the payment thereof shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 [for an individual], or imprisoned not more than 5 years, or both, together with the costs of prosecution."

The statute of limitations for bringing tax fraud cases under this law is six years. However, if Mr. Starr concludes tax fraud exists, the Clintons could face criminal charges under the general conspiracy statute that would be based, in part, on the alleged tax fraud violations.

For instance, 18 U.S.C. 371 defines conspiracy as follows: "If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both." Conspiracy charges can be brought up to five years after the last "overt act" that furthers the purpose of the conspiracy.

Although the tax issues related to Whitewater may have occurred in 1978, 1979, 1980, 1984 and 1985, the Clintons' Whitewater investment continued until late 1992, when their interest in the property was finally paid off and transferred to the Clintons' business partner, James McDougal. That would be the last "overt act," which is well within the five-year statute of limitations.

As recently as last week, the Clintons made yet another back tax payment with penalties and interest as a result of understating their tax obligation. These rectifications, however, have come only as federal prosecutors began scrutinizing the Clintons' actions. It may be that such contrition comes too late to avoid criminal culpability.

■ **Bank fraud.** Mr. Stewart also reports that in 1987, after much delay, Mrs. Clinton produced a financial statement to a bank that was renewing their Whitewater loan. The statement apparently overstated the value of the Whitewater property. Did Mrs. Clinton knowingly file a false financial statement?

Knowingly submitting false financial information to a bank to obtain a loan is a crime. 18 U.S.C. 1344 states: "Whoever knowingly executes, or attempts to execute, a scheme or artifice — (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises; shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both."

■ **Mail fraud.** Should Mr. Starr conclude the tax returns and financial statement were fraudulent, if they were delivered by mail, as one would assume, the use of the postal system for such purposes would constitute the additional crime of mail fraud. 18 U.S.C. 1341 defines mail fraud as follows: "Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent . . . representations, . . . places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service . . . or . . . any private or commercial interstate carrier, . . . shall be fined under this title or imprisoned not more than five years, or both. If the violation affects a financial institution, such person shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both."

■ **False statements.** In addition, the General Accounting Office (GAO) accuses former presidential aide David Watkins of possibly making false statements during the course of its investigation of the White House Travel Office fringes. Mr. Watkins' handwritten notes and a draft memorandum reveal he fired the travel office staff at Mrs. Clinton's direction. Yet Mr. Watkins apparently gave contrary testimony to GAO investigators. Mrs. Clinton also testified she had no role in the fringes, contradicting Mr. Watkins' notes and testimony.

Making false statements to federal investigators is a crime. 18 U.S.C. 1001 states: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

■ **Perjury, obstruction and contempt.** There is also the issue of the truthfulness of congressional testimony given under oath to the Senate Whitewater Committee by Clinton officials and friends who seem to remember little about key dates, meetings and events, as well as the White House's failure to comply with congressional and law enforcement subpoenas in a timely fashion.

18 U.S.C. 1621 is the federal perjury statute. It states: "Whoever . . . having taken an oath before a com-

petent tribunal that he will testify, declare, depose, or certify truly willfully and contrary to such oath states or subscribes any material matter which he does not believe to be true; . . . is guilty of perjury and shall . . . be fined under this title or imprisoned not more than five years, or both."

Obstructing congressional inquiries is a crime under 18 U.S.C. 1505. It states: "Whoever corruptly . . . influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the due and proper exercise of the power of inquiry under which any inquiry or investigation is being had by . . . any committee of either House . . . shall be fined under this title or imprisoned not more than five years, or both."

18 U.S.C. 192 makes contempt of Congress a crime. It states: "Every person who having been summoned as a witness by the authority of either House of Congress to give testimony or to produce papers upon any matter under inquiry before . . . any committee of either House of Congress, willfully makes default, or who, having appeared, refuses to answer any question pertinent to the question under inquiry, shall be deemed guilty of a misdemeanor, punishable by a fine of not more than \$1,000 nor less than \$100 and imprisonment in a common jail for not less than one month nor more than twelve months."

In addition, news reports disclosed that the FBI found Mrs. Clinton's fingerprints on Rose Law Firm billing records discovered in the White House last summer, which were eventually turned over to fed-

eral investigators in early January 1996 — approximately two years after they were subpoenaed. The documents seem to show that Mrs. Clinton provided legal advice on the Castle Grande real estate scheme, which cost the taxpayers nearly \$4 million.

Mrs. Clinton, however, has claimed that she never heard of Castle Grande, she didn't recall working on the project, she didn't remember ever seeing the billing records, and she didn't know the records were in the White House — despite the fact they were discovered in the private reading room just outside Mrs. Clinton's personal office.

Mrs. Clinton was called before a grand jury presumably to answer questions about these events. Mr. Starr will have to decide whether these circumstances, and perhaps additional facts known to him, constitute, among other things, false statements, perjury, or obstruction of justice.

■ **False claim.** fraud and misappropriation of funds. Finally, the late Deputy White House Counsel Vincent Foster and former Associate White House Counsel William Kennedy, among others apparently worked on the Clintons' personal legal affairs while on the government payroll. Mr. Foster reportedly helped with the Clintons' Whitewater taxes and Mr. Kennedy participated in Whitewater-related strategy sessions with the Clintons' private counsel.

Several federal statutes prohibit the misappropriation and fraudulent use of government funds for private gain. For instance, 18 U.S.C. 1001 (making false statements); 2 U.S.C. 286 (conspiring to defraud the government in obtaining the payment of false claims); and 18 U.S.C. 641 (knowingly stealing). Indeed, the Clintons may not solicit or accept a gift, such as free legal services, from their government lawyers, and those lawyers may not make such a gift of services to the Clintons (5 U.S.C. 7351).

Of course, this is not an exhaustive account of the facts and legal issues Mr. Starr and his staff are undoubtedly examining. For instance, I haven't even addressed the more than 40 "heads-ups" Clinton administration officials received, in part, about the criminal referrals sent to the Justice Department by Resolution Trust Corporation (RTC) criminal investigators — some of which mention the Clintons — and other troubling activities at the RTC and the Justice Department.

The point is that none of these legal issues involve the just completed Little Rock trial, in which the president was merely a defense witness. That's why the Clintons' several criminal defense lawyers are spending hundreds of thousands of dollars working overtime to protect them.

The Washington Times

* TUESDAY, MAY 28, 1996

PHOTOCOPY PRESERVATION

AM-AR--Whitewater Trial, 1st Ld-Writethru,390

Jury Returns Tuesday

Eds: Subs penultimate graf to RESTORE dropped word 'said'

tpfls

LITTLE ROCK (AP) Jurors in the Whitewater trial return to the federal courthouse Tuesday after a long Memorial Day weekend break from the complex case.

So far, jurors have spent five full days and half of two other days contemplating the charges against Gov. Jim Guy Tucker and President Clinton's former business partners.

U.S. District Judge George Howard Jr. sent the jurors home at noon Friday after praising them for their dedication.

"Keep up the good work," he said. "You're giving up your time, and this is what made this country great. I'm proud of you."

Deliberations began May 16 after nine weeks of testimony in the fraud and conspiracy case of Tucker and James and Susan McDougal. The jurors are considering a total of 30 charges 19 against McDougal, seven against Tucker and four against Mrs. McDougal.

Tucker and McDougal are accused of conspiring in the mid-1980s to defraud the government and two financial institutions in transactions involving about \$3 million. Mrs. McDougal's charges are related to a \$300,000 loan that prosecutors contend was part of the alleged conspiracy.

Key prosecution witness David Hale testified that Clinton pressured him to make the \$300,000 loan from his lending company, Capital Management Services Inc. Clinton denied that allegation in videotaped testimony played for jurors May 9.

Then-Gov. Bill Clinton, Hillary Rodham Clinton and the McDougals owned Whitewater Development Corp., a real estate development in northern Arkansas, from 1978 to 1992.

Tucker, his wife and daughter were at Little Rock's annual Riverfest Sunday, but Tucker evaded questions about the Whitewater trial.

Asked whether he was confident about the results going into this week, Tucker said, "It's gone on for a long time. I'm glad to have more time back in the office."

Jurors sent a couple of notes to Howard early last week, but have not communicated with him since Tuesday.

On Friday, attorneys in the case said they couldn't interpret the lengthy deliberations.

"This is tea-leaf stuff," Sam Heuer of Little Rock, McDougal's attorney, said. "Who knows? Who really knows?"

**** filed by:APW-(AR) on 05/27/96 at 23:07EDT ****

**** printed by:WHPR(JEL) on 05/28/96 at 10:00EDT ****

PHOTOCOPY
PRESERVATION

Sighs Sum Up D'Amato's Verdict As Whitewater Panel Nears End

By FRANCIS X. CLINES

WASHINGTON, May 24 — After 53 public hearings, 264 depositions and \$1.3 million in costs, the Senate's intensive year of Whitewater inquiry is wending to an anticlimactic close with Senator Alfonse M. D'Amato still presiding, but with his poll ratings on the wane and his humility noticeably on the rise.

"Oh, they're very good, very successful at this," Mr. D'Amato said of the Democrats' defense of President Clinton, whose own poll standing has resurged despite the inquiry.

"I don't remember, I don't remember, I don't remember," the Senator intoned crankily, offering a mantra-like summary of White House witnesses who have frustrated him.

This amounts to high tribute from one of politics' most combative professionals: grudging respect for the White House in managing if not mulling the tangled issue as the November elections approach.

In the dying moments of the labori-

ous process, it is Mr. D'Amato himself who seems more bowed than his Whitewater targets. His signature feistiness is lately employed more in talk of long-range vindication than of smoking-gun certitude.

"No one has ever accused them of being amateurs," Mr. D'Amato said of the Clinton Administration. "They're very astute. The constant chant of 'This is nothing more than politics; the hearings have no merit.' They're creating very substantial doubt as to the work and credibility of the committee's efforts."

As the hearing process quietly fades toward a June 17 deadline to produce a report of findings, the final hours have been flaring with Democrats decidedly on the rebound. They accuse Mr. D'Amato of presiding over a political "witch hunt" that proved rank with innuendo and little decisive evidence comprehensible to the average voter.

"The public is bored to tears with this thing," said Senator Christopher J. Dodd of Connecticut, general chairman of the Democratic National Committee and a member of the Whitewater panel. Mr. Dodd has sat across from Mr. D'Amato in counterpoise, a rival Presidential strategist who parries each nuance of testimony as Mr. D'Amato serves as a principal in Senator Bob Dole's campaign.

"The public thinks it's a huge waste of money and time," Mr. Dodd said of the inquiry, citing Democratic polls that he said showed that fewer than 1 in 5 voters were interested.

He said he planned to cite Whitewater in the Presidential campaign as a symptom of "Gingrich-Dole" priorities.

"It's boomeranged on the Republicans," Mr. Dodd said. "The fact that we've spent so much on this and Ruby Ridge and Waco, with virtually no hearings on Medicare, education, the environment, has become a huge

Continued From Page 1

liability for this Congress."

Hillary Rodham Clinton, the most celebrated target of the more suspicious Republicans on the committee, exemplified the Democrats' sense of turnaround this week when she beamed under the televised questioning of Larry King. In contrast to her subpoenaed testimony before a Whitewater grand jury last January.

Mr. D'Amato continued: "They're fabulous, with spin doctors at it every day. I can hold my head up. We've been thorough and treated people fairly. I've gone out of my way even with people who have not been candid with the committee."

But Democrats on the committee have been near chortling lately in sensing that the laborious hearings are ending with little sensational fuel for the election.

"I knew Bob Dole was in trouble, but not this much trouble," Senator Dodd commented in the midst of a fractious hearing on May 8.

The Republican majority had enraged Democrats with speculative staff testimony focusing on Mrs. Clinton as the most likely suspect in the mystery of Whitewater-related law firm records, documents that were discovered in the White House months after they were subpoenaed.

Even at its most graphic with this mystery, the inquiry has thus far failed to stir great public indignation or discernible electoral dividends. Some of Mr. D'Amato's loyalists concede that a muddled situation seems to have harmed his popularity more than the President's.

"Short-term, it has hurt Al politically," said Representative Peter T. King, a New York Republican who estimated that a ratings drop of about 10 percentage points would be recovered by the Senator.

"The image comes across that the hearings go on and on and nothing new is coming out," Mr. King said. "Actually, Al has done a very good job, thorough and fair, and as events unfold, he will be vindicated."

Mr. D'Amato offers the stolidity of a Rocky in saying: "It's probably had some adverse impact, but you got to do what you have to do. With leadership comes responsibility."

He emphasized that Whitewater and offshoot issues pursued in separate criminal inquiries had seen nine people plead guilty to various charges, and several Administration officials resign.

"Remember, the story starts down in Little Rock but continues into the Administration," Mr. D'Amato said, noting that the Senate voted overwhelmingly to look into the affair.

Mr. Clinton's campaign strategists expect no end of Whitewater as an issue, regardless of the June 17 committee report. But they take comfort in the hearings' effect on Mr. D'Amato's standing two years before his current term ends.

Ann Lewis, deputy manager of the Clinton campaign, put it this way: "I don't think it's a coincidence that, in a period of some of those most visi-



Photograph by The New York Times

Senator Alfonse M. D'Amato, above, and his Democratic counterpart in the Whitewater inquiry, Senator Christopher J. Dodd.



ble, most aggressive at interrogating people connected to the White House, D'Amato's own approval ratings went down substantially. Here was a guy with his own ethics investigation behind him setting himself up to be ethics czar for the nation."

Mr. D'Amato contends that the Presidential season colors his labors. "I think they were able to break the momentum and the interest of people in what the committee was doing," he said.

He added that Senate Democrats succeeded in a two-month standoff in which they defeated an open-ended extension of the hearings as the inquiry failed to generate public heat.

"As we got closer into the political season, it gave greater weight and possible validity to their claims that this is politics," Mr. D'Amato said.

Referring to President Clinton, he added: "I've always said I don't think this guy is going to be easy, and he's not. And he's got a cadre of people who are loyal to him, no doubt about that, to the point where they were willing in some cases to make themselves look absolutely silly with all that 'I don't remember, I don't remember'..."

PHOTOCOPY
PRESERVATION

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Clintons Admit Improper Whitewater Tax Reporting, Pay \$2,910

By Susan Schmidt
Washington Post Staff Writer

President and Hillary Rodham Clinton acknowledged yesterday that they improperly reported their income taxes on their Whitewater real estate investment during the 1980s.

They said they paid the Internal Revenue Service \$2,910 this month in back taxes and interest.

It is the third time the president and first lady have acknowledged under-reporting their income taxes before they arrived in Washington. They have now repaid a total of \$22,880.

The Clintons commissioned an analysis of their tax liability on the Ozarks land venture after Republicans on the House Banking Committee claimed last summer that they had failed to pay more than \$13,000 in taxes.

The three tax experts who conducted the White House review disputed most of the Banking Committee's conclusions. But they did find that on tax returns filed in the mid-1980s, the Clintons took the same deduction more than once, deducted interest payments made by someone else, deducted costs for which they were reimbursed, and under-reported their capital gains.

A draft of the analysis was prepared months ago, and the Clintons paid the back taxes more than three weeks ago. But the White House did not release the report until Memorial Day weekend, a time when it would attract little public notice. A White House statement stressed that the Clintons submitted to the review voluntarily and were not legally obligated to make good on the taxes they failed to pay, since the statute of limitations expired long

The White House analysis was done by former IRS commissioners Sheldon S. Cohen and Jerome Kurtz, and John S. Nolan, former Treasury tax policy official. They dissected the House Banking report—endorsed by former IRS commissioner Donald Alexander—but did not undertake to review from scratch the tax implications of the Whitewater venture. The review relied on statements and documents the Clintons have given in the past to federal investigators without seeking further information from them.

The White House review said the committee report "does not provide sufficient evidence" to support some of its conclusions about under-reporting and improper deductions.

Nevertheless, it found errors on returns filed in 1984 and 1987. According to the analysis, the Clintons more than once deducted the same interest payments on a loan, deducted interest on loan payments actually made by a Whitewater lot owner and deducted real estate taxes that they were not entitled to because

the Whitewater company reimbursed them.

The report also found the Clintons overestimated the amount they had invested in one of the parcels when computing their capital gains tax upon its sale in 1988.

In addition to the \$2,910 paid to the U.S. Treasury, the Clintons also said they were paying \$455 to Arkansas Children's Hospital to make up for deficient state taxes. Arkansas has no government agency to collect public debt.

House Banking Committee Chairman Jim Leach (R-Iowa) had not reviewed the report yesterday and had no immediate comment.

The tax liability grows out of the Clintons' relationship with White-

water co-owners James B. and Susan McDougal, who are now on trial in Little Rock on charges of fraud and conspiracy.

Various publications like Money Magazine and the newsletter Tax Notes have tried over the years to calculate what the Clintons might owe in back taxes, with some estimates ranging as high as \$80,000.

Some tax experts have said that the McDougals' payment of Whitewater loans for which the Clintons were also liable was in effect income to the Clintons and should have been reported as such to the IRS. According to a report prepared last year for the Federal Deposit Insurance Corp., the McDougals paid \$158,000 of Whitewater's costs,

while the Clintons paid only \$42,000.

But the White House review said that Whitewater was a corporation—not a partnership—and that shareholders are not liable for the debts of their corporations. When the Clintons sold their share of the company back to McDougal in 1992, all company loans on which they were personally liable had been repaid.

Questions about the Clintons' taxes first surfaced in the 1992 presidential campaign.

The Clintons acknowledged then that they took two improper deductions on their personal income taxes during the mid-1980s for interest on bank loan payments that were actu-

ally made by the Whitewater corporation. Correspondence between Hillary Clinton and Whitewater partner James McDougal made public last year shows James McDougal informed Hillary Clinton that the Whitewater corporation made the loan payments before she and her husband claimed them as deductions.

The Clintons reimbursed the government \$4,900 in late December 1993, after the Justice Department began seeking Whitewater records that late White House deputy counsel Vincent Foster had kept in his office.

Foster's handwritten notes, released later by the White House, showed Foster was concerned about

the propriety of the Clintons' tax treatment of their Whitewater investment over the years. He wrote that Whitewater was "a can of worms" he did not want the IRS to audit.

In April 1994, the Clintons paid \$14,615 in back taxes and interest on unreported income on commodities trading on their 1980 taxes.

There are no indications that Whitewater independent counsel Kenneth W. Starr is pursuing a criminal tax case against the Clintons. The IRS's three-year statute of limitations for simple underpayment of taxes has passed for the Clintons' Whitewater investment. The IRS can pursue cases of intentional tax fraud without any time limitation.

PHOTOCOPY
PRESERVATION

AD WATCH

EVALUATING THE POLITICAL MESSAGE

This is another in a series of examinations of the accuracy of political advertising.



Sponsor: Republican National Committee
Producer: New Century Media
Time: 30 seconds
Markets: Nationally on CNN, selected markets
Audio: Compare the Clinton rhetoric with the Clinton record.
 [Clinton:] We need to end welfare as we know it.
 [Announcer:] But he vetoed welfare reform not once, but twice. He vetoed work requirements for the able-bodied. He vetoed putting time limits on welfare. And Clinton still supports giving welfare benefits to illegal immigrants. The Clinton rhetoric hasn't matched the Clinton record.
 [Clinton:] Fool me once, shame on you. Fool me twice, shame on me.
 [Announcer:] Tell President Clinton you won't be fooled again.

Analysis: This is the latest salvo in the rhetorical war over the two parties' versions of welfare reform. The Democratic National Committee, urging stations not to run the ad, calls it a "fabrication," saying illegal immigrants are not eligible for welfare benefits under current law. DNC spokesman David Eichenbaum says the only exception—emergency medical care—would continue under the GOP legislation as well. RNC spokeswoman Virginia Hume acknowledged that illegal immigrants are not eligible for food stamps or Aid to Families with Dependent Children, but says the law is not always enforced and the Republican bill goes further in preventing states and localities from providing aid. The commercial, while fairly noting that President Clinton has not delivered on welfare reform, is misleading; there is no evidence that Clinton "supports giving welfare benefits to illegal immigrants."

—Howard Kurtz

THE WASHINGTON POST

SATURDAY, MAY 25, 1996

Jabs Fly In Race for Nunn's Seat

Associated Press

ATLANTA, May 24—The scramble for the seat of retiring Sen. Sam Nunn (D-Ga.) is getting ugly. One GOP rival claims Democrat Max Cleland is using his wheelchair to get votes. Another Republican has dredged up a decade-old tape of Cleland and his girlfriend engaging in phone sex.

Cleland, 53, chief of the Veterans Administration under President Jimmy Carter, lost his legs and an arm in Vietnam. He is the only Democrat seeking Nunn's seat. Six Republicans are vying for the GOP nomination in the July 16 primary.

"Unfortunately, the Republican primary of the U.S. Senate race has already sunk into the moral swamp of modern campaigns," Cleland said today.

The attack came Thursday night when the Republicans were asked at a forum to cite Cleland's potential political liabilities and strengths.

Paul Brown Jr., a doctor, replied: "He's a nice guy. He also plays that wheelchair up to the nth degree. He just shows people that wheelchair going and coming. . . . It's certainly worth a lot of points."

Brown continued today, saying he meant it as an illustration of how Cleland might gain the admiration and support of voters for overcoming his disability. "I can see where my comments could be perceived negatively, but I did not mean them that way," he said. "I apologize publicly and I was wrong to have said it."

Cleland, who was injured in a grenade explosion in Vietnam in 1968, said he does not use his disability to gain votes. "I think if you overcome a difficulty in your life, people respect that—whether you're Bob Dole or Max Cleland or Franklin Roosevelt," he said.

During the forum, GOP contender Clint Day, son of the founder of the Days Inn motel chain, cited what Cleland has acknowledged is a tape of him and his girlfriend having telephone sex. "To the average voter in Georgia, that's something that's unacceptable," Day said. "We need to check . . . and see how many 900 numbers he has on his phone bills."

Jeffrey Skelton, a spokesman for Day, said today the candidate would call Cleland and apologize. He said Day's reference to 900 numbers was meant "longue-in-cheek."

The sex tape scandal of 10 years ago helped persuade Cleland—then Georgia's secretary of state—not to run for governor in 1990, but he was overwhelmingly reelected to office. The tape was widely distributed by political enemies in his own party.

"I don't dial 1-900 numbers. I do talk to my girlfriends personally and I have a private life," said Cleland, who is single. "The people I'm really sad for are not me so much but the voters, who deserve a better campaign than this."

Whitewater Jury Breaks For Weekend

Judge Praises Panel For Its Work, Prayers

By R.H. Melton

Washington Post Staff Writer

LITTLE ROCK, May 24—The judge in the Whitewater trial here abruptly sent jurors home today for the weekend, commending them for their hard work and for praying at the beginning and end of their daily deliberations.

Amid rising speculation that the nine women and three men are deadlocked on one or more charges, U.S. District Judge George Howard Jr. was effusive in his praise for the jury's past week of work. The defendants, Arkansas Gov. Jim Guy Tucker (D) and President Clinton's former business partners in the Whitewater real estate venture, are accused of a complex loan-swapping scheme.

"I'm highly proud of your performance, you're an excellent jury," Howard said, prompting tears from one of the jurors. "You're giving your time and this is what has made this country great. I'm proud of you."

Howard also commended jurors for starting and finishing each day in the jury room with prayer "to ask God almighty for assistance."

The jury is supposed to reach 30 different verdicts on Tucker and James R. and Susan McDougal, who were charged in a 21-count indictment alleging fraud and conspiracy in the mid-1980s when Clinton was governor. The president and Hillary Rodham Clinton face no charges.

The jury has been meeting at the federal courthouse until about 5 p.m. every day, and Howard's decision to recess at midday startled defense lawyers, who were already nervous about the amount of time the jury was taking.

But lead prosecutor W. Ray Jahn said he wasn't surprised by the length of the deliberations.

"This is a thorough jury," he said. "They're dedicated."

PHOTOCOPY
PRESERVATION

Top of page:

Col 1: For three decades the elusive Khun Sa was the opium king, running his lucrative empire from the poppy fields that carpet the mountains of eastern Myanmar; but when the outlaw suddenly surrendered to Myanmar authorities in December, U.S. drug agents were suspicious. (MYANMAR-DRUGS, moving Saturday.)

Col 2: By a wide margin, the California Assembly passes a Republican measure that could mean a new risk for graffiti taggers
a trip to state prison. (GRAFFITI, moved.)

Cols 3-5: Photo of plane crash into Chesapeake Bay.
(Refers to inside wire story.)

Col 6: President Clinton names U.S. Rep. Douglas "Pete" Peterson, a former bomber pilot who spent 6½ years as a prisoner of war in Vietnam, to be the first U.S. ambassador to Hanoi. (VIET, moved.)

Above fold:

Col 2: May Department Stores unveils an ambitious five-year, \$2 billion plan to open 125 new stores nationwide; the St. Louis-based department store chain's expansion plans signal intensifying competition among department stores nationwide. (MAY, moved.)

Cols 3-4: Raising the stakes in the ongoing dispute over freedom of speech in cyberspace, the Sacramento County (Calif.) district attorney's office has charged a Texas college student with making a terrorist threat against a California legislator over the Internet. (CYBER-THREAT, moving.)

Col 5: Seven French monks kidnapped two months ago from a monastery in Algeria were executed this week by Islamic militants in the worst massacre of foreigners there since 1993, French officials say. (ALGERIA, moved.)

Below fold:

Col 4: President and Mrs. Clinton acknowledge more errors in their income tax returns in connection with the Whitewater investigation, paying an additional \$3,300 in back taxes and interest for transactions dating back to 1978. (WHITEWATER-TIMES, moved.)

Bottom of page:

Cols 1-2: President Clinton is using a built-in advantage to boost even further his high-flying campaign an incumbent's attraction to the local TV news. (CAMPAIGN-COVER, moving Saturday.)

Cols 5-6: A new wave of Hmong refugees is heading to the San Joaquin Valley in California and officials don't know if the area can properly accommodate the influx. (REFUGEES, moving Saturday.)

Clintons Acknowledge More Errors in Their Income Tax Returns (Washn) By Robert L. Jackson= (c) 1996, Los Angeles Times=

WASHINGTON President and Mrs. Clinton acknowledged more errors Friday in their income tax returns in connection with the Whitewater investigation, paying an additional \$3,300 in back taxes and interest for transactions dating back to 1978.

It marked the third time in recent years that the Clintons conceded they took improper tax deductions or failed to report income from their years in Arkansas, where Clinton was state attorney general and later governor and Hillary Rodham Clinton was a private lawyer.

The latest back payment made on May 1 but not disclosed until Friday by the White House followed findings by an independent panel of tax experts appointed by the White House. The tax analysts agreed with three of eight challenges raised by the Republican chairman of a House committee last August.

The analysts found the Clintons claimed erroneous deductions for real estate interest in 1984 and 1987, resulting in additional taxes of \$701, and failed to report a capital gain of \$1,673 on their 1988 joint tax return, leading to \$563 more in taxes. Another error occurred in allocating interest to the wrong year, resulting in a liability of \$19 from 1978, the tax analysts said.

As a result, the first family this month paid \$1,283 in additional federal taxes and \$1,627 in interest. They also paid \$246 more in Arkansas state taxes plus \$209 in interest.

The White House emphasized that the Clintons were under no legal obligation to pay the back taxes because the three-year statute of limitations on civil tax liabilities has long since expired. "The vast bulk of the first family's Whitewater-related tax deductions were appropriate," the White House said in a statement.

Yet, because the tax errors marked the third time the Clintons have conceded they made serious mistakes on their Whitewater-related tax returns, their acknowledgement under congressional pressure could further open the president to political charges he had tried to evade duties every citizen is obligated to perform.

On the other hand, testimony at Whitewater trials and congressional hearings has shown that James B. McDougal, the Clintons' partner in their real estate venture in the Ozark Mountains, was an exceedingly sloppy record-keeper on whom the Clintons relied for accurate tax information. Outside certified public accountants have testified they prepared the Clintons' returns based on data the couple furnished them.

When their real estate deals became an issue during the 1992 presidential campaign, the Clintons acknowledged taking \$2,156 in unjustified tax deductions for Whitewater-related interest payments in 1984 and 1985, and voluntarily repaid the government \$14,000 in back taxes and interest.

Two years ago the Clintons voluntarily paid another \$14,615 in back taxes and interest on newly discovered profits from Mrs. Clinton's commodity trading in 1979 and 1980.

(Optional add end)

Rep. Jim Leach, R-Iowa, who issued last year's report as chairman of the House Banking and Financial Services Committee, declined comment Friday on grounds he had not yet studied the latest report of independent tax analysts.

Leach's report, prepared by Donald C. Alexander, former Internal Revenue Service Commissioner in the Nixon administration, had claimed that the Clintons owed a minimum of \$13,272 in back taxes on their Whitewater real estate investment.

Clinton attorney David E. Kendall, while acknowledging the outside White House panel found tax deficiencies, called Leach's report "overwhelmingly erroneous or unsupported."

PHOTOCOPY
PRESERVATION

Whitewater panel modifies request on Hillary's prints

Subpoenaed billing records at issue

By Jerry Seper
THE WASHINGTON TIMES

The special Senate Whitewater committee yesterday modified its request for FBI records concerning the discovery of first lady Hillary Rodham Clinton's fingerprints on billing records found in the White House.

But the panel pressed for information it said would not hamper the government's Whitewater probe.

In a letter to deputy independent counsel John D. Bates, the panel's chief lawyer, Robert J. Giuffra Jr., said the committee would withdraw a pending subpoena for FBI fingerprint documents in exchange for:

- Information on whether the FBI had discovered "latent fingerprints" of any of 25 administration officials and others on the long-lost billing records. They were discovered this year in a book room of the White House living quarters.

- A listing of the page numbers and the locations of any fingerprint found on the records.

- Information on whether the FBI identified any other fingerprints on the documents, including those of officials at the Rose Law Firm in Little Rock or at Washington's Williams & Connolly, the law firm where the Clintons' personal attorney, David Kendall, is a partner.

In his letter, Mr. Giuffra said the independent counsel's office was concerned that the production of Rose firm documents under the committee's subpoena would require the office to turn over investigative work product "from an active and ongoing criminal investigation, and that the production of such work product could hinder or impede this investigation."

Mr. Giuffra said the independent counsel's agreement to supply the committee with the requested information would "constitute compliance" to the subpoena.

Mr. Bates was not available yesterday for comment.

In his letter, Mr. Giuffra said Mr. Bates had agreed to "ask the FBI to provide this information to the

The committee lawyer said he expects the information to be turned over by Friday.

committee."

The committee lawyer said he expects the information to be turned over by Friday.

The FBI, according to federal law enforcement sources, found Mrs. Clinton's fingerprints on the records during its investigation of their disappearance and rediscovery. The documents had been under subpoena by the independent counsel's office since 1994 and by the committee since last year.

The records were found in August 1995 in the living quarters' book room by White House aide Carolyn Huber, who did not immediately recognize them. She told the Whitewater committee earlier this year that she put them in a stack of other documents. In January, while going through that stack of papers, she noticed they were the missing records and notified Mr. Kendall.

The records detail Mrs. Clinton's legal work for Madison Guaranty Savings and Loan Association, an Arkansas thrift owned by the Clintons' Whitewater Development Corp. business partners, James and Susan McDougal. The records appear to contradict Mrs. Clinton's sworn testimony to the Resolution Trust Corp. and her public statements that she had little or nothing to do with Madison's legal representation.

Mrs. Clinton has denied any knowledge of how the records got to the White House living quarters.

Among those on the list of 25 administration officials in Mr. Giuffra's letter were President Clinton, the late Deputy Counsel Vincent W. Foster Jr., former Associate Attorney General Webster L. Hubbell, New York lawyer Susan Thomas, Deputy Chief of Staff Harold Ickes, Deputy Counsel Bruce Lindsey, and former White House Counsel Bernard Nussbaum.

Hale Won't Talk to Senate Whitewater Panel

Refusal to Testify Should Bring End to Hearings, White House Says

Associated Press

Dealing a major setback to Republicans on the Senate Whitewater committee, key witness David Hale notified the panel yesterday he refuses to testify in the year-old investigation.

Hale, whose nine days of testimony as a prosecution witness were central to the recent Whitewater trial in Little Rock, said he has been threatened with prosecution by state authorities in Arkansas.

Any Senate testimony he gives could be used against him, Hale said.

While committee lawyers will continue to question various Whitewater witnesses in private next week, the refusal of Hale to cooperate is a blow to Republicans and could signal the end to Senate Whitewater hearings.

Committee Chairman Alfonse M. D'Amato (R-N.Y.) said earlier this week that more public hearings were possible.

Senator D'Amato said he needed another \$450,000 in taxpayer money to prolong his hearings so that he could hear from David Hale, said White House spokesman Mark Fabiani. "Mr. Hale's final refusal to testify ought to

spell the end to the yearlong, \$1.5 million hearings orchestrated by Senator D'Amato, Bob Dole's campaign chair," he added.

The committee is still looking into whether federal regulators tried to manipulate a report they commissioned on Whitewater. The panel also is examining whether then-Gov. Clinton's office tried to pressure Arkansas insurance regulators on behalf of an investment banker with political ties to Clinton.

In addition, the committee is demanding from Whitewater prosecutors an FBI fingerprint analysis of billing records outlining Hillary Rodham Clinton's work for Madison Guaranty. The failed Little Rock savings and loan was owned by James B. and Susan McDougal, the Clintons' partners in the Whitewater real estate investment.

