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001. form	re: Reportable Income [Personally Identifiable Information] [partial] (1 page)	04/13/1994	b(6)

COLLECTION:
Clinton Presidential Records
First Lady's Office
Lissa Muscatine
OA/Box Number: 20080

FOLDER TITLE:
Commodities

2015-0275-S
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 11, 1994

BACKGROUND BRIEFING
BY SENIOR ADMINISTRATION OFFICIAL

The Roosevelt Room

4:13 P.M. EDT

MS. MYERS: The ground rules for this will be the same as the last time, which is that David Kendall will read a statement on the record, and the rest of this briefing will be on background.

Q Couldn't we have it on the record, Dee Dee?

MS. MYERS: David Kendall will read a statement on the record, and the rest of this will be on background -- senior administration official and someone familiar with the -- David, how do you want to describe someone familiar with --

MR. KENDALL: Familiar with the records.

MS. MYERS: -- with the records. David will talk about the tax return issues, and [name deleted] will talk more about the commodities trading part of this.

Q And you object to having [name deleted] on the record?

MS. MYERS: Yes. I think we intended to do this on background.

MR. KENDALL: This is my on-the-record statement.

The President and Mrs. Clinton today released additional documents relating to their tax returns and commodity trading in 1978-80. Our review of these records discloses that the Clintons' 1979 tax returns were audited and approved by the Internal Revenue Service; that there was a small, unreported capital loss in 1979; and that a short-term capital gain of $6,498 from 1980 commodities trading was not reported. The federal tax on this gain would have been $3,315; the state tax would have been $514.

The Clintons are today paying these taxes plus accrued interest. Even though taxpayers have no obligation to correct newly-discovered errors from 14 years ago, the President and Mrs. Clinton have repeatedly said that they will correct any mistakes in their tax returns if any errors are found; and they are doing so today.

The Clintons do not know how the error occurred, but accept responsibility for it. They view it as their duty to come forward, disclose the mistake and pay what is owed. They've made a payment to the federal government of $3,315 -- the amount of additional tax due on the 1980 return; along with a payment of $10,134 representing interest due on this amount. They have also made a payment of $514 along with a payment of $652 in interest representing the amount due the state of Arkansas. The Internal

Revenue Service audited the Clintons' 1979 tax returns with a particular focus on commodity training gains and the interest deductions for that year. The IRS audit concluded that their income from commodities trading and their interest deductions were accurately reported, and no additional taxes or adjustments were required.

The Clinton's tax returns for 1979 and 1980 were professionally prepared by the their CPA in Little Rock. And in 1980 they paid $17,680 in federal income tax, and $2,836 in Arkansas state income tax. The Clintons provided their accountant with relevant financial records, including commodity trading records that they had received.

In 1978, Mrs. Clinton opened an investment account with Stephens, Inc. in Little Rock. Beginning in October 1979, her broker at Stephens initiated several commodity trades. He dealt sequentially with three commodities brokers -- Clayton Brokerage Company, 1978; Peavey Company, 1979-'80; and ACLI International Commodity Services, Inc. in 1980. This trading began with a $5,000 deposit by Mrs. Clinton on October 12, 1978, and ended when the ACLI account was closed on May 14th, 1980.

Stephens, Inc., prepared annual year-end statements on which the Clintons and their CPA relied the preparation of the family's tax returns. The Stephens year-end statement for 1980 attached to the tax return only included information on securities and bonds. Documentation provided by Peavey enabled the Clintons' CPA to document a short-term capital loss on Schedule D of their 1980 return amounting to $449.00. Although Mrs. Clinton received monthly statements from ACLI while the ACLI account was open, she apparently did not receive any year-end summary or account closing summary of the ACLI gains and losses. At that time, brokerage firms dealing with -- (inaudible).

In the analysis of the record by the Clintons' attorneys and accountant concluded over the weekend, it was determined that a small capital loss made in dollars from the Clayton account was not reported on the 1979 return. It was also determined that a short-term capital gain of $6,498 from the ACLI account was not reported on the 1980 return.

Three of the last five presidents have been required to pay back taxes that the IRS determined were due --. Here the Clintons have reached back 14 years to a time long closed by the IRS, and after careful investigation, have made the determination themselves to pay not only the tax, but also interest for that entire period in amount that dwarfs the tax paid.

A quick correction -- that should be '79. On the second page -- one, two, third paragraph -- I beg your pardon. There is a typographical error. The last sentence of the third paragraph which begins, "This trading began with a $5,000 deposit -- (inaudible) -- 1979."

Q When were they audited?

MR. KENDALL: They were audited --

Q Shouldn't this be '79 also at the beginning of that paragraph -- the Stephens account?

MR. KENDALL: No, the Stephens account was -- let me make a brief on the record statement and then we'll take your questions on background. That's the statement you have, and the

whole statement's available for the record, so let me highlight a couple of paragraphs.

The White House is today making available additional records of the First Lady's commodity transactions as documented by her brokerage house, REFCO, as well as records from commodities trading that was conducted through Stephens, Inc. The transactions covered by these records occurred during 1978 through 1980.

At the request of the White House, Mr. Leo Melamed of Chicago, Illinois, an internationally recognized expert on the commodities markets, reviewed the records over the weekend of the First Lady's commodity transactions. A statement by Mr. Melamed accompanies my statement and is available for the record with the additional documents being released today.

I would note that Mr. Melamed at the time was the Chairman of the Executive Committee of the Chicago Mercantile Exchange and is a former Chairman of the Chicago Mercantile Exchange, one of the foremost experts in the industry. And he concludes that she paid normal full commissions; she made money on a lot of trades, lost money on some; sometimes those losses were substantial; and on balance she did well. She received some valuable market advice and assistance and violated no rules in the course of these transactions.

That concludes my ON THE RECORD statement.

SENIOR ADMINISTRATION OFFICIAL: A question was already asked. Let me clarify that. Now we're ON BACKGROUND. The Stephens account was opened in 1978, but the commodity trading didn't begin until October 12, 1979.

Q The $5,000, is that -- that's a different account from the --

SENIOR ADMINISTRATION OFFICIAL: That is a different account.

Q Do you think you were candid with us the last --

SENIOR ADMINISTRATION OFFICIAL: She started the Stephens account with $5,000 cash.

Q And what did she wind up that Stephens account with when she closed it?

SENIOR ADMINISTRATION OFFICIAL: When the account was closed, $10,489 was withdrawn in May of 1980.

Q Have other funds been withdrawn during the course that that account was active?

SENIOR ADMINISTRATION OFFICIAL: No, they have not.

SENIOR ADMINISTRATION OFFICIAL: If you want, I could explain the math; which is, if you add the $6,498 which we reference in Mr. Kendall's statement on the taxes and I believe the $1,009 which had been deducted from her base, that she deducted from her 1979 and 1980 tax returns from the Peavey account, you get to the -- you can calculate the amount then.

Q The last time we were here talking about the Stephens account, you said she opened it with $5,000, lost $1,000 and got out.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Now, that's inoperative.

SENIOR ADMINISTRATION OFFICIAL: That is inoperative. In the course of collecting these records, we discovered this --

SENIOR ADMINISTRATION OFFICIAL: We determined that there was -- we finally determined that there was, in fact, a gain and that the gain of $6,498 had been unreported, and we've taken corrective action.

Q How did you finally determine it?

SENIOR ADMINISTRATION OFFICIAL: By a review of the records, by a collection of the records, by following through what are really three trading accounts kept by one separate brokerage account; and by really beginning back in October of '79 and doing the analysis all the way up to when the commodity accounts were closed.

Q Do you think you were candid with us when you first explained Mr. Blair's role; then two weeks later you come back and tell us something different?

SENIOR ADMINISTRATION OFFICIAL: Yes. I think the question that was on the table at the time and the question I tried to respond to at the time was, did Mrs. Clinton control her own account; was she making trading decisions? And that was the thrust of the questions. I tried to give you -- in the course of preparing for this briefing, I went back and looked at the answers that I gave. I don't think I gave you any inaccurate information with regard to that.

As further questions were asked, I learned more information; and I, frankly, was able -- based on questions about how the transactions were actually carried out, and I provided that The Washington Post when asked.

Q Did you know at that time --

Q Did you learn more by talking to Mrs. Clinton?

SENIOR ADMINISTRATION OFFICIAL: I did.

Q subsequently.

SENIOR ADMINISTRATION OFFICIAL: Subsequent to the last briefing.

Q For those of us who weren't at the original briefing, you did not say then that Mrs. Clinton made her own trades, but Mrs. Clinton was making her own trade decisions. Is that what you said in the first briefing -- I'm sorry.

SENIOR ADMINISTRATION OFFICIAL: I don't have the transcript in front of me -- maybe we can get that; but I said that she was in control of her account; she made her trading decisions. I think that, again, what was clear in my comments to The Post over the weekend --

Q Did you know what his role --

Q Let him finish.

SENIOR ADMINISTRATION OFFICIAL: -- was that she would discuss it with Mr. Blair at times, make a decision, then Blair would pass along the information. Actually, the brokers at REFCO would

place the trade in a technical sense with the brokerage house.

Q Who advised her on her Stephens trading? That was a whole different account, a bunch of different commodities, it was in a difference city. Who was giving her advice on trading all those commodities through Stephens?

SENIOR ADMINISTRATION OFFICIAL: Primarily her broker, Bill Smith.

Q Bill Smith, at Stephens, Inc.

SENIOR ADMINISTRATION OFFICIAL: At Stephens Inc.

SENIOR ADMINISTRATION OFFICIAL: Who was at that time at Stephens, Inc.

Q So at the time of the last briefing, you were not aware that Blair was making most of those transactions --

SENIOR ADMINISTRATION OFFICIAL: I was not aware that he was passing along the trading decisions that Mrs. Clinton was making.

I want to be clear about that. I think that she was making the decisions. He was not exercising discretion over her account. He would check with her, they would talk about it; sometimes she would take his advice, sometimes she wouldn't. When they reached a conclusion, he would pass along the decision.

Q But how do you know she made the decision to get in and out?

SENIOR ADMINISTRATION OFFICIAL: Because she has told me that and he has -- well, she has told me -- with specific reference to getting in and out, she has told me that.

Q Why is the amount of interest here so different? On the federal government's interest payment, it's 300 percent of the amount owed, whereas on the state payment, it's only about 30 percent bigger.

SENIOR ADMINISTRATION OFFICIAL: I can't give you a logical answer, but I can give you a factual answer. The IRS quarterly publishes interest charges, and those in the relevant period have ranged from 7 percent to 20 percent. It's a complicated calculation, depending upon what the quarterly interest charge is. The state of Arkansas, you simply call up the revenue people, give them the year and the date and they tell you how much you owe in interest.

Q Is there no penalty?

SENIOR ADMINISTRATION OFFICIAL: We did not feel that any penalty would be applicable here in either case. This is a strictly voluntary payment. It is 14 years old.

Q Is there any question, though? Could the IRS not come back and say, you do owe a penalty as a result of this?

SENIOR ADMINISTRATION OFFICIAL: We don't believe so because the tax year has long ago closed.

Q In the earlier description of Mrs. Clinton's trading you said that she became pregnant which caused her to get cold feet or she lost the stomach for it. But these new records show

she was actively trading in February, March, April, during the month that the baby was born. Right? February? And March, April, and even into May when she had a week's old infant in her arms. Does that mean that that statement was not true also?

SENIOR ADMINISTRATION OFFICIAL: I think if you look at the trading from the time her baby was born -- and I think it's her recollection that that affected her desire to trade -- that largely she was closing out her positions through March. She made one small trade in May.

Q What was the margin call that the President talked about at the town meeting?

SENIOR ADMINISTRATION OFFICIAL: Well, the President made the reference to a time in which the baby was born. I don't believe -- I think that the --

Q He said she got a margin call and then she got out.

SENIOR ADMINISTRATION OFFICIAL: No, I think he said that you haven't received a margin call; she did, and then she got out. She was having a baby. I think that that, again -- we are talking about recollections that are 15, 16 years old, and I don't believe that there was a margin call at the time Chelsea was born.

Q Was there a margin call along the way somewhere, however?

SENIOR ADMINISTRATION OFFICIAL: The REFCO records we released two weeks ago indicate there were margin calls.

Q? you and I talked about this, you indicated you believed that the margin call to which the President was referring was in this trading account, the second trading account, the Stephens account.

SENIOR ADMINISTRATION OFFICIAL: You know, we are trying the best we can to reconstruct this. These are 16-year-old recollections, they're 16-year-old records. And I think that she did -- I have to get the records out -- I'll get back to you on that, but I think there was a loss that Mrs. Clinton remembered that occurred right around the time that Chelsea was born, and I think that that really was the memory that was triggered in the President's mind.

Q margin call?

SENIOR ADMINISTRATION OFFICIAL: I don't think that resulted in a margin call, it was just a substantial loss, and she closed her position out and got out.