Newsweek magazine reported that Hillary Clinton's fingerprints were on the long-sought records and people familiar with the matter subsequently confirmed that.

Committee Republicans concluded that the president and Hillary Clinton were the only two people who were in a position to handle the documents, which a White House aide found in the White

House family residence. They were turned over to the committee in January, nearly two years after they had been subpoenaed.

Hale's potential state prosecution—for an allegedly fraudulent insurance business he operated—would constitute retribution for Hale's testimony against Arkansas Gov. Jim Guy Tucker (D) and the Clintons' Whitewater partners, Hale's lawyer, Theodore Olson, said in a letter to the Senate.

Hale is invoking his Fifth Amendment right against self-incrimination in refusing to appear before the committee's lawyers for what would have been a private deposition today.

Under the circumstances, Mr. Hale feels that he has no choice but to avail himself to the protection afforded to him by the Constitution, Olson said in the letter to the Senate committee's Republican and Democratic lawyers.

Hale testified in the trial of Tucker and the McDougals that then-Gov. Clinton attended a meeting where Hale and James McDougal discussed a loan, which ultimately was deposited in the McDougals' joint checking account and never repaid. Clinton denied attending any such meeting.

CORRECTIONS

A review in yesterday's Style section listed an incorrect phone number for information on "Always... Patsy Cline" at the Omni Shoreham's Marquee Lounge. Call the lounge at 202-234-0700 or Pro-tix at 703-218-6500.

An event in the "This Week" calendar of events that appeared in all editions of yesterday's Maryland weeklies listed an incorrect date for an evening with author Sam Fullwood III at Oxon Hill Library. The event is scheduled next Wednesday.

A chart on bus service changes in Fairfax County was incorrect in yesterday's Fairfax Weekly. The correct information will appear in Thursday's Fairfax Weekly.

A photo caption in the early edition on May 10 misidentified the woman being

greeted by President Clinton at the state dinner for the president of Greece. She is Maria Pappas, a Cook County, Ill., commissioner.

CLARIFICATION

A story on May 16 about the trial of President Clinton's Whitewater business partners said the prosecutor, W. Ray Jahn, described his chief witness as "a notorious thief, a notorious crook, a notorious liar." That was a partial quote from Jahn. Jahn's full statement indicates he was paraphrasing what defense attorneys had said about his witness, David Hale. Jahn said: "David Hale. By their own words from the defendants, a notorious thief, a notorious crook, a notorious liar."

Jahn, on his own, described Hale as "David Hale, the crook." He also said Hale had lied to the FBI seven years ago.

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Whitewater figure won't talk to Senate

Ex-judge testified in Arkansas trial

By Jerry Seper
THE WASHINGTON TIMES

Former Little Rock municipal judge David L. Hale, the government's key Whitewater witness and the chief accuser of President Clinton, has told the special Senate Whitewater committee he will not be deposed or testify publicly before the panel.

Hale, who pleaded guilty in March 1994 to two felony counts of defrauding the Small Business Administration and has been ordered to report to prison on Thursday to begin a 28-month sentence, made his refusal known in a letter yesterday to the committee.

"This is to inform you that based on his rights guaranteed to him by the Fifth Amendment to the Constitution of the United States, Mr. Hale respectfully declines to appear before your committee for a deposition or public testimony," Hale's Washington attorney, Theodore B. Olson, said in a letter to the committee.

He said Hale did not intend to appear for a scheduled deposition today or for testimony before the committee, tentatively set for June 4.



David L. Hale

The former judge, who testified for nine days as the government's star witness in the fraud and conspiracy trial of Arkansas Gov. Jim Guy Tucker and James and Susan McDougal, has said Mr. Clinton and Mr. McDougal pressured him to make an illegal \$300,000 loan to Mrs. McDougal — a claim denied by both the president and Mr. McDougal.

Mr. Olson said that his client has been advised that any testimony

he might give before the committee could be used against him by Arkansas prosecutors.

"As you know, Mr. Hale has been explicitly threatened, in writing, with prosecution in Arkansas by Arkansas state authorities," he said. "There are ample bases for believing that such threats and any such prosecution would constitute retribution against Mr. Hale for his cooperation with the independent counsel."

Pulaski County prosecutor Mark Stodola in Little Rock has said he might file charges against Hale in the suspected theft of \$150,000 from an insolvent burial-insurance firm. He has declined comment and no charges have been filed.

The committee's minority counsel, Richard Ben-Veniste, said the matter had been referred to the Senate Legal Counsel for an opinion on the appropriateness of Hale's Fifth Amendment claim, but he described the decision as "not very surprising."

"What is surprising is that he would assert a Fifth Amendment privilege after testifying so extensively under terms of his plea agreement (with independent counsel Kenneth W. Starr), which afforded him immunity for a wide variety of crimes for which he gave testimony," Mr. Ben-Veniste said.

"But the practical effect of all this, given our termination date, means that it is extremely unlikely we will see Hale testify and that is unfortunate," he said. "The minority has been attempting to bring him before the committee to shine the light of public scrutiny on the allegations he had made."

The committee is scheduled to expire on June 14.

Sen. Alfonse M. D'Amato, New York Republican and the panel's chairman, issued a short statement yesterday confirming only that the committee had received Hale's letter.

It was Hale's grand jury testimony that led to the indictment of Mr. Tucker and the McDougals.

The three are charged in a fraud and conspiracy case in which the government claims that \$3.13 million was diverted from Madison Guaranty Savings and Loan Association, owned by the McDougals, and Capital-Management Services Inc., an SBA-licensed lending agency in Little Rock owned by Hale.

Hale is the sixth person to claim his Fifth Amendment rights and refuse to testify. The others are Whitewater Realtor Chris Wade and his wife, Rosalee; Arkansas bankers Herbert Branscum Jr. and Robert M. Hill; and James Henley, Mrs. McDougal's brother and a former Madison official.

* FRIDAY, MAY 24, 1996

The Washington Times

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academy has no respect for the man at the top of their organization.

"CNO: They are not behind you. You are not their leader. Go home immediately for the sake of the Navy you love."

According to Pease, Boorda talked about the Navy Times letter May 13 and again May 14.

Boorda had been under fire for his refusal to battle for the nomination of Adm. Stanley Arthur to be the U.S. commander in the Pacific. Arthur, a combat veteran of the Vietnam air war, was a popular Navy aviator who also directed U.S. Navy forces during the Persian Gulf War.

Arthur also was celebrated for touring the Pentagon one Christmas outfitted in a foam-rubber Christmas tree suit. Arthur's nomination had been blocked by Senate because he affirmed a Navy flight school's recommendation to dismiss a woman helicopter pilot.

"Arthur had 30 years' experience with Navy pilots and he knew this woman just couldn't handle it," said one Navy officer. "Mike (Boorda) knew Arthur made the right decision and regretted he didn't get Arthur promoted."

Another Boorda confidant agreed. "He (Boorda) saw it as his biggest mistake." On more than one occasion, Boorda publicly admitted his error.

The Arthur controversy was taken up by former Navy Secretary James Webb during a Naval Academy speech last month and became a battle cry for other Boorda critics. While he did not use Boorda's name in the Annapolis, Md., speech, Webb accused senior Navy leaders of killing morale with "political correctness."

Boorda had imposed a policy of "zero tolerance" for sexual harassment, a policy that has been praised by women in the Navy as well as by President Clinton. But it resulted in career-ending actions for four admirals last year. And, Boorda's determination to help disadvantaged seamen stay in the Navy has riled some officers.

Some associates saw him depressed over the media's treatment of the Navy. Although the Navy fighter pilots mauling women at a Las Vegas convention the infamous Tailhook scandal occurred five years ago, the controversy just wouldn't die.

One senior Navy officer speculated that Boorda's suicide was one way to bury the Tailhook scandal.

"I never knew him to do anything without a calculated reason," the officer said. "Maybe he thought the media would think twice and reflect on their coverage of the Navy."

(Optional add end)

Boorda began as a high school dropout at age 16 in the Navy, married young and was supporting four children, including a seriously handicapped son.

But his energy, intellect and determination quickly vaulted him ahead of Naval Academy graduates. "He was a great operator," explained Cmdr. Jim Mitchell, a Navy phrase for outstanding seamanship. Navy Secretary John Dalton, himself a former Navy officer, recalled Boorda conducting a man-overboard drill aboard the USS Monterey in 1993.

Dalton and Boorda were visiting the guided-missile ship when a life preserver was thrown overboard in the Mediterranean to simulate a floundering sailor. Boorda then assumed control of both the ship and the helm, darting in and out of the conning tower to alter speed and direction.

"Within a couple of minutes, we were alongside that life ring," Dalton said during memorial for Boorda Tuesday. "What a great ship handler he was."

Though Boorda was known to raise the spirits of those who worked closely with him, some believed that life in Washington, D.C., was taking its toll on him in his third year on the job.

He really didn't have anyone to confide in," said one associate. Only last month, he encouraged commanders to have the one-on-one connection with crew members. "Can the sailor commit suicide and not have the leader know that he or she was in distress?" Boorda told the U.S. Naval Institute.

Clinton Accuser Hale Expected to Invoke Fifth Amendment(Washn)By Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON President Clinton's primary accuser, David Hale, is expected to invoke the Fifth Amendment in the Senate Whitewater investigation, sources said Wednesday, a move that would effectively end the 10-month, \$1.5 million probe.

Investigators intend to take a deposition from Hale Friday. If, as expected, he refuses to answer questions, Hale will not be required to appear before the Whitewater panel, investigators said. Barring startling new revelations, the committee will continue its inquiry, but will devote most of its energy to completing a final report by June 17.

"The public has long ago lost interest in these hearings, and now it appears that the Republicans have finally lost interest, too," said White House special associate counsel Mark Fabiani.

Nevertheless, sources say Republicans on the Whitewater committee vow to conduct an aggressive behind-the-scenes investigation of possible wrongdoing by the president and his wife, Hillary Rodham Clinton, right up until the panel expires June 14. It has three days to complete a final report.

In fact, sources say, Republican lawyers for the panel intend to keep deposing witnesses over at least the following two weeks.

"There are many matters actively under investigation right now. We are going forward," one senior committee staffer said. "If there are further additional matters to be covered in public hearings we will do so."

An attorney for Hale said Wednesday that the convicted former financier had not yet decided whether to testify. And Whitewater Committee Chairman Alfonse D'Amato, R-N.Y., said he still hoped to question the disgraced former municipal judge.

But sources said it is likely Hale will decline to answer the panel's questions because he still faces possible state charges in connection with his illegal business dealings in Arkansas during the mid-1980s.

Hale obtained a reduced sentence of 28 months in federal prison in March by turning state's evidence after admitting fraud against the Small Business Administration.

Hale was independent counsel Kenneth Starr's lead witness in the current fraud trial of Arkansas Gov. Jim Guy Tucker and James and Susan McDougal, Clinton's partners in the Whitewater land development deal. Hale said Clinton pressured him in 1986 to make an illegal \$300,000 loan to the McDougals, an allegation Clinton vehemently denies.

In an interview Wednesday, D'Amato did not rule out holding more public hearings before the panel expires. "If there is a need to hold public hearings with respect to new information, we will do so," D'Amato said. Holding additional hearings is "still an open question, but obviously we are concluding, with respect to tying up loose ends."

D'Amato has been loath to rule out asking the Senate for a second extension of the committee. But Wednesday, in a nod to political reality, he said, "It doesn't appear at this point in time that we would have to ask for an extension" beyond June 17.

(Optional add end)

Though neither of the Clintons is implicated in the Tucker-McDougal trial, convictions in Little Rock, Ark., could energize the Whitewater investigation and prompt new hearings. Sources close to the investigation say Republicans may move to extend the panel if new evidence surfaces relating to involvement by the Clintons or their aides in:

Illegal cash transactions at the Perry County Ask Bank during the 1992 presidential election campaign.

Pressure on attorney Jay Byrnes to withdraw from or lean off on the Resolution Trust Corp's Whitewater investigation.

The handling of Rose Law Firm billing documents by Hillary Clinton and others. Information on whether the first lady's fingerprints were on the records may become public next week.

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Arkansas Fraud Jurors Seem Confused

By R.H. Melton
Washington Post Staff Writer

LITTLE ROCK, May 20—White-water jurors signaled their confusion today over key elements of the fraud and conspiracy charges against Gov. Jim Guy Tucker (D) and two other defendants.

On their second full day of deliberations, jurors sent presiding U.S. District Judge George Howard Jr. a note asking for a road map through the more than 700 pieces of evidence that government prosecutors entered in the trial record.

"We feel it might expedite matters," the jury wrote Howard.

Then, while defense lawyers argued with prosecutors over the propriety of giving the jury a "master index" of exhibits, jurors sent out another note saying they were "having difficulty discerning" among the

various criminal charges listed multiple times in the 21-count indictment against Tucker and former savings and loan association owner James B. McDougal and his former wife, Susan McDougal.

The McDougals were partners with President Clinton and his wife in the Whitewater real estate development while Clinton was Arkansas governor in the 1980s. Tucker and the McDougals were indicted last summer on charges that they used real estate deals to enrich themselves. After an 11-week trial, the case went to the jury of nine women and three men last week.

There was general agreement in the courtroom today that the jury needed further guidance about how to proceed.

"The court is interested in accommodating this jury," the judge said at one point, adding at another: "They're

asking for help. They need help and we're going to give it to them."

Bobby McDaniel, Susan McDougal's attorney, said outside the federal courthouse here, "The jury indicated they were confused. It may be one that's confused. It may be 12 that's confused."

Prosecutors sought during the trial to untangle the confusing web of interlocking partnerships and deals they said constituted a criminal conspiracy, and today's jury notes may have been a sign they did not altogether succeed.

The jury began deliberating with no copy of the formal indictment against Tucker and the McDougals. The judge sent one to jurors while defense lawyers and prosecutors hammered out the language in an evidence index that Howard said would be "neutral and objective."

CORRECTIONS

The affiliation of one of Ecuador's vice presidential candidates was incorrect in a story yesterday. Rosana Vinuesa Estrada is the running mate of Freddy Ehlers; Rosalia Arteaga is the running mate of Abdula Bucaram.

In a story on pop star Brandy in this week's TV Week, members of the supporting cast in her situation comedy 'Moesha' were identified incorrectly. Her father is played by William Allen Young; her step-mother by Sheryl Lee Ralph; and Marcus T. Paulk plays her little brother.

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p PM-Whitewater Trial,0311

Whitewater Jurors Given Indictment as Guide

Eds: Deliberations resume at 10:30 a.m. EDT

By JAMES JEFFERSON= Associated Press Writer=

LITTLE ROCK, Ark. (AP) A judge told Whitewater jurors to use the indictment as their guide after they said they were having trouble matching the voluminous evidence to the charges and needed an index.

The jury has deliberated for 19 hours since getting the case Thursday.

Gov. Jim Guy Tucker and James and Susan McDougal are accused of fraudulently obtaining \$3 million in loans from two federally backed lenders. Deliberations were to resume today.

After deliberating two hours Monday, the jury sent out a note asking for an index of the more than 700 exhibits.

While the court was considering whether to give jurors an index, the jury sent another note, saying it was having trouble matching specific transactions to the charges.

Howard then reversed a decision he made last week and gave jurors a copy of the indictment. He also ordered lawyers to draft an index in neutral language.

The jury's notes seem to rule out a quick verdict.

"They've got a lot of material to go over," said Bobby McDaniel, Mrs. McDougal's lawyer. "It's a complicated indictment."

President Clinton, Hillary Rodham Clinton and the McDougals owned Whitewater Development Corp. between 1978 and 1992.

Tucker and McDougal are accused of helping arrange loans illegally through the McDougals' Madison Guaranty Savings and Loan and David Hale's Capital Management Services Inc., a Small Business Administration-backed lending company.

Mrs. McDougal is accused of misusing a \$300,000 loan obtained from Hale's company. Hale claimed Clinton pressured him to make the loan, a claim Clinton denied in videotaped testimony played for jurors May 9.

**** filed by:APE(--)) on 05/21/96 at 06:12EDT ****

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Jury in Whitewater trial seeks help from judge

Panel not clear on evidence, charges

By Hugh Aynesworth
The Washington Times

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LITTLE ROCK, Ark. — The jury deliberating fraud and conspiracy charges against Gov. Jim Guy Tucker and the former business partners of President and Hillary Clinton yesterday sent the judge two notes asking for help in finding and understanding evidence in the complex trial.

First, the panel of nine women and three men asked for a master index of all exhibits, which the foreman, Sandra Wood, suggested "might expedite matters."

Then, in midafternoon as lawyers were debating the pros and cons of compiling such an index, a second note was brought to U.S. District Judge George Howard Jr.

This time, Mrs. Wood said the jury was confused by at least 15 of the 21 counts brought by the government against Mr. Tucker and James and Susan McDougal, partners with the Clintons in Whitewater Development Corp.

"We are having difficulty discerning the difference between charges that are listed multiple times," the note said.

Mrs. Wood asked if the jurors could have an in-depth guide to the different charges and how each affected each defendant.

W. Ray Jahn, the lead prosecutor, suggested that one way to simplify the second request might be to give the jury a copy of the federal court indictment — which is not in evidence.

The defense noted that it had asked Judge Howard to make it a part of the record earlier, but the judge had refused.

There was discussion about how to handle deletion of those parts of the indictment that no longer remained valid — such as wording involving several counts that Judge Howard dismissed earlier this month.

Bobby McDaniel, one of Mrs. McDougal's attorneys, successfully sought to have the indictment delivered to the jurors in its entirety because, he said, "I don't think any of us has the authority to redact, modify or amend that document."

see JURY, page A16

JURY

From page A1

A copy of the indictment soon was delivered by U.S. marshals, but controversy remained about the proposed index of exhibits.

The defense argued that to send any list of exhibits into the jury room during deliberations was flirting with reversible error.

"To introduce such a list," said George Collins, one of Mr. Tucker's attorneys, "would be to unduly emphasize documentary evidence over that given orally — paper evidence over people evidence."

When the second note from jurors arrived at 1:43 p.m. — in the midst of arguments about the exhibit list — it seemed that jurors were perhaps more confused than originally thought.

The government already had fashioned an index of sorts to help identify the more than 700 exhibits, and Judge Howard gave it the responsibility of changing whatever wording in the guide that might be prejudicial to the defendants.

A note from jury foreman Sandra Wood said a master index of all exhibits "might expedite matters." "We are having difficulty discerning the difference between charges that are listed multiple times," the note said.

dants.

At 2 p.m., the judge gave the government an hour to straighten out the matter. At shortly past 5 p.m., lawyers were still exchanging handwritten "suggestions" of what they considered more neutral references.

All trial participants and Judge Howard cited appellate court decisions dealing with similar intrusion into jury deliberations, but none matched exactly the current situation.

Despite being warned by defense attorneys that offering such a non-evidentiary document might eventually prove unacceptable to higher courts, Mr. Howard ordered the index prepared.

The government was ordered to have its edited index ready by this morning, when the defense must

decide whether it agrees with the wording.

Mr. Tucker and the McDougals are charged with multiple counts of fraud and conspiracy. They are accused of using various schemes to defraud the government of \$3.13 million in bogus loans through Madison Guaranty Savings and Loan Association and Capital-Management Services Inc.

Madison, owned by the McDougals, and Capital-Management, a lending agency licensed by the Small Business Administration and owned by David L. Hale, a former municipal judge in Little Rock, are focuses of the ongoing Whitewater investigation.

Hale, who pleaded guilty last year to unrelated charges of SBA fraud, was the government's chief witness during the trial.

The Washington Times
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presidential nominee. In a close race between the two, the results in such Midwestern states could determine the outcome.

Military Officials, Colleagues Stumped by Boorda's Suicide (Washn) By Art Pine= (c) 1996, Los Angeles Times=

WASHINGTON Military officials and colleagues of Adm. Jeremy Michael Boorda strained Friday to understand why questions raised about his service decorations would have prompted him to take his own life, as apparently indicated by suicide notes he left behind.

Amid an outpouring of sympathy over the personal tragedy that befell the Navy's former top admiral, civilian officials and military personnel in the Pentagon's offices and hallways were at a loss to explain how Boorda could have reacted so strongly.

Although the Navy declined to make the notes public, U.S. officials said that the admiral expressed anxiety that the disclosure might result in another scandal for the Navy, which already has been plagued with its share of embarrassments this year.

Defense Secretary William J. Perry, speaking at an Armed Forces Day gathering at Andrews Air Force Base near here, praised Boorda, who had served as chief of naval operations since April 1994 as a patriot who cared deeply about rank-and-file sailors.

"I relied on his advice, I loved his spirit and I admired his love for the Navy and its people," Perry said. "His untimely death is a terrible blow to his family but it is also a loss to the Navy, to the Department of Defense, indeed, to the nation."

Yet questions remained. Navy officials said that Boorda initially wore "Combat V" pins on two of his Vietnam war medals without specific authorization but removed them a year ago when he was questioned about it. He said that it was a mistake based on a misunderstanding.

Boorda, 57, shot himself Wednesday shortly after learning that Newsweek magazine was preparing an article about the controversy.

Military officers are divided, both over whether Boorda actually was entitled to wear the pins and over how important such an indiscretion would have been.

Roger Charles, a former Marine Corps lieutenant colonel who first investigated Boorda's record for the National Security News Service, a research organization, argued that the shame from such an error would be considerable for an officer of Boorda's high rank and position.

"It may be a real puzzle to civilians but it would be a major embarrassment for someone (like Boorda) to be caught doing this," Charles said.

But several other recently retired senior officers, who asked that they not be quoted by name, said that the question of whether Boorda mistakenly wore a Combat V pin on the two ribbons would not have been regarded as all that important.

Indeed, senior Pentagon officials expressed skepticism that much would have happened had the admiral merely owned up to the error and told civilian higher-ups that he had been mistaken. "I can't imagine" that he would have been fired, one top official said.

There appears to be considerable confusion over whether Boorda even strayed from the rules in wearing the Combat V pins.

Under current regulations, no one may wear a Combat V pin unless it is specifically authorized on the formal citation that accompanies the medal. Neither of the citations for the two Boorda medals made any mention of a Combat V pin.

A directive from the secretary of the Navy, issued in 1968 when the first of the two Boorda medals was awarded, says that the "V" may be worn only if the award is "for acts or services involving direct participation in combat operations."

But the citation for one of the two medals in question praises Boorda for "meritorious service while ... operating in combat missions," and a second for

meritorious achievement describes his service as "including combat operations."

Retired Adm. Elmo R. Zumwalt, who was chief of naval operations during one of the periods covered by Boorda's medals, said Friday that it was common practice in the mid-1960s and 1970s for recipients to wear the Combat V if they served in a combat zone.

"Anytime I got asked that sort of question, I said, 'Wear it!'" Zumwalt said in a telephone interview. "I strongly believe that Mike Boorda believed he had the right to wear it and, in my tenure, when I was CNO, I would have said: 'Yes, wear it.'"

(Optional add end)

What has particularly disturbed Boorda supporters and detractors alike is a gnawing feeling that the admiral who had achieved so much throughout his career would not have taken his own life over the Combat V issue alone.

Analysts pointed out that the CNO had been under tremendous pressure recently in handling flaps ranging from a series of crashes involving F-14 jet fighters to a scandal at the U.S. Naval Academy.

He had been under fire from a series of critics, from former Navy Secretary James Webb to an anonymous officer writing in the independent Navy Times newspaper. There is speculation that, when the latest set of charges hit, something inside him might have snapped.

Zumwalt and many other of Boorda's Navy friends believe that he might have been worried that the news media and Congress would blow the whole matter out of proportion. "I don't think what Boorda feared was the facts," one officer said. "I think what he feared was the (potential) hype."

But Navy Secretary John H. Dalton, who was in daily contact with the admiral, insisted that Boorda showed no signs of depression over his job. "He was upbeat, happy, feisty you know, he was like Boorda," Dalton said Friday. "There was no sign of anything wrong."

Senate Republicans Fault Report on Clintons' Whitewater Role (Washn) By Robert L. Jackson= (c) 1996, Los Angeles Times=

WASHINGTON Republicans on the Senate Whitewater Committee charged Friday that there were flaws and limitations in an official report the White House has claimed clears the president and Mrs. Clinton of any wrongdoing in the Whitewater case.

The focus of the committee's attention was a report prepared for the Resolution Trust Corp. at a cost of nearly \$4 million by a San Francisco-based law firm that spent two years examining the affairs of a failed Little Rock, Ark., savings and loan association at the heart of the Whitewater investigation.

Charles E. Patterson of Los Angeles, a senior partner at Pillsbury, Madison and Sutro, said the report, released in December, "was neither a castigation nor vindication" of the Clintons' role in Whitewater. But under questioning from Democratic senators, Patterson agreed with Richard Ben-Veniste, the panel's Democratic counsel, that the investigation had found no evidence of impropriety on the part of the Clintons.

The president and first lady Hillary Rodham Clinton were investors in the unsuccessful Whitewater land venture in the Ozark Mountains in the late 1970s, and Mrs. Clinton and her Little Rock law firm later performed some legal work for their investment partner, James B. McDougal, who also owned Madison Guaranty Savings & Loan.

Patterson said the RTC, which the Treasury Department assigned to recover assets of failed thrifts, had asked his law firm to determine if there was evidence of "fraud or intentional misconduct" that would allow the government to win a civil damage suit against McDougal or members of the Rose Law Firm to which Mrs. Clinton once belonged.

Patterson's testimony that no such evidence was found

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failed to satisfy Republicans on the panel, who claimed the report was inadequate and also that the White House had exaggerated its findings for political purposes.

"I find it troubling that you were very selective in interviewing witnesses, ignoring some persons who had intimate knowledge of certain events," said Sen. Frank H. Murkowski, R-Alaska. "This report was shameful, inadequate and a ripoff of the taxpayers' money."

Sen. Orrin G. Hatch, R-Utah, said: "Frankly I hope the Clintons are vindicated in the end, but I don't think this report does it."

Rushing to Patterson's defense, Sen. Paul S. Sarbanes of Maryland, the committee's ranking Democrat, told Murkowski that "just because you draw a different conclusion you ought not to disparage the work of this law firm."

Patterson said his firm has interviewed enough witnesses to form its conclusions, and noted that Independent Counsel Kenneth W. Starr kept some from being questioned in the RTC inquiry because of their involvement in his criminal investigation of Whitewater.

(Optional add end)

Also testifying Friday was the most prominent Republican who worked on the report, Jay B. Stephens, whose involvement in the investigation drew protests from the White House two years ago.

Stephens, a member of the firm and former Republican-appointed U.S. Attorney for the District of Columbia, told senators he had little to do with the inquiry even though the White House had claimed that he was its author.

"I haven't read the full report," Stephens said. "I have no basis to challenge its findings."

Stephens said his participation in the investigation diminished after presidential assistant George Stephanopoulos complained to officials of the Treasury Department, the RTC's parent agency, in early 1994 that such a well-known Republican should not play a major role in the RTC-funded probe.

Dole Departure Presages Dynamic Senate GOP Leadership Shift (Washn)By Elizabeth Shogren=(c) 1996, Los Angeles Times=

WASHINGTON Bob Dole's effort to energize his presidential race against a younger, more dynamic opponent set the stage for an equally fierce generational contest, this one for the top Senate leadership post that Dole is leaving behind.

The two candidates for the position of majority floor leader are Sen. Trent Lott of Mississippi, Dole's second-in-command and spokesman for a new generation of aggressive Senate conservatives, and fellow Mississippian Thad Cochran, who represents old-school Republicans who, like Dole, appear more willing to compromise with Democrats to get things done.

The outcome will not be certain until the election is held sometime next month. But if the tea-leaf readers are right and Lott wins the post, it will signify a dramatic changing of the guard within the ranks of Senate Republicans.

Lott, who worked closely with Speaker Newt Gingrich, R-Ga., when the two southerners served in the House together, is described by one senior Senate aide as "Newt Gingrich with table manners." Gingrich, in fact, stressed their close ties during a news conference held after Dole's resignation announcement Wednesday. "Trent Lott was my mentor at one time," he said.

Some Capitol Hill veterans already are worrying aloud about the potential impact of Dole's departure and Lott's probable ascension on the tradition of decorum and bipartisanship that has tended to distinguish the Senate from the House.

"The trend of partisanship that began several years ago will continue," despaired Sen. John McCain, R-Ariz. "Bob Dole always tried to get a bipartisan agreement

first, and then a partisan one.

I don't think that will be the custom of his replacement."

Rep. Nancy Johnson, R-Conn., a seventh-term House moderate, said she is concerned that Dole's departure means the Senate will no exert the same moderating influence on the House that it has over the last 1 1/2 years.

"The Congress as a whole will lose some of the moderating impact of Dole's leadership. Dole has a very healthy, balanced national view, and that takes years to cultivate," Johnson said. "Dole was a very, very formidable ally, and was well respected by members of the Republican Party across the board because he listened, understood and knew where the right balance was."

While some Republicans are bracing themselves against what they fear will be an onslaught of brash new GOP Turks, some conservative analysts gushed at the prospect.

"Lott would be more active, more aggressive" than Dole, said Frank Luntz, a GOP pollster and political consultant who is close to Gingrich. "It's generational change. It's fresh blood and a renewed sense of vigor."

Bruce Bartlett, senior analyst for the conservative National Center for Policy Analysis, added: "Lott is much more aggressive and much more conservative in a '90s sense. More a Gingrich type."

Lott, a 54-year-old, second-term senator, rapidly ascended to the post of majority whip, the second spot in the Senate leadership lineup, with a narrow victory last year over Sen. Alan Simpson, R-Wyo. His victory is attributable in part to a boost from Sen. Phil Gramm, R-Texas, Dole's long-time rival from the right.

Most of Lott's training came in the House, where he served from 1973 until 1989 and developed a close kinship with Gingrich and other more doctrinaire Republicans.

Cochran, 58, by contrast, has been in the Senate a decade longer than Lott, and his style reflects the years he spent in the minority. He is close to Dole and, like the outgoing majority leader, seems generally more willing to cooperate with legislators on both sides of the aisle. Cochran is a senior member of the Senate Appropriations Committee, a panel known as a bastion of bipartisanship and pragmatism.

Yet all signs indicate that Cochran's bid for the leadership is likely to be no more than a last grasp at power by a generation of pragmatic Republicans that is clearly waning in influence.

Barring an unforeseen turn of events, Lott is clearly the man to beat.

(Optional add end)

The day after Dole stunned the Capitol by announcing his resignation, Lott was seen walking around with a smug smile and a Senate roster in his pocket. While he would not say definitively if he has the 27 votes he needs to win the top job, he acknowledged: "I feel good about it."

Privately, he has told colleagues he has "close to 40" votes, and wouldn't be surprised to see Cochran drop out of the race.

As part of his campaign for majority leader, Lott has been attempting to deflate concerns about his reputation as a staunch conservative who is likely to mimic Gingrich.

"We are very close friends and we are very close philosophically. I wouldn't presume to try to deny that," Lott said. "But I'm not in any way tethered to him."

He stressed that his voting record is no more conservative than Dole's. But Senate insiders agree that Lott's style is more purist and confrontational than Dole's.

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Arkansas Fraud Jurors Seem Confused

By R.H. Melton
Washington Post Staff Writer

LITTLE ROCK, May 20—Whitewater jurors signaled their confusion today over key elements of the fraud and conspiracy charges against Gov. Jim Guy Tucker (D) and two other defendants.

On their second full day of deliberations, jurors sent presiding U.S. District Judge George Howard Jr. a note asking for a road map through the more than 700 pieces of evidence that government prosecutors entered in the trial record.

"We feel it might expedite matters," the jury wrote Howard.

Then, while defense lawyers argued with prosecutors over the propriety of giving the jury a "master index" of exhibits, jurors sent out another note saying they were "having difficulty discerning" among the

various criminal charges listed multiple times in the 21-count indictment against Tucker and former savings and loan association owner James B. McDougal and his former wife, Susan McDougal.

The McDougals were partners with President Clinton and his wife in the Whitewater real estate development while Clinton was Arkansas governor in the 1980s. Tucker and the McDougals were indicted last summer on charges that they used real estate deals to enrich themselves. After an 11-week trial, the case went to the jury of nine women and three men last week.

There was general agreement in the courtroom today that the jury needed further guidance about how to proceed.

"The court is interested in accommodating this jury," the judge said at one point, adding at another: "They're

asking for help. They need help and we're going to give it to them."

Bobby McDaniel, Susan McDougal's attorney, said outside the federal courthouse here, "The jury indicated they were confused. It may be one that's confused. It may be 12 that's confused."

Prosecutors sought during the trial to untangle the confusing web of interlocking partnerships and deals they said constituted a criminal conspiracy, and today's jury notes may have been a sign they did not altogether succeed.

The jury began deliberating with no copy of the formal indictment against Tucker and the McDougals. The judge sent one to jurors while defense lawyers and prosecutors hammered out the language in an evidence index that Howard said would be "neutral and objective."

CORRECTIONS

The affiliation of one of Ecuador's vice presidential candidates was incorrect in a story yesterday. Rosana Vinuesa Estrada is the running mate of Freddy Ehlers; Rosalia Arteaga is the running mate of Abdula Bucaram.

In a story on pop star Brandy in this week's TV Week, members of the supporting cast in her situation comedy 'Moesha' were identified incorrectly. Her father is played by William Allen Young; her step-mother by Sheryl Lee Ralph; and Marcus T. Paulk plays her little brother.