I think at this point we're just trying to match recollections with documents, rather than having a really specific recollection that there was a margin call at that point. I believe that one -- she was -- right after the baby was born, there was, as I say, a loss in one of those positions that ended up being closed in March.

Q Can you clarify when and why the IRS audit was done in '79 --

SENIOR ADMINISTRATION OFFICIAL: We know that the audit letter went out in January of 1982. I can't tell you why it was done. You have the letter itself, which indicates the primary areas of interest, and it was -- yes, it' back of my statement.

Q There was no audit in the '80 tax return, correct?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q And what is the statute of limitations on filing back taxes that were missed?

SENIOR ADMINISTRATION OFFICIAL: Three years. Criminal statute is five years.

Q So, legally, they didn't have to do this, but they voluntarily decided to do it?

SENIOR ADMINISTRATION OFFICIAL: Exactly right. The President has said on many occasions that whatever the legal obligation, if they determine that a tax has not been paid that they will pay it. And this was the determination that was made here when we finally, just last weekend, the last few days, put all of the records together and ascertained that indeed there was this gain here.

Q Well, what's your best guess -- how did they miss the $6,400 --

SENIOR ADMINISTRATION OFFICIAL: I don't have a best guess and I don't have a precise explanation. The records are complicated. There were no year-end summaries either from ACLI or Stephens on the commodities part. If you look to the 1980 tax return, you will see a schedule from Stephens that does indicate bond and stock capital gains and losses. I think that the best answer is this was simply overlooked. It was not obvious from the records at hand, and it went unreported.

Q So some of the other profits from the Stephens account were reported, but the profits for the commodities were not. That's the only thing that was not reported.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q But the other aspects of the Stephens account were reported.

SENIOR ADMINISTRATION OFFICIAL: They were. And Stephens again was largely -- did the stock and bond trading. It went to other commodity brokers -- first to Clayton, second to Peavey, third to ACLI. And of those entities, it appears that only Peavey sent out year-end statements. You'll see the two Peavey year-end statements. They are there; they were reported.

Q Who were the Presidents?

Q Other than Nixon.

SENIOR ADMINISTRATION OFFICIAL: Reagan, Bush and Nixon were the ones I was thinking of. Bush, while he was Vice President.

Q $198,000.

SENIOR ADMINISTRATION OFFICIAL: $198,000, I think, for, I think, Bush. We know that the Reagans paid $20,000, and then their only estimate to the amount of tax imposed, due to Mrs. Reagan's gifts. And then, I believe that President Nixon, we know, paid $280,000.

SENIOR ADMINISTRATION OFFICIAL: He also had liability for $148,000 in 1969.

Q Did Bush, because of his house in Texas and the thing in Maine -- Kennebunkport -- this was the legal argument over which one was the residence and which --

SENIOR ADMINISTRATION OFFICIAL: Right. And he ended up paying, I believe, in three -- it was not reported until later --

Q Well, this wasn't -- not unreported income; this was a dispute over which one of his --

SENIOR ADMINISTRATION OFFICIAL: It was $198,000.

Q residences he could claim.

Q He paid taxes on $198,000 or he paid $198,000 --

SENIOR ADMINISTRATION OFFICIAL: -- pay $198,000 in taxes.

Q Can you clarify for us again how you came to discover -- additional $6,500 in unreported taxes? Did Mrs. Clinton recall it in reviewing her own records, or did you recall it reviewing her records?

SENIOR ADMINISTRATION OFFICIAL: I'll try and describe it. We tried to put the records together as we found them from these three trading accounts that were done through Stephens. As my colleague has indicated, you begin with a $5,000 deposit in the Clayton account. There's some trading in the Clayton account, because they don't send a year-end statement, a small capital loss goes unreported. That was $80.00. Peavey does send a year-end statement for 1979, and you see that loss of $560.00 reflected on the '79 tax returns.

Early in 1980, and again you see this on the 1980 tax returns, Peavey has another loss in the amount of $449. Now, going into the ACLI account, is $3,911. However, that is $80 short of what you do when you work out the math because the Clayton commissions weren't included in there.

You get from the Peavey to ACLI transfer of $3,911. You then go through a large variety of trades, which are reflected in the ACLI records. You finally come to transfer out on 5/14/80 of $10,489 that goes back to Stephens.

SENIOR ADMINISTRATION OFFICIAL: For those of you who would like to find it quickly, we provided an easy-to-use chart.

Q I think you're missing -- our point is, were you going through records in your basement and said, oh, my God, here's some Peavey account --

SENIOR ADMINISTRATION OFFICIAL: Your questions caused us to focus on these records and do an analysis. And that analysis has been difficult. We have just completed it on the tax aspects, and these are the results.

Q was not complete when you briefed on this before -- is that what it is?

SENIOR ADMINISTRATION OFFICIAL: That's absolutely right.

Q When did you start the analysis? You said your questions prompted us to do an analysis. When did you start going back over this?

SENIOR ADMINISTRATION OFFICIAL: We really began it in the last week or so in looking, at least, at least at the tax aspects of it trying to figure out what, how the numbers fit together from the various accounts.

SENIOR ADMINISTRATION OFFICIAL: I'd like to add something. I'd like to add two points. One is that in my colleague's going through the history of '79, we should add that the $72,996.00 gain reflected on the REFCO end-of-the-year statement was provided to the accountant and properly included in their -- that's a gain which they properly included in their 1979 tax returns.

Secondly, when we briefed the last time, we were primarily briefing on REFCO. At that time we said we were trying to get these other records together. When we began to assemble them, they were with my colleague, and he began to pull them together, and we tried to understand what was in them. And through the course of that, we discovered this --

Q But my question is, how come in one week, 14 years after the fact, you were able to these ACLI records showing a $6,500 gain that was not available to the Clintons in early 1981 when they were preparing their taxes?

Q their does record go to ACLI?

SENIOR ADMINISTRATION OFFICIAL: I can't answer the question. The records are confusing. They are over two years and three trading accounts. There are no summaries. The Clintons have accepted responsibility. It was an oversight. We don't know how it happened. They had a professional return preparer, a good accountant, as the audit indicates when the IRS checked out the 1979 returns. Everything was in order.

Q But why can't you answer that --

SENIOR ADMINISTRATION OFFICIAL: These were all the Clintons' records. They were in their possession at one place or another.

SENIOR ADMINISTRATION OFFICIAL: And we believe they were -- and, as we said, we believe they were turned over to the accountant.

Q The evidence was there --

Q They were turned over to the accountant?

SENIOR ADMINISTRATION OFFICIAL: We believe so. That was their standard practice.

Q You didn't have to call up -- the records were there. You didn't --

SENIOR ADMINISTRATION OFFICIAL: No one else has records.

Q call up ACLI and say, hey, we're missing these records?

SENIOR ADMINISTRATION OFFICIAL: ACLI is long out of business. These were the Clintons' own records. And they have preserved them for 14 years. It was our own analysis that determined this. It wasn't the IRS or anything else.

SENIOR ADMINISTRATION OFFICIAL: I think that in --

Q On whose initiative did you go after these records? Was it Mrs. Clinton's, was it the President's or was it both?

Q Or yours?

Q Or Dee Dee's? (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I think that we were trying -- you had questions; we were trying to be as forthcoming as possible. The question was asked earlier why it took us two weeks to get it together. Frankly, we're trying to reconstruct things that happened 15 or 16 years ago. We found the records in a variety of places. But they were in the possession of the Clintons. We've pulled them together, and we're trying to provide as much information as quickly as we can. And when we get additional information, we'll provide it to you. If we find additional record -- you now have the records we have; if you find additional records, we'll be happy to provide --

Q So it was your initiative and not the Clintons. It was your initiative.

SENIOR ADMINISTRATION OFFICIAL: No, it was the -- no, I didn't say that.

Q That's what I'm asking, was it the Clintons or was it yours?

SENIOR ADMINISTRATION OFFICIAL: They directed us to review these records top to bottom.

Q Are these all the records or are there more records yet to come?

SENIOR ADMINISTRATION OFFICIAL: These are all the records we have been able to locate. Believe me, we have looked very hard for records that would indicate some loss that would counterbalance the gain. (Laughter.)

Q When were the taxes paid?

SENIOR ADMINISTRATION OFFICIAL: They were paid today.

Q They paid today? How were they paid? Were they like hand-delivered in a certified check?

SENIOR ADMINISTRATION OFFICIAL: Sent to the Treasury in the State of Arkansas.

Q [name deleted], are you doing a similar reconstruction of the Whitewater records --

Q Their income tax --

Q Are you doing a similar reconstruction with the Whitewater records as it relates to the taxes?

SENIOR ADMINISTRATION OFFICIAL: No. We are analyzing

issues as they come along on Whitewater, and we'll follow the same procedure here. Anything we determine to be erroneous will be corrected.

Q So with the documents coming out in Little Rock tomorrow, you don't know anything that's going to come out tomorrow that's going to cause you to have another one of these sessions on Thursday?

SENIOR ADMINISTRATION OFFICIAL: I'm not aware of anything right now.

Q The one question I have is, when she pulled the $10,000 out of the account, she put $5,000 in and you took $10,500 out, doesn't that tell you you have a gain?

SENIOR ADMINISTRATION OFFICIAL: If you look at these trading records, you will see a complicated pattern of gains and losses. You will also not see any easy way to define the basis for determining what your gain is.

Q Okay, except my question is, whatever -- if you go up and down and up and down in a single year, this was a relatively short period of time -- you put in $5,000 and you take out $10,500. No matter what the trading pattern is, don't you have to pay capital gains on that $10,000?

SENIOR ADMINISTRATION OFFICIAL: You do, but what I'm suggesting to you is, that's not an easy calculation where you have two years at issue, three trading accounts and no year in summaries.

SENIOR ADMINISTRATION OFFICIAL: And it was being traded through an account in which there was a year-end summary provided.

Q Was the $5,000 account opened with cash or is there a cancelled check on --

SENIOR ADMINISTRATION OFFICIAL: There's a wire transfer.

Q A wire transfer?

Q discretionary? She was the one who made those decisions?

SENIOR ADMINISTRATION OFFICIAL: It was a discretionary account. The broker was able to make decisions, but did so in consultation with her.

Q Stephens was a discretionary account.

Q Did you offset the unreported capital loss of $80?

SENIOR ADMINISTRATION OFFICIAL: Yes, we did.

Q In your discussions with Mrs. Clinton, or a discussion in which you learned that her trade, in fact, were sometimes placed by Mr. Blair, what else have you learned in the last week on a colter of how she made her decisions, and who else she got advice from; how she contacted him on a daily basis in order to instruct him to make trades for her?

SENIOR ADMINISTRATION OFFICIAL: I think that depended on how active she was in the market at the particular time. I think she'd talk to him frequently. I think there were other people who

she talked with, but that he was, I think -- he was particularly active following the market on a daily basis. And, as I said in the last briefing, he was her important advisor and gave her trade advice. She didn't always take it -- sometimes she did, sometimes she didn't.

Q Can you tell us who else she got advice from?

SENIOR ADMINISTRATION OFFICIAL: I'll try to get that.

Q Did she ever actually place a trade herself?

SENIOR ADMINISTRATION OFFICIAL: I believe she did. I believe she did. I believe she did at REFCO. But, again, everyone's memory is not crystal clear on this, but I believe she did.

Q Have you asked her that?

SENIOR ADMINISTRATION OFFICIAL: I have asked her that, and she believes she did.

Q With Mr. Bone?

SENIOR ADMINISTRATION OFFICIAL: It's not clear whether it was with Mr. Bone or with one of the other brokers. I think she's met Mr. Bone.

Q Did Blair play any role, formal or informal, in the Stephens account?

SENIOR ADMINISTRATION OFFICIAL: I don't think so, but I can't say that they didn't talk about some of these areas.

Q My calculation is that the Clintons today wrote out a check for $14,615 to the state and to the federal government.

Q If you add up the state and the federal --

Q Two checks totaling $14,615.

SENIOR ADMINISTRATION OFFICIAL: Whatever the numbers add up to, those are the checks --

Q So it would be two checks totaling that amount?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q And they went out today?

SENIOR ADMINISTRATION OFFICIAL: Right. Yes.

Q If it's cost them so far $14,000, this whole review has cost them $14,615 -- (laughter.)

SENIOR ADMINISTRATION OFFICIAL: One might ask, do your lawyers exist to make you pay more taxes or save you taxes.

Q Well, the question I have is, obviously your legal fees will be added to this, whatever they may be. How much so far has this review cost the Clintons out of their pocket?

SENIOR ADMINISTRATION OFFICIAL: I don't know and I'm not going to speak to the legal fees. It has cost them the amounts that you've indicated. Again, there is not a legal obligation to do that. It was a voluntary payment which they felt was the right thing

to do, and they've done it.

Q Are they paying you legal fees?

SENIOR ADMINISTRATION OFFICIAL: Well, I'm billing them, and they're paying me, and that's all I'm going to say about it.