THE WASHINGTON POST
TUESDAY, MAY 21, 1996

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p PM-Whitewater Trial, 0311

Whitewater Jurors Given Indictment as Guide

Eds: Deliberations resume at 10:30 a.m. EDT

By JAMES JEFFERSON= Associated Press Writer=

LITTLE ROCK, Ark. (AP) A judge told Whitewater jurors to use the indictment as their guide after they said they were having trouble matching the voluminous evidence to the charges and needed an index.

The jury has deliberated for 19 hours since getting the case Thursday.

Gov. Jim Guy Tucker and James and Susan McDougal are accused of fraudulently obtaining \$3 million in loans from two federally backed lenders. Deliberations were to resume today.

After deliberating two hours Monday, the jury sent out a note asking for an index of the more than 700 exhibits.

While the court was considering whether to give jurors an index, the jury sent another note, saying it was having trouble matching specific transactions to the charges.

Howard then reversed a decision he made last week and gave jurors a copy of the indictment. He also ordered lawyers to draft an index in neutral language.

The jury's notes seem to rule out a quick verdict.

"They've got a lot of material to go over," said Bobby McDaniel, Mrs. McDougal's lawyer. "It's a complicated indictment."

President Clinton, Hillary Rodham Clinton and the McDougals owned Whitewater Development Corp. between 1978 and 1992.

Tucker and McDougal are accused of helping arrange loans illegally through the McDougals' Madison Guaranty Savings and Loan and David Hale's Capital Management Services Inc., a Small Business Administration-backed lending company.

Mrs. McDougal is accused of misusing a \$300,000 loan obtained from Hale's company. Hale claimed Clinton pressured him to make the loan, a claim Clinton denied in videotaped testimony played for jurors May 9.

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PRESERVATION

Jury in Whitewater trial seeks help from judge

Panel not clear on evidence, charges

By Hugh Aynesworth
THE WASHINGTON TIMES

A1

LITTLE ROCK, Ark. — The jury deliberating fraud and conspiracy charges against Gov. Jim Guy Tucker and the former business partners of President and Hillary Clinton yesterday sent the judge two notes asking for help in finding and understanding evidence in the complex trial.

First, the panel of nine women and three men asked for a master index of all exhibits, which the foreman, Sandra Wood, suggested "might expedite matters."

Then, in midafternoon as lawyers were debating the pros and cons of compiling such an index, a second note was brought to U.S. District Judge George Howard Jr.

This time, Mrs. Wood said the jury was confused by at least 15 of the 21 counts brought by the government against Mr. Tucker and James and Susan McDougal, partners with the Clintons in Whitewater Development Corp.

"We are having difficulty dis-

cerning the difference between charges that are listed multiple times," the note said. Mrs. Wood asked if the jurors could have an in-depth guide to the different charges and how each affected each defendant.

W. Ray Jahn, the lead prosecutor, suggested that one way to simplify the second request might be to give the jury a copy of the federal court indictment — which is not in evidence.

The defense noted that it had asked Judge Howard to make it a part of the record earlier, but the judge had refused.

There was discussion about how to handle deletion of those parts of the indictment that no longer remained valid — such as wording involving several counts that Judge Howard dismissed earlier this month.

Bobby McDaniel, one of Mrs. McDougal's attorneys, successfully sought to have the indictment delivered to the jurors in its en-

see JURY, page A16

JURY

From page A1

tirety because, he said, "I don't think any of us has the authority to redact, modify or amend that document."

A copy of the indictment soon was delivered by U.S. marshals, but controversy remained about the proposed index of exhibits.

The defense argued that to send any list of exhibits into the jury room during deliberations was flirting with reversible error.

"To introduce such a list," said George Collins, one of Mr. Tucker's attorneys, "would be to unduly emphasize documentary evidence over that given orally — paper evidence over people evidence."

When the second note from jurors arrived at 1:43 p.m. — in the midst of arguments about the exhibit list — it seemed that jurors were perhaps more confused than originally thought.

The government already had fashioned an index of sorts to help identify the more than 700 exhibits, and Judge Howard gave it the responsibility of changing whatever wording in the guide that might be prejudicial to the defen-

A note from jury foreman Sandra Wood said a master index of all exhibits "might expedite matters." "We are having difficulty discerning the difference between charges that are listed multiple times," the note said.

dants.

At 2 p.m., the judge gave the government an hour to straighten out the matter. At shortly past 5 p.m., lawyers were still exchanging handwritten "suggestions" of what they considered more neutral references.

All trial participants and Judge Howard cited appellate court decisions dealing with similar intrusion into jury deliberations, but none matched exactly the current situation.

Despite being warned by defense attorneys that offering such a non-evidentiary document might eventually prove unacceptable to higher courts, Mr. Howard ordered the index prepared.

The government was ordered to have its edited index ready by this morning, when the defense must

decide whether it agrees with the wording.

Mr. Tucker and the McDougals are charged with multiple counts of fraud and conspiracy. They are accused of using various schemes to defraud the government of \$3.13 million in bogus loans through Madison Guaranty Savings and Loan Association and Capital-Management Services Inc.

Madison, owned by the McDougals, and Capital-Management, a lending agency licensed by the Small Business Administration and owned by David L. Hale, a former municipal judge in Little Rock, are focuses of the ongoing Whitewater investigation.

Hale, who pleaded guilty last year to unrelated charges of SBA fraud, was the government's chief witness during the trial.

The Washington Times
TUESDAY, MAY 21, 1996 *

presidential nominee. In a close race between the two, the results in such Midwestern states could determine the outcome.

Military Officials, Colleagues Stumped by Boorda's Suicide(Washn)By Art Pine= (c) 1996, Los Angeles Times=

WASHINGTON Military officials and colleagues of Adm. Jeremy Michael Boorda strained Friday to understand why questions raised about his service decorations would have prompted him to take his own life, as apparently indicated by suicide notes he left behind.

Amid an outpouring of sympathy over the personal tragedy that befell the Navy's former top admiral, civilian officials and military personnel in the Pentagon's offices and hallways were at a loss to explain how Boorda could have reacted so strongly.

Although the Navy declined to make the notes public, U.S. officials said that the admiral expressed anxiety that the disclosure might result in another scandal for the Navy, which already has been plagued with its share of embarrassments this year.

Defense Secretary William J. Perry, speaking at an Armed Forces Day gathering at Andrews Air Force Base near here, praised Boorda who had served as chief of naval operations since April 1994 as a patriot who cared deeply about rank-and-file sailors.

"I relied on his advice, I loved his spirit and I admired his love for the Navy and its people," Perry said. "His untimely death is a terrible blow to his family but it is also a loss to the Navy, to the Department of Defense, indeed, to the nation."

Yet questions remained. Navy officials said that Boorda initially wore "Combat V" pins on two of his Vietnam war medals without specific authorization but removed them a year ago when he was questioned about it. He said that it was a mistake based on a misunderstanding.

Boorda, 57, shot himself Wednesday shortly after learning that Newsweek magazine was preparing an article about the controversy.

Military officers are divided, both over whether Boorda actually was entitled to wear the pins and over how important such an indiscretion would have been.

Roger Charles, a former Marine Corps lieutenant colonel who first investigated Boorda's record for the National Security News Service, a research organization, argued that the shame from such an error would be considerable for an officer of Boorda's high rank and position.

"It may be a real puzzle to civilians but it would be a major embarrassment for someone (like Boorda) to be caught doing this," Charles said.

But several other recently retired senior officers, who asked that they not be quoted by name, said that the question of whether Boorda mistakenly wore a Combat V pin on the two ribbons would not have been regarded as all that important.

Indeed, senior Pentagon officials expressed skepticism that much would have happened had the admiral merely owned up to the error and told civilian higher-ups that he had been mistaken. "I can't imagine" that he would have been fired, one top official said.

There appears to be considerable confusion over whether Boorda even strayed from the rules in wearing the Combat V pins.

Under current regulations, no one may wear a Combat V pin unless it is specifically authorized on the formal citation that accompanies the medal. Neither of the citations for the two Boorda medals made any mention of a Combat V pin.

A directive from the secretary of the Navy, issued in 1965 when the first of the two Boorda medals was awarded, says that the "V" may be worn only if the award is "for acts or services involving direct participation in combat operations."

But the citation for one of the two medals in question praises Boorda for "meritorious service while ... operating in combat missions," and a second for

meritorious achievement describes his service as "including combat operations."

Retired Adm. Elmo R. Zumwalt, who was chief of naval operations during one of the periods covered by Boorda's medals, said Friday that it was common practice in the mid-1960s and 1970s for recipients to wear the Combat V if they served in a combat zone.

"Anytime I got asked that sort of question, I said, 'Wear it!'" Zumwalt said in a telephone interview. "I strongly believe that Mike Boorda believed he had the right to wear it and, in my tenure, when I was CNO, I would have said: 'Yes, wear it.'"

(Optional add end)

What has particularly disturbed Boorda supporters and detractors alike is a gnawing feeling that the admiral who had achieved so much throughout his career would not have taken his own life over the Combat V issue alone.

Analysts pointed out that the CNO had been under tremendous pressure recently in handling flaps ranging from a series of crashes involving F-14 jet fighters to a scandal at the U.S. Naval Academy.

He had been under fire from a series of critics, from former Navy Secretary James Webb to an anonymous officer writing in the independent Navy Times newspaper. There is speculation that, when the latest set of charges hit, something inside him might have snapped.

Zumwalt and many other of Boorda's Navy friends believe that he might have been worried that the news media and Congress would blow the whole matter out of proportion. "I don't think what Boorda feared was the facts," one officer said. "I think what he feared was the (potential) hype."

But Navy Secretary John H. Dalton, who was in daily contact with the admiral, insisted that Boorda showed no signs of depression over his job. "He was upbeat, happy, feisty you know, he was like Boorda," Dalton said Friday. "There was no sign of anything wrong."

Senate Republicans Fault Report on Clintons' Whitewater Role (Washn)By Robert L. Jackson= (c) 1996, Los Angeles Times=

WASHINGTON Republicans on the Senate Whitewater Committee charged Friday that there were flaws and limitations in an official report the White House has claimed clears the president and Mrs. Clinton of any wrongdoing in the Whitewater case.

The focus of the committee's attention was a report prepared for the Resolution Trust Corp. at a cost of nearly \$4 million by a San Francisco-based law firm that spent two years examining the affairs of a failed Little Rock, Ark., savings and loan association at the heart of the Whitewater investigation.

Charles E. Patterson of Los Angeles, a senior partner at Pillsbury, Madison and Sutro, said the report, released in December, "was neither a castigation nor vindication" of the Clintons' role in Whitewater. But under questioning from Democratic senators, Patterson agreed with Richard Ben-Veniste, the panel's Democratic counsel, that the investigation had found no evidence of impropriety on the part of the Clintons.

The president and first lady Hillary Rodham Clinton were investors in the unsuccessful Whitewater land venture in the Ozark Mountains in the late 1970s, and Mrs. Clinton and her Little Rock law firm later performed some legal work for their investment partner, James B. McDougal, who also owned Madison Guaranty Savings & Loan.

Patterson said the RTC, which the Treasury Department assigned to recover assets of failed thrifts, had asked his law firm to determine if there was evidence of "fraud or intentional misconduct" that would allow the government to win a civil damage suit against McDougal or members of the Rose Law Firm to which Mrs. Clinton once belonged.

Patterson's testimony that no such evidence was found

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failed to satisfy Republicans on the panel, who claimed the report was inadequate and also that the White House had exaggerated its findings for political purposes.

"I find it troubling that you were very selective in interviewing witnesses, ignoring some persons who had intimate knowledge of certain events," said Sen. Frank H. Murkowski, R-Alaska. "This report was shameful, inadequate and a ripoff of the taxpayers' money."

Sen. Orrin G. Hatch, R-Utah, said: "Frankly I hope the Clintons are vindicated in the end, but I don't think this report does it."

Rushing to Patterson's defense, Sen. Paul S. Sarbanes of Maryland, the committee's ranking Democrat, told Murkowski that "just because you draw a different conclusion you ought not to disparage the work of this law firm."

Patterson said his firm has interviewed enough witnesses to form its conclusions, and noted that Independent Counsel Kenneth W. Starr kept some from being questioned in the RTC inquiry because of their involvement in his criminal investigation of Whitewater.

(Optional add end)

Also testifying Friday was the most prominent Republican who worked on the report, Jay B. Stephens, whose involvement in the investigation drew protests from the White House two years ago.

Stephens, a member of the firm and former Republican-appointed U.S. Attorney for the District of Columbia, told senators he had little to do with the inquiry even though the White House had claimed that he was its author.

"I haven't read the full report," Stephens said. "I have no basis to challenge its findings."

Stephens said his participation in the investigation diminished after presidential assistant George Stephanopoulos complained to officials of the Treasury Department, the RTC's parent agency, in early 1994 that such a well-known Republican should not play a major role in the RTC-funded probe.

Dole Departure Presages Dynamic Senate GOP Leadership Shift (Washn) By Elizabeth Shogren- (c) 1996, Los Angeles Times=

WASHINGTON Bob Dole's effort to energize his presidential race against a younger, more dynamic opponent has set the stage for an equally fierce generational contest, this for the top Senate leadership post that Dole is leaving behind.

The two candidates for the position of majority floor leader are Sen. Trent Lott of Mississippi, Dole's on-and-in-command and spokesman for a new generation of aggressive Senate conservatives, and fellow Mississippian Thad Cochran, who represents old-school Republicans who, like Dole, appear more willing to compromise with Democrats to get things done.

The outcome will not be certain until the election is held sometime next month. But if the tea-leaf readers are right and Lott wins the post, it will signify a dramatic changing of the guard within the ranks of Senate Republicans.

Lott, who worked closely with Speaker Newt Gingrich, R-Ga., when the two southerners served in the House together, is described by one senior Senate aide as "Newt Gingrich with table manners." Gingrich, in fact, stressed their close ties during a news conference held after Dole's resignation announcement Wednesday. "Trent Lott was my mentor at one time," he said.

Some Capitol Hill veterans already are worrying aloud about the potential impact of Dole's departure and Lott's probable ascension on the tradition of decorum and bipartisanship that has tended to distinguish the Senate from the House.

"The trend of partisanship that began several years ago will continue," despaired Sen. John McCain, R-Ariz. "Bob Dole always tried to get a bipartisan agreement

first, and then a partisan one.

I don't think that will be the custom of his replacement."

Rep. Nancy Johnson, R-Conn., a seventh-term House moderate, said she is concerned that Dole's departure means the Senate will no exert the same moderating influence on the House that it has over the last 1 1/2 years.

"The Congress as a whole will lose some of the moderating impact of Dole's leadership. Dole has a very healthy, balanced national view, and that takes years to cultivate," Johnson said. "Dole was a very, very formidable ally, and was well respected by members of the Republican Party across the board because he listened, understood and knew where the right balance was."

While some Republicans are bracing themselves against what they fear will be an onslaught of brash new GOP Turks, some conservative analysts gushed at the prospect.

"Lott would be more active, more aggressive" than Dole, said Frank Luntz, a GOP pollster and political consultant who is close to Gingrich. "It's generational change. It's fresh blood and a renewed sense of vigor."

Bruce Bartlett, senior analyst for the conservative National Center for Policy Analysis, added: "Lott is much more aggressive and much more conservative in a '90s sense. More a Gingrich type."

Lott, a 54-year-old, second-term senator, rapidly ascended to the post of majority whip, the second spot in the Senate leadership lineup, with a narrow victory last year over Sen. Alan Simpson, R-Wyo. His victory is attributable in part to a boost from Sen. Phil Gramm, R-Texas, Dole's long-time rival from the right.

Most of Lott's training came in the House, where he served from 1973 until 1989 and developed a close kinship with Gingrich and other more doctrinaire Republicans.

Cochran, 58, by contrast, has been in the Senate a decade longer than Lott, and his style reflects the years he spent in the minority. He is close to Dole and, like the outgoing majority leader, seems generally more willing to cooperate with legislators on both sides of the aisle. Cochran is a senior member of the Senate Appropriations Committee, a panel known as a bastion of bipartisanship and pragmatism.

Yet all signs indicate that Cochran's bid for the leadership is likely to be no more than a last grasp at power by a generation of pragmatic Republicans that is clearly waning in influence.

Barring an unforeseen turn of events, Lott is clearly the man to beat.

(Optional add end)

The day after Dole stunned the Capitol by announcing his resignation, Lott was seen walking around with a smug smile and a Senate roster in his pocket. While he would not say definitively if he has the 27 votes he needs to win the top job, he acknowledged: "I feel good about it."

Privately, he has told colleagues he has "close to 40" votes, and wouldn't be surprised to see Cochran drop out of the race.

As part of his campaign for majority leader, Lott has been attempting to deflate concerns about his reputation as a staunch conservative who is likely to mimic Gingrich.

"We are very close friends and we are very close philosophically. I wouldn't presume to try to deny that," Lott said. "But I'm not in any way tethered to him."

He stressed that his voting record is no more conservative than Dole's. But Senate insiders agree that Lott's style is more purist and confrontational than Dole's.

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

Whitewater Hearing: Did Reports Exonerate Clintons? (Washn)

By Charles V. Zehren= (c) 1996, Newsday=

WASHINGTON White House officials and congressional Democrats have consistently argued that two recent Whitewater reports by the Resolution Trust Corp. were authored by a partisan Republican who exonerated President Clinton and his wife, Hillary Rodham Clinton, of all alleged wrongdoing in the vast and complicated affair.

But on the 57th and perhaps last day of Senate Whitewater Committee hearings Friday, the lawyers who completed the reports denied they vindicated the Clintons and said Republican former prosecutor Jay Stephens played only a minor role in the \$4 million investigation.

Indeed, Stephens testified he did not head the inquiry, never read the completed reports, and refused when Senior RTC Counsel Mark Gabrellian asked him to place his "imprimatur" on the final drafts. "It was not our purpose to vindicate," Stephens said.

Under questioning from Democratic Counsel Richard Ben-Veniste, the witnesses affirmed findings in their reports favorable to the Clintons. There is no basis to file civil suits against the Clintons, who were passive investors in the money-losing Whitewater investment, they said.

Nevertheless, the witnesses asserted that the report's central conclusion had nothing to do with the Clintons' guilt or innocence and everything to do with the fact that the costs of litigating Resolution Trust Corp. claims would likely exceed any possible recovery for the taxpayers.

Republican investigators are still deposing witnesses, and future hearings are possible. But Chairman Sen. Alfonse D'Amato, R-N.Y., said afterward that the committee has scheduled no new proceedings before the panel's mandate expires June 17.

David Hale convicted Arkansas financier, Clinton's accuser, and lead prosecution witness in the Arkansas trial of Gov. Jim Guy Tucker and James and Susan McDougal is under subpoena and tentatively to be deposed by committee investigators May 24, D'Amato said. Hale may then testify before the panel June 4 if he does not assert his Fifth Amendment right preventing self-incrimination, D'Amato said.

Hale "has not finally decided one way or another" to invoke the Fifth Amendment, his attorney, Theodore Olson of Washington, D.C., told Newsday Friday.

(Optional add end)

D'Amato and Republican Counsel Robert Giuffra tangled Friday with ranking minority member Sen. Paul Sarbanes, D-Md., in questioning Stephens along with his partners at the San Francisco-based law firm of Pillsbury, Madison & Sutro, Charles Patterson and Bruce Ericson, who coordinated the investigation and drafted the reports.

Amid mounting political pressure from Republicans, the Resolution Trust Corp., the federal thrift bailout agency whose top managers are controlled by the White House, hired Pillsbury in February 1994 to investigate the \$65 million failure in 1989 of Madison Guaranty Savings & Loan and its hiring of Hillary Clinton's Rose Law Firm.

Ericson and Peterson then denied skewing their findings to suit Resolution Trust Corp. officials. But in downplaying his role, Stephens suggested that RTC officials leaned on Pillsbury not to interview some key Whitewater figures.

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(ATTN: National editors) (Includes optional trims)

Hillary Fingerprints Question Prompts Senator Shouting Match (Washn)

By Robert L. Jackson= (c) 1996, Los Angeles Times=

WASHINGTON A Senate Whitewater Committee hearing erupted into a partisan shouting match Thursday over efforts to confirm that the fingerprints of first lady Hillary Rodham Clinton were found on long-sought law firm billing records.

The furor arose when Whitewater Committee Chairman Alfonse M. D'Amato, R-N.Y., proposed that the FBI be subpoenaed to produce its laboratory analysis of the law firm records, which reportedly contain the first lady's prints.

D'Amato said the subpoena is necessary because Independent Counsel Kenneth W. Starr, who is conducting a federal grand jury inquiry into the sudden appearance of the subpoenaed documents last January, refused a request by the panel to furnish his FBI analysis.

"Let's not drag the FBI into this," exclaimed Sen. Paul S. Sarbanes, Md., the committee's ranking Democrat, interrupting D'Amato in mid-sentence.

"We should deal with Mr. Starr. The FBI agents are working for him. I don't want to drag the FBI into a political situation."

"Don't raise your voice to me, senator," D'Amato rejoined. "We're not getting a satisfactory resolution from the independent counsel."

As both senators angrily tried to make points at the same time, Sarbanes shouted: "Leave the FBI out of it!" He argued that subpoenaing the FBI would put its director, Louis J. Freeh, in an "untenable position" because his agents have been on loan to Starr.

"I'm sorry you're interpreting it that way," D'Amato said, banging his gavel for order. "Nobody's talking about politics except yourself. I think you cry too much."

D'Amato finally relented by saying the subpoena would be sent to Starr, with the option of sending one later to Freeh. Legal experts said such subpoenas would be of dubious legality since Starr's grand jury inquiry is constitutionally protected from outside influence.

"I have to believe this is an effort to stall these hearings, for whatever reason," D'Amato said, glaring at Sarbanes. He noted that the committee must conclude its investigation by June 14 under terms of a Senate vote taken last month.

The panel, as well as Starr, has been trying to determine if anyone at the White House deliberately withheld billing records of Mrs. Clinton's former Little Rock law firm. The records were subpoenaed by authorities two years ago.

Copies of the records suddenly appeared in the White House last January, outside Mrs. Clinton's private office. Although no one in the White House has been able to explain where the documents had been, Republicans have charged that the first lady might have deliberately concealed them, an accusation she has repeatedly denied.

Before the shouting arose, Republicans renewed their challenge to the first lady's credibility by eliciting testimony from two Arkansas witnesses who disputed her recollection of how her former law firm came to represent Madison Guaranty Savings & Loan, a failed thrift at the center of the Whitewater investigation.

(Optional add end)

John Latham, former president of the thrift, repeated testimony he gave last year to the Resolution Trust Corp. that James B. McDougal, Madison's owner, proposed using the Rose Law Firm in 1985 because of his friendship with then Gov. Clinton and his wife.

McDougal was a partner of the Clintons in their investment in the Whitewater Development Corp.

David Knight, a former partner in the Rose firm, told senators he and

Richard Massey, another Rose lawyer, had an earlier lunch with Latham to try to win the account, but that nothing had come of it.

Mrs. Clinton told RTC investigators she believed Massey had brought the Madison account to the law firm a statement Massey himself has said he doubts.

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PM-Whitewater Senate, Ark Bjt,550
New Questions Arising On First Lady's Legal Work For S&L
tpwdc

By MARCY GORDON= Associated Press Writer=

WASHINGTON (AP) New questions are being raised about Hillary Rodham Clinton's legal work for a failed Arkansas thrift owned by the Clintons' Whitewater partner.

Meanwhile, the Republican chairman of the Senate Whitewater Committee reluctantly agreed Thursday to subpoena the Whitewater independent prosecutor not the FBI for an FBI analysis that is said to show Mrs. Clinton's fingerprints on her former law firm's billing records discovered in the White House residence.

The decision by Sen. Alfonse D'Amato, R-N.Y., followed one of the nastiest partisan exchanges to date in the panel's year-long hearings. It started when D'Amato disclosed that independent prosecutor Kenneth Starr had turned down the panel's recent request for the FBI analysis of the Rose Law Firm billing records. The next step is to subpoena the FBI, D'Amato said.

Sen. Paul Sarbanes of Maryland, the committee's senior Democrat, insisted that it should be Starr, who is conducting a separate criminal investigation, and not the FBI.

Questions about the first lady's work for Madison Guaranty Savings and Loan, the failed S&L owned by Whitewater partner James McDougal, have intensified since January, when the long-sought legal billing records turned up. Recent evidence assembled by Starr's prosecutors calls into question her sworn account of a meeting she had with McDougal a decade ago.

In Little Rock on Thursday, the jury in the federal fraud case against McDougal, his ex-wife and Arkansas Gov. Jim Guy Tucker began deliberating, weighing the word of the president against that of a small-town felon.

Mrs. Clinton has maintained since the 1992 campaign that she met with McDougal in April 1985 to discuss an overdue bill from her law firm.

But Gary Bunch, the former president at a McDougal-owned bank that owed the money, testified Thursday that the bill was paid off in the fall of 1984, well before Mrs. Clinton's meeting with McDougal. Bunch has said he was interviewed by the FBI about the matter recently.

Bunch also said it was McDougal who decided to pay the \$5,800 bill in 1984. That means McDougal would have known it had been paid when he met with Mrs. Clinton in April 1985 and could have told her the bill was no longer overdue.

Republicans also are questioning the first lady's previous statements that Richard Massey, a fellow attorney at the Rose firm, was largely responsible for bringing in Madison Guaranty as a client. Massey told the committee several months ago, "I don't believe it happened that way."

Former Madison chief executive John Latham testified Thursday he did not know why McDougal made the decision to hire the Rose firm.

David Knight, a former partner with Mrs. Clinton at the law firm, said he came away from a lunch meeting with Latham and other Madison executives at which he had made a pitch for their business with no expectation of getting it. Knight said he later learned that Massey had been engaged to do important work for Madison, replacing a law firm that, he had been told, the thrift was happy with.

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Former Travel Office Workers Sue Clinton Hollywood Friend

By Tohi Lucy
Washington Post Staff Writer

The seven longtime employees of the White House Travel Office who were fired in the early days of the Clinton administration filed a lawsuit yesterday against Hollywood producer and Clinton friend Harry Thomason and a business partner, blaming the two men for orchestrating their firings.

In the civil suit filed in U.S. District Court in Washington, the former travel office employees—including the former director, Billy R. Dale, who was acquitted of embezzlement charges last year—are seeking

\$23 million in damages from Thomason and Darnell Martens for "unlawfully interfering" with their employment by spreading unfounded rumors that they were corrupt.

Attorneys Steven C. Tabackman, Thomas E. Patton and Jed L. Babin, who represent the fired workers, said in the suit that Thomason and Martens wanted the business of booking air charters for the press corps that follows the president. Their aviation consulting company, Thomason, Richland and Martens, had similar duties with the 1992 Clinton-Gore election campaign.

Subsequent investigations by the White House and the General Ac-

counting Office portrayed Thomason and Martens as key players in the fringes. Thomason told the first lady and the president that he had heard about corruption in the office and kept pressing for the employees to be fired, the reports said.

"In order to take over the travel office and to reap the financial benefits of it, Mr. Thomason and Mr. Martens basically convinced people in the White House that all of the plaintiffs were engaged in illegal activities," Tabackman said. "There has never been any support for those allegations. After suffering the consequences . . . and thinking long and hard . . . the travel office

employees think they were entitled to be compensated for the wrongs they have suffered at the hands of Mr. Thomason and Mr. Martens."

Thomason's attorney Robert S. Bennett said: "Mr. Thomason is sick and tired of Mr. Dale's self-righteous nonsense and will vigorously contest this action. This is a reckless abuse of the legal process by Mr. Dale and his colleagues in the travel office."

Martens, who runs Aviation Research Group in Cincinnati, did not return a phone call yesterday.

The lawsuit said Martens planned to use Thomason's close ties at the White House to get gov-

ernment business but was rebuffed when he talked to Dale.

On May 19, 1993, the White House announced that the seven employees were being fired and that the FBI was investigating the office's operations. But during the criticism that followed, the White House quickly backtracked, agreeing to find other jobs for five of the seven workers. One worker retired, while Dale, who had worked at the White House for 32 years, became the target of a federal investigation and was charged with stealing \$68,000 from the office. In November, a jury acquitted him.

Arkansas Fraud Case Goes to Jury McDougal, Tucker Await the Verdict

By R.H. Melton
Washington Post Staff Writer

LITTLE ROCK, May 16—Now the Whitewater wait begins.

Juries in the fraud and conspiracy case against President Clinton's Whitewater business partners and Arkansas Gov. Jim Guy Tucker (D) walked in a somber single file today as they left the courtroom and began deliberating their verdicts after an 11-week trial.

U.S. District Court Judge George Howard Jr. instructed jurors on points of law and the specifics of the criminal case for more than two hours, reminding them at one point to read nothing into Tucker's decision against testifying in his own defense.

"The fact that a defendant did not testify must not be considered

"I'm not jittery at all."

— James R. McDougal

by you in any way," Howard said.

Lawyers on the government's prosecution team and defense attorneys said privately they expect the jury to deliberate well into next week, given the complexities of the case against Tucker and former savings and loan association owner James R. McDougal and his former wife, Susan McDougal.

The trio, charged in a case brought by independent counsel Kenneth W. Starr, were indicted on charges that they set up an elaborate real estate development scheme that funneled \$3 million their way.

Prosecutors contend that \$50,000 from one illegal loan went into the Whitewater real estate venture at a time when the Clintons and the McDougals were partners in it. The Clintons were not charged in this case.

Throughout the trial in the federal courthouse here, several of the jurors took copious notes, keeping them in thick three-ring binders. Lawyers speculated that could also lengthen the deliberations, as jurors pore over their notes on the complexities of the 21-count indictment.

Today, as the noonday sun sent temperatures into the 90s, McDougal said he was confident he would prevail over the prosecutors.

"I have kicked their butts," he said. "I'm not jittery at all."

THE WASHINGTON POST
FRIDAY, MAY 17, 1996

PHOTOCOPY
PRESERVATION

Panel OKs fingerprint subpoena of Starr

FBI's evidence on Hillary sought

By Jerry Seper
THE WASHINGTON TIMES

The special Senate Whitewater committee agreed yesterday to subpoena independent counsel Kenneth W. Starr for an FBI analysis purportedly showing that Hillary Rodham Clinton's fingerprints were found on Rose Law Firm billing records discovered in the White House living quarters.

The agreement followed a bitter partisan exchange between Committee Chairman Alfonse M. D'Amato, New York Republican, and its ranking Democrat, Paul S. Sarbanes of Maryland, which ended when an angry Mr. D'Amato used his gavel to pound the hearings to a close.

"Stop the nonsense!" Mr. D'Amato shouted at Mr. Sarbanes as he tried to cut off the Democrat's charge of politicizing the hearings. "Politics, politics, politics! I think you try too much." Mr. D'Amato then declared the meeting in recess and walked out, saying: "I don't want to talk about it anymore."

The committee earlier heard testimony further contradicting Mrs. Clinton's sworn statement to the Resolution Trust Corp. that a junior lawyer at the Rose firm initiated the signing up of a failing Arkansas thrift for legal work, and that she acted only in an effort to get the thrift's owner, Jame B. McDougal, to pay a past-due bill.

An Arkansas bank president testified that the bill had been paid off six months before Mrs. Clinton swore she met with Mr. McDougal to discuss it.

Mr. Sarbanes ignited the firestorm by accusing Mr. D'Amato of playing politics in seeking to serve a subpoena for the analysis on FBI Director Louis J. Freeh. "You're trying to play a political game with the FBI," said Mr. Sarbanes, saying the subpoena should be served on Mr. Starr. "I know these hearings have a heavy political content, but at least let's not drag the FBI into that political pit."

Mr. D'Amato denied he was trying to play politics and warned Mr. Sarbanes not to "raise your voice to me." He said: "I resent the senator saying that I am trying to politicize it. . . . You know that's not right."

The chairman, along with Majority Counsel Michael Chertoff, said other subpoenas had been issued to both the FBI and the Justice Department in the committee's yearlong investigation, and that in the case of the fingerprint analysis, the FBI was the proper place for the panel's newest subpoena.

STARR

From page A1

Mr. D'Amato noted that Mr. Starr already had turned down a request by the panel for the document but agreed to direct the subpoena to Mr. Starr "as a sign of good faith" with his Democratic colleagues. He said, however, that he expected Mr. Starr to refer the matter to the FBI.

FBI fingerprint experts who examined the billing records purportedly discovered the first lady's prints among the 166 pages of Rose firm documents. The records, under subpoena for two years, describe Mrs. Clinton's legal work for Madison Guaranty Savings and Loan Association, a now-defunct Arkansas thrift owned by Mr. McDougal and his ex-wife, Susan, partners with the Clintons in Whitewater Development Corp.

The committee wants to know how the records came to be discovered in the White House residence and who may have handled them. They appear to contradict Mrs.

Clinton's public and sworn statements that she had little or nothing to do with Madison's legal representation.

The panel yesterday also heard testimony again contradicting Mrs. Clinton's claims that a lawyer at the Rose firm, Richard Massey, had initiated the signing of Madison for legal work. Mr. Massey testified some months ago that he did not believe "it happened that way."

John Latham, Madison's former president, and David Knight, a Rose partner, testified they did not believe Mr. Massey approached Mrs. Clinton in 1985 to open the Madison account — as Mrs. Clinton said in her sworn RTC statement. Mr. Knight said he "pitched" the Rose business to Mr. Latham during a Little Rock luncheon, but Mr. Latham said any decision on legal work had to come from Mr. McDougal.