Q Dee Dee, can you talk about that? Do you know whether they've paid any legal fees to Mr. Campbell? Could you find out for us --

Q Are you billing them at your standard hourly rate that you would bill me?

SENIOR ADMINISTRATION OFFICIAL: I am.

Q Is there any review or second-guessing going on about the internal process here at the White House, which has managed to drag this whole thing out over an extended period of time?

SENIOR ADMINISTRATION OFFICIAL: We are trying to provide information and answers as quickly as we can get them. We're sort of damned if we do, and we're damned if we don't. If we don't provide you information, you're pounding on us that we haven't put it out quickly enough; and if we get information out and then come back with more after we've gathered and analyzed it, then we're dragging it out. Our modus operandi is to get -- as we get information that we can provide to you, we'll provide it to you. And I think the Clintons are both fully supported that. And they have -- that really goes back to the last question.

Q Did you know that Mr. Blair executed a number of trades before The Washington Post asked you?

SENIOR ADMINISTRATION OFFICIAL: I think that's a technical question, and I answered it, which is, he passed along the information. I did not know that before they asked.

Q Did you know before The Washington --

SENIOR ADMINISTRATION OFFICIAL: I did not know that before The Washington Post --

Q Have they filed their --

SENIOR ADMINISTRATION OFFICIAL: I never asked either one of them that. And I --

Q on the 15th?

SENIOR ADMINISTRATION OFFICIAL: We'll put out a statement on the 15th.

Q Mrs. Clinton has always been such an effective spokeswoman for any issue that's come up. Why hasn't she just directly taken this thing on head on, like tell -- a Geraldine Ferraro-type news conference on this and just dealt with all the questions that have come along?

SENIOR ADMINISTRATION OFFICIAL: I think she's answered questions as they're posed to her, and she's going to continue to do that.

Q Is there some concern about her legal exposure on this?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Any plans for her to conduct a news conference along these lines?

Q What you're referring to are things that have happened on the run.

SENIOR ADMINISTRATION OFFICIAL: On the run?

Q Yes, trips to Denver and other places.

SENIOR ADMINISTRATION OFFICIAL: What's that?

Q Questions that she's entertained on this subject.

SENIOR ADMINISTRATION OFFICIAL: She's held press availabilities in every city she's been in. She's answered any questions --

Q How about Wall Street?

Q How about the White House?

SENIOR ADMINISTRATION OFFICIAL: Maybe you guys ought to invest some time and money and follow us on the road.

Q We've invested lots of time and money.

Q Why do we have to? I mean, why can't we operate from here, in the White House?

SENIOR ADMINISTRATION OFFICIAL: I'd like to add one point, which is that lost through in all this is the Melamed statement. I would reference the fact that with these additional documents, you can see that full commissions were paid in overnight trading, as opposed to day trading. It's virtually impossible to allocate trades. Many of the issues that have been sort of thrown up as problems in the trading account, I think, are answered by that statement. And if you'd like to get additional information --

Q ask him to make this review?

SENIOR ADMINISTRATION OFFICIAL: He did it over the weekend.

Q Part of the Melamed statement, there's a line that reads as follows: "It must be noted that she was trading was incredibly correct on the market directions of that day." Do I take it day means that era in time?

SENIOR ADMINISTRATION OFFICIAL: Era, yes.

Q When he says, "incredibly correct," I assume he means that in a colloquial --

SENIOR ADMINISTRATION OFFICIAL: I think that he means they made a lot of money for their clients, for a lot of clients.

Q (inaudible.)

SENIOR ADMINISTRATION OFFICIAL: No, no.

Q read that whole story and figured that and I

didn't have to?

SENIOR ADMINISTRATION OFFICIAL: It won't do you any good.

Q No.

(Inaudible segment away from microphone.)

Q How much time has Mrs. Clinton spent on all of this? Reconstructing stuff, talking to you -- can you give us an idea of how much times she's put into this?

SENIOR ADMINISTRATION OFFICIAL: I think she's primarily working on health care --

Q Well, yes, but I mean she's devoted some time to this.

SENIOR ADMINISTRATION OFFICIAL: I think she has been totally responsive to me. When I ask a question, she's tried to give me the information.

Q But you don't have any idea of how many hours or -- do you see her -- do you talk to her every day on this?

SENIOR ADMINISTRATION OFFICIAL: No -- but I talk to her quite frequently. And she's tried -- again, these are 16-year-old records. She's trying to jog her memory, and new questions come up and, frankly, with all of you pouring over the records, I'm sure they'll be more questions. I'll taken them, and I'll try to get the answers.

Q But the fact that she was still trading in commodities in 1980 is new. We were told she got out and --

SENIOR ADMINISTRATION OFFICIAL: No, that's not true.

Q But everything you say --

SENIOR ADMINISTRATION OFFICIAL: I said at the last briefing that following the birth of Chelsea, she basically got out of the market. She was winding her way out of the market.

Q But everything you say is what she's told you basically. You haven't gone to try to corroborate --

SENIOR ADMINISTRATION OFFICIAL: I've talked to Blair.

Q tried to corroborate the recollections. You've talked to Blair. Have you talked to Bone?

SENIOR ADMINISTRATION OFFICIAL: No.

Q So you don't know if these records or the records you gave us before actually reflect what happened, or not. They're just records that they've provided you.

SENIOR ADMINISTRATION OFFICIAL: Sure, I do. Of course, they do.

Q Well, if trades were allocated, they can just make up a record for a trade after the fact. I mean, you don't know if they did that or not.

SENIOR ADMINISTRATION OFFICIAL: No, no, no, no. I mean, I think that's more on this point, which is you can allocate trades -- if you're going to allocate trades, you need to do that on a daily basis. Once you open a position up and hold it overnight, you're at the mercy of the market. There's no more good trade for you, bad trade for him. You're at the mercy of the market. And the 30 out of 32 trades are overnight trades.

Q Okay, the stuff that you gave us the first time could not show whether or not her trades were allocated. You're saying this does.

SENIOR ADMINISTRATION OFFICIAL: Yes. This shows that they were not.

Q I mean -- that's what I mean.

Q These 32 were REFCO or Stephens trades?

SENIOR ADMINISTRATION OFFICIAL: REFCO. The Stephens trades were held open for long periods of time. There's one trade that was probably for five months.

Q There was a time when the expression was she was exasperated that people cared this much about this old stuff. Was that correct, and is there still that sense or --

SENIOR ADMINISTRATION OFFICIAL: I think she's understands that people are going to have questions, and she's trying to answer them.

Q What was her reaction when she was told that in fact they had -- that was unreported?

SENIOR ADMINISTRATION OFFICIAL: I think she -- we had a hard time really sort of understanding how that was true and wanted to know exactly how that could have been possible because she was in the habit of always providing all the information and paying her taxes. And as I said in the briefing, the fact that she paid taxes on the $26,000 in 19 -- $26,000-plus in 1978, the $72,000-plus in 1979 indicates that.

So she was, I think, at first wanted to know precisely how that happened. But then when she -- when Kendall explained to her, she --

Q So these were ACLI records -- based on ACLI records that the accountant presumably had at the time but overlooked?

SENIOR ADMINISTRATION OFFICIAL: You know, we can't be certain. The standard practice was to -- . But there was no year-end statement. And again, these were complex and confusing records. If you took these records and said -- after someone explained to you what you're looking for -- and said, go find it, it'd be pretty easy to find it. But they were -- you know, when I think Kendall first looked at them and I first looked at them, they were complex and confusing.

Q These things didn't immediately pop out when you first saw these records --

SENIOR ADMINISTRATION OFFICIAL: No --. It took him a long time, and he did -- he did significant --

Q And the thing -- on the REFCO booking, was he pouring over -- as well over the weekend or just Stephens or --

SENIOR ADMINISTRATION OFFICIAL: I think the REFCO documents, whether he was or I was, the REFCO documents --

SENIOR ADMINISTRATION OFFICIAL: I checked the numbers. (Laughter.)

Q And you don't expect to be releasing any more records to us?

SENIOR ADMINISTRATION OFFICIAL: We have no more records, but if we get any more I'm sure we're probably get a request for them and we'll probably end up releasing them.

Q The total gains now goes up to $106,000 on $100,000?

SENIOR ADMINISTRATION OFFICIAL: No. It could support another five gain. That was $5,000 cash. So it's $98,000 plus $6,000. Well, it was $98,000 -- it was actually $98,000 plus $5,500 because the reason there's a $6,500 gain is because she took $1,000 loss. So it's about $103,000 -- $104,000 on $6,000.

Q $104,000 on $6,000. The ratio is getting better.

Q I don't mean to belabor this point, I just want to understand --

SENIOR ADMINISTRATION OFFICIAL: I suppose you can make money outside of Springdale. (Laughter.)

Q These numbers that we have -- are these the ones that Kendall went over a couple weeks ago? I mean, you're saying there are no other records?

SENIOR ADMINISTRATION OFFICIAL: That's right.

Q That he has no more details than we have?

SENIOR ADMINISTRATION OFFICIAL: These are the commodity records. That's it.

Q Now, where were these records kept? Did the Clintons have all these in the White House? Were they in Arkansas, or were they scattered around?

SENIOR ADMINISTRATION OFFICIAL: They were scattered around.

END4:55 P.M. EDT

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 22, 1994

PRESS CONFERENCE
BY THE FIRST LADY

The State Dining Room

3:37 P.M. EDT

MRS. CLINTON: Well, let me thank all of you for coming. I know this is a busy day. It got busier than I thought it would when we first made this decision early this morning, and I appreciate your gathering.

I have, in the last couple of days, wanted to do this in part because I realized that despite my traveling around the country and answering questions, I did not really satisfy a lot of you in having your questions asked and answered. And last week, I think it was Helen said, I can't travel with her, so how can I ask her questions? So, for that reason, we are here and, Helen, you get the first question.

Q Since Whitewater's been in the news so much, I feel it's fair to ask you the same question I put to the President some time ago -- and you are a co-partner. Do you know of any money that could have gone from Madison to the Whitewater project or to any of your husband's political campaigns?

MRS. CLINTON: Absolutely not. I do not.

Q Actually, on the same theme with your commodities profits -- it is difficult for a layman, and probably for a lot of experts, to look at the amount of the investment and the size of the profit. Is there any way you can explain how you --

MRS. CLINTON: Well, I can certainly tell you what happened. And I appreciate your asking me about it because I've tried to follow the accounting in the press about it, and I want to explain as clearly as I can what occurred.

Back in 1978, in October, one of our best friends, Jim Blair -- who had been a friend of my husband's and mine for sometime -- talked to me about what he thought was a great investment opportunity. He is someone who has been an investor ever since he was a teenager, with usually very good results. And he had followed closely what had been happening in the cattle market. And I only knew a little bit about that, although living in Arkansas, particularly northwest Arkansas, as I did, I was familiar with a lot of ranchers and people who were in the cattle industry. And when Jim said, I think there's going to be a great opportunity to make money, and explained why, and asked me what I thought we could afford to invest, I told him $1,000.

So I opened an account at his very strong recommendation, and proceeded to trade over the next months until July. You know, not all my trades made money; some of them lost money. I talked to Mr. Blair very frequently. In fact, Jim would call me on a regular basis, and I would make a decision whether I would or would not trade, and then the trade would be placed. Often, he placed it for me. And there was nothing wrong with that; he was on the spot, he was often in the offices of the broker.

I stopped trading in July of 1979. And I did stop trading in large measure because I could not keep up with it. It takes a lot of nerve to be in the commodities trading, and I just found out I was pregnant. And so, when he called again, I said, you know, I just don't want to do this anymore. And I think he may have even called a few more times saying, it's really still doing well -- trade again. And I didn't, and I'm glad I didn't because he and other friends of mine who were trading ended up losing money.

So it was a good investment offered by somebody who knew a lot, who could provide a lot of good advice. And I was lucky and made the decision to stop when I did.

Q Mrs. Clinton, can you talk about the second account? You had two --

MRS. CLINTON: I'll get there in just a minute --

Q Do you wonder since then if maybe your broker might have, because of your position and your husband's, might have given you some kind of unfavorable -- or a favored advantage?

MRS. CLINTON: There's really no evidence of that. I didn't believe it at the time. As I said, I made and lost money in that commodities account. It was my money; it was at risk. The account was in my name; I got the reports. We've released all of the documents we could find from that period from that account. So, no, I had no reason to believe that. And as Mr. Leo Melamed, the former head of the Chicago Mercantile Exchange, said when he looked at all of my trading records, there isn't any evidence that anybody gave me any favorable treatment. And even Mr. Blair, who ended up losing money, I think would find it very hard to argue that he got any favorable treatment. I just don't think there's any evidence of that.

Q Mrs. Clinton, you say you stopped trading in July of 1979. Could you talk about the second account that was opened? There was a second account with the Stephens Company in which I think you invested $5,000. And at first the White House claimed you lost money on it, but later you put out a document showing you actually made $6,000 on it and didn't close it until a few months after Chelsea was born.