Last year, Mrs. Clinton said in her sworn RTC statement that she had little to do with the Madison account and that Mr. Massey, then a first-year lawyer at the firm, was responsible for bringing the thrift to Rose as a client. She testified

that Mr. Massey "approached me about presenting this proposal to Jim McDougal because he was aware that I knew him."

Mrs. Clinton, according to her RTC statement, said Mr. Massey also asked her to talk with Mr. McDougal before any new arrangement about paying a past-due bill for legal services.

She told the RTC she visited Mr. McDougal's office on April 23, 1985, and "told him I understood Latham wanted Massey to do some work for Madison Guaranty, but that our firm would not let Massey proceed until the previous bill was paid. . . . McDougal agreed Massey could proceed with the work and informed me he would arrange to pay the past-due bill."

But Gary W. Bunch, president of Madison Bank & Trust, testified that the past-due bill for services in a 1982 suit already had been paid. He said the bank worked out a \$5,000 settlement with the Rose firm and paid the bill off on Oct. 23, 1984.

"We weren't in any hurry to pay it, but we did," Mr. Bunch said.

The Washington Times

* FRIDAY, MAY 17, 1996

PHOTOCOPY
PRESERVATION

At itewater, errors begin mulling McDougals', Tucker's fraud case

By Hugh Aynesworth
THE WASHINGTON TIMES

LITTLE ROCK, Ark. — After hearing dozens of witnesses and viewing at least 1,100 documents, a jury of nine women and three men yesterday began deliberating the government's fraud and conspiracy case against the governor of Arkansas and the former business partners of President and Hillary Rodham Clinton.

U.S. District Judge George Howard Jr. spent nearly two hours explaining the complex, 21-count indictment against Gov. Jim Guy Tucker and James and Susan McDougal. The charges include conspiracy, mail and wire fraud, making false statements on loan applications and using the proceeds of alleged fraudulent loans for purposes other than were stated to lenders.

Though the judge dismissed eight charges against Mrs. McDougal and Mr. Tucker on May 6, Mrs. McDougal still faces four counts and Mr. Tucker seven counts. Mr. McDougal faces all 19 counts under which he originally was charged.

During three days of closing arguments, defense attorneys ridiculed the government's chief witness, David L. Hale, a former municipal judge whose testimony placed all three defendants at the center of a Byzantine illegal loan conspiracy a decade ago.

In his own summation, lead prosecutor W. Ray Jahn conceded that Hale, who has pleaded guilty to unrelated financial crimes, is not a paragon of virtue, but said his testimony had been buttressed by mountains of documentary evidence.

At the same time, in an apparent effort to counter the attacks on the witness, Mr. Jahn tried to downplay Hale's importance to the case. The defense, he said, has tried to make the verdict hinge entirely on Hale's version of several shady deals.

"We did not choose David Hale as our witness," the prosecutor said. "David Hale was here because he was involved in business transactions with these defendants, because he engaged in criminal activities."

Hale, the mastermind of a bogus loan mill for several years in the 1980s, plea-bargained for a lesser sentence, though he was obviously involved in massive duplicity with his Capital Management Services Inc., which siphoned millions in loans through the Small Business

Administration (SBA).

Hale had been charged with four felonies and could have faced up to 10 years in prison, fines totaling \$500,000 and \$3.4 million in reimbursements. In a bargain with prosecutors, he pleaded guilty to two felonies, was fined \$10,000 and agreed to repay \$2 million to the government. Facing up to 57 months in prison, he was sentenced to only 28 months.

Defense attorneys sought to disassociate their clients from Hale's admitted scams. They didn't read the fine print; it never happened; Hale lied; they didn't know it was illegal.

Hale also had testified about an alleged meeting in 1985 with Mr. McDougal and Mr. Clinton, then the governor, where a plot was hatched to issue a fraudulent \$300,000 loan in Mrs. McDougal's name. Later Hale said he believed that Mr. Clinton had been given some of that loan's proceeds.

Last week, the president's videotaped testimony was played in

the courtroom. Mr. Clinton denied any such meeting, said he never received any money and, in fact, could not recall a single business discussion ever with Hale.

Thomason, partner sued by Dale, ex-aides

\$28.5 million action says they prompted firings

By Paul Bedard
THE WASHINGTON TIMES

President Clinton's Hollywood pal Harry Thomason and a business partner were hit yesterday with a surprise \$28.5 million lawsuit charging that he lied to get the so-called "Travelgate Seven" fired.

"I'm not trying to get even. There's no way to get even for all we've been through," Billy R. Dale, former director of the White House travel office, said of Mr. Thomason and Darnell Martens.

The suit charges that Mr. Thomason smeared the workers with false charges of corruption, kickbacks and other illegal acts to persuade the White House to fire them and steer business to his and Mr. Martens' jet-chartering business. Mr. Dale and his six aides were fired May 19, 1993.

The suit claims that Mr. Thomason, a TV producer, went to his friend first lady Hillary Rodham Clinton and used his unofficial position as chief of White House media productions to suggest that the firings would help the president win good press at a time when he was down in public opinion polls.

The suit says Mr. Martens urged Mr. Thomason to win the firings in order to pave the way for their jet-chartering company to take over the travel office.

Internal White House documents released by the House Government Reform and Oversight Committee detail Mr. Thomason's role in the affair and his efforts to convince the first lady and others that the travel office was corrupt.

Mr. Dale and his former aides charged Mr. Martens and Mr. Thomason with "intentional interference with an employment relationship" and "intentional infliction of emotional distress."

"We believe that the persons ultimately responsible for spreading the outrageous lies that led to the firings were Harry Thomason and Darnell Martens," said Steven C. Tabackman, Mr. Dale's attorney.

The others joining Mr. Dale in the suit are Gary Wright, Barnaby Brasseux, John Dreyfeller, Ralph Maughan, John McSweeney, and Robert Van Eimeren.

Together, they are seeking \$25 million in punitive damages and \$3.5 million in actual damages.

The suit marks a sensational step by Mr. Dale toward restoring his reputation after being tarnished in the Travelgate affair and a subsequent three-week federal trial on embezzlement charges.

Mr. Dale, a lifelong federal employee from Clinton, Md., was acquitted of all charges by a jury that deliberated for less than two hours.

The former travel office workers — five of whom have been rehired by the government — remain bitter that the White House fired them without notice or justification and forced several to leave the building in a van with no seats before clearing out their desks.

White House aides told reporters at the time that the aides were involved in gross

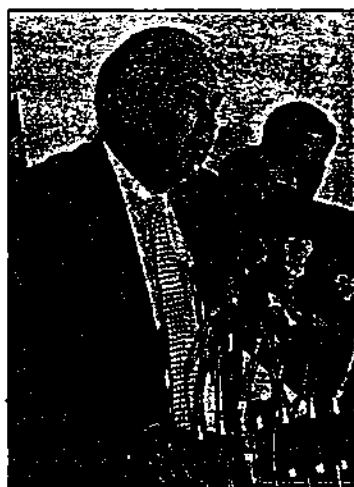


Photo by Catherine Curtis/The Washington Times
Billy R. Dale tells a Capitol Hill news conference yesterday, "There's no way to get even for all we've been through."

mismanagement of the travel office and corruption, but an audit used to bolster those charges found simple mismanagement.

The administration subsequently apologized to all but Mr. Dale and Mr. Wright. Mr. Clinton apologized to Mr. Dale after his acquittal, but the administration's attorneys continued to describe Mr. Dale as a crook.

The suit comes as Mr. Dale is awaiting Senate action on a private relief bill to pay his outstanding \$500,000 legal bill. The House has overwhelmingly approved the bill, and Mr. Clinton has promised to sign it, but Democrats are stalling action.

Mr. Thomason's attorney, Robert S. Bennett, ridiculed the suit.

"Mr. Thomason is sick and tired of Mr. Dale's self-righteousness nonsense and will vigorously contest the action," he said. "This is a reckless abuse of the legal process by Mr. Dale and his colleagues in the travel office."

Mr. Thomason, who now works with Steven Spielberg's Dreamworks but is best known for his work as producer of the CBS shows "Hearts Afire," "Evening Shade" and "Designing Women," is also the target of another, similar Travelgate lawsuit.

In that \$80 million action, the owner of an airline used by Mr. Dale's travel office charged that Mr. Thomason libeled him by claiming the firm was involved in corruption with the travel office employees.

Mr. Thomason's role in Travelgate was the subject of a Justice Department probe that was recently dropped.

• Brian Eileen contributed to this report.

The Washington Times
* FRIDAY, MAY 17, 1996

PHOTOCOPY
PRESERVATION

Jury Gets Case of Arkansas Governor and Clinton's Ex-Partners

By ALLEN R. MYERSON

LITTLE ROCK, Ark., May 16 — Federal fraud charges against two Whitewater business partners of Bill and Hillary Rodham Clinton, as well as the Governor of Arkansas, went to a jury shortly after noon today.

The Clintons' former partners, James H. McDougal and his former wife, Susan, along with Gov. Jim Guy Tucker, are accused of conspiring to obtain millions of dollars in federally backed loans from Madison Guaranty Savings and Loan in the 1980's. Madison was controlled by the McDougals but collapsed in 1989 at a

cost to taxpayers of more than \$60 million.

Earlier, Judge George Howard Jr. of Federal District Court here read detailed, technical instructions to the jury on each point of every count — 19 against Mr. McDougal, 4 against his former wife and 7 against Governor Tucker. The jurors stopped deliberating for the day at 5 P.M., and were scheduled to resume deliberating on Friday.

President Clinton is not charged with any crime. But the prosecution's chief witness, David L. Hale, said that in 1988 Mr. Clinton, then Governor of Arkansas, pressed him

to make an improper loan of \$300,000 to Mrs. McDougal. Prosecutors maintain that \$50,000 from this loan went to pay Whitewater expenses.

A videotape of the President telling prosecutors that he had never discussed such a loan was shown to jurors last week.

Mr. Tucker, who was Lieutenant Governor when Mr. Clinton was elected President and succeeded him as Governor in December 1992, strode sternly from the courtroom this afternoon, surrounded by his lawyers and aides. Following his lawyers' advice, he has consistently refused to answer questions.

But Mr. McDougal traded wisecracks with reporters, maintaining an upbeat tone all along. "We started out 100,000 to 1 against us," he said in an interview. "But we just fought and fought."

Mr. McDougal, who is in failing health, also noted that he faces surgery to clear blocked arteries after the trial concludes.

In his instructions to the jurors today, Judge Howard pointedly reminded them that they could determine whether Mr. Hale's plea agreement with prosecutors had influenced his testimony.

Mr. Hale, a former municipal

judge who also ran a federally backed small business finance firm in Little Rock, was sentenced to 28 months in prison after pleading guilty to two Federal felony counts. He has said that even though his firm, Capital Management Services Inc., was established to help small and minority-owned businesses, it became a slush fund of sorts to back powerful and wealthy people in Little Rock in often questionable deals.

The credibility of Kenneth W. Starr, the Whitewater independent counsel, has also been called into question. Some Democrats, pointing to his ties to Republicans and his continuing work for clients hostile to the Clinton Administration, have accused him of running a politically

biased prosecution.

No matter what the outcome of this trial, which began with the selection of jurors on March 4, the President and his aides face continued scrutiny from prosecutors and Congressional investigators over Whitewater and several other matters.

On June 17, two bankers with long political ties to Mr. Clinton are to be tried here for allegedly converting bank deposits into contributions for political campaigns, including Mr. Clinton's 1990 race for re-election as Governor.

Panel Backs Appointment Of Judge's Son

By NEIL A. LEWIS

WASHINGTON, May 16 — The Senate Judiciary Committee voted today to endorse and send to the Senate floor the nomination of a University of California law professor for an appeals court post, on the understanding that if he becomes a judge his mother will resign her seat on the same court.

Senator Orrin G. Hatch, the Utah Republican who heads the committee, had asked that if the nominee, Prof. William A. Fletcher, was to become a judge on the United States Court of Appeals for the Ninth Circuit, his mother, Judge Betty Blum Fletcher, would have to retire from active duty. Mr. Hatch argued that a 1911 statute intended to discourage nepotism throughout the Federal judiciary meant that mother and son should not sit on the court together.

But in pressing that view, Mr. Hatch found himself opposed from both sides. Democrats on the committee argued vigorously that he was unfairly interpreting the statute in a narrow way, while many Republican committee members said Betty Fletcher should be forced to retire completely before her son could be made a judge.

Under the agreement the struck with Mr. Hatch, Judge Fletcher will resign as an active judge and take senior status, meaning she will not be able to participate in panel cases that will probably have a reduced workload, once her son is sworn in.

Despite the defiance shown to him by members of his own party, Mr. Hatch was able to persuade three Republicans to go along with him and accept what he describes as Judge Fletcher's "gracious" offer of a compromise. The committee voted 15 to 16 to approve the nomination of Mr. Fletcher, a law professor at the University of California at Berkeley.

Nonetheless, it remains unclear whether Professor Fletcher's nomination will be brought up to the Senate floor for a vote. Professor Fletcher is one of more than a dozen judicial nominees whose names have been forwarded to the Senate for consideration but have not been scheduled for a vote, largely because of the impending Presidential election. It is common practice for the party that does not control the White House to slow the confirmation process near the election to preserve the vacancies in case its candidate is elected.

In today's hearing, Senator Jon Kyl, Republican of Arizona, said the nepotism statute would be violated if Judge Fletcher remained on the court even as a senior judge. She should "simply resign," Mr. Kyl said. Mr. Hatch argued that by becoming a senior judge, Judge Fletcher would leave a vacancy and thus would not violate the statute.

Senator Joseph R. Biden Jr. of Delaware, the ranking Democrat on the committee, criticized the effort to force Judge Fletcher to step aside, saying the statute was clearly designed to prevent judges from turning relatives as court staff members. "It means that she cannot hire her son to be her clerk or to get her coffee," Mr. Biden said. "It does not limit the ability of the Senate to name him to the court."

Some liberal advocacy groups have asserted that Republicans on the committee were using the nepotism statute to force Judge Fletcher from the bench because she is widely regarded as one of the most outspoken liberal judges in the nation and her son might perhaps be more conservative.

In today's committee session, Senator Edward M. Kennedy of the Massachusetts political clan said despite that he saw nothing wrong with concentrating power in one family.

THE NEW YORK TIMES
FRIDAY, MAY 17, 1996

Corrections

Articles on April 5, 6 and 28 about the April 3 crash of an Air Force jet in Dubrovnik, Croatia, included a misspelled version of the co-pilot's surname, supplied by the Defense Department. He was Capt. Timothy W. Shafer, not Schafer.

A report in the Peripherals column of Science Times on Tuesday, about "The Official Computer Bowl Trivia Book," included an incorrect definition of the sieve of Eratosthenes from the book. It is a method for

creating primes — not random numbers.

Because of an editing error, an article on Tuesday about the political connections between Albany legislators and New York City school boards included an outdated reference to James Sullivan, who was indicted last month for ballot fraud in the 1993 school board elections. He is no longer a member of the Ben Franklin Democratic Club in Riverdale, according to a club spokesman, Assemblyman Jeffrey Dinowitz.

Another Clinton-McDougal Land Deal

By Susan Schmidt
Washington Post Staff Writer

Records produced yesterday by the Senate Whitewater committee show that before he invested in the Whitewater property in 1978, Bill Clinton was involved in another land deal with James B. McDougal that he has not previously disclosed.

Clinton bought 15 acres from a McDougal-owned company and then resold it, expecting to collect more than \$5,500 in profits, according to his former accountant and a document that Clinton filed with the IRS. There is no record of whether Clinton collected full payment from the buyer, who was supposed to pay in installments. The Clintons did not report a gain of that size on their tax returns.

The White House offered no explanation yesterday for why the president had never disclosed his purchase of the land, north of Little Rock. The Clintons' lawyer, David E. Kendall, said the president recalls little of early transactions with McDougal, but insisted: "Any income received was properly reported."

Just last week, in his videotaped testimony played at McDougal's fraud trial, Clinton discussed his past dealings with his old partner without ever mentioning his purchase of a 15-acre plot in Saffillo Heights, Ark.

Real estate records produced by Republicans show that Clinton, then Arkansas attorney general, bought a parcel of land in 1977 for \$11,400 from a McDougal-owned company called Rolling Manor. The documents

do not show how big that parcel of land was, but a document that the Clintons filed with the IRS shows that they sold 15 acres of unimproved land in 1978 and expected a gain of \$5,549 from future installment payments.

Gaines Norton, the Clintons' former accountant, told the Senate committee yesterday that in 1980 the Clintons reported a \$144 gain from installments but no gains from the transaction in the following five years. There is no record in later Clinton tax returns of taxes paid on profits from the land sale.

Kendall yesterday would not comment on what happened to the land.

Clinton, in his testimony played at McDougal's fraud trial last week, was asked about his business dealings with

See HEARING, A7, Col. 1

HEARING, From A6

McDougal before purchasing the Whitewater land. He mentioned investing in a real estate project in 1977 but described only a five-acre transaction: "I invested, as I recall, about \$2,800 for about a year and a half, and I liquidated the investment and made about \$5,000. So I had a profit of \$2,100," said the president.

Clinton was also asked about previous business dealings with McDougal in questions put to him by the Resolution Trust Corp. last year as it investigated the collapse of Madison Guaranty Savings & Loan, owned by McDougal. "I cannot recall very much about these transactions. However, I believe I made a real estate investment or investments in 1977, which

are reported in our 1978 income tax return," the president said then.

Kendall said yesterday that the president simply "has no specific recollection of these 18-year-old events."

Besides raising questions about the 15-acre land transaction, committee Republicans yesterday also tried to show that Clinton was more active in the early days of the Whitewater than he indicated in his testimony as a defense witness in McDougal's trial. While cross-examining Clinton, prosecutor W. Ray Jahn asked whether he took an active role in obtaining financing for the Whitewater property. "No, sir, I did not," the president replied.

At another point, Jahn asked Clinton if he had anything to do with obtaining a \$20,000 loan for Whitewater from Union National Bank. The Clintons

and the McDougals devoted the proceeds of that loan to the down payment on the Whitewater property.

"I'm not sure, I might have, because I had some friends who worked there and I knew the people who owned the bank, but I'm not sure," Clinton said.

Republicans produced a portion of a deposition from Paul C. Berry, who was then an official at Union Bank and a Clinton friend. Berry told committee lawyers that the Clintons told him about a plan to buy the Whitewater land and that he introduced Clinton to Union Bank loan officer Harry Don Denton, who made the loan.

Denton testified last week that "messengers" from the bank's owner had instructed him to make the unse-

cured loan as a favor to "an up-and-coming" politician.

Although Clinton has repeatedly said he was not involved in managing Whitewater, Norton, the tax accountant, testified yesterday that Clinton once stepped in and told him not to raise red flags about how McDougal wanted to set up the venture.

Norton described one meeting he attended with Clinton, McDougal and McDougal's accountant to set up the Whitewater corporation. He said McDougal wanted to claim the maximum tax advantage possible and planned to set up the real estate venture in a way that violated IRS rules. When Norton objected, he said, Clinton called him outside the room and told him to "back off," to let McDougal do things his way. They went back in, said Norton, and "I kept my mouth shut." In the end, he said, they did not set the company up the way McDougal first advocated.

Clinton Asks High Court to Delay Civil Suit Until He Leaves Office

Associated Press

President Clinton asked the Supreme Court yesterday to delay a sexual-harassment lawsuit against him until he leaves office.

Lower courts have refused to hold up the lawsuit in which a former Arkansas state employee, Paula Corbin Jones, alleges her career suffered after she declined sexual advances from Clinton, then governor, in 1991.

"For the first time in our history, a court has ordered a sitting president to submit, as a defendant, to a civil damages action

directed at him personally," lawyers for Clinton told the court.

"We believe that absent exceptional circumstances, an incumbent president should never be placed in this position," the appeal added.

The president's Supreme Court appeal said a denial of review would force him "to undergo discovery [a pretrial exchange of information] and trial while in office, which would create the very interests he seeks to vindicate." Jones' lawyers have argued that more delays would hurt her case.

THE WASHINGTON POST

THURSDAY, MAY 16, 1996

PHOTOCOPY
PRESERVATION

**se-Passed Defense Bill Is an Election Year
t Potato(Washn)By Norman Kempster= (c)
96, Los Angeles Times=**

WASHINGTON Setting up an election-year confrontation with President Clinton, the House Wednesday passed a \$267 billion defense authorization bill loaded with such hot-button provisions as a revival of the ban on homosexuals in the military, a requirement to discharge HIV-infected service personnel and a prohibition on the sale of skin magazines at base stores.

The White House said Clinton would veto the bill unless it is toned down in the Senate.

The bill, approved by a 272-153 vote that largely followed party lines, adds \$13 billion to Clinton's budget request of the Defense Department, most of it for additional aircraft, ships, submarines, tanks and precision-guided munitions that the Pentagon says are not needed, at least not now.

The Senate version of the bill, approved earlier this month by the Armed Services Committee, also authorizes \$267 billion in spending, but either rejects or ignores most of the controversial social issues contained in the House measure.

With both the House and Senate measures authorizing \$13 billion increases in the Pentagon budget, the legislation draws a vivid line between the defense policies of the White House and the Republican-led Congress.

Republicans, joined by about one-third of the Democrats in the House, rejected Clinton's plan to reduce total defense spending by about \$10 billion during the fiscal year that starts next Oct. 1. They argued that the administration was trying to cut too deeply into the country's post-Cold War military capacity.

Although the House bill is about \$3 billion higher than the current year's budget, it amounts to a 1.5 percent reduction when the numbers are adjusted to discount the effects of inflation.

"The Russia of today is not the Russia of 1992," said Rep. Gerald Solomon, R-N.Y. "The reformers of that country have long since been purged."

In its report on the bill, the House International Relations Committee warned that the nation faces threats from China and an increasingly unstable Russia as well as rogue nations like Iran and North Korea. The committee said the United States must be prepared to cope with ethnic violence in places such as Bosnia and Somalia.

But the House clouded the fiscal debate between the White House and Capitol Hill by approving a string of social provisions, many of them sponsored by Rep. Robert Dornan, R-Calif., that give Clinton ample reasons to veto the legislation without having to address the spending priorities.

(Optional add end)

The bill reverses Clinton's "don't ask, don't tell" policy of allowing homosexuals to serve in uniform provided they keep quiet about their sexual orientation, by reinstating a flat ban on gay troops. It would require the services to discharge personnel infected with the HIV virus that causes AIDS. And it prohibits post exchanges and other on-base stores from selling Playboy, Penthouse and other publications containing "sexually explicit material."

The measure also renews a provision, contained in previous defense authorization bills, prohibiting overseas military hospitals from performing abortions except in cases of rape or incest or when the mother's life is at stake.

The Senate committee's version of the bill does not address gays in the military or the sale of sex magazines. And, explicitly rejecting language in the House measure, it requires the Pentagon to treat HIV-positive personnel in the same manner as others with medical conditions that prevent them from being sent overseas. The Senate bill joins the House in restricting abortions in military hospitals.

Once the Senate approves its version of the bill,

differences will be resolved in a House-Senate conference committee.

**Clinton Said to Have No Links to Plot (Little
Rock)By Sara Fritz= (c) 1996, Los Angeles
Times=**

LITTLE ROCK, Ark. A Whitewater prosecutor said Wednesday that President Clinton played no active role in a conspiracy case alleged against his former investment partners James B. and Susan McDougal, and Arkansas Gov. Jim Guy Tucker.

The statement by W. Ray Jahn, an assistant to Whitewater independent counsel Kenneth W. Starr, is as close as the prosecution has come to clearing Clinton of any involvement in the alleged scheme. Jahn emphasized, however, that he was only referring to the alleged crimes at issue in the current trial.

Tucker and the McDougals are the first defendants to stand trial as a result of the independent counsel investigation of the president's activities in the mid-1980s in Arkansas. After hearing 10 weeks of testimony, the jury is expected to begin deliberating Thursday.

Although the president was not charged in the case, David Hale, the chief prosecution witness, testified during the trial that Clinton was a part of the conspiracy. He said that he was pressured by then-Gov. Clinton in the mid-1980s to make a loan to the McDougals that was part of the alleged fraud.

Jahn clearly was seeking to distance Clinton from the case in his closing arguments before the jury, apparently to minimize the impact of the president's testimony, heard on tape in the courtroom last week. In his testimony, Clinton denied any recollection of the events alleged by Hale.

The prosecutor did not dispute Clinton's testimony but instead noted instances in which the president disagreed with the defendants who sought his testimony.

"The president took no active role in regard to the activities involved here," Jahn told reporters outside the courtroom when he was asked to elaborate on his closing argument.

(Optional add end)

He noted that testimony by Clinton and Hale conflicted particularly on the issue of whether they had met with McDougal at

a land sales office in late 1985. Hale said that Clinton asked him to make the loan to the McDougals at this meeting; the president said he has no recollection of any such meeting.

Jahn told the jury that the disagreement between the two men is not important to the case since the president is not on trial for being a part of the conspiracy. The defense contends that the conflict undermines Hale's credibility.

The president's supporters applauded Jahn's statement, arguing that it exonerates Clinton of any wrongdoing in the Whitewater case. "He (Jahn) cut distance between David Hale and the president," observed Bobby McDaniel, attorney for Susan McDougal. "It's time to put David Hale's lies about Bill Clinton aside and get on with it."

Yet Jahn emphasized that he was not talking about any evidence that might have been gathered by Starr against the president in other matters. He said that only Starr could speak for the independent counsel's office on this question.

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THURSDAY, MAY 16, 1996 *

Clinton said 'back off,' accountant testifies

Senators told of clash over Whitewater

By Jerry Saper
The Washington Times

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The Clintons' one-time personal accountant testified yesterday that Bill Clinton ordered him not to object to a suspect tax plan offered by the Clintons' business partner, James B. McDougal, on their Whitewater real estate venture.

Gaines Norton, in testimony to the special Senate Whitewater committee, suggested that both

President Clinton and the first lady, Hillary Rodham Clinton, were actively involved in the business dealings of Whitewater Development Corp. The Clintons have repeatedly said they were not.

Mr. Norton, who worked for the Clintons in the 1970s and 1980s, said the incident occurred during a 1978 meeting called to discuss

tax questions on the Whitewater venture, a 203-acre real estate development along the White River in the Arkansas Ozarks.

"Mr. Clinton asked me to step outside," Mr. Norton testified, noting that the request came after he had questioned the McDougal tax proposal. "He told me to back off and leave the issue alone."

Mr. Norton told Majority Counsel Michael Chertoff that Mr. Clinton, then Arkansas attorney general, ordered him not to question the proposal despite his concerns — which he voiced — that the Whitewater partnership could not take tax deductions under the McDougal plan.

He testified that he questioned see CLINTON, page A8

CLINTON

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whether Mr. Clinton and Mr. McDougal, equal partners with their wives in Whitewater, could properly finance the purchase entirely with bank loans or whether they could handle the transaction by forming an entity known as an "S" corporation.

Asked by Mr. Chertoff about his response, he said, "I kept my mouth shut."

The formation of an "S" corporation generally permits shareholders to avoid taxes on income at the corporate level and taxes on amounts distributed to individual shareholders. "S" corporations or-

dinarily are not subject to federal income taxes. Rather, the corporation's taxable income, gains, losses and deductions are passed through to its shareholders.

Under Internal Revenue Service guidelines, an "S" corporation declaration is available to joint-stock companies, insurance companies and associations organized in the United States. Partnerships and corporations cannot be shareholders in an "S" corporation, according to IRS guidelines.

Mr. McDougal's proposal was never put into operation, committee Democrats noted yesterday.

Committee Republicans also released the deposition of Paul Berry, an Arkansas banker with whom Mr. Clinton spoke before a \$20,000 unsecured loan to Mr. Clinton and Mr. McDougal was approved for a down payment on the Whitewater property. The loan was made by Mr. Berry's bank, United National of Little Rock.

According to the deposition, Mr. Berry said Mr. Clinton told him "he was buying a piece of property on the White River" and he responded by saying, "If you need to borrow any money, I am sure we will like to handle it."

Mr. and Mrs. Clinton both have vigorously denied they were involved in the business dealings of the Whitewater project and have described themselves as "passive shareholders." In numerous interviews with reporters for several publications, they have said that financial matters involving the Whitewater venture were handled exclusively by Mr. McDougal.

In his videotaped testimony as a defense witness in the Whitewater-related fraud and conspiracy trial in Little Rock of Mr. McDougal and his ex-wife, Susan, Mr. Clinton said he trusted the management of the venture to Mr. McDougal.

Mr. Clinton said Mr. McDougal managed the property "and had since we first bought it." He acknowledged in his testimony that he "might have" been involved in acquiring the down payment for the Whitewater project because he "had some friends who worked" at the bank.

The McDougals also owned Madison Guaranty Savings and Loan Association. Madison and Whitewater have become the key focuses of independent counsel, Kenneth W. Starr's ongoing Whitewater investigation.

Committee Republicans also disclosed a separate Arkansas land transaction involving Mr. McDougal and Mr. Clinton. In it, Mr. Clinton sold 15 acres of property for \$11,400 on Jan. 25, 1977. The Clintons have never publicly referred to the sale, part of a project known as Rolling Manor Inc.

The 15 acres was part of a 20-acre plot Mr. Clinton later sold five acres for \$5,000, which netted him a \$2,100 profit, but that is the only part of the transaction he has disclosed in his public testimony. Mr. McDougal was president of Rolling Manor.

Whitewater prosecutor ends by returning focus to defendants

By Hugh Ayresworth
THE WASHINGTON TIMES

LITTLE ROCK, Ark. — The lead prosecutor in the Whitewater trial accused the defense yesterday of "trying to drag" President Clinton into the courtroom and to divert the jury's attention away from the defendants.

W. Ray Jahn also said the government's key witness, David L. Hale, never accused the president of being part of a conspiracy and bank-fraud scheme, and for the first time confirmed that Mr. Clinton is not a co-conspirator in the case.

Today the jury will begin deliberating the case against the defendants, Gov. Jim Guy Tucker and James and Susan McDougal, the former business partners of Mr. Clinton and Hillary Rodham Clinton.

Final arguments in the trial, in its 10th week, concluded yesterday. U.S. District Judge George Howard Jr. will instruct the jurors

this morning and put the case in their hands by noon.

Yesterday, Mr. Jahn, in his rebuttal of the defense attorneys' closing arguments, told the jury, "The president of the United States is not on trial. Why? Because he didn't get a \$300,000 loan, he didn't set up loans... he didn't backdate leases, he didn't set up a phony company.

"The defendants are trying to drag the president of the United States into the courtroom," the prosecutor said.

Hale's 1993 accusation that Mr. Clinton and Mr. Tucker pressured him to make fraudulent loans put new life in the Whitewater probe being conducted by the independent counsel's office and congressional Whitewater committees.

Prosecutors never questioned Hale on the stand about the so-called pressure.

Prosecutors had refused to say whether Mr. Clinton's name was on a list of co-conspirators being held under seal by the court. Yesterday,

outside the courtroom, Mr. Jahn said it was not.

The defendants are accused of conspiring with Hale to arrange an \$825,000 loan from Madison Guaranty Savings and Loan, which the McDougals operated, to boost deposits at Hale's small business investment corporation.

This allowed Hale to get a 3-to-1 match of money from the Small Business Administration, which he said he loaned back to the defendants and their political friends — including Mr. Clinton.

In his own summation yesterday, Bobby McDaniel, Mrs. McDougal's attorney, contended that his client is guilty of no crime, had never intended to break any laws and had been charged only because of Hale's lies.

"Susan was just the cobblestone on David Hale's road to leniency," said Mr. McDaniel, referring to the ex-judge who in return for a lighter sentence on several felonies became the linchpin of the current case.

As did attorneys for Mrs. McDougal's co-defendants, Mr. McDaniel focused his final argument on Hale, a onetime friend of the defendants who admittedly committed more egregious fraud than the three on trial.

He reminded jurors how Hale had lied on two occasions under oath, and that he testified that after a heart attack several years ago, he had "looked death in the eyes."

"And he still kept lying," Mr. McDaniel charged. "He had lies on his lips as he looked death in the eyes."

In concluding his rebuttal, Mr. Jahn recalled part of a phrase from Ecclesiastes 3, which W.H. "Buddy" Sutton, Mr. Tucker's attorney, used in his summation Tuesday.

"He left part of it out," said Mr. Jahn. "There is a time to be silent and a time to speak. The only voice here is a voice of guilty."

The Washington Times
THURSDAY, MAY 16, 1996 *

Clinton asks high court to stall suit

REUTERS/NEWS/STAFF (AP) — Attorneys for President Clinton appealed to the Supreme Court yesterday to delay the sexual-harassment case against him by former Arkansas state employee Paula Corbin Jones until after he leaves office.

They argued that litigation of a private civil lawsuit must be deferred until the president leaves office "in all but the most exceptional cases."

U.S. District Judge Susan Webber Wright is not expected to let the case progress until hearing whether the nation's highest court grants or denies review, Clinton attorney Arny Sabato said. Such high court action might be taken before the current court term ends in late June or early July.

"This case presents a question of extraordinary national importance which was resolved erroneously by the court of appeals," Mr. Clinton's attorneys said in the 21-page appeal asking the justices to hear the case.

"For the first time in our history, a court has ordered a sitting president to submit, as a defendant, to a civil damages action directed at him personally," according to the appeal signed by Robert Bennett and other Clinton attorneys.

"We believe that absent exceptional circumstances, an incumbent president should never be placed in this position," they said.

Mrs. Jones, a low-level state employee at the time, contends she was approached by a state trooper in 1991 during a state trade show at a Little Rock hotel and asked to come up to the governor's suite. She says she went to the room and engaged in small talk with Mr. Clinton before he exposed his genitals and asked her to perform a sex act.

Mr. Clinton denies the incident occurred. Mrs. Jones passed a 1994 lie-detector test in which she described Mr. Clinton's so-called "genital defect," according to the Virginia polygraph examiner who tested her.

In the appeal, Mr. Clinton's attorneys argued that it would be appropriate for the nation's highest court to intervene now "to protect the interests of the presidency."

If the Supreme Court rejects the appeal, Mr. Clinton would have to submit to discovery, the legal term for pre-trial gathering of information, and to a trial while in office, they said.

"Moreover, if the decision below is allowed to stand, federal and state courts could be confronted with more private civil damage complaints against incumbent presidents," the lawyers said.

Attorneys for Mrs. Jones have vowed to move quickly in urging the Supreme Court to reject the appeal.

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new Myers, general counsel for the Campaign for Co-Free Kids, conceded, "There are a number of very things in this proposal." But he said the proposal also included a series of loopholes and omissions that make the overall effect "woefully inadequate."

Myers said the proposal would do nothing to curtail magazine advertising, sponsorship of motor sports events or rodeos, or provide money for an anti-tobacco education fund all parts of Clinton's proposal.

Wednesday's proposal would face several obstacles from different parts of the political spectrum.

Rep. Scotty Baesler, D-Ky., the only tobacco farmer in Congress, said he has no problem with the thrust of the Philip Morris proposal. But he said its fate would depend on the reaction of the other cigarette companies, whether the bill could gain Republican support, and whether the Clinton administration would sign on.

Other major cigarette companies declined to take a stand on the Philip Morris proposal Wednesday. Officials with R.J. Reynolds Tobacco Co. and Brown & Williamson, the No. 2 and No. 3 cigarette makers in the United States, said they needed time to study it.

On Capitol Hill, meanwhile, House Commerce Committee Chairman Thomas Bliley, a Republican whose Virginia district is close to a large Philip Morris plant, said the company's proposal appears to have little chance of becoming law, especially on the Senate side.

He noted that some Democratic senators, including Edward Kennedy of Massachusetts and Frank Lautenberg of New Jersey, have threatened a filibuster to block any bill that would prevent the FDA from regulating tobacco.

The tobacco industry has challenged the proposed FDA regulation in court. The companies argue the severe advertising restrictions are unconstitutional limits on free speech.

The firms' legal position was bolstered last week, when the U.S. Supreme Court struck down a Rhode Island law that restricted liquor ads.

One key area of contention in Congress will be whether to prohibit the FDA from regulating cigarettes.

Rep. Henry Waxman, D-Calif., a leading anti-tobacco spokesman on Capitol Hill, said he was concerned by Philip Morris' insistence on this point.

Fran Du Melle, head of the Coalition on Smoking or Health, said the FDA is the one federal agency that can effectively protect kids.

But Steven Parrish, a senior vice president for Philip Morris, made it clear that without this provision, all bets were off and Philip Morris would withdraw its support from the entire plan.

(EDITORS: STORY CAN END HERE)

Emanuel Goldman, who follows the tobacco industry for PaineWebber, said of Philip Morris: "The one thing they don't want is FDA regulation. Having the FDA regulate cigarettes would be like having the Women's Christian Temperance Union regulate the liquor industry. ... They'd want to kill it."

Clinton funds 9,000 more cops, urges banning 'cop-killer bullets' By David Jackson Dallas Morning News(KRT)

WASHINGTON President Clinton on Wednesday awarded grants for some 9,000 new police officers in 2,500 cities nationwide, less than a week after challenger Bob Dole accused him of waging only a rhetorical war on crime.

Later, in a ceremony honoring the families of slain police officers, Clinton again called for banning "cop-killer bullets." He also asked states to restrict parole laws so that violent convicts must serve at least 85 percent of their sentences.

"These are common-sense ideas, but they're more," Clinton said at the ceremony on the west lawn of the Capitol. "They're the least we can do for the brave men and women of American law enforcement."

During a campaign swing last weekend, Dole pledged to wage "a real war" on crime, adding, "We've all seen politicians who are tough on crime on the campaign trail but tolerant in office."

In a similar reference to Clinton, Dole said, "He claims he's putting 100,000 cops on the streets, but the real number is only a fraction of that."

During a telephone conference Wednesday with mayors nationwide, Clinton said that when the new cops grants took effect, the 20-month-old anti-crime bill would have delivered 43,000 new police officers. The president pledged to meet the goal of 100,000 new officers in five years.

(EDITORS: NEXT GRAF OPTIONAL TRIM)

The list included 148 cities in Texas receiving \$28.9 million in grants. That will result in 418 full-time positions and 20 part-time ones. Grant recipients include Dallas County, McKinney, Plano, Mesquite and Balch Springs.

(END OPTIONAL TRIM)

In his speech to the National Peace Officers Memorial Day Service, Clinton also touted approval of the Brady Bill waiting period, a ban on assault weapons and "three-strikes-and-you're-out" legislation that requires life imprisonment for repeat offenders. However, he added, "we have some more work to do up here," including a ban on "cop-killer bullets."

"If a bullet can go through a bulletproof vest like a hot knife through butter, it should be against the law," Clinton said.

While voters in past elections have expressed more confidence in the Republicans' ability to handle crime, voters so far in 1996 have given the nod to Clinton, according to a variety of polls. Dole and other Republicans said the president has stolen many of their issues.

"I think President Clinton has talked a lot about issues that we have highlighted and focused on," said Sen. Kay Bailey Hutchison, R-Texas. "But he has not followed up with actions."

Republicans questioned whether the grant program will result in a net gain of 100,000 officers because cities will have to pick up the costs of these new employees once the federal money runs out.

Tom Wyld, a spokesman for the National Rifle Association, said the dangers of "cop-killer bullets" were exaggerated, and that a ban could be expanded to include legitimate hunting ammunition. He said the administration's gun-control efforts obscured the real issue.

"The real problem out there is people with criminal histories," Wyld said.

In recent speeches, Dole has criticized the administration for appointing "liberal judges" and cutting back on drug interdiction and prosecutions.

A Justice Department official said Dole was "shooting blanks," trying to recover an issue where the Republicans have lost their long-term advantage.

"We've been interested in crime for three years," the official said. "He's discovered it in the last three weeks."

Jury in Whitewater trial to begin deliberations Thursday By Thomas G. Watts Dallas Morning News(KRT)

LITTLE ROCK, Ark. After nearly 11 weeks of testimony from scores of witnesses and more than 1,000 documents, the Whitewater trial reached its last stage Wednesday.

U.S. District Judge George Howard Jr. will read about two hours of legal instructions Thursday morning and the jury will begin its deliberations.

Earlier, the attorney for Susan McDougal continued the defense assault on the prosecution's controversial chief witness David Hale, who made a questionable \$300,000 loan to her in 1986.

"He is an educated liar, perjurer, con man, manipulator, schemer, thief, planner," said the attorney, Bobby McDaniel. "And he had an uncanny ability to get people to do things for him." Hale, a former Little Rock municipal judge and businessman, was convicted two years ago of defrauding the U.S. Small Business Administration through his Capital Management System Inc. He was

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sentenced to 28 months in prison earlier this year.

"There's no litmus test on when a perjurer begins to tell the truth," McDaniel said. "You're entitled to disregard everything he said."

In relying on Hale's testimony, McDaniel accused the Whitewater prosecutors of preferring the innuendo rather than the evidence.

"Susan McDougal ended up as a cobblestone on David Hale's path to leniency," McDaniel said.

Susan McDougal, her former husband, Jim McDougal, and Arkansas Gov. Jim Guy Tucker are charged in a 21-count indictment of illegally obtaining about \$3 million from the McDougals' defunct Madison Guaranty Savings and Loan and Hale's Capital Management Services in the mid-1980s.

The McDougals were partners in the Whitewater Development Corp. in northern Arkansas with President Clinton and Hillary Rodham Clinton.

McDaniel said Hale, who accused Bill Clinton of pressuring him to make the loan to Susan McDougal, tried to use the president to curry favor with prosecutors after he was indicted in 1993.

Outside the courthouse, McDaniel said that if the government loses the case or if there is a hung jury then the "independent counsel's office ought to pack its bags and leave town and go on to something else."

"The independent counsel system is out of control in this country," he said.

In his final closing arguments, assistant Whitewater prosecutor W. Ray Jahn said that even without Hale's testimony, there is enough evidence to convict the McDougals and Tucker of conspiracy and fraudulent loans. He told jurors that the defense had called President Clinton to testify as "the last desperate act to divert your attention."

Jahn contended that the president did not contradict Hale's testimony that he had attended a meeting with James McDougal and Clinton in 1986 to discuss the McDougal loan. Rather, he said, the president contradicted McDougal's testimony about several other meetings between the two of them.

"The office of the presidency of the United States is not on trial here," he said. "The office of the governor of Arkansas is not on trial here. The man who occupies the office of the presidency of the United States is not on trial here. The president simply said he can't recall," Jahn said.

Tucker's attorney, W.R. "Buddy" Sutton, said outside the courthouse, "His witness tried to implicate the president and it didn't work. So now he switched sides."

He also said that Jahn's comments about the value of Hale's testimony was "an unusual statement of weakness."

House committee hears testimony on same-sex marriage By Kelly Ryan Dallas Morning News(KRT)

WASHINGTON A House subcommittee heard testimony Wednesday on a Republican-sponsored bill that would allow each state to decide whether to recognize same-sex marriages legalized in other states.

Lawmakers are trying to resolve the issue in Congress before a Hawaii court reaches a decision on the law this fall.

The proposed federal measure also would create a definition of marriage as being between "one man and one woman." It would deny same-sex couples federal benefits, such as Social Security for surviving spouses.

Before the bill was proposed last week, the issue had been debated and legislated on the state level.

"It simply tells the states that you cannot be forced to accept same-sex marriage if you don't want to," said Rep. Bob Barr, R-Ga., who introduced the House bill.

Opponents of bans including gay-rights groups, the Central Conference of American Rabbis and several federal and state lawmakers

said legislation blocking such unions violates a person's civil liberties.

"I see gay people as a group discriminated against in

the way others are not," said Neb. state Sen. Er. Chambers, who testified against the proposed bill.

Several lawmakers who testified Wednesday urged 11 subcommittee members to "reject the extremists in the homosexual movement."

"No one state should be allowed to inflict its bizarre social experimentation upon unwilling participants," said Deborah Whyman, a Republican state representative from Michigan. The Associated Press reported.

An identical bill was introduced in the Senate, where Sen. Bob Dole, the presumptive Republican presidential nominee, has backed the legislation.

President Clinton is likely to sign the bill if it comes to him, said White House spokesman Mike McCurry, citing the president's comments in 1992 that he opposed same-sex marriage.

Legislators on the federal and state level are trying to get laws on the book before a judge makes a ruling in a Hawaii case. If gay marriages are legalized in Hawaii, then couples throughout the country could marry there and return home, expecting the marriage to be recognized.

In 1993, the Hawaii Supreme Court ruled that the state's refusal to issue marriage licenses to same-sex couples violated the state constitution. The case was remanded to a lower court, where the state now must prove that it has a "compelling interest" to not legally recognize same-sex marriage.

Evan Wolfson, co-counsel for one of three couples who filed the Hawaii suit, said he expects the judge to rule in favor of same-sex marriage. But, he said, a final decision is years away because the case is likely to be appealed.

The legislative bans are not necessary, he said.

"This is an election-year attack on a vulnerable group of Americans," said Wolfson, an attorney with the Lambda Legal Defense and Education Fund. "You shouldn't be playing politics with the Constitution."

Article 4 of the U.S. Constitution's "full faith and credit" clause has been cited by opponents and supporters of the ban. Both sides contend that the clause could pave the way for a legal same-sex marriage performed in one state to be accepted in the remaining 49 states.

The Supreme Court has not specifically ruled on the clause.

"The Supreme Court has proceeded in this century by a modest interpretation of the clause," said Ralph Whitten, a professor of law at Creighton University in Omaha, Neb. "The clause wasn't designed to make a state enforce another state's law."

Wolfson and other opponents of the marriage bans cite the clause as a basis for other types of unions, such as interracial marriage, which had been forbidden by some states.

"This is not a country where people can be married in one state and not be married in another," Wolfson said.

State lawmakers aren't taking any chances by second-guessing how the Supreme Court will interpret the clause.

Lawmakers in at least 34 states have been battling the issue since 1993. Eight states have passed bans, and legislation is pending in eight more.

California Assembly member Pete Knight, a Republican, said he introduced bans in his state because he doesn't think "a couple of judges in Hawaii should be dictating public policy for the entire United States."

Alabama state Sen. Bill Armistead is pushing for Alabama's governor to call a special session before the Hawaii court hearing in September so he can re-introduce his bill banning the marriages.

"This is not an attempt to prevent anyone from leading whatever lifestyle they want," said Armistead, a Republican. "By allowing same-sex marriage ... we're contributing to the further deterioration of the family unit."

A few legislators have fought against the bans. In Iowa, Democratic state Rep. Ed Fallon, who testified against the federal bill on Wednesday, said the bans "encourage gay-bashing."

PHOTOCOPY
PRESERVATION

Thomases' refrain: 'No'

Hillary's confidante tells senators
she never saw mystery Rose papers

By Jerry Seper
THE WASHINGTON TIMES

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PAPERS

From page A1

New York lawyer Susan Thomases, longtime friend and confidante of first lady Hillary Rodham Clinton, yesterday denied any role in the unexplained disappearance and rediscovery of Rose Law Firm billing records in the White House living quarters.

Under intense questioning before the special Senate Whitewater committee, Mrs. Thomases — in her fourth appearance — told Majority Counsel Michael Chertoff she never saw the billing records or discussed them with anyone. Her answers were short and curt.

— "No."

Despite the denials, Mr. Chertoff cited a possible conspiracy to obstruct justice involving the first lady and Mrs. Thomases. He stopped short of any specific accusations but said the two women "plainly had an opportunity" to take control of the records.

Mr. Chertoff told reporters after Mrs. Thomases' testimony that the billing records could have been removed from papers taken from

White House Deputy Counsel Vincent W. Foster Jr.'s office to the residence on July 22, 1993, and July 27, 1993, when they were delivered to his Washington attorney.

"What any investigator looks for is opportunity and motive," said Mr. Chertoff, who noted that both Mrs. Clinton and Mrs. Thomases were in the White House living quarters on the day Mr. Foster's records were moved to the law offices of his attorney, Robert Bar-

nett, after Mr. Foster's death.

The records, which disappeared from the Rose firm in Little Rock during the 1992 presidential campaign, remained lost until their discovery in the living quarters in January by a White House aide. They appear to contradict claims by Mrs. Clinton that she had little or nothing to do with

the legal representation of Madison Guaranty Savings and Loan Association.

Republicans believe Mr. Foster took the documents from Little Rock to Washington. They contained his original notations in red ink in the margins.

The panel yesterday also heard evidence for the first time that in February 1992, Bill Clinton suggested to Mrs. Thomases — the point person on Whitewater inquiries during the 1992 campaign — that reporters looking for information on Whitewater Development Corp. and Madison, a thrift owned by the Clintons' Whitewater partners, James and Susan McDougal, should contact Jim Guy Tucker, his lieutenant governor.

Mrs. Thomases and the White House yesterday could not say why.

In two notes she wrote while seeking answers to media questions on Whitewater in the campaign, particularly those of New York Times reporter Jeff Gerth, Mrs. Thomases listed Mr. Tucker as a possible source of Whitewater and Madison information, includ-

ing one notation saying: "Have Gerth call Tucker. BC tell me to call Tucker."

Under questioning by Mr. Chertoff, Mrs. Thomases confirmed that "BC" was Mr. Clinton, then Arkansas governor, but could not remember whether she talked with him about Mr. Tucker or why she wrote Mr. Tucker's name. She also said she did not recall speaking with Mr. Tucker about Whitewater or Madison and did not know why she would have.

Mr. Tucker and the McDougals are on trial in Little Rock in a suspected \$3.13 million scheme to defraud Madison. They were named on a 21-count indictment sought by Whitewater independent counsel Kenneth W. Starr. In vid-

eotaped testimony as a defense witness in that trial, Mr. Clinton denied any knowledge of Mr. Tucker's dealings with Madison and said there was "a distance" between them with regard to personal and social relationships.

Republicans have been concerned about a possible Clinton-Tucker connection in the Whitewater probe since 1994 when they focused on the propriety of a 1993 meeting between the two men after both had been named in secret criminal referrals in a government investigation of Madison.

At the time of the unannounced Oval Office visit on Oct. 6, 1993, top aides to the president had been given a private "heads-up" by Treasury Department officials

that Mr. and Mrs. Clinton were named as "potential witnesses" in the Madison inquiry.

Congressional investigators said they were concerned that Mr. Tucker was told about the confidential government probe. That information, they said, would have constituted "insider notification."

In other testimony, Mrs. Thomases said she did not tell the FBI about concerns Mr. Foster expressed to her over his job and his personal life because the agent didn't ask. She said that during a private meeting with Mr. Foster at a Washington boardinghouse a few days before his death, which has been ruled a suicide, he said he was frustrated over the "Travelgate" affair.

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PHOTO
PRESERVATION

It's President's Word Against Hale's, Lawyer For McDougal Asserts

By Michael Haddigan
and R.H. Melton
Washington Post Staff Writers

LITTLE ROCK, May 14—The attorney for President Clinton's former Whitewater partner told jurors today that the verdict in his client's federal fraud and conspiracy trial would depend on their judgment of the chief prosecution witness David Hale's word against the word of the president.

Sam Heuer, representing James B. McDougal, told the Whitewater jury in an emotional closing argument that the former municipal judge's testimony was a combination of lies he created and "plants" of information by investigators from the office of independent counsel Kenneth W. Starr.

"In order to buy into David Hale's bill of goods, you have to disbelieve the president," Heuer said in grave tones. "This is David Hale's last, biggest and greatest con game. What has this done to our nation? What has this done to our president? What has this done to our state?"

McDougal, his former wife, Susan, and Gov. Jim Guy Tucker (D) have been on trial since March 4 on a federal indictment handed up last August. They were charged with using straw buyers, inflated appraisals and falsified loan applications to illegally obtain federally backed small business loans and enrich themselves and other Arkansas Democrats in the 1980s.

During his nearly two weeks on the witness stand, Hale testified that Clinton, who was then governor, pressured him to make one of the loans, for \$300,000, to Susan McDougal. At the time, the McDougals and Clintons were friends and partners in the failed Whitewater land venture. Almost \$50,000 of the loan proceeds went into Whitewater's bank account.

Clinton vehemently denied Hale's allegations in a videotaped deposition shown last week in the Little Rock courtroom. Heuer said today that the president "stood tall for Arkansas and for the nation" when he addressed Hale's allegations.

Clinton knew he was taking a political risk when he testified, Heuer said. "It is humiliating for the president of the United States to answer questions in a court of law, but he did it to set the record straight," Heuer said.

Heuer said McDougal had done nothing wrong and was taken in by Hale. He reminded jurors they must decide guilt beyond a reasonable doubt.

"If you are caused to pause, to hesitate, give him his liberty," he said. The jury could begin deliberations late Wednesday.

Prosecutors presented 33 witnesses and more than 600 legal and financial documents as evidence that Hale and the defendants took part in a \$3 million scheme to defraud Hale's small business investment

company, a Little Rock thrift owned by the McDougals, and the federal Small Business Administration (SBA). Hale's Capital Management Services received matching funds from the SBA and was supposed to make loans to disadvantaged business owners.

The defense contends the business deals were legitimate transactions made sinister only by Hale's allegations. McDougal, the only defense witness other than Clinton, disputed documents that prosecutors have described as the backbone of their case. McDougal said his name was forged on some of the documents.

Hale testified the alleged conspiracy began in 1985 when he, James McDougal and Tucker agreed to pump funds into Hale's company by arranging the sale of a restaurant and land to a straw buyer with financing from McDougal's Madison Guaranty Savings & Loan. In return, Hale said he then made loans to Tucker, Susan McDougal and other members of the state's "political family." Hale was sentenced in March to 28 months in prison as part of a plea bargain with Starr's office.

The stuffy, windowless Little Rock courtroom has been jammed with reporters, sketch artists, curious local lawyers and spectators since Clinton's testimony last week. Jurors listened intently and scribbled notes during closing arguments, glancing occasionally at defense attorneys, prosecutors and the defendants.

Tucker attorney W.H. "Buddy" Sutton told jurors today that the governor "always dealt in good faith" when he was in private business. "David Hale was not the kind of man who could make the claim of good faith in his own defense," Sutton said.

U.S. District Judge George Howard Jr. at the end of the prosecution's case dismissed for insufficient evidence four of 11 counts against Tucker and four of eight counts against Susan McDougal. James McDougal still faces 19 counts under the original 21-count indictment.

A ruling by the judge earlier today, however, prevented Heuer from getting any closer to political issues. Howard granted a prosecution motion asking that the defense be barred from telling jurors the prosecution was politically motivated. In his closing argument Monday, lead prosecutor W. Ray Jahn did not directly attack Clinton, but suggested outside the courtroom that he might again address the president's testimony after defense summations conclude.

Eyes welling with tears, Heuer argued that the prosecutors had victimized McDougal, who suffers from serious circulatory problems and bipolar disorder. "He doesn't deserve this," Heuer said.

Clinton Friend Grilled Again In Senate Probe

Reuter

Senate investigators grilled a close friend of the Clintons yesterday as they tried to shed light on Hillary Rodham Clinton's role in handling of sensitive documents after the 1993 suicide of White House deputy counsel Vincent Foster.

New York lawyer Susan Thomases said the conversation at a White House "gathering" with Hillary Clinton and then-Deputy Attorney General Webster L. Hubbell was of the tragedy of Foster's death a week earlier and of "some good times we had together" before Bill Clinton became president.

It was Thomases' fourth appearance before the Senate Whitewater committee, now in the final weeks of its year-long investigation into how the White House responded to inquiries about the Clintons' Ozarks real estate venture and other matters. Besides her conversations the night of Foster's death, Thomases also was questioned about a cryptic 1992 note on the Clintons' Whitewater land deal referring to Jim Guy Tucker, now Arkansas governor, on trial

on federal fraud charges brought by the Whitewater independent counsel.

The note, relating to reporters' questions during the 1992 presidential campaign about the Whitewater venture that has dogged the Clintons

ever since, said, "Have [New York Times reporter Jeff] Gerth call Tucker. BC [Bill Clinton] tells me to call Tucker."

Republican counsel Michael Cheroff told reporters the note posed an "interesting unanswered question"

because it referred to Tucker more than a year before his involvement in the wide-ranging Whitewater affair had been known. Thomases told the committee she did not know why the entry was made and she did not believe she had called Tucker.

THE WASHINGTON POST

WEDNESDAY, MAY 15, 1996

PHOTOCOPY
PRESERVATION

PM-Whitewater Senate, 2nd Ld-Writethru, a0605,600

Clinton Told Accountant To Back Off

With PM-Whitewater-Poster

Eds: Top 9 grafs new with today's testimony; picks up 4th graf pvs, In her; deletes last 4 grafs to tighten

AP Photo WX105

By MARCY GORDON= Associated Press Writer=

WASHINGTON (AP) At a meeting in 1978, Bill Clinton told an accountant to stop raising objections to proposed tax advantages of the Whitewater real estate venture, according to testimony at today's Senate Whitewater hearing.

Gaines Norton, the former accountant for the Clintons, made the disclosure as Senate Republicans tried to demonstrate that Clinton was much more aware of the details of the Whitewater investment than he has previously acknowledged.

Under questioning, Norton described a meeting he had with Clinton and his Whitewater partner, James McDougal, about how to handle taxes on the land they were going to buy in northern Arkansas. The property became Whitewater.

Norton said he told Clinton and McDougal they could not take tax deductions under the approach they were contemplating which was to finance the purchase 100 percent with bank loans and handle the transaction through an entity called an "S" corporation.

When Norton questioned the arrangement, Clinton asked him to step outside and told him, "I was to back off and leave the issue alone," Norton testified.

"I kept my mouth shut," Norton added.

Senate Democrats quickly pointed out that the Whitewater transaction never was handled under the arrangement Norton objected to.

On Tuesday, the Whitewater committee focused on the days following the death of deputy White House counsel Vincent Foster, when Hillary Rodham Clinton met in the White House with former Justice Department official Webster Hubbell.

Witness Susan Thomases, a confidante of Mrs. Clinton who said she attended the meeting, rejected Republican suggestions that the three discussed Foster's torn-up suicide note.

In her fourth appearance before the Senate Whitewater Committee, Thomases also testified she never saw billing records from Mrs. Clinton's law firm that are now at the heart of the panel's yearlong investigation.

The records detail work performed by Mrs. Clinton on behalf of Madison Guaranty Savings and Loan, the failed Little Rock, Ark., thrift whose owners were the Clintons' partners in Whitewater. Prosecutors sought the documents, which the White House said were lost, for two years before their discovery in the White House living quarters last August and turned over in January.

Thomases testified she never saw the billing records until Whitewater prosecutor Kenneth Starr showed them to her as part of his separate criminal investigation.

Sen. Alfonse D'Amato, the committee chairman, said Thomases' testimony narrowed the list of people who could have handled the records to the president and Mrs. Clinton.

Speaking of Foster's suicide note, Thomases testified that she didn't bring it up and neither did Mrs. Clinton, a close friend and former law partner of Foster. "I would not have wanted to upset her in that way," Thomases said.

Republicans have charged that top White House aides improperly kept the note from law enforcement authorities shortly after Foster's July 1993 suicide but gave it to the Clintons' personal attorneys.

Thomases, a New York attorney and an influential adviser to the Clinton White House, said she spoke to Foster about the White House travel office firings a few days before his suicide. She acknowledged she did not tell the FBI about Foster's worries when an agent investigating the May 1993 dismissals interviewed her in June 1994.

PHOTOCOPY
PRESERVATION

AM-AR--Whitewater Trial, Ark Bjt, 620

'End These Years of Nightmare,' Lawyer Tells Whitewater Jury'

AP Photos

jkkcbstf

By JAMES JEFFERSON= Associated Press Writer=

LITTLE ROCK (AP) The criminal case against Gov. Jim Guy Tucker and President Clinton's former business partners is scheduled to go to the jury Thursday after 10 weeks of testimony highlighted by the president's videotaped appearance.

Jury deliberations will begin after U.S. District Judge George Howard Jr. instructs the panel on applicable laws and how they fit the charges filed against Tucker and James and Susan McDougal after years of investigation.

"Vote not guilty and end these years of nightmare," Mrs. McDougal's attorney, Bobby McDaniel, told jurors Wednesday in his closing argument. He was the last of three defense attorneys to address the panel.

Mrs. McDougal, her ex-husband James and Gov. Jim Guy Tucker are accused of benefiting from nearly \$3 million in federally backed loans.

Like defense lawyers for Tucker and McDougal, McDaniel told the jury that if anyone defrauded federally backed lenders or misled government regulators, it was David Hale, the prosecution's chief witness in the trial, which started March 4.

Susan McDougal, accused of misusing a \$300,000 loan from Hale's small business lending company, was a victim of Hale's plot to save himself when he was caught in crimes unrelated to the Whitewater defendants.

Hale told investigators that Clinton pressured him to make the loan and profited from it, a claim the defense says helped get him 28 months in prison instead of the years he faced after pleading guilty to defrauding the Small Business Administration.

Clinton, in videotaped testimony recorded April 28 and played last week, denied Hale's allegations after being subpoenaed by the McDougals. The McDougals were partners with Clinton and Hillary Rodham Clinton in the Whitewater land development in northern Arkansas from 1978 to 1992.

"Susan McDougal ended up as a cobblestone along the path of David Hale's route to leniency," McDaniel said.

Hale told investigators McDougal and Tucker conspired with him in a scheme to pump money into his lending company in exchange for loans he made at their direction. He said McDougal arranged the loans to associates and the \$300,000 loan to his ex-wife's advertising agency.

McDaniel told the jury that his client used the money for what it was intended all along, in an honest attempt to develop a subdivision south of Little Rock. She failed when McDougal, her husband and mentor, fell ill, he said.

He asked the jury to look beyond the prosecution's extensive paper trail because Mrs. McDougal had signed documents without reading them and because Hale was an expert at manipulating paperwork.

McDaniel continued defense attacks on Hale as a master of deceit who conned his business associates and federal regulators to feed a lust for money.

The defense lawyer noted that Hale, who said he "looked death in the eyes" when stricken by two heart attacks in the 1980s, later lied to federal investigators, in sworn depositions and under oath to his sentencing judge when he said he had not personally benefited from fraudulent loans.

"With death in his eyes, he had lies on his lips," McDaniel told the jury. "Do you think if he'd lie to God almighty with eternity at stake he wouldn't lie to you?"

McDougal was not in court Wednesday. He left court Tuesday after his attorney, Sam Heuer, finished closing arguments.

"This is a very tense part and we want him rested for the verdict," Heuer said. McDougal has a history of poor health and is not required to attend all proceedings.

PHOTOCOPY
PRESERVATION

BC-WHITEWATER-TRIAL

Whitewater prosecutors go easy on Clinton allegations

By Kieran Murray

LITTLE ROCK, Ark., May 15 (Reuter) - Closing arguments in the Whitewater trial ended on Wednesday with prosecution lawyers backing away from allegations that President Bill Clinton was linked to an illegal \$300,000 loan in 1986.

Chief prosecutor Ray Jahn told the jury that Clinton "is not on trial here" and accused the three defendants of hiding behind Clinton's testimony to escape conviction on charges of conspiracy and fraud.

He also made light of the clash between the president's testimony and that of star prosecution witness David Hale, the former investment banker who said Clinton, then governor of Arkansas, twice pressured him to extend a fraudulent \$300,000 loan to his Whitewater partner Susan McDougal.

"This is not a situation of David Hale versus the president of the United States," Jahn told reporters. "The jury can make its resolution without deciding that particular credibility issue."

While the \$300,000 loan forms only a part of the alleged \$3 million conspiracy involving James and Susan McDougal, partners of Bill and Hillary Clinton in the ill-fated Whitewater real estate venture, and Arkansas Gov. Jim Guy Tucker, it has been a highlight of the Whitewater trial.

Hale testified here that Clinton and James McDougal both planned to benefit personally from the loan. They were the most damaging allegations leveled against Clinton since the Whitewater affair broke early in his presidency.

In videotaped testimony played to the court last week, Clinton vehemently denied ever holding a business meeting with Hale, much less pressuring him into a loan.

Jahn declined on Wednesday to say who he believed and said it was irrelevant to the broader conspiracy charges, which are also based in part on Hale's testimony.

But defence attorneys jumped on the apparent shift in prosecution strategy to claim it showed that Jahn was not comfortable with the claims of his key witness.

"Now it is obvious to everyone that this too is a David Hale lie and there's no truth to it. Mr Jahn did the only thing he could do, and that's jump ship and abandon it," said Bobby McDaniel, the attorney for Susan McDougal.

McDaniel earlier delivered his closing argument with fresh attacks on Hale, who says he was part of the alleged conspiracy and testified against the defendants under a plea bargain deal with Kenneth Starr, the independent counsel leading a probe into Clinton's personal and political finances.

"He is an admitted liar, an admitted perjurer, an admitted con man, a manipulator, a schemer, a thief, and he has the uncanny ability to get people to do things his way," McDaniel told the jury.

Jahn has conceded that Hale is dishonest and a convicted felon but says he was the insider needed to spill the beans on the allegedly fraudulent loans and business deals surrounding the Madison Guaranty Savings & Loan, a Little Rock savings institution then owned by James McDougal.

"You always have a stronger case with an insider," Jahn said on Wednesday.

He accused the McDougals and Tucker of lying to cover up their conspiracy and of using Clinton in a "desperate" bid to undermine Hale's credibility.

"The defendants are trying to drag the president of the United States into this courtroom to set up their defence. They are trying to hide behind the president," Jahn told the jury.

With closing arguments now over, U.S. District Judge George Howard will instruct the jury of nine women and three men on Thursday morning before giving them the case for deliberations.

Hale was recently given a reduced 28-month jail sentence for defrauding

PHOTOCOPIED
PRESERVATION

BC-WHITEWATER:DA national
Jury in Whitewater trial to begin deliberations Thursday
By Thomas G. Watts
Dallas Morning News
(KRT)

LITTLE ROCK, Ark. After nearly 11 weeks of testimony from scores of witnesses and more than 1,000 documents, the Whitewater trial reached its last stage Wednesday.

U.S. District Judge George Howard Jr. will read about two hours of legal instructions Thursday morning and the jury will begin its deliberations.

Earlier, the attorney for Susan McDougal continued the defense assault on the prosecution's controversial chief witness David Hale, who made a questionable \$300,000 loan to her in 1986.

"He is an educated liar, perjurer, con man, manipulator, schemer, thief, planner," said the attorney, Bobby McDaniel. "And he had an uncanny ability to get people to do things for him." Hale, a former Little Rock municipal judge and businessman, was convicted two years ago of defrauding the U.S. Small Business Administration through his Capital Management System Inc. He was sentenced to 28 months in prison earlier this year.