MRS. CLINTON: That's right. I'm glad you asked that because I really want to clarify it. I think there's been a lot of confusion. There were two accounts. The first account -- the one that I was just talking about -- was the REFCO account. I traded in that from October '78 to July of '79, when I found out I was pregnant, and I stopped trading. Now, I closed that account for good in October of '79, and I took some of the money that I had made and put it into an account at Stephens. And at that point, I made that a discretionary account. My REFCO account was a nondiscretionary account, which meant that I had to approve and give the go-ahead for every trade.

In the discretionary account at Stephens, my broker made most of the decisions, and I think did a good job for me. He diversified the money that I gave him and put it into money market and stocks and bonds and $5,000 into some commodities.

Now, what happened then is, in retrospect as I've been able to reconstruct it now, is that my broker made these decisions; he checked with me maybe a couple of times a month, but because it was discretionary, he did not have to get my approval. So money would be moved from one investment to another investment. And during the course of the time between October of '79 and probably May of 1980, he had me in and out of three different commodity accounts in

much smaller numbers than what I had been in charge of doing in my REFCO account.

In February of 1980, my daughter was born -- at the very end of the month. And I remember talking to my broker sometime after that and said, I just want to get out of commodities altogether. I don't ever want to have to worry about it. So he got me out of the positions that I had been in, so that by May, I was no longer doing any kind of commodity trading in the Stephens account. Now, what happened, though, is that he took the money that I now know I made -- I really didn't think I'd made any money in commodities -- and he bought some stock and he did some other things for me.

Now, in the fall of 1980, my husband lost his election, we moved. So by 1981, when I gathered all my documents together to give to my accountant, I had a year-end statement from Stephens which did not report anything about commodities; I had a year-end statement from the Peavey Brokerage Company which reported a lose; and I had no year-end statement from either Clayton or the company called ACLI. So I think what happened is we bundled all of the documents we had -- because I took all of the reports that I had, gave them to the accountant -- and I believe that in the absence of a year-end statement, the accountant and my husband and I missed the fact that we had actually made some money in the ACLI account.

Q You didn't remember the profit?

MRS. CLINTON: No, I did not remember that profit. I did not. And, in fact, as you said, when some people looking at the records for me began looking at it originally, they looked at the records, and they thought I'd had a $5,000 loss. And they came to me and said, we think you had a loss which you didn't report. And I said, I just don't remember. I thought I basically got out with what I put in. And then they went back and relooked at it again with more accountants and they came up with the gain. So it was hard to find, apparently.

Q With regard to the REFCO account, just how did the procedure go? Did Mr. Blair basically recommend to you the transactions which you either said yes or no to? Or was it based more on knowledge that you had gained, as some of your staff have suggested, from reading the papers or whatever? What happened?

MRS. CLINTON: Well, Brit, it was primarily Jim's suggestions. But I also did try to educate myself. I did try to read some things. He actually gave me a few documents to read -- because he had this theory that because of the economy in the early part of the 1970s, a lot of cattle herds had been liquidated so that there was going to be a big opportunity to make money in the late '70s; and he gave me things to read about that. And I did occasionally read publications like the Journal and others and I tried to educate myself because I took the responsibility seriously. But I relied primarily on his advice because he really spent an enormous amount of time studying the market and talking to many more people than I ever could have -- people who ran feed lots or bought beef for large supermarket chains.

So he would talk to me and he would say, here's what I think is going on; what do you think? Now, I did not make every trade he recommended. And certainly, by July, when I began to get nervous about it, I stopped taking his recommendations because I just couldn't bear the risk anymore.

Q Did it concern you at the time that because of his position with the company that he represented, that there was an ethical question raised by your accepting this level of assistance in a financial matter from him?

MRS. CLINTON: No, it did not. And the reason it didn't is that he and his wife are among our very best friends. My husband preformed their marriage ceremony. I was the "best person" at the wedding. We are very close friends. And I've found it a little bit surprising that anyone would suggest that, because in 1980, right during the time that this was all going on, when my husband ran for reelection, Tyson supported his opponent. So there's really no basis for suggesting it was anything other than what it was, which was a friend who made a suggestion not just to me, but to a number of people, which I think was very fortunate for me.

Q Mrs. Clinton, you've said that there was no preferential treatment in all of this. The records indicated that your account was short of money at various points. Were there margin calls? And did you meet any of those calls? And were you aware at any time that REFCO was coordinating trades to drive prices up or down?

MRS. CLINTON: No, I was not aware of that, Andrea. I was told that after I stopped trading some months later. And I know there were lawsuits filed alleging that. I don't think any of that was ever proved, at least that I'm aware of.

When my position was under margin, I would either close out my position or use the equity that I had. And I think Mr. Melamed said, based on his review of the records, there were a couple of occasions when I was under margin. Nobody ever called and asked me for anything. They just, I guess, took the money that I had in the account and closed out the position. But that was the responsibility of the broker, and from what I know, they were doing so many trades, and there was so much volume going through that, I was a relatively small customer. I mean, it was very big money for me and my family, but it was a very small account. And I don't think they paid any attention to my particular situation.

Q Why do you think they gave you this treatment with you being such a small customer? Don't you think that was preferential treatment based upon who you were and who your husband was?

MRS. CLINTON: No, I really don't believe that. I don't think there's any evidence of that. You know, from what I know about commodity trading, and what I know about the cattle market during that period of time, they were just buying and selling on a huge basis, day in and day out. And I think that they may have not gotten around to the paperwork; they may have not thought it was worth it; they may seen that I was a regular customer and that I covered my losses; that there was never an occasion when they really had to be concerned about it. I can't read their minds or speculate, but I had absolutely no reason to believe that I got any favorable treatment.

And the fact that I closed the account out and took my money, whereas the people whom I knew were much bigger traders, like Jim Blair and others, they lost money -- and why would Jim Blair try to help me get favorable treatment that he couldn't get for himself? I mean, it doesn't make any sense to me at all.

Q Mrs. Clinton, one of the things that has made all of this so controversial is the shifting accounts of what happened, because initially the White House explained that you were consulting Blair and many others and reading the Wall Street Journal, and then later, had to correct that, and we found out that Mr. Blair was, in fact, most often placing your trades for you -- phoning the trades in. Why was the account -- why did the account have to be corrected? Why was it not explained accurately the first time?

MRS. CLINTON: Well, Linda, I think it's because -- we're trying to reconstruct events of 15, 16, 17 years ago. There

are a lot of people who are trying to help, but until relatively recently, there wasn't any one person in charge of trying to get everything together and get the information as accurate as possible. I think the people in the White House did the best job they could. I think that we did the best job we could trying to remember things, and oftentimes having to search to see whether we had any records.