"There's no litmus test on when a perjurer begins to tell the truth," McDaniel said. "You're entitled to disregard everything he said."

In relying on Hale's testimony, McDaniel accused the Whitewater prosecutors of preferring the innuendo rather than the evidence.

"Susan McDougal ended up as a cobblestone on David Hale's path to leniency," McDaniel said.

Susan McDougal, her former husband, Jim McDougal, and Arkansas Gov. Jim Guy Tucker are charged in a 21-count indictment of illegally obtaining about \$3 million from the McDougals' defunct Madison Guaranty Savings and Loan and Hale's Capital Management Services in the mid-1980s.

The McDougals were partners in the Whitewater Development Corp. in northern Arkansas with President Clinton and Hillary Rodham Clinton.

McDaniel said Hale who accused Bill Clinton of pressuring him to make the loan to Susan McDougal tried to use the president to curry favor with prosecutors after he was indicted in 1993.

Outside the courthouse, McDaniel said that if the government loses the case or if there is a hung jury then the "independent counsel's office ought to pack its bags and leave town and go on to something else."

"The independent counsel system is out of control in this country," he said.

In his final closing arguments, assistant Whitewater prosecutor W. Ray Jahn said that even without Hale's testimony, there is enough evidence to convict the McDougals and Tucker of conspiracy and fraudulent loans. He told jurors that the defense had called President Clinton to testify as "the last desperate act to divert your attention."

Jahn contended that the president did not contradict Hale's testimony that he had attended a meeting with James McDougal and Clinton in 1986 to discuss the McDougal loan. Rather, he said, the president contradicted McDougal's testimony about several other meetings between the two of them.

"The office of the presidency of the United States is not on trial here," he said. "The office of the governor of Arkansas is not on trial here. The man who occupies the office of the presidency of the United States is not on trial here. The president simply said he can't recall," Jahn said.

Tucker's attorney, W.R. "Buddy" Sutton, said outside the courthouse, "His witness tried to implicate the president and it didn't work. So now he switched sides."

He also said that Jahn's comments about the value of Hale's testimony was "an unusual statement of weakness."

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PHOTOCOPY
PRESERVATION

Thomases to face questions about Hillary's billing records

By Jerry Seper
THE WASHINGTON TIMES

New York lawyer Susan Thomases, a familiar target of the special Senate Whitewater committee, is expected to be in the witness chair tomorrow to face questions on her role in the mysterious rediscovery of Rose Law Firm billing records in the White House living quarters.

Mrs. Thomases, a longtime friend and confidante of first lady Hillary Rodham Clinton's, will make her fourth appearance before the panel. She is one of six persons identified by committee investigators as possible suspects in the handling of the records that were lost and found.

Committee majority counsel Michael Chertoff, during rancorous hearings last week, said investigators learned that 206 persons had access to the living quarters between July 20 and Aug. 10 — when the records were discovered by a White House aide — but the panel received "evidence" eliminating all but six: President Clinton; Mrs. Clinton; the president's brother, Roger; Roger Clinton's wife, Molly; White House Deputy Counsel Bruce Lindsey; and Mrs. Thomases.

The billing records, which appear to contradict sworn and public statements by Mrs. Clinton that she had little or nothing to do with the legal representation of Madison Guaranty Savings and Loan Association, were not recognized as the lost records until January.

They had been under subpoena by Whitewater independent counsel Kenneth W. Starr since 1994 and by the Whitewater committee since October.

In a prior appearance before the panel, Mrs. Thomases testified that Mrs. Clinton had many conferences with Madison officials, re-



Susan Thomases

viewed documents, made calls to discuss a preferred-stock plan aimed at keeping the failing thrift afloat and "did all the billing."

A Resolution Trust Corp. billing summary also showed that the first lady, a partner at the Rose firm, was actively involved in the Madison account.

Mrs. Thomases also testified that she sought the records during the 1992 presidential campaign to answer questions from reporters about Whitewater Development Corp., a northern Arkansas real estate project involving the Clintons and James and Susan McDougal, Madison's owners. But Mrs. Thomases said she never saw the records.

Republicans also are expected to ask Mrs. Thomases new questions about conversations she had with White House Deputy Counsel Vincent W. Foster Jr. shortly before his death. She is quoted in the book "Blood Sport" as saying she talked with Mr. Foster at a private

rooming house in Washington about personal problems he was having on the job and at home a few days before he died of a gunshot wound to the head July 20, 1993. Police said he killed himself.

She is quoted as saying Mr. Foster was frustrated over the "Travelgate" affair, was overworked and lacked the support staff he had as a partner at the Rose firm. She said he said he was afraid he had "let the president and Hillary down." Mr. Foster also told her, according to the book, that his marriage was not working out.

Mrs. Thomases told White House Counsel Bernard Nussbaum, according to the book, that Mr. Foster's demeanor and appearance changed and that she was worried about him. The meeting, Mrs. Thomases said, occurred at a boarding house in the 2000 block of O Street NW where she often stayed while visiting Washington.

But investigators said that when Mrs. Thomases was interviewed by the FBI after Mr. Foster's death, she said she noticed no change in his "demeanor or physical appearance" and that his death came as a "complete shock to her." She told the FBI in a June 1994 interview that she knew of "no reason or speculation" why Mr. Foster would kill himself.

"I think we need to ask her about those inconsistencies," a congressional investigator said. "It certainly can't be both ways."

In Mrs. Thomases' previous committee appearances, she has evoked criticism from Republicans, who questioned whether her testimony was truthful.

Sen. Alfonse M. D'Amato, New York Republican and committee chairman, has asked Mr. Chertoff to review the testimony to see whether perjury charges should be filed.

PHOTOCOPY
PRESERVATION

Citizens United joins networks in seeking Clinton's trial video

By Paul Bedard
THE WASHINGTON TIMES

A conservative public-interest group joined four TV networks and two reporters groups yesterday in demanding that the Whitewater trial judge in Little Rock release the videotape of President Clinton's testimony.

Floyd Brown, president of Citizens United, said in court papers filed in Arkansas that the judge should not allow the Clinton administration to hide the president's 2½ hours of testimony because it fears opponents will use the tape in negative political ads.

Mr. Clinton is "the one who said he wanted full and complete disclosure of his knowledge, and he's the one who says his videotape vindicates him," Mr. Brown said. "If he believes this videotape vindicates him, why does he want to keep it from being seen by the American people?"

But the White House, seizing on Mr. Brown's comments during a Washington news conference that he might use the tape in political ads or a Whitewater documentary, said it will fight the request for the video.

"I hate to say it, but I told you so," said White House aide Mark Fabiani, who had said Mr. Brown wants the tape to run ads attacking the president.

Mr. Brown, a radio talk-show host and publisher of ClintonWatch, a newsletter detailing Clinton scandals, aired the Willie Horton crime ad attacking 1988 Democratic presidential candidate Michael Dukakis.

Democrats called the ad racist because it featured black convict Horton in an ad about the Massachusetts governor's policy of providing furloughs from prison. The ad accurately said Horton raped a Maryland woman while on such a furlough.

White House spokesman Michael McCurry, still angry about the Horton ad, said of Mr. Brown: "Tell him to go back and crawl back under the rock that he came from."

Mr. McCurry, a Democratic National Committee spokesman in 1988, said his comments were "personal, aimed at Floyd Brown, who's given sleaze politics a lot more juice than it needs."

"He's personally responsible for some of the sleaziest politics that this nation has ever seen," Mr. McCurry said.

The president's spokesman called on Senate Majority Leader Bob Dole "to tell him to butt out" of the presidential race.

"Floyd Brown has absolutely no associ-

ation with this campaign," said Christina Martin, Mr. Dole's deputy press secretary. "Senator Dole has made a point of not raising Whitewater or any other allegation surrounding the Clintons. He, like other Americans, awaits the findings of the independent prosecutor and the special Senate committee."

Mr. Brown said he has had no contact with the Dole campaign or the Republican National Committee on his attempt to get a copy of the president's testimony.

Mr. Clinton's videotaped testimony was shown last week in the fraud trial of Arkansas Gov. Jim Guy Tucker and James and Susan McDougal. The McDougals were partners with the Clintons in the Whitewater real estate venture.

In the videotape, Mr. Clinton denied an allegation made by the Whitewater prosecutor's star witness, David L. Hale, who said Mr. Clinton, when he was governor of Arkansas, pressured him to make a \$300,000 loan to Mrs. McDougal.

Mr. Brown charged that the president lied, and "I don't think it's the first time this White House has perjured itself."

The White House initially said it wanted the tape released, then balked when Mr. Brown first said he wanted it for TV ads.

U.S. District Judge George Howard Jr. plans to hold a hearing May 24 before deciding whether to release the tape. The 8th U.S. Circuit Court of Appeals in St. Louis plans an earlier hearing on whether the videotape should be released.

Besides Citizens United, TV networks ABC, CBS, NBC and CNN, the group Freedom of the Press and the Radio-TV News Directors Committee have filed to have the tape released.

Whitewater prosecutor says old tales back Hale 'Stories' involving Clinton date back to 1986

LITTLE ROCK, Ark. (AP) — A prosecutor told the jury yesterday in the Whitewater trial that the government's chief witness had no reason to lie a decade ago when he said Bill Clinton benefited from an illegal loan.

"Did David Hale say, 'One of these days, I may get caught, so I better start making up stories'?" W. Ray Jahn asked. "Was he thinking, 'I'm going to get in trouble. I'll pick the future president of the United States to incriminate?'"

Some prosecution witnesses testified during the 10-week trial that they performed illegal acts at the behest of others, including James McDougal, who is accused with his ex-wife, Susan, and Gov. Jim Guy Tucker in a 21-count indictment.

Hale said Mr. McDougal and Mr. Tucker conspired with him in creating nearly \$3 million in illegal loans and that Mr. Clinton benefited from part of a \$300,000 transaction.

Mr. Jahn noted that Judge Bill Watt testified that he understood from Hale in 1986 that Mr. Clinton wanted to see an \$825,000 loan completed "to help his friends." Hale, himself a former municipal judge, had no reason to drag Mr. Clinton into the case then, Mr. Jahn said.

Hale pleaded guilty in 1993 to defrauding the Small Business Administration and was sentenced in March to 28 months in prison and ordered to make \$2.04 million in restitution.

"If he was going to make up a story, he could have made up a good one," Mr. Jahn said.

Mr. McDougal and Mr. Tucker are accused of arranging the loans and fraud.

Mrs. McDougal faces four fraud counts; a conspiracy count against her was dropped.

Hale testified for nine days, outlining an arrangement in which Mr. McDougal, Mr. Tucker allegedly helped infuse \$500,000 into Hale's lending company to attract \$1.5 million in federal matching money. In return, Hale said, he agreed to make loans at Mr. McDougal and Mr. Tucker's direction.

He said Mr. Clinton pressured him to make one of the loans, \$300,000 to Mrs. McDougal in the name of an advertising firm that prosecutors say never existed. In videotaped testimony last Thursday, Mr. Clinton denied Hale's claims.

The McDougals, Mr. Clinton and his wife, Hillary Rodham Clinton, were partners in Whitewater Development Corp., a real estate venture in northern Arkansas, from 1978-1992.

Mr. Jahn said the defendants were a "bunch of wheeler-dealers" who wanted to make money off ill-gotten gains and pay the loans back before federal regulators discovered the plot.

"They wanted to get the money, put it in their pockets, conceal it from the examiners, make their killing, pay it off and get away with it," Mr. Jahn said.

The scheme, he said, included conspiracy, mail fraud and wire fraud — all against the McDougals' savings and loan, Hale's small-business investment firm and the federal agencies that regulated the two lenders.

He urged the jury to leave community pride behind and return a verdict against the Arkansas governor and his co-defendants based on reason and common sense.

The Washington Times

* TUESDAY, MAY 14, 1996

PHOTOCOPY
PRESERVATION

Whitewater Prosecutor Lays Out Paper Trail

By Michael Haddigan
Special to The Washington Post

LITTLE ROCK, May 13—A prosecutor invoked President Clinton's name several times during closing arguments today, saying the president's videotaped testimony bolstered the government's case against Arkansas Gov. Jim Guy Tucker and Clinton's former Whitewater business partners.

Lead prosecutor W. Ray Jahn spoke for more than three hours, laying out a document trail that he said proves the government's case even without the testimony of David Hale, the government's star witness whose credibility has been a central issue in the case. Jahn cautioned jurors to use Clinton's testimony only to judge Hale's credibility, not to evaluate the tale told independently by the documents.

"I submit to you ladies and gentlemen, the government has proven each and every essential element of the crimes in this case," Jahn said.

Jahn sketched a circuitous outline of an alleged "smorgasbord of crimes" involving illegal land flips, inflated appraisals and bogus loans in a scheme, he said, to benefit the defendants and others in the Arkansas "political family." He urged jurors to use their common sense and to be the "conscience of your community" in judging whether the three defendants had abused the "public trust and the private trust."

Tucker, James B. McDougal and his former wife Susan McDougal were indicted last August on 21 counts, including conspiracy, fraud and misapplication of funds. The indictment said the three agreed with Hale in the fall of 1985 to obtain \$3 million in illegal federally backed loans through Hale's

small business investment company and McDougal's Little Rock thrift, Madison Guaranty Saving & Loan.

At the end of the prosecution's case, U.S. District Judge George Howard Jr. dismissed four of 11 charges against Tucker and four of eight charges against Susan McDougal, including the conspiracy charge. The judge said the office of independent counsel Kenneth W. Starr failed to provide enough evidence.

The trial, which started March 4, brought 33 prosecution witnesses to the stand and the introduction of more than 600 documents. Hale spent almost two weeks on the witness stand describing what he said were land flips, purchases through straw buyers and falsified loan applications that were part of the plan to enrich the defendants and other state Democrats.

Hale said then-Gov. Bill Clinton pressured him several times to make one of the loans, for \$300,000, to Susan McDougal.

Clinton, testifying by videotape last week, adamantly denied he had ever pressured Hale or knew of any illegal loans involving Tucker or the McDougals. The president and James McDougal were the only defense witnesses. Defense attorneys surprised spectators and reporters in the packed Little Rock courtroom when they closed their case after only hours of testimony.

Jahn called the defendants "a bunch of wheeler-dealers" who never intended to steal from the government, the Capital Management Services loan company or McDougal's S&L. Instead, they tried to commit the "perfect crime," intending to defraud the institutions by borrowing money improperly and repaying it before they were caught.

"It was an effort to take unlawful, illegal loans, invest in various deals, make a killing and pay back the loans," he said.

Defense attorneys have contended that Hale invented his story in 1994 with the help of conservative political activists to get a favorable plea bargain from the independent prosecutor. Hale received a 28-month prison sentence in March on his guilty plea to two fraud charges.

Hale admitted during his testimony that he lied in the past to former associates, the SBA, federal investigators and the federal judge who sentenced him. Jahn himself described Hale today as a "federally chartered loan shark," but insisted jurors should not simply dismiss all of his testimony because of past misdeeds.

Jahn told jurors that Bill Watt, a Little Rock municipal judge, testified during the trial that Hale told him in 1986 that the governor was pushing him to complete a loan to help his friends. Hale could not have known at the time that Clinton would have been elected president, the prosecutor said.

Defense attorneys methodically attacked the testimony of Hale and other key defense witnesses and elicited praise for the defendants from other prosecution witnesses. McDougal may prove to have been the government's best witness. In his two days on the stand, McDougal contradicted earlier statements and frequently cited memory lapses related to health problems. But Jahn noted that McDougal's answers to his own attorney's questions were clear and straightforward.

"If it benefited Jim McDougal, his memory was pretty sharp. If it didn't benefit Jim McDougal, his memory was very poor," Jahn said.

CORRECTIONS

In two photo captions on Page 13 of yesterday's Washington Business, the identifications of Orbcomm President Alan Parker and Orbital Sciences President David Thompson were switched.

In yesterday's Washington Business the name of Carlos Caban, managing editor of El Tiempo Latino, was misspelled.

A headline Sunday incorrectly suggested that tickets for reckless

driving were up 30 percent in the Washington area in 1995. In fact, tickets for speeding increased almost 30 percent. Tickets for reckless driving were up 10 to 20 percent in several area jurisdictions.

An article on relief agencies in Liberia Sunday misidentified the executive director of Catholic Relief Services in Baltimore. He is Kenneth Hackett.

PHOTOCOPY
PRESERVATION

First lady's friend in Whitewater hot seat

By Leslie Phillips
USA TODAY

Susan Thomases, Hillary Rodham Clinton's controversial friend and adviser, appears before the Senate Whitewater committee today for the fourth time.

She'll face sharp questioning about discrepancies between her past statements and the recollections of others. She repeatedly testified she could not recall phone calls, White House visits or conversations with the first lady in the week after deputy White House counsel Vincent Foster's suicide in 1993.

Committee Chairman Al-

fonse D'Amato, R-N.Y., said her past testimony "defies credibility."

Thomases will be questioned on her discussions with Hillary Clinton about the police search of Foster's office and the need to protect the Clintons' personal files. She will be asked what she knows about the first lady's law firm billing records, which were under subpoena for two years before they appeared in the White House residence in August. They were turned over to the committee in January,



Thomases: Testifying for fourth time

after Thomases' last appearance.

Thomases' credibility is central to the committee's inquiry because of her close relationship with the Clintons dating back a quarter-century. Clinton campaign guru James Carville once called the abrasive Thomases

the first lady's "blunt instrument of enforcement."

Thomases and her lawyer, Renato Romano, did not return several telephone messages.

The focus today:

► Thomases previously told

the committee she did not discuss keeping police out of Foster's office after his death. Ex-White House counsel Bernard Nussbaum testified she told him "people are concerned."

► In the Whitewater book *Blood Sport*, author James Stewart relates a conversation between Thomases and Foster shortly before Foster killed himself. Foster says he distrusts White House aide David Watkins' handling of the firing of nine travel office employees and fears Watkins "might fabricate or embellish the facts to cover himself — possibly at the expense of the first lady."

Thomases did not mention this conversation in FBI inter-

views following Foster's death.

► The committee has narrowed the list of those who might have placed the first lady's law firm billing records in the White House residence to the Clintons, top adviser Bruce Lindsey and Thomases.

As Thomases testifies in Washington, lawyers in Little Rock will be concluding final arguments in the trial of the Clintons' Whitewater real estate partners, James and Susan McDougal, and Arkansas Gov. Jim Guy Tucker. They're on trial for bank fraud and conspiracy, accused of misusing \$3 million in government-backed loans from the McDougal-owned savings and loan.

ALSO IN WASHINGTON

Senate gets closer to votes on gas tax and wage bills

A logjam in Congress over raising the minimum wage and cutting the gasoline tax may be broken today, leading to Senate passage of both measures.

Senate Majority Leader Bob Dole neared a deal with Democrats Monday that would permit Senate votes on both issues. If details work out today, Democrats would stop blocking a vote on Dole's plan to repeal a 4.3 cents-per-gallon increase in the gas tax approved in 1993.

In return, Dole would permit a vote to raise the minimum wage from \$4.25 to \$5.15 per hour over two years. But House GOP leaders have agreed only to let the minimum-wage increase be attached to a package of tax breaks.

GAY RIGHTS: The White House said Monday that President Clinton opposes same-sex marriage, as it sought to defuse a Republican effort to make gay rights a campaign issue. Asked whether the president would support GOP legislation that would ban same-sex marriage, White House spokesman Mike McCurry replied: "The president's position on same-sex marriage. We'll have to look carefully at the legislation that's under consideration."

NAVY NOMINATIONS: President Clinton has nominated Vice Adm. J. Paul Rousso, 55, for promotion to the rank of four-star admiral. If confirmed by the Senate, he will be the first African-American to achieve that rank and will command the U.S. Atlantic Fleet. Clinton also nominated Rear Adm. Patricia Tracey, 45, for promotion to the three-star rank of vice admiral. She would move to Washington as chief of Navy education and training.

PRIMARY VOTES: West Virginia voters go to the polls today in primaries to choose potential successors to Democratic Gov. Gaston Caperton, who cannot seek re-election. Democrats vying for governor: former state senator Charles Pitt and state Sen. Joe Manchin. Republican former governor Cecil Underwood, former space shuttle pilot Jon McBride and former state party chairman David McKinley. Underwood was once the youngest governor in state history and is trying to become its oldest at 74. Elected at 34, he held the office from 1957-61.

Nebraska voters also go to the polls today. Gov. Ben Nelson is expected to win the Democratic Senate primary. The hot race is the GOP gubernatorial battle between Omaha businessman Chuck Hagel and state Attorney General Don Stenberg.

USA TODAY
TUESDAY, MAY 14, 1996

PHOTOCOPY
PRESERVATION

Whitewater Prosecutor Lays Out Paper Trail

By Michael Haddigan
Special to The Washington Post

LITTLE ROCK, May 13—A prosecutor invoked President Clinton's name several times during closing arguments today, saying the president's videotaped testimony bolstered the government's case against Arkansas Gov. Jim Guy Tucker and Clinton's former Whitewater business partners.

Lead prosecutor W. Ray Jahn spoke for more than three hours, laying out a document trail that he said proves the government's case even without the testimony of David Hale, the government's star witness whose credibility has been a central issue in the case. Jahn cautioned jurors to use Clinton's testimony only to judge Hale's credibility, not to evaluate the tale told independently by the documents.

"I submit to you ladies and gentlemen, the government has proven each and every essential element of the crimes in this case," Jahn said.

Jahn sketched a circuitous outline of an alleged "smorgasbord of crimes" involving illegal land flips, inflated appraisals and bogus loans in a scheme, he said, to benefit the defendants and others in the Arkansas "political family." He urged jurors to use their common sense and to be the "conscience of your community" in judging whether the three defendants had abused the "public trust and the private trust."

Tucker, James B. McDougal and his former wife Susan McDougal were indicted last August on 21 counts, including conspiracy, fraud and misapplication of funds. The indictment said the three agreed with Hale in the fall of 1985 to obtain \$3 million in illegal federally backed loans through Hale's

small business investment company and McDougal's Little Rock thrift, Madison Guaranty Saving & Loan.

At the end of the prosecution's case, U.S. District Judge George Howard Jr. dismissed four of 11 charges against Tucker and four of eight charges against Susan McDougal, including the conspiracy charge. The judge said the office of independent counsel Kenneth W. Starr failed to provide enough evidence.

The trial, which started March 4, brought 33 prosecution witnesses to the stand and the introduction of more than 600 documents. Hale spent almost two weeks on the witness stand describing what he said were land flips, purchases through straw buyers and falsified loan applications that were part of the plan to enrich the defendants and other state Democrats.

Hale said then-Gov. Bill Clinton pressured him several times to make one of the loans, for \$300,000, to Susan McDougal.

Clinton, testifying by videotape last week, adamantly denied he had ever pressured Hale or knew of any illegal loans involving Tucker or the McDougals. The president and James McDougal were the only defense witnesses. Defense attorneys surprised spectators and reporters in the packed Little Rock courtroom when they closed their case after only hours of testimony.

Jahn called the defendants "a bunch of wheeler-dealers" who never intended to steal from the government, the Capital Management Services loan company or McDougal's S&L. Instead, they tried to commit the "perfect crime," intending to defraud the institutions by borrowing money improperly and repaying it before they were caught.

"It was an effort to take unlawful, illegal loans, invest in various deals, make a killing and pay back the loans," he said.

Defense attorneys have contended that Hale invented his story in 1994 with the help of conservative political activists to get a favorable plea bargain from the independent prosecutor. Hale received a 28-month prison sentence in March on his guilty plea to two fraud charges.

Hale admitted during his testimony that he lied in the past to former associates, the SBA, federal investigators and the federal judge who sentenced him. Jahn himself described Hale today as a "federally chartered loan shark," but insisted jurors should not simply dismiss all of his testimony because of past misdeeds.

Jahn told jurors that Bill Watt, a Little Rock municipal judge, testified during the trial that Hale told him in 1986 that the governor was pushing him to complete a loan to help his friends. Hale could not have known at the time that Clinton would have been elected president, the prosecutor said.

Defense attorneys methodically attacked the testimony of Hale and other key defense witnesses and elicited praise for the defendants from other prosecution witnesses. McDougal may prove to have been the government's best witness. In his two days on the stand, McDougal contradicted earlier statements and frequently cited memory lapses related to health problems. But Jahn noted that McDougal's answers to his own attorney's questions were clear and straightforward.

"If it benefited Jim McDougal, his memory was pretty sharp. If it didn't benefit Jim McDougal, his memory was very poor," Jahn said.

CORRECTIONS

In two photo captions on Page 13 of yesterday's Washington Business, the identifications of Orbcomm President Alan Parker and Orbital Sciences President David Thompson were switched.

In yesterday's Washington Business the name of Carlos Caban, managing editor of El Tiempo Latino, was misspelled.

A headline Sunday incorrectly suggested that tickets for reckless

driving were up 30 percent in the Washington area in 1995. In fact, tickets for speeding increased almost 30 percent. Tickets for reckless driving were up 10 to 20 percent in several area jurisdictions.

An article on relief agencies in Liberia Sunday misidentified the executive director of Catholic Relief Services in Baltimore. He is Kenneth Hackett.

Chronicle

■ A Whitewater figure faces new music

SUSAN McDOUGAL, who was convicted of fraud last week in the Whitewater investigation along with her former husband, James B. McDougal, and Gov. Jim Guy Tucker of Arkansas, faces yet another legal battle involving another famous name: ZUBIN MEHTA, the conductor.

The Los Angeles Daily Journal, a legal affairs newspaper, reported last week that Mrs. McDougal, 41, a former bookkeeper for Mr. Mehta and his wife, NANCY MEHTA, had been charged with defrauding the couple of \$150,000 through forgery and unauthorized use of credit cards.

A trial had been scheduled in Los Angeles Superior Court in Santa Monica last fall, but the Los Angeles District Attorney's office agreed to wait until the verdict in the Whitewater trial. The pretrial hearing is now scheduled for June 27.

The Deputy District Attorney,

JEFFREY SEMOW, said that no evidence in the Federal Whitewater prosecution was relevant to the Mehta case.

LEONARD B. LEVINE, Mrs. McDougal's lawyer in California, said he had not discussed a settlement with the District Attorney's office after her conviction in Arkansas.

After the McDougals' savings and loan association closed in 1989, Mrs. McDougal moved to Southern California and worked for the Mehtas, supervising their rental properties and doing their bookkeeping.

She contended that the money she was accused of stealing was payment to her company, Paradise Bookkeeping, and that her spending was with Mrs. Mehta's approval.

Corrections

An article yesterday about the surrender of a suspect in the beating of a black man outside a Westhampton Beach, L.I., nightclub misspelled the surname of the suspect in some editions. His name is Austin Offner, not Offner.

An obituary yesterday about Jeremy Sinden, a British comic actor, omitted the name of a surviving relative. He is also survived by his mother, Diana.

Woman Who Told Media of Pretrial Suspensions Wasn't a Whitewater Juror

By Kelly P. Rissel
Associated Press

BENTON, Ark., June 2—A woman who gave interviews representing herself as a Whitewater juror, suggesting she took pretrial suspensions into the jury box, now says she wasn't a juror and was just playing with callers.

Janice Greer said she got tired of calls from reporters who mistook her for a juror who has the same name.

"I've never been on a jury," Greer said in an interview Saturday at the convenience store where she works.

Despite numerous efforts to con-

tact her, the Janice Greer who did serve on the jury has refused to comment. She is a licensed practical nurse from Traskwood, south of Benton.

After talking to the Janice Greer who was not a juror on Tuesday and Wednesday, the Associated Press reported Thursday that she said an article she read before the trial seemed to implicate the Whitewater defendants and it "probably played a little bit of a part" in her verdict.

Gov. Jim Guy Tucker (D) and James and Susan McDougal were convicted of fraud and conspiracy counts Tuesday. The McDougals are former Whitewater business partners of Pres-

ident Clinton and first lady Hillary Rodham Clinton.

The woman also said she believed the Clintons were involved. [The Washington Post, citing the Associated Press, reported that comment in Thursday editions.]

The Janice Greer who was not on the jury said Saturday she got tired of being called by reporters.

Jim Jackson, the lawyer for the non-juror Janice Greer, said his client tried to find the juror Janice Greer at the hospital where she works so she could refer the calls to her. But the juror could not be reached and someone else at the

hospital suggested she make up stories to placate the callers.

"She was just told to tell them whatever they wanted to hear and that would make them go away," Jackson said.

In separate interviews with the Associated Press and KTHV-TV on Saturday, the woman acknowledged talking to reporters but denied making the remarks attributed to her.

"I didn't say what was printed in that article," she told the Associated Press, referring to its story Friday. But non-juror Greer's lawyer said she told him the account was accurate.

"The quotes in the Friday wire

[service] report were correct, but she never indicated she was a juror," Jackson said. "She tried explaining as these various calls came in that she was not the Janice Greer that was the juror."

Jackson said he could not be sure if his client, a 32-year-old store clerk, told the Associated Press that she was not the juror. "She doesn't remember what she said," he said.

After Greer's remarks were published, lawyers for Tucker and Susan McDougal said they might use them in seeking a new trial.

Bobby McDaniel, a lawyer for Susan McDougal, had said Greer's com-

ments were "very strong potential ground for a new trial and/or a reversal."

[In Saturday editions, The Post mentioned that lawyers for Tucker and Susan McDougal thought they might have grounds for appeal based on comments that one of the jurors said a newspaper article she read before the trial may have slightly influenced her decision to convict.]

After the woman's disavowal, McDaniel said he had focused solely on the juror issue while preparing for an appeal. U.S. District Judge George Howard Jr. gave attorneys 20 days to file their pleadings.

Whitewater May Drown Democrats

By TIM VAN DYK

We Democrats shouldn't fool ourselves. The conviction last week on 24 felony counts of Arkansas Gov. Jim Guy Tucker and Clinton associates James and Susan McDougal marked the beginning, not the end, of a looming political ordeal that could endanger not only the president and Hillary Rodham Clinton but hundreds of Democratic officeholders and candidates on the ballot this November. It also could set the stage for the ultimate triumph in 1997 of an unadulterated Contract With America, as interpreted by Speaker Newt Gingrich.

Of course the Clintons were found guilty of nothing last week. And they, as every American citizen, are entitled to be considered innocent of any and all charges until proven guilty. This is all the more true because the credibility of the presidency itself is at stake. No president, of either party, should be challenged lightly in lieu of compelling evidence that he had breached public trust.

No Illusions

Nonetheless we should have no illusions about what will follow. By convincing 12 Arkansas jurors that the charges against the Clinton allies had merit—and that he was not part of some partisan Republican cabal—Independent Counsel Kenneth Starr gained credibility and running room to pursue other cases that could come far closer to the Clintons.

In two weeks, Mr. Starr will bring to trial Arkansas bankers Herbert Branscum and Robert Hill for their alleged illegal diversion of bank funds to Bill Clinton's 1996 gubernatorial campaign. Both Mr. Branscum and Mr. Hill were appointed to state regulatory positions after approving loans totaling \$180,000 to the Clintons. Yet another trial is pending in a separate fraud indictment brought against Gov. Tucker.

The "other" independent counsel, Donald Smeltz, who has been pursuing an investigation of, among others, former Agriculture Secretary Mike Emy and chicken magnets (and Clinton backers) Don Tyson,

reportedly is close to bringing new indictments of his own. He also is reported to have turned over to Mr. Starr files and evidence that could be used in several other prospective cases. Among possible targets is Dan Lasater, a Clinton financial backer, big time bond trader, and convicted drug trafficker.

House Banking Committee Chairman Jim Leach (R., Iowa) and Sen. Alfonse D'Amato, chairman of the Senate Whitewater and Banking Committees, reportedly are ready to proceed with reports and hearings on matters as diverse as the Travelgate scandal (in which White House Travel Office employees were fired

as additional cases are pursued.

What can Democrats do? In previous presidential election years, incumbent Democratic presidents in trouble voluntarily have stepped down early in the election year rather than subject their party to divisive debate or probable general election defeat. In 1952 President Harry Truman stepped aside and, in 1968, Lyndon Johnson followed suit. Both did so because they were associated with unpopular wars (Korea and Vietnam) that had driven their popularity through the floor.

President Clinton's situation is different. There is no substantive issue creating

We as Democrats will have an obligation to forestall the Republican tidal wave that could take place in November, absent a Clinton withdrawal.

and then smeared; the Mena, Ark., airstrip associated with drug trafficking, payoffs and money laundering; and possible perjury and obstruction of justice by current and former White House staff and advisers.

Beyond this, Paula Jones remains out there with her sexual harassment charges against Mr. Clinton, whose attorney gave new visibility to the charges by claiming immunity for the president on the basis that as commander-in-chief he was akin to an active duty soldier. Then, way out there on the fringe, are investigations still under way into the death of Deputy White House Counsel Vincent Foster and of several scandal-associated Arkansians who expired under mysterious circumstances.

Presume for a moment that the investigations into unexplained deaths, narcotics trafficking and money laundering have nothing to do with the Clintons or flow from conspiracy-theorist imaginations. The rest of what generically has become known as Whitewater still could provide more than enough raw material to keep Republicans and media researchers busy until Election Day. In addition, we can expect independent Counsel Starr to leverage his recent convictions to frighten into cooperation not only Mr. Tucker and the McDougals, but also literally dozens of big and bit players in Arkansas who now fear for their own fu-

a polarizing emotional divide in the party or country. And, unlike Truman and Johnson, he still maintains a respectable approval rating and leads his prospective opponent, Bob Dole, in opinion polls. At any rate, we are midway through the campaign year, and the nominating process is over.

In this circumstance our only option, of course, is to stick by the Clintons until and unless courts of law move against them. Yet congressional and other defenders of the president and first lady understandably will become wary as they fear they might be signing their own political death warrants by defending them against charges that subsequently might prove to be true. No matter, our first obligations as a party is to Stand By Your Man (and his Hillary).

Everything will change, however, if investigations and court proceedings result in one or more indictments against the first couple. Then the task will be to save the party and its candidates rather than let them be destroyed in a Clinton implosion. We as Democrats will have an obligation to forestall the Republican tidal wave that could take place in November, absent a Clinton withdrawal. A GOP landslide could provide hard-edged Contract Republicans with strong majorities in both houses of Congress and the ability to enact into law an agenda we have so far held in check.

Fortunately, there is time. Even though President Clinton has amassed the Democratic delegates necessary for his nomination, party rules provide that every delegate technically is unpledged in the event of an extraordinary circumstance. By our late August convention, it may well be that the charges and rumors will have been resolved and put to rest. However, if disastrous news hits the Clintons between now and late August, the responsibility of party delegates will be clear. It will be to call on the president voluntarily to step down and to make way for a substitute nominee—logically, Vice President Al Gore, whose reputation for personal integrity is unassailable and who has kept full distance from Whitewater and related matters.

Another Possibility

There is another possibility, of course. It is that the charges and investigations involving the Clintons will develop like those against President Richard Nixon in 1972. Before that election, a series of congressional and media inquiries began to establish that serious wrongdoing had taken place in the Nixon White House. Sen. George McGovern, the Democratic presidential nominee, strongly challenged President Nixon to answer these charges but was not taken seriously. Later, after President Nixon's second inaugural, a worst-case denouement took place and the country approached a constitutional crisis until Mr. Nixon was forced to resign. As Democrats there is little we can do about

that eventually but pray that it doesn't take place.



Richard M. Nixon

But if the outlook is clear and gloomy by August, we Democrats must think the unthinkable and be prepared to act on it. Otherwise, the growing Whitewater scandal could overtake and bury our party and its candidates. And all because we blindly walked to the guillotine chanting repetitively the Clinton mantra that "mistakes were made" but "we did nothing wrong."

Mr. Van Dyk, a 1992 adviser to presidential candidate Paul Tsongas, has been active in Democratic national politics since 1961.



Bill Clinton

Tired of calls, Whitewater juror's namesake spun a tale

BENTON, Ark. (AP) — A woman who represented herself as a Whitewater juror and said her pre-trial suspicions influenced her vote admitted over the weekend that she never sat on the jury — she just had the same name as a panel member.

Janice Greer's allegations had caused an outcry among defense lawyers, who suggested it could be grounds for reversal of the conviction of James and Susan McDougal, former business partners of Bill and Hillary Clinton, and Gov. Jim Guy Tucker.

The Janice Greer who was not on the jury said Saturday she got

tired of being called by the media after the convictions were announced and decided to play along. Later that day, she said she did not play along and never made the comments attributed to her.

"I didn't say what was printed in that article," she said, referring to an Associated Press story.

Her lawyer said that Miss Greer tried to find the juror Janice Greer at the hospital where she works so she could refer the calls to her. But she could not be reached and another employee at the hospital told the non-juror to make up stories to placate the callers.

"She was just told to tell them

whatever they wanted to hear and that would make them go away," lawyer Jim Jackson said.

"The quotes in the Friday wire report were correct, but she never indicated she was a juror," Mr. Jackson said. "She tried explaining as these various calls came in that she was not the Janice Greer that was the juror."

Mr. Jackson said he could not be sure if his client, a 32-year-old convenience store clerk, told AP she was not the juror. "She doesn't remember what she said," he said.

In two separate phone interviews, an AP reporter asked Miss Greer about her reasons for her

vote. She discussed the case knowledgeably, describing testimony and the role it played in her decision. The reporter doesn't recall if he asked Miss Greer directly whether she was a juror on the Whitewater case.

After talking to the woman Tuesday and Wednesday, AP reported Thursday that Miss Greer said a news article she read shortly before the trial seemed to implicate the defendants and it "probably played a little bit of a part" in her verdict. Miss Greer also broke ranks with other jurors by saying she thought the president and first lady were involved.

Miss Greer also said she spoke to other news organizations about the trial.

Despite numerous efforts to contact her, the Janice Greer who served on the jury has refused comment and could not be reached. She is a 47-year-old licensed practical nurse.

Tucker and the McDougals were convicted in the fraud and conspiracy trial Tuesday. After Miss Greer's remarks were published, lawyers for Tucker and Susan McDougal said they might use the remarks in seeking a new trial.

Bobby McDaniels, a lawyer for Susan McDougal, had said her

comments were "very strong potential ground for a new trial and/or a reversal."

Jury foreman Sandy Wood of Russellville said Saturday she was pleased to learn that the remarks had not come from a juror.

"I am relieved to find out the real story because the opinions verbalized in the original story did not sound like anything any one of the jurors I served with would say," Mrs. Wood said.

In a report on KTHV-TV, Miss Greer said, "I seen that stuff in there (in the article in print). I thought, 'Oh my God, it was not me. I didn't say all that stuff!'"

Missing notes raise Travelgate doubts

Signs of cover-up seen by Clinger

By Joyce Price
The Washington Times

Rep. William F. Clinger, head of the House "Travelgate" investigation, said yesterday the sudden disappearance of notes central to unanswered questions about the scandal point to a possible White House cover-up.

"I think there very well could be a cover-up, the Pennsylvania Republican, chairman of the Government Reform and Oversight Committee, said on "Fox News Sunday."

"There are questions here of obstruction of justice. There are questions here of perhaps collusion in trying to prevent us from really finding out what went on here. ... The fact that they have some called this thing ... it makes them look very bad. (It) raises my level of suspicion very definitely." At issue are notes taken by former White House Associate Counsel Neil Eggleston while he witnessed interviews of presidential aides conducted by the Justice Department and the General Accounting Office.

The interviews were part of the initial investigation into the 1993 firings of seven White House travel office employees. The White House later acknowledged the firings were mistandards.

Mr. Eggleston left the White House in the fall of 1994.

"He told us that when he left the White House ... he turned those notes (over) to the White House counsel's office," Mr. Clinger said. But the White House made no mention of the Eggleston notes last week when, under threat of a House vote to hold it in contempt of Congress, it turned over 1,000 pages of documents long sought by Mr. Clinger's investigators.

The White House withheld an additional 2,000 documents from

congressional investigators, citing executive privilege.

The Eggleston notes were not among the documents given to Congress, and White House officials now contend they are missing. They hope to locate other records of the interviews.

"I think there has to be something at least very embarrassing to them in those documents," Mr. Clinger said. "Otherwise, why hold back?"

Asked what evidence he has to suggest a cover-up, Mr. Clinger said, "Well, we do know that certain people were ... not being allowed to really talk about what went on, and clearly there was an effort here to shield or obscure the first lady's role in the firing of the seven travel office employees."

Sen. David Pryor, Arkansas Democrat and a close ally of President Clinton, said he may support a Republican bill that would provide \$500,000 to reimburse legal expenses incurred by the seven fired travel office employees.

"I may well support ... Senator Hatch's bill to reimburse the travelgate people who were fired," said Mr. Pryor, who appeared on the same Fox show.

Mr. Pryor has denied Republican charges that he personally held up the bill offered by Sen. Orrin G. Hatch, Utah Republican.

Mr. Pryor yesterday said Mr. Clinton "had a right" to fire the travel workers because he was told "there were things wrong there."

"But he may have done this prematurely," Mr. Pryor said.

Mr. Clinger said the president had "every right" to fire civil servants was displeased with. The congressman said the White House "cover-up" of the motives behind the firings still troubles him.

Mr. Clinger said his committee wants to see the documents to determine if the IRS and FBI "were improperly used to go after travel office employees."

The Washington Times

* MONDAY, JUNE 3, 1996

PHOTOCOPY
PRESERVATION

Whitewater's haunting campaign implications

DONALD LAMBRO

The three convictions won by Independent prosecutor Kenneth Starr have sharply escalated the seriousness of the Whitewater scandals that have threatened Bill Clinton's presidency ever since his election.

The persistent and deeply troubling issue of the president's character was already being raised by his political opponents when the jury handed down its guilty verdicts in Little Rock last week. Now the convictions of James and Susan McDougal, his former business partners, and Gov. Jim Guy Tucker, have lifted the issue into a new and more dangerous orbit for the Clintons.

The White House insisted the president was not in any way implicated in the trial. But a key prosecution witness in the trial, David Hale, testified that Mr. Clinton pressured him to give an illegal Small Business Administration-backed loan to Susan McDougal, part of which went into the Whitewater deal.

In sworn testimony delivered to the jury on videotape, the president denied he had asked Hale to make the loan. But prosecutors argued that the SEA-backed lending firm Hale ran was used by him, the McDougals and Tucker as a source of other illegal loans. The convictions suggest the jurors believed Hale and not the president and raise further questions about Hale's central charge.

The president and Mrs. Clinton have maintained throughout the Whitewater investigation that he did nothing wrong; that no charges of wrongdoing have ever been lodged against either of them; and that the entire investigation is politically motivated. But Mr. Starr's convictions proved for the first time that he and his team of criminal prosecutors have a legitimate case to make, that the Whitewater case involves bank and wire fraud, misapplication of funds and conspiracy, just for starters.

Is there enough credible evidence to bring charges against the Clintons in connection with their real estate deal? Mr. Starr will answer that soon enough. But the

Dangerous new orbit

convictions themselves of people close to the Clintons, personally, politically and financially, raise new and much more troubling questions about the president's character, on this front as well as on other issues.

Paula Jones' sexual harassment lawsuit continues, despite the spurious claim by the president's attorney, Robert Bennett, that the case should be postponed because as commander in chief Mr. Clinton is in the military and thus is immune to lawsuits as long as he holds office. The law Mr. Bennett cited is a little-known provision in the 1940 Soldiers and Sailors Civil Relief Act.

Thus, Mr. Clinton, who went to great lengths to avoid military service, sought to use a legal protection afforded to those who entered the armed services in time of war. Republicans immediately pounced on the legal maneuver, calling it a shameless act of legal exploitation that was "a slap in the face to the millions of men and women who are serving on active duty."

The political backlash to Mr. Bennett's crass legal ploy was so intense that it forced him to refile his brief last week without the dubious claim of being in the military.

Yet the controversy resurrected two aspects of the president's past that go to the heart of the character issue: his draft avoidance and his history of womanizing. Several Arkansas state policemen have related in interviews with journalists that they frequently set up meetings between Mr. Clinton and other women in Little Rock while he was governor.

But other character issues have darkened this presidency. Beyond

RUNNING MATE



the many troubling questions raised in the Whitewater scheme itself, there is the issue of whether the White House withheld subpoenaed evidence from investigators and engaged in a cover-up. The Whitewater committee, as well as Mr. Starr, is still investigating how long-sought material evidence mysteriously turned up in Bill and Hillary's residence in the White House.

Meantime, about a week ago the Clintons revealed they had to again pay back taxes, the third time they have had to do so because of incorrect claims they made about their Arkansas financial dealings in their tax returns.

Then there are the ethical problems that surround so much of their

careers, involving a history of conflict-of-interest episodes in which the Clintons' investments and Mrs. Clinton's legal work before state regulatory boards were entangled in the appointments that Mr. Clinton made as governor.

"In terms of the ethical aspects of this whole Whitewater circumstance, it's going to be very serious for him," said House Banking Chairman James Leach of Iowa.

Still, the question remains: Do Americans believe moral character is an important, even pivotal, issue in this election?

When people were asked this question in a recent ABC News/Washington Post poll, only 22 percent said it was an important factor for them in choosing a president.

More than 77 percent of those polled said that electing a president who understood their problems was much more important to them.

Bob Dole and the Republicans have begun hammering away at Mr. Clinton's character and no doubt there will be further developments in the Whitewater trials and the investigations. But in the end, it is the American people who ultimately must decide whether character and integrity matter anymore in choosing our highest elected leaders.

Donald Lambro, chief political correspondent of The Washington Times, is a nationally syndicated columnist.

The Washington Times
* MONDAY, JUNE 3, 1996

PHOTOCOPY
PRESERVATION

Clinton to Testify in Next Whitewater-Related Trial (Little Rock) By Charles V. Zehren= (c) 1996, Newsday=

LITTLE ROCK, Ark. Arkansas Gov. Bill Clinton was deep in debt when Robert M. Hill walked into his office on Dec. 14, 1990, and handed over campaign checks totaling \$7,000.

Prosecutors say the money was stolen from Hill's Perry County Bank as part of a wider conspiracy to hide large cash transactions from federal regulators, an allegation that lies at the heart of the next Whitewater-related trial, slated to begin June 17.

Barring a surprise plea agreement, U.S. District Court Judge Susan Webber Wright will preside at the trial in a cavernous courtroom two floors up from where James and Susan McDougal and Arkansas Gov. Jim Guy Tucker were convicted on fraud and conspiracy charges last week.

As in the Tucker-McDougal case, the president and first lady Hillary Rodham Clinton are not charged. But once again, Bill Clinton is expected to offer sworn videotaped testimony, this time on behalf of Hill and fellow bank director Herby Branscum Jr., a longtime friend of the president and former chairman of the Arkansas State Democratic Party.

In asserting the defendants' innocence, Hill's attorney, Jack Lassiter, said in an interview that the guilty verdicts against Tucker and the McDougals—the Clintons' friends and partners in the Whitewater land deal—will not affect the upcoming trial. Whereas documentary evidence was critical in the Tucker-McDougal trial, Lassiter said the Branscum-Hill case will likely hinge on witness testimony.

But other lawyers said last week's convictions add new power and focus to Independent Counsel Kenneth Starr's investigation and raise the political and legal stakes of the trial for the president as he seeks re-election.

Starr's prosecutors, including IRS specialists, are probing possible wrongdoing in connection with the tax treatment of funds held in Perry County Bank accounts belonging to or connected with the Clintons, according to court documents and sources. Moreover, Starr is considering whether any illegal money was funneled through the Perry County Bank to Clinton's 1992 presidential campaign.

And the guilty verdicts raise interest in the Branscum-Hill trial, said University of Wisconsin political scientist Charles O. Jones, who has analyzed the effect of scandal on the presidency. "Up until this week nobody could really fix on Whitewater," Jones said. "Now, there is something about the words 'guilty' and 'felon' and 'crook' that concentrates the mind. They pique one's interest."

In the Branscum-Hill trial, unlike the earlier trial, the president is directly involved in the facts of the case, Jones said, adding that reports about it could dominate the normally slow political news period leading into the Republican and Democratic political conventions in August.

It is unclear what the effect will be on Clinton's odds of beating the presumptive Republican nominee, Bob Dole, Jones said, but the "coverage will be a bonanza of free media for the GOP. It will help restore all of the concerns the public had about Bill Clinton's character going back to the 1992 campaign."

(Begin optional trim)

On the face of it, Clinton handily won a fifth term as governor over Republican Sheffield Nelson on Nov. 6, 1990. Yet his 16 percent winning margin belied the closeness of the race.

In the waning days of the campaign, Clinton's internal polls dipped as Nelson hit him with a devastating series of ads depicting him as a tax-and-spend liberal.

Fearing a reprise of his stunning 1980 electoral defeat, Clinton launched a costly, 11th-hour media counterattack, funded by increasing his already appreciable personal debt. "I killed myself this campaign," Clinton told reporters afterward. The money was "more than I wish I had to raise now."

Earlier that year, the Clintons borrowed \$180,000 from Perry County Bank in the form of three unsecured personal notes and then lent that money to the campaign. After the

election, they were eager to dig themselves out of a financial hole.

(End optional trim)

It was only natural, Arkansas Democrats say, for Clinton to accept approximately \$7,000 in contributions in the form of 11 checks from the Branscum and Hill families in December 1990. And, they say, it was only natural that Clinton would reappoint Hill to the Arkansas State Bank Board two weeks later and name Branscum to the Arkansas State Highway Commission on Jan. 23, 1991.

But the jury will consider charges that the donations were part of a conspiracy by Branscum and Hill to loot federally insured deposits from their bank between May 1990, and November 1993 by filing phony expense vouchers and making illegal withdrawals.

The indictment does not charge Clinton with breaking the law by exchanging the appointments for money. But it does charge that Branscum and Hill used the cash they stole from their bank to reimburse themselves, family members and others for political contributions they made to Clinton.

Lassiter dismissed the charges as "ridiculous." He called Branscum "an icon of Democratic politics in Arkansas" and said both he and Hill were professionally qualified for the jobs. Perry County Bank passed at least three regulatory inspections at the time of the alleged illegal activity, Lassiter said, adding that Branscum and Hill would have had no motivation to shield cash transactions.

Yet last week sources confirmed Associated Press reports that Starr's investigators possess a scheduling memo written by a secretary in Clinton's office indicating that Hill wanted to discuss Branscum's highway commission appointment when he dropped off the \$7,000.

Bruce Lindsey, a current White House adviser and 1990 campaign treasurer, helped arrange the meeting, at which Clinton and Hill did discuss Branscum's appointment, sources say. Witnesses also reportedly told the grand jury that Hill told contributors he was raising money for Clinton to secure the highway job for Branscum.

Prosecutors say Branscum and Hill then covered their tracks by joining with bank president Neal T. Ainley in making false entries in bank records and lying to IRS and Federal Deposit Insurance Corp. investigators.

Like David Hale, who turned state's evidence in the Tucker-McDougal trial, Ainley, who pleaded guilty to two misdemeanor fraud counts on May 2, 1995, is expected to be a key prosecution witness in the Branscum-Hill case. Ainley, who now operates a chain of convenience stores in Arkansas, declined to comment on Friday.

(Begin optional trim)

The indictment also alleges that on May 25, 1990, five days before the gubernatorial primary, the defendants broke money-laundering laws by failing to report the withdrawal of \$30,000 from the Clinton campaign's account at the bank.

Then, on Nov. 2, 1990, four days before the general election, Branscum and Hill did not report a \$22,500 Clinton campaign withdrawal.

(End optional trim)

Ainley is expected to testify that Branscum, Hill and Lindsey ordered him to evade the Bank Secrecy Act by withholding cash transaction reports, going as far as fishing one out of the outgoing mail. All three deny pressing Ainley.

Clinton is expected to testify that he has no knowledge of activity at the bank. But in one heated exchange with prosecutor Ray Jahn during his testimony for the Tucker-McDougal trial, the president showed a good understanding of the realities of campaign finance.

"Is it fair to say, sir, that campaign debts 'are the hardest to get rid of?'" Jahn snapped.

"Not if you are a governor that won with over 60 percent of the vote," Clinton shot back.

PHOTOCOPY
PRESERVATION



AT A DISTANCE: Former Clinton partners Jim and Susan McDougal stood at the White House fence on the day in late April when the President videotaped testimony for their fraud trial

Guilty, Guilty, Guilty

A Whitewater verdict portends trouble for Clinton

By ERIC POOLEY WASHINGTON

EVERY SO OFTEN IN THE CHARMED LIFE of Bill Clinton, when things have been going a little too smoothly for a little too long, the fates decide to thicken the plot. The Oxford-bound scholar comes up I-A in the draft, the boy Governor gets tossed out by Arkansas voters, the earnest presidential candidate morphs into a skirt-chasing tabloid cartoon—and Clinton has to run harder and smarter to catch up with his dreams. Which is why some of the President's closest advisers have been anxiously peering beyond his gaudy poll numbers to the next, and inevitable, setback.

It came last week. In the fraud-and-conspiracy trial brought by Whitewater independent counsel Kenneth Starr, a jury in Little Rock returned 24 guilty verdicts against Arkansas Governor Jim Guy Tucker and Clinton's former partners in the Whitewater land deal, Jim and Susan McDougal. After nine weeks of dry courtroom exposition, the jury essentially concluded that the defendants had used McDougal's savings and loan as a private cookie jar, dipping into it for bogus loans to bankroll their many business schemes. Clinton wasn't a defendant in the case (merely a witness for the defense), and most jurors said they believed his testimony but found it tangential. Nevertheless their verdict was a blow to the White House.

Instead of giving Clinton the hoped-

for acquittal—which could have buried the issue and discredited Starr—the jurors handed the G.O.P. a bright flag to plant in the Whitewater muck. For one thing, they rejected a central tenet of Clinton's Whitewater theology. By basing their decision on documentary evidence and discounting the testimony of both Clinton and the defendants' chief accuser, David Hale, they undermined the White House argument that the investigation is a baseless, partisan witch hunt. Now it doesn't matter so much that no one can follow the storyline, says G.O.P. chairman Haley Barbour, because "they said 'guilty' 24 times."

After the verdict, White House advisers were relieved to see polls register little movement—evidence that Whitewater had already been fully priced in by the political market. "People who were going to vote against him over Whitewater made up their minds a long time ago," says Clinton strategist George Stephanopoulos. But "if there were three [new] Whitewater stories a week for the next 20 weeks," he adds, that could move votes for Bob Dole.

That scenario isn't so very farfetched. First, there is the chance that in exchange for a shorter sentence, Tucker or one of the McDougals might cooperate with Starr

and provide evidence that would directly implicate Clinton. But even without that development, Whitewater has half a dozen other tentacles that could ensnare the President or First Lady. Among them:

The Second Little Rock Trial. On June 17 Arkansas bankers Herby Branscum and Robert Hill go to trial for allegedly submitting \$13,000 in phony expense vouchers to their bank, then using some of the money to reimburse themselves and others for contributions to Clinton's 1990 gubernatorial campaign. Defense attorneys call the case prosecutorial overkill, a multimillion-dollar probe of a small-potatoes violation, but it could tie Clinton more closely to wrongdoing than the McDougal trial did and will probably force him to testify again. Branscum was a key Clinton moneyman, and Clinton made him state highway commissioner in 1991. The prosecution will try to prove a connection between the contribution and the job.

The Senate Investigation. Starr's victory has given Alfonse d'Amato's Whitewater committee new life just as the New York Senator was ready to close up shop. Before issuing the obligatory scathing report, he will make one last play—probably by hearing testimony from Hale, the perjurer and fraudster from the McDougal trial.

The Billing-Records Mystery. How did Hillary Clinton's long-missing Rose Law Firm records turn up in the White House residence? Did the First Lady obstruct justice by keeping them from investigators? Starr's investigators are trying to answer these questions. Aide Carolyn Huber, who found the records in January, was questioned a few months ago by a Little Rock grand jury. Mrs. Clinton testified under subpoena in Washington last winter. Starr's official fingerprint analysis of the documents hasn't yet been released, but if her prints turn up, so what? They were, after all, her documents.

The Travel-Office Purge. Starr is looking into allegations that Hillary Clinton applied pressure for the firing of the entire White House travel-office staff in 1993, raising dubious charges against the employees so she could install her own people. Starr has hired

two seasoned lawyers to investigate whether Mrs. Clinton and aide David Watkins concealed her role in the purge. Almost no one expects Starr to bring charges against the First Lady, but Republicans may use his findings in the campaign. And how ugly will it get? That could depend on how far Dole is trailing Clinton. —With reporting by J.F.O. McAllister and Vreca Novak/Washington



RISEING STARR: The prosecutor savors victory

DRIP, DRIP, DRIP
Whitewater

AS USUAL WITH WHITEWATER, THE known facts could be looked at two different ways. There was the benign image of President Bill Clinton, Grieving in Chief, sharing the pain of his friend Arkansas Gov. Jim Guy Tucker in a consoling phone call to Little Rock just hours after Tucker had been convicted for conspiracy and fraud. "I've known Jim Tucker for years, and on a personal level I'm sad for him and his family," the president told reporters in a calm but mournful voice. Then there was the more jaundiced view from the "war room," a drab and windowless bunker in downtown Little Rock where the Arkansas staff of the Whitewater independent counsel plotted strategy. The prosecutors there wondered just exactly what, aside from sympathy, the president might have offered his old buddy and successor as governor. Tucker, after all, faces up to 10 years in prison, not to mention another criminal trial for tax evasion. He could avoid serious time by agreeing to testify for the Feds in future Whitewater cases. Unless, that

is, he wants to remain silent out of loyalty, or because he doesn't know that much. Or there is the possibility—suggested by the more cynical prosecutors—that Tucker hopes to hold out for a pardon from the only man with the power to grant it: President Clinton.

Whitewater never goes away; it just keeps branching out, like cracks in a poorly laid foundation. Old woes, from Paula Jones to Vincent Foster, will threaten the Clintons through a potential summer of scandal and for months, if not years, of legal wrangling to come. Taken together, these problems suggest anew that the Clintons brought troubling



Home ties: The Clintons and Tucker can't shake their common past

habits from Little Rock to Washington. Until now, the image of Clinton as charming dissembler suited his good-ole-boy shtik, and Mrs. Clinton's persona as a tough lawyer and protective mother made her a feminist role model. But a special prosecutor poking into their world can only see grist for subpoenas—or worse.

The convictions of Tucker and the Clintons' Whitewater partners, James and Susan McDougal, gave new life to a story that had grown stale. According to the new NEWSWEEK Poll, most people think the Clintons did something wrong—but, for now, most voters don't care. That could change. Later this month, Sen. Al D'Amato is expected to reveal an FBI report about new fingerprints found on Mrs. Clinton's long-subpoenaed law-firm billing records, the Whitewater road map that had disappeared for two years before surfacing in the family quarters of the White House. D'Amato told NEWSWEEK that he is likely to urge special prosecutor Kenneth Starr to investigate whether Hillary confidante Susan Thomases—and possibly others—committed perjury before his committee. Meanwhile, in Little Rock, another pair of the president's cronies will go on trial for illegally diverting bank funds into Clinton's 1990 race for governor. And in Washington, the investigation into Travelgate and possible cover-ups by the First Lady and her staff is, according to Starr, "very active."

The White House adamantly points out that there is still no evidence of criminality by the president or the First Lady. In videotaped testimony in the McDougal-Tucker case, Clinton denied he had urged the prosecution's chief witness, David Hale, to make an illegal loan to Susan McDougal. The jurors generally found Clinton credible. Their verdict, they said, was based on documentary evidence that never mentioned Clinton.

All true, but such defenses overlook a crucial point. In a complex case like Whitewater, prosecutors work deliberately. By winning convictions and threatening prison, they seek to "flip" low-level defendants and

Whitewater's Tangled Webs

Clinton's Circle



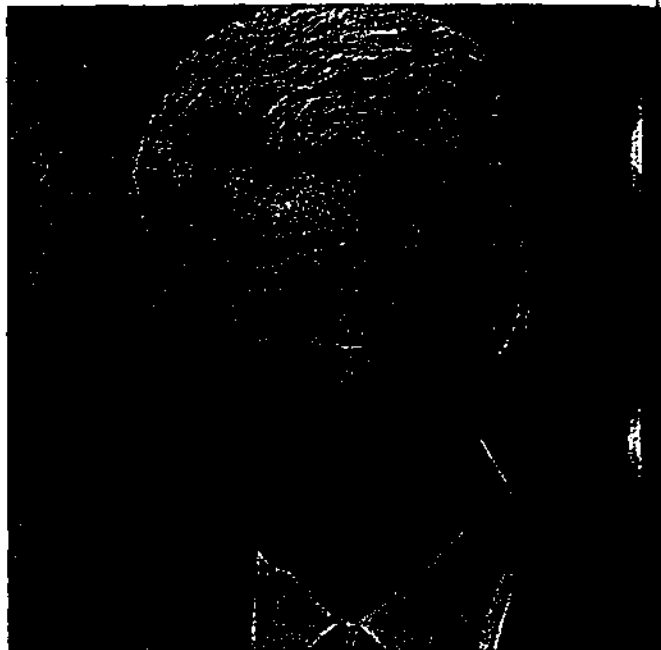
Jim Guy Tucker Convicted of conspiracy and mail fraud, he faces 10 years in jail. He could cut a deal—if he knows anything damaging. When Whitewater re-emerged in '93, Clinton met with him and once told an aide to call Tucker about the budding scandal.



The "Little Rock phase" moves closer to Clinton with the June 17 trial of **Herby Branscum Jr.** (left) and **Robert Hill** (bottom). Both are indicted for funneling funds from their Perry County Bank into Clinton's 1990 campaign, then paying themselves back by claiming phony expenses. They also allegedly failed to report large cash withdrawals for Clinton campaign workers to the IRS. After Hill personally handed Clinton \$7,000 in contributions, Starr says, partner Branscum was made a highway commissioner.



The Original Partners



Jim McDougal Convicted on 18 of 19 counts, McDougal could get 84 years in prison. The dispute over Hillary's legal work for his free-wheeling S&L is at the center of the Washington branch of the scandal, but McDougal is now badly tarnished.



"turn" them as witnesses for the prosecution. The case is like "climbing a pyramid with the Clintons on top," says James B. Stewart, author of "Blood Sport," the best-selling chronicle of the early days of Whitewater. "I'd say the prosecutors are about halfway up."

Little wonder, then, that Starr had to work to suppress his glee at last week's verdicts. His four prosecutors had resented insinuations that they were merely fronting for the GOP. "Strong and bitter words indicate a weak cause," read a placard on the wall of the independent counsel's war room. On the eve of the McDougal-Tucker trial, NEWSWEEK has learned, some prosecution team members had discussed nam-

ing the president as an unindicted co-conspirator. They didn't, and morale reached a low point last month when Clinton handled himself masterfully under oath. Realizing that an acquittal in their first major trial would spell the end of Whitewater, some lawyers on the staff were planning to go home. The convictions changed everything.

So where is Whitewater heading? There are two main avenues of investigation, one in Arkansas and one in Washington:

Squeezing the FOBs. The real prize in the race to flip a Friend of Bill is not Jim or Susan McDougal, a pair of amiable scamsters who would make unreliable witnesses, but Tucker. He has been close to the Clintons,

In the NEWSWEEK Poll, 58% think the administration is knowingly covering up information about Whitewater that could damage the Clintons

The convictions in Little Rock were the first jury verdicts in the series of scandals stretching from Arkansas to Washington. The cast of characters—and where the case goes from here:

The president The Little Rock jury believed Clinton, but it will be a difficult summer as D'Amato reports on his Senate inquiry, another trial raises pointed questions about Arkansas sleaze and Paula Jones presses her sexual-harassment suit.

Mrs. Clinton The Senate and the special prosecutor are pursuing charges that the First Lady may have misled investigators about Travelgate and Whitewater. And there is the mystery of how her billing records reappeared near her study after two years.



Hillary's Circle

Susan Thomases The New York lawyer's repeated phone calls to and from Hillary and White House aides after Vincent Foster died—and her inability to remember what was said—has prompted D'Amato's request for a perjury investigation by Starr.

Maggie Williams Hillary also called Williams, her chief of staff, when she heard Foster had died, and Williams was in his office that night. Her memory lapses about what happened in the following hours have twice landed her in front of a grand jury—and could again.

David Watkins A contemporaneous Watkins memo claims Hillary pressured him to purge the travel office. Hillary has denied this; if the special prosecutor's probe bears Watkins out, the First Lady could find herself in serious legal trouble.



Susan McDougal Her lawyer says she's got nothing to say to Starr, but the 42-year-old faces 17 years in prison. A partner whose fraudulent loan ended up in the venture's account, she may know as well as anyone where Whitewater went wrong.



sometimes as a rival, sometimes as an ally, for nearly 20 years. Tucker, who last week announced he will resign as governor, insists he has no damaging information to divulge, but his lawyer has already had talks with Starr about how to "bring closure" to Tucker's legal problems. Prosecutors would like to know, for example, why Susan Thomases, in March 1992, wrote a note to herself that said, "B.C. [Bill Clinton] says call Jim Guy Tucker." At the time, Thomases was assigned to handle New York Times reporter Jeff Gerth, who was beginning to ask questions about the Whitewater land deal. Last year Thomases told D'Amato's committee she did not believe she talked to Tucker.

Prosecutors are also curious about Tucker's Oct. 6, 1993, meeting at the White House with Clinton. Aides say the two men discussed nothing more than locating a defense plant in Arkansas, but the session came just a few days after the president had received a secret "heads up" that federal regulators had recommended that the Justice Department investigate McDougal's failed S&L for fraud. Tucker, who was a lawyer for the S&L in the mid-1980s, was named as a potential target in the case, and Clinton was identified as a witness.

Tucker may know even seamier secrets about the president. A few weeks after the October '93 meeting, Tucker called in one of the state troopers who had once been as-

signed to guard Clinton and warned the officer not to go public with stories about Clinton's alleged philandering. When the trooper ignored this advice, he was demoted. There have long been reports that Clinton tried to silence another state trooper by offering him a federal job, but the White House has strongly denied these accounts.