I mean, I don't know how many of you keep records from 1978 or '79, but we went through a lot of effort to try to see whether we had anything so we could answer questions and then make things available. Sometimes we'd find part of something; sometimes we'd then find the rest of it.

So I appreciate and understand the concern about why we would have to add information or go back and say, well, this needs to be corrected. But the fundamental facts have not changed. The fundamental facts are, as I have said, I opened an account with my money; I made the trades; it was nondiscretionary; I took the risk; I was the one who made the decision to stop trading. And I did rely on JIm Blair. I used some other advice as well, but he was my principal advisor in this.

Q But that wasn't a question of documents, that particular fact -- the fact that he was really riding the trading for you. I guess I wanted to reask that question again. Why -- that would be something you would remember or not remember without documentary support. So why was that fact not made clear? And were you essentially riding on his coattails when you traded?

MRS. CLINTON: No, I wasn't. I was riding on the money I invested. I don't know how any of you make investment decisions, but I like to listen to people I know and trust who I think know what they're doing. And he was somebody who I very much thought knew what he was doing and was more than willing to share his information not only with me, but with many people -- members of his family and other of his friends. And it was, for all of us, a decision to put ourselves basically at the mercy of the market. And as Jim Blair found out, he wasn't always right -- he lost a lot of money. And I was lucky I didn't. But that was my decision.

Q Mrs. Clinton, a number of your old friends in Little Rock -- Warren Stephens I guess is an old friend; Kurt Bradberry, Bill Bowen, people like that -- had a meeting on March 31st and they decided that, really, Arkansas is taking a beating; portrayed, in the words of one of them, as a "moral and ethical backwater," basically because people here are saying, it was done that way in Arkansas. How do you feel about what's happening down there, and what's happening to those people who feel they're being hurt by events out of their control and they feel that they're not really being -- the state is not really being defended by you and your husband? I wonder if you'd address that.

MRS. CLINTON: Well, I feel very bad about it because I think Arkansas is a wonderful place, and filled with some of the best people I've ever been privileged to know or work with. And I do think that many of the charges have been very unfair and have really lacked any historic or realistic context. I don't think it's necessary to point fingers at any other state in the Union to say that in every place there are people who have problems, and there are people who cause problems. And I think that the state of Arkansas is a place that has so much to be proud of. So I hope that we can get back to a more realistic assessment of what goes on there.

Q May I follow that?

MRS. CLINTON: Sure.

Q They've said -- specifically Bradberry and Mr. Stephens have said that to a certain extent, they feel you brought this on yourself -- the two of you -- because of campaign statements about "the decade of greed" and just things that they feel, in their words, "make it look like hypocrisy;" that you were in the go-go trading, you were trying -- as you said -- an opportunity to make money just as they were. And they felt like they had been condemned by you -- that people like that had been condemned by you during the campaign. And that now you were being shown to be doing the things you spoke against.

MRS. CLINTON: Well, Kurt and Ward have never said that to me, so I'll have to take your word for it. But I do think you raised an important question that I would like to talk about a little bit.

I was raised to believe that every person had an obligation to take care of themselves and their family. And that meant earning an income and saving and investing. I was raised by a father who had me reading the stock tables when I was a little girl, and started doing that with my daughter when she was a little girl. I don't think you'll ever find anything that my husband or I said that in any way condemns the importance of making good investments and savings; or that in any way undermines what is the heart and soul of the American economy, which is risk-taking and investing in the future.

What I think we were saying is that, like anything else, that can be taken to excess. When companies are leveraged into debt, when loans are not repaid, when pension funds are raided -- all of the things that marked the excess of the 1980s are things that we spoke out against. I think it's a pretty long stretch to say that the decisions that we made to try to create some financial security for our family and make some investments come anywhere near there.

I also think that my husband and I made different choices than to concentrate on making money during the 1980s. We obviously wanted enough financial security to send our daughter to college, and put money away for our old age, and help our parents when we could. But we were primarily interested in, as in his case, in trying to provide opportunities for people in Arkansas and make a difference in their lives. And what I tried to do, both to help him and to work on behalf of children or education reform, was what was really important to us. So I think that is something that needs to be put again into a proper perspective.

Q In USA Today, somewhat in the same vein, you were reported to have opposed a special prosecutor, at least in the beginning, and some of the release of tax documents on the basis of privacy -- that you felt you had a right to privacy. Do you think that that helped to create any impression that you were trying to hide something?

MRS. CLINTON: Yes, I do. And I think that is probably one of the things that I regret most, and one of the reasons why I wanted to do this -- because I've had to really do a lot of thinking the last couple of months. You know, again, I was raised to really believe that what was important was what you thought about yourself and how you measured up to the standards you set for yourself. And I think if my father or mother said anything to me more than a million times, it was, don't listen to what other people say, don't be guided by other people's opinions. You know, you have to live with yourself.

And I think that's good advice. I mean, I'm glad I got it as a girl growing up, and I've passed it on to my daughter. But I do think that that advice and my belief in it, combined with my sense of privacy, because I do feel like I've always been a fairly private

person leading a public life, led me to perhaps be less understanding than I needed to of both the press and the public's interest as well as right to know things about my husband and me.

So, you're right, I've always believed in a zone of privacy. And I told a friend the other day that I feel after resisting for a long time I've been rezoned. (Laughter.) And I now have a much better appreciation of what's expected, and not only what I have done, because I am extremely comfortable and confident about everything that I have done, but about my ability to communicate that clearly and to give the information that you all need.

Now, to your other question about the special counsel -- I was not the only one of my husband's advisors who questioned the idea of a special counsel. I think those of us who did were concerned about the precedent that would be set by having such an appointment made when none of the existing standards that had always been in place had been met. There was no credible allegation, all of the things that usually are required. So I was questioning of that. But the President made the decision that we needed to get on with the business he came to Washington to do and that this was an important step to take, and I respected that decision.

Q Is it true that you represented Hayden Mackelroy (phonetic) in his lawsuit against REFCO?

MRS. CLINTON: Yes.

Q -- clients in the office?

MRS. CLINTON: Yes, I was Arkansas Counsel for Mr. Mackelroy.

Q And were you aware of the allegations against the company and against the Springdale office that he raised in his testimony? I know that you'd withdrawn from the case by then, but I wondered if you were aware of his specific allegations that trades were allocated by the brokers in Chicago on the instructions of the Springdale office after the close of business each day during the time you were trading