Starr's more immediate concern is to convict—and then possibly flip—a pair of old Clinton pals named Herby Branscum and Robert M. Hill, who go on trial on June 17. The two small-town bankers from Perry County are accused of illegally funneling money into Clinton's 1990 gubernatorial campaign. Clinton will have to testify again, this time about a Dec. 14, 1990, meeting in the governor's office at which Hill handed Clinton a \$7,000 post-campaign contribution. Prosecutors will argue that at the same meeting Clinton discussed appointing Branscum to the powerful state highway commission. Branscum's lawyer dismissed any suggestion of a quid pro quo as "absolutely preposterous." Indeed, Arkansas observers scoff at the idea that \$7,000 could have made the difference. "Hell, the highway commission costs a lot more than that," jokes Max Brantley, the editor of the pro-Clinton Arkansas Times. But sources close to Starr tell Newsweek that the contribution to be looked at in a broader context: the \$180,000 in personal

loans that Branscum's bank extended Clinton for the '90 campaign. Clinton himself is not accused of anything in the case, but convictions could lead to more serious problems if the bankers start talking.

The Hillary Phase. Back in Washington, Roger Adelman, a prosecutor hired by Starr to probe Travelgate, is hunting for evidence that Mrs. Clinton covered up her role in the firing of seven employees from the White House Travel Office in 1993. Mrs. Clinton originally told government investigators that she had nothing to do with the dismissals, but a memo written months later by aide David Watkins alleges that the First Lady was very much involved and that

69% say allegations that the Clintons or their aides interfered with Whitewater investigations are important in judging Clinton as president

CLOCKWISE FROM TOP LEFT: RALF FINN HESTOFT-SABA; WILFREDO LEE-AP; STEVE LEHMAN-SABA; LARRY DOWNING FOR NEWSWEEK; JOHN FICARA FOR NEWSWEEK; JEFFREY MARGOWITZ-SYGMA; MORRIS RICHARDSON-SIPA; RALF FINN HESTOFT-SABA; DANNY JOHNSTON-AP (R)

"there would be hell to pay" if the staffers weren't fired to give the business to Clinton friends. (Mrs. Clinton denies this account.) Watkins is now under intense pressure from prosecutors to talk, though he is ailing: his lawyer says that Watkins suffers from fainting spells and has sought treatment at the Mayo Clinic. (Whitewater can be bad for your health: McDougal has heart trouble,

and Tucker needs a liver transplant.)

Both the independent counsel and D'Amato would like to find out how Mrs. Clinton's billing records suddenly turned up last January. Mrs. Clinton's fingerprints have been found on the records; D'Amato hopes the FBI's analysis will present a clear "chain of custody." By finding out who else handled the records, it may be possible to

learn how they moved from the Rose Law Firm, where they were kept until the press began asking questions about Whitewater in March '92, to the White House family quarters. Investigators are particularly interested in knowing whether the records were spirited out of Foster's office after the deputy counsel killed himself in July 1993.

At the White House, besieged aides won't

Why It Matters

Whitewater is more than an old land deal. It's about insiders cutting corners—and possibly covering up.

BY MICHAEL CHERTOFF

THE CONVICTIONS OF THREE of President and Mrs. Clinton's close Arkansas business and political associates mark a key turning point in the ongoing Whitewater investigations. The jury's guilty findings dispel the haze generated by spin controllers who have tried to persuade the public that Whitewater is irrelevant—old news that's too complicated and too remote to be understood. By patiently analyzing documents and testimony, the jurors calmly set off this big-bang verdict. What is at stake here, of course, is more than the narrow issue of who goes to jail. These Whitewater probes test whether the White House has met the standards of honesty and integrity Americans expect of each other, and of their public officials.

Post-trial speculation about which jurors believed which witness misses the larger point. The Arkansas jury was not presented with all the evidence, or asked to resolve all the questions, in the Whitewater affair. They were asked to decide one central but limited matter: did a group of insiders commit crimes and dishonest acts when they operated and benefited from the taxpayer-guaranteed Madison savings and loan?

Yes, beyond a reasonable doubt. The current White House spin that the verdicts don't matter because the case had nothing to do with the president is simply wrong. According to testimony by an FBI agent and other witnesses, some of the proceeds from one of the fraudulent loans went into Whitewater and also repaid funds that had been advanced to prop up the McDougals' and Clintons' failing investment. So the verdicts do have implications for the First Family. There is also fresh evidence, uncovered by the Senate and not presented to the Little Rock jury, about the links between Mr. Clinton and McDougal's "political family."

Recently discovered law-firm billing records reveal Mrs. Clinton's previously undisclosed personal representation of McDougal's S&L before state regulators, seeking permission to raise additional money through the sale of stock. The records also show that



Pressing on: There are moral questions at stake

ponder new concerns raised about the Clinton administration's conduct since it arrived in Washington. Why did the White House meet with top Treasury officials to obtain confidential information about the Madison criminal referrals? Why did the administration attempt to keep a friendly Treasury official in place as the final decisionmaker for the Madison investigation? Why did White House officials refuse to allow the FBI and Justice Department prosecutors access to Whitewater documents in the office of Vincent Foster after his death? And finally, what is the story behind the mysterious discovery of Mrs. Clinton's law-firm billing records in a private room in the White House residence more than a year after they were subpoenaed?

These can no longer be brushed off as "a cover-up without a crime." The Little Rock verdict suggests there was—and is—an ample motive for the administration to clamp down on what Foster once described as a "can of worms you shouldn't open."

CHERTOFF, the Republican special counsel to the Senate Whitewater committee, is a partner at Latham & Watkins. The views expressed here are his own.

be surprised by another grand jury subpoena for Mrs. Clinton, who testified for nearly four hours last January. Starr would not consider indicting the First Lady for false statements or obstruction of justice unless he was absolutely sure he had a very strong case, and he is still a long way from making such a decision. Likewise, there's another long-term case dogging the Clintons—Paula Jones's

sexual-harassment suit against the president. Though it probably won't go to trial until after November, legal arguments about whether a president can be sued while in office will keep the charges in the news.

In a sense, the slow wheels of justice favor the Clintons, probably putting off any real legal crises until after the election. But the prospect of a president enmeshed in

scandal as his second term begins has uncomfortable echoes. Whitewater may not be Watergate, but the impact on the country could be just as dispiriting if it turns out the Clintons really do have something to hide. The machinery of the independent counsel is relentless. It now has a charge strong enough to last for a long time.

With MARK ROSENBAUM

Don't Go Overboard

Amid all the hype and hysteria, remember to judge Whitewater on the facts, not on partisan innuendo

By RICHARD BEN-VENISTE

WHEN SEN. PAUL SARBANES asked me to become minority counsel to the Senate Whitewater committee 14 months ago, the assignment was clear: conduct a thorough investigation and identify misconduct—if there was any to be found. But we recognized there would be strong political currents at work, particularly as we moved closer to the 1996 election. The overheated headlines in Little Rock dramatically demonstrate that point. The only responsible course in navigating Whitewater is to look at the facts rather than hammer the evidence into some preconceived mold.

The convictions of Susan and James McDougal and Jim Guy Tucker come as no surprise to those following the trial. The eccentric James McDougal had been prosecuted (but acquitted) on similar charges in 1989. David Hale, the chief witness for the prosecution, had been described by Small Business Administration officials as one of the most corrupt operators in the history of the Small Business Investment Corp. program. The real question is: what does this trial say about the president?

It says we must be careful of guilt by association. President Clinton was not even mentioned in the McDougal-Tucker indictment. Still, the alarmists argue that the guilty verdicts are a grave blow to the White House. Amid the sound and fury, we should remember first and foremost, as the prosecution made clear, the president's conduct was not on trial.

Indeed, Clinton's appearance at the trial can be entirely laid at the feet of David Hale, who, according to jurors, embroidered his testimony to falsely accuse the president of pressuring Hale to make a loan—embroidery intended to give Hale room to plea-bargain with the independent counsel. In the words of juror Colin Capp, "David Hale perjured himself ... invok[ing] the president's name for one reason: to save his butt. We all thought that way." According to press reports, jurors did not question the president's



Drawing distinctions: Politics shouldn't cloud the facts

of the Rose firm's representation of Madison on a handful of legal matters a decade ago in stupefying detail, we can safely conclude: the documents are not the equivalent of the missing murder weapon in the O. J. Simpson trial. Rather, they confirm that Mrs. Clinton's and her firm's work for Madison was quite limited, and in no respect improper, a conclusion reached by the independent Pillsbury firm in its report to the Resolution Trust Corp.

The Senate Whitewater committee has now held more than 50 days of hearings on a wide range of subjects, from the search of Vincent Foster's office to the leasing of office space by Arkansas state agencies in the mid-1980s. The American people should take comfort in the results: there has been no evidence of illegal or improper conduct by the president. Shortly, the Democratic minority will file its report—and you can be sure it will distinguish between hyperbole and fact.

BEN-VENISTE, a partner at Weil, Gotshal & Manges, is the Democratic special counsel to the Senate Whitewater committee. The views expressed here are his own.

THE CAMPAIGN

'Grenades Will Land'

As prosecutors move in, the Clintons play defense

BY HOWARD FINEMAN
AND BILL TURQUE

IT WAS THE KIND OF ROAD trip Bill Clinton usually savors. Jet down to New Orleans for a speech to 10,000 African-American churchwomen. "The president is a man who was just born white," a bishop from the Church of God in Christ told the cheering women in their huge designer hats. "But on the inside, he's a brother!" Crawfish lunch near the French Quarter. A quick ride up to Baton Rouge to speak to the legislature of the only Deep South state (other than Arkansas) he won in 1992. In the state capitol he was greeted with cousinly backslaps and gifts of Cajun sauces. But throughout the long day, the president seemed preoccupied. There was no spice in his speeches, no blue-eyed soul in his smile. Bill Clinton's mind was elsewhere—not on the present but on his past, and what it may mean for his future.

Clinton knows that he is more tolerated than beloved, and that last week's verdicts in Little Rock signal the start of all-out Whitewater war. Told the news during an Oval Office political scheduling meeting, Clinton reacted calmly, speculating in an almost academic way about the jury's thinking before publicly expressing sympathy for the three defendants. Mrs. Clinton made a scheduled trip to California, resolutely talking about kids, not convictions. Meanwhile, the First Family's aides fretted privately. "Grenades are going to land," said one senior White House aide. "Sometimes they're going to land close."

The essence of the Clintons' current political plan was once summarized by the late Lee Atwater, the combative GOP operative. When you're in trouble, he said, "play dumb and keep moving." So one half of the strategy is to keep the president



Charged up: A rejuvenated Starr has the Clintonites worried

"moving" by continuing to propose his own "conservative" stands on cultural issues such as crime, adoption and welfare. For now, the polls are Clinton's armor. Indeed, there is little evidence that the public, clearly unmoved by Bob Dole's still-lethargic campaign, is ready—yet—to punish the president for Whitewater. The verdicts produced a flood of punditry, but no shift in public opinion. In the new NEWSWEEK Poll, 58 percent of voters agreed that the Clinton administration is "knowingly covering up information about Whitewater"—up 6 points from March. But so far, the lack of candor doesn't seem to bother the voters: Clinton's lead over Dole remains at 17 points (49-32) in a three-way race. "Here's a quarter," Clinton adviser James Carville told his fellow guests on CNN. "Call someone who gives a damn."

Against the day that people might actually care, the president's message will boil down to: not me, them; not here, there; not now, then. White House aides pulled an all-nighter assembling a press briefing book of quotes from Little Rock jurors who said the president had been a credible witness—even though his testimony wasn't enough to prevent the convictions. The

next Arkansas trial will focus on the 1990 Clinton campaign for governor, and the president's own conduct will be more directly at issue. He'll have to testify again, producing another videotape his enemies will clamor for. White House spinmeisters have their li ready: this is about events long ago in another place. And they will note that Dole's 1988 presidential campaign was fined for violating spending rules.

The White House will argue that any convicted defendant who turns state's evidence is an untrustworthy rat—and that includes the old friends to whom Clinton expressed sympathy last week. "No one is going to believe people who are lying because they are under the gun," Clinton aide George Stephanopoulos told NEWSWEEK.

The Republican strategy, for now, follows another Atwaterism: never interfere with an enemy who may be in the pro of destroying himself. Dole maintained radio silence about Whitewater. His lieutenants is-

sued edicts—copies available to the president—commanding their forces not to comment. The GOP preferred to put forth independent counsel Kenneth Starr's sober visage. But the GOP will hit the "character" issue hard, and the convictions will turn up in anti-Clinton ads. "We want this election to be about the following question: who is Bill Clinton, really?" a top GOP strategist said.

Perhaps that was why the president seemed distracted on his Southern jaunt. Given the surroundings, he may have recalled "All the King's Men," Robert Penn Warren's novel of bloody and unforgiving politics in the Louisiana of the '30s. The bleak message of the book is that any politician, however well-meaning, can be ruined by scandal. And though the voters are not rushing to judge Bill Clinton, that must be a sobering thought.

65% of voters say Whitewater, Travelgate and questions about Hillary Clinton have not made them less likely to vote to re-elect Clinton in November

Whitewater on the rise

The president and his campaign must contend with a newly invigorated investigation

The guilty verdicts returned in Little Rock last week were a near-run thing. The convictions of James and Susan McDougal and Arkansas Gov. Jim Guy Tucker on fraud and conspiracy charges were a great victory for Kenneth Starr, the independent counsel appointed to investigate the Whitewater affair. But anyone who has spent time around a courthouse knows that juries can be flummoxed by mountains of evidence. So by asking the jury to rely on hundreds of documents detailing complex land flips, straw purchases and bogus loan applications, and by leading with a witness who had serious credibility problems, Starr's team of veteran prosecutors took a major risk. On another day, with another jury, the result could easily have been acquittal, despite the apparently overwhelming documentary evidence of guilt.

Of such near-run things is history made, and, as a result, President Clinton and his campaign for re-election must now contend with a newly invigorated Whitewater investigation, an inquiry now certain to carry beyond Election Day and into next year. For now, not even Starr can say where it may end.

In Little Rock, a second criminal trial scheduled to begin later this month will turn the heat up a bit further, but more serious developments for the White House may occur later in the year, back in Washington. There, Starr's investigators are pursuing two major lines of inquiry, one into the firings of the White House travel office staff and the other into the mysterious discovery in the White House residence of long-subpoenaed billing records from Hillary Rodham Clinton's Little Rock law firm. Both could cause more trouble for the



first lady than for the president, and, if they do, Bill Clinton's 1992 campaign slogan—"Buy one, get one free"—could be turned on its head.

New evidence? There may be more trouble in the works. If Governor Tucker, who will resign by July 15, or James or Susan McDougal agree to provide

new evidence to Starr's prosecutors in exchange for shorter prison sentences, that could further extend the Whitewater inquiry. Susan McDougal dealt directly with Hillary Clinton on many issues relating to the two couples' investment in the failed Whitewater real-estate venture, an investment on which the Clintons have quietly paid \$22,880 in back taxes and interest.

Prosecutors are also interested in whether President Clinton, despite his sworn denials, pressured former Little Rock Judge David Hale to make an illegal federally backed loan of \$300,000 to Mrs. McDougal in 1986; \$50,000 of the proceeds went into the Whitewater development. The president dismisses Hale's story as "bull," and his aides are trying to blame the whole affair on politics. "The GOP will try to breathe life into this story," says senior adviser George Stephanopoulos, "by blowing a lot of political hot air [on it]." Even after the guilty verdicts in Little Rock, however, it is unclear how many voters care about Whitewater. "The plan is to continue talking about the important issues," says a Clinton campaign strategist. "That's what the public cares about."

But the guilty verdicts have cast a shadow on a Clinton campaign that until just a few days ago seemed sunny and untroubled. Although there is politics involved, especially in the Republican-led congressional inquiries into

Whitewater and other matters, the legal issues ahead are real and significant.

The criminal trial of two bankers with ties to Clinton's campaigns, scheduled for later this month, will cast harsh new light on Clinton's 1990 gubernatorial campaign, for example. Once again, the president, who was called as a defense witness in the Tucker-McDougal case, is likely to be compelled to testify, but this

upcoming trial. "The people you appoint" to government jobs, the aide says, "are the people who supported you."

The beat goes on. Little Rock cronyism is unlikely to shock many voters, but the trial could be messy both legally and politically. The two dates set aside for Clinton's testimony are June 23 and July 7; perhaps more troubling, Clinton adviser Bruce Lindsey, who served as

House, is "active" in pursuing new leads.

The so-called Travelgate affair and the mysterious appearance of Hillary Clinton's Rose Law Firm billing records are expected to occupy most of the Washington grand jury's attention. The grand jury is hearing evidence about whether anyone in the White House obstructed the investigation into the abrupt dismissal of the travel office staff, and into Mrs. Clinton's role, if any, in the affair.

The billing-records mystery is another "Hillary issue." Starr has sworn testimony from a Secret Service agent that he saw an aide to the first lady remove records from the office of Deputy White House Counsel Vincent Foster after Foster shot himself.

The aide, Margaret Williams, Mrs. Clinton's chief of staff, has denied the account under oath. She admits, however, asking an aide to carry personal files of the Clintons' from Foster's office to the White House residence; a few days later, Williams says, the files were given to the Clintons' personal lawyer.

Mrs. Clinton's billing records surfaced in a secure "book room" in the White House residence in January, after they had been under subpoena for two years. Foster's handwriting is on several pages, but the White House denies the records were in his office. The first lady, her friend Susan Thomases and former White House Counsel Bernard Nussbaum all have denied that Mrs. Clinton tried to interfere with the investigation into Foster's suicide, but Starr and Alfonse D'Amato, chair of the Senate White-

water Committee, are still asking questions. White House aides see no wrongdoing. "Why go to all this trouble to hide these [documents]," asks a Clinton adviser, "when they're not incriminating?"

That's not a bad summation of the White House's approach to the whole Whitewater affair. Clearly, the multiple facets of the investigation will cause trouble as the election approaches. But whether they are precursors of a serious storm or just passing summer thunderclouds remains to be seen. ■

BY BRIAN DUFFY WITH EDWARD T. POUND
DAVID BOWERMASTER, BRUCE B. AUSTER,
LINDA KULMAN AND GLORIA BORGER



FIRST LADY HILLARY CLINTON PRIOR TO TESTIFYING BEFORE A WHITEWATER GRAND JURY IN JANUARY

INVESTOR, LAWYER, SPECULATOR, SPOUSE

Although she has not been charged in the Whitewater investigations, the first lady's roles in the travel office affair, the Whitewater real-estate transactions, the Clintons' tax filings, the handling of Vincent Foster's files and her own legal billing records are all under scrutiny.

time he will be asked more nettlesome questions. Among them: Did his campaign participate in an alleged scheme to illegally conceal large cash withdrawals from federal regulators? Did he or others in the campaign know of alleged efforts to funnel illegal contributions to his cause? Did Governor Clinton hand out state jobs to big political contributors or to bankers who made \$180,000 in personal loans to him and his wife?

"This case is going to be all about Bill Clinton's 1990 campaign," says Dan Guthrie, an attorney representing one of the bankers, "and certain acts he took as governor." A top White House aide claims the president is untroubled by the

treasurer of the 1990 gubernatorial campaign, has also been subpoenaed and may testify. Lindsey's activities during the campaign have been under scrutiny by a federal grand jury impaneled by Starr's prosecutors in Little Rock, and a new grand jury has recently been impaneled, indicating that Starr is far from closing the Arkansas phase of his Whitewater inquiry.

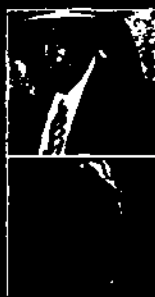
The Washington phase is also far from over. At a press conference last week after the guilty verdicts were announced, an obviously upbeat Starr promised to "move forward" with the inquiry and said yet another grand jury, impaneled just blocks from the White

A LOOK AT THE REMAINING ISSUES

Neither the president nor first lady Hillary Rodham Clinton has been charged with any crimes by Independent Counsel Kenneth Starr, but the jumble of issues and allegations called Whitewater is likely to last past the November election.



ARKANSAS GOV. JIM GUY TUCKER LEAVES THE COURT.

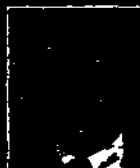


THE MCDUGALS

Last week's guilty verdicts against Arkansas Gov. Jim Guy Tucker and James and Susan McDougal could open the door to further investigations of the first couple's investments and other business dealings while Bill Clinton was Arkansas governor.

CLINTON'S 1990 CAMPAIGN

On June 17, two officials of Arkansas's Perry County Bank will go on trial for alleged making improper contributions to Clinton's 1990 gubernatorial re-election campaign. Bruce Lindsey, a close adviser in the Clinton White House, was the campaign treasurer and is expected to testify.



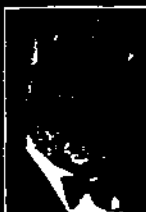
LINDSEY

THE WHITE HOUSE TRAVEL OFFICE

Independent Counsel Starr's jurisdiction has been expanded to include the 1993 trips of Billy Dale, the head of the White House travel office, and other office employees. A memo written by former White House aide David Watkins suggests that Hillary Clinton demanded the trips. The first lady denies it, but investigators want to know whether the Clintons were trying to have the travel office business to their old Arkansas friend and longtime supporter, Hollywood producer Henry Thomson, who was suing it.



WATKINS



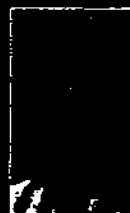
THOMSON



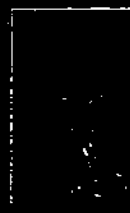
DALE

ROSE LAW FIRM BILLING RECORDS

Under subpoena for two years, Hillary Clinton's billing records from her Little Rock law firm surfaced in the White House in January. Who had them remains a mystery. If he can establish that the documents were deliberately withheld, Starr could bring obstruction-of-justice charges. Mrs. Clinton's top aide, Maggie Williams, and friend Susan Thomas have been grilled about the late White House lawyer Vincent Foster's files.



THOMAS



WILLIAMS

THE CLINTONS' TAX RETURNS

On the eve of the Memorial Day weekend, the president and the first lady quietly paid an additional \$2,910 in back taxes and interest stemming from investment funds related to their interest in the Whitewater land development with partner Susan McDougal. The Clintons have now paid a total of \$22,880 in back taxes since Bill Clinton took office in 1993, and Starr is continuing to examine the couple's real estate deal.



STARR ANNOUNCES THAT HE'S MOVING FORWARD.

MEANWHILE, ON CAPITOL HILL

The Senate Whitewater Committee, headed by New York Republican Alfonse D'Amato, has until June 14 to complete its hearings and until June 17 to issue a report of its findings. In addition, the House Government Reform and Oversight Committee has been investigating the White House travel office case, and last week the White House produced over 1,000 more pages of documents.



D'AMATO

EDITED BY OWEN ULLMANN

WHY DOLE WON'T PLAY THE WHITEWATER CARD—YET

Just minutes after a federal jury in Little Rock handed down convictions on May 28 in the first Whitewater trial, Bob Dole's operatives put out the word to Republican spin doctors: Lay low. That may seem like odd advice from a Presidential candidate eager for any scrap of good news. But when Republicans bite their tongues, Democrats had better watch out.

The GOP has no intention of ignoring the biggest political break to come its way all year. It's just a matter of timing. Dole partisans have decided to hammer Clinton with the "character issue"—but closer to Election Day. "If you use the issue too early, people get sick of it," says a GOP operative. For now, Republicans are counting on the media to keep Whitewater before the public. "The verdicts speak for themselves," notes the usually loquacious Republican National Committee Chairman Haley Barbour.

Indeed, the 24 guilty verdicts in a loan fraud case against Clinton's former business partners and successor as governor could change the campaign's dynamics. The jury's decision reenergizes a dispirited Dole campaign that was agonizing over prospects of a Clinton blowout. At the same time, the verdicts mark a triumph for Whitewater independent counsel Kenneth W. Starr, who has new momentum to pursue the Washington phase of an investigation that's lapping ever closer to the front door of the White House.

On Capitol Hill, where Whitewater hearings were in danger of turning into political show trials, Senator Alfonse M. D'Amato (R-N.Y.) and his pals on the Senate Whitewater Committee can claim new credibility. Says GOP consultant Kathleen C. Severin: "A conviction takes the sting out of the charge that they are politically motivated." D'Amato is wrapping up his probe into Bill and Hillary Clinton's Arkansas business dealings and a possible coverup. The panel is likely to issue a

summertime report highly critical of White House conduct.

For Clinton, the convictions mean an annoying distraction from the agenda he wants to emphasize—his support for education, the environment, and Medicare. "Instead of talking about real issues, a lot of us are doing interviews and talk shows on Whitewater," groans Democratic strategist Lynn Cutler. "We would prefer to talk about something positive and relevant."

DAMAGE CONTROL. Now, the Clintonites are scrambling to distance the President and First Lady from the convictions of Arkansas Governor Jim Guy Tucker and Clinton's former partners in the Whitewater land deal, James and Susan McDougal. White House aides note that the Clintons were not accused of any wrongdoing. And Democratic strategists emphasize that several jurors found the President's videotaped testimony credible but based their verdicts on damning documents.

The White House won't be able to wish Whitewater away. In the next month, Starr will start a new trial against two Arkansas bankers accused of financial irregularities in connection with Clinton's 1990 gubernatorial race.

Once again, the defense is likely to call Clinton as a witness. Meanwhile, Starr is still pursuing the Whitewater land deal, events surrounding the death of former White House counsel Vincent Foster, the scandal in the White House travel office, and possible criminal attempts to obstruct his inquiry.

So far, the Little Rock convictions aren't likely to set off a flood of public outrage against Clinton. "It'll help tighten the race, but it won't tip the balance," says one GOP strategist. But at the least, the drip, drip, drip of Whitewater embarrassment is sure to dampen the euphoria at Clinton headquarters—and end the drought of good news for Bob Dole.

By Richard S. Dunham and Susan B. Gari



CLINTON: May be back on the stand

CAPITAL WRAPUP

THE COST OF MENTAL HEALTH

Business groups raise the Senate health insurance reform bill requiring the same coverage for mental illness as for physical ailments would hike premiums. Now the Congressional Budget Office says the plan would swell the deficit by \$115 billion through 2002. Extending mental health parity to Medicaid and Medicare, as some lawmakers want, the CBO adds, would hike federal spending by \$115 billion.

FIRST, THE BAD NEWS

Why do most people think the economy is weaker than government studies show? Polls show, and analysts attribute the perception to a lack of security about the future. But a new Harris Poll blames the media. Harris says four adults surveyed by Harris say the media dwell on bad news about jobs, the economy, and companies. Harris speculates that's why only a third of the public is aware that the economy is expanding and employment is growing by 2 million jobs a year.

DERIVATIVES DEPARTURE

The government is looking for a new chief of the Commodity Futures Trading Commission. The current chief, William E. Schuler, is leaving the office of the Commodity Futures Trading Commission. The current chief, William E. Schuler, is leaving the office of the Commodity Futures Trading Commission. The current chief, William E. Schuler, is leaving the office of the Commodity Futures Trading Commission.



THE TALK OF THE TOWN

WHY IS KENNETH STARR SMILING?

AMONG professionals in politics, the reaction to a misfortune that befalls one's opponent is governed by a law of inverse proportions: the more minor the misfortune—a debate gaffe, or the revelation of some bit of hideous behavior on the part of a campaign co-chairman—the louder one trumpets; the graver the wound, the quieter and more reticent the response. The afternoon that the verdict in the first Whitewater trial came in from Little Rock, the voices from Bob Dole's Washington campaign headquarters would not have been out of place at an Episcopalian funeral. "We're not going to make this an issue in the campaign," one senior Dole man said over the phone. "We believe the campaign is, and should be, about clear and obvious differences on the issues between Bob Dole and Bill Clinton, in such areas as crime, welfare reform, taxes." A few minutes later, another Dole man was on the line: "As you may know, neither Bob Dole nor this campaign has ever made a comment on the Whitewater issue, and we're not going to do so now. We're going to frame this election on the clear differences between Bob Dole and Bill Clinton on the issues of welfare, balancing the budget, crime, and taxes."

The Dole campaign can afford its good manners. Until last week, the Clinton line of defense in Whitewater and related affairs was looking—still, after Webb Hubbell, and Mrs. Clinton's commodities trading, and the mysterious discovery of the long-sought Rose Law Firm billing records in the First Family's living quarters, and the congressional parade of Clinton aides with

bad memories, and the nine guilty pleas already won by Independent Counsel Kenneth Starr—not too bad. Democratic efforts to discredit Starr's investigation as politically motivated and devoid of legal merit had met with some success. The leading congressional inquisitor, New York Senator Alfonse D'Amato (who was suffering in home-state polls), had announced with more of a whimper than a bang that he was wrapping up the Banking Committee's two-year investigation. The trial had seemed to go fairly well for the defense; an acquittal, at least on most counts, was expected, followed by the winding down of the Starr investigation.

The news that an Arkansas jury had convicted the Governor of Arkansas and the former business partners of Bill and Hillary Clinton on twenty-four felony counts of fraud and conspiracy changed, to put it mildly, the parameters of the discussion. The question in Whitewater is no longer whether crimes were committed. That has now been proved. The question is, What did Bill and Hillary Clinton know about the crimes, and when did they know it?

Bill Clinton now faces a campaign summer played out against a drumbeat of stories that raise doubts about his character and credibility and pose the greatest threats to his reelection chances. A revived Starr

will bring his next case to trial on June 17th: Herby Branscum, Jr., and Robert M. Hill, two politically connected bankers in rural Arkansas, are charged with conspiring to defraud the United States, altering bank records, and misapplying bank funds in a scheme allegedly intended to funnel money into Clinton's 1990 gubernatorial campaign. Once again, the President of the United States has been subpoenaed to appear for the defense. The day the trial is to begin is also the day a newly emboldened D'Amato is scheduled to release what will likely be a brutal report on his committee's investigation. Arkansas Governor Jim Guy Tucker faces a new trial, pending review, on separate fraud charges. With a Whitewater grand jury active in Washington and a new one impanelled last month in Little Rock, further indictments are expected.

And the legal ramifications are potentially a great deal worse than the political ones. The Clintons' defense has always been that any connection between them and possible illegal acts that may have been committed by James and Susan McDougal was tangential. Just because the Clintons and the McDougals happened to be co-owners of the legitimate Whitewater venture did not mean that the Clintons were connected with the McDougals' illegal activities in other business



Bill Clinton

dealings. Last week's verdict imperilled that defense. The verdict established as fact—proved by the prosecution, backed by documents, and certified by a jury—that some of the money that the McDougals obtained by fraud did indeed end up in Whitewater at a time when the Clintons co-owned the company. The jury found that the McDougals, Tucker, and the Little Rock businessman David Hale had stolen millions of dollars from the Small Business Administration by falsely obtaining federal loans intended for “socially and economically disadvantaged” applicants. One of the fraudulent loans, for three hundred thousand dollars, went to Susan McDougal. Of this three hundred thousand dollars, fifty thousand was funnelled by the McDougals into Whitewater. To put it simply, it has now been proved in a court of law that nearly fifty thousand dollars obtained by defrauding the United States government went into a company that was co-owned by Bill and Hillary Clinton. To build a case against either or both of the Clintons, all Starr has to do now is show that they knew about this illegal transaction when it occurred, or that they

later sought to hide evidence of their connection with it from federal or congressional investigators.

Last week's verdict greatly helps Starr in this effort. Tucker and the McDougals have said they will not cooperate with Starr, but he can compel them to give grand-jury testimony by promising them immunity. And, on reflection, Tucker or either of the McDougals might decide that they don't really like the Clintons well enough to do time for them. Susan McDougal, in particular, must be a worry to the Clintons' lawyers. She is forty-one years old, she's looking at a prison term of up to seventeen years, and it appears that she can't stand Hillary. In the McDougals' trial, Hale testified for the prosecution that Clinton had pressured him to make the loan. Clinton testified to the contrary. If Susan McDougal contradicts Clinton's sworn version of events, the President has a problem.

At the White House, the day after the verdict from Little Rock was read, a senior official was musing about the damage done. So far, not so bad, he said. The jurors said that they had found

the President believable. Clinton's own overnight polls showed no significant change in the President's favorable ratings—which last week hit the highest of his Administration—and an uptick of only a point or two in the percentage of people who found Whitewater a serious matter. “So, bottom line, I think the effect of this event in and of itself is negligible, both short term and long term,” he said. “But you know what I keep thinking about? The face of Starr. Did you see him on TV after the trial? That was the face of a man looking good, looking happy, looking forward to tomorrow. The face of a man looking forward to the next kill.”

THE FISHER KING MEETS THE PLAYER

ONE of those roaming hired armies—also known as a movie crew—took over the area in front of the Plaza one evening not long ago to film scenes for a new Whoopi Goldberg movie called “The Associate.” On the fringes of the set, an older man wearing a Scottish-style cap arrived on a bike, strode confidently over to the food table, and began eating. Although he didn't actually work for the movie (at least not officially), he seemed welcome; every few minutes, a busy-looking crew member walked by and cheerfully said, “Hey, Radioman!”

“I used to be called Aqualung,” the man said, referring to the time when he first started hanging around movie sets, about five years ago. “You know, from the Jethro Tull song? The guy with the seedy clothes and the snot running down his nose, and the greasy fingers, and all that?” These days, he's known as Radioman because he always has a radio dangling from his neck (which at that moment was playing the theme from “Hawaii Five-O”). He's famous among film crews in New York for his encyclopedic knowledge of the local movie business.

After he'd eaten his fill, Radioman (a.k.a. Craig Schwartz) rattled off for anyone who would listen the major movies then shooting in New York (“The Mirror Has Two Faces,” “The Preacher's Wife”), where they were shooting (Harlem, Yonkers), the gossip for each, and the schedule for upcoming



"I pronounce you husband and wife of opposite sexes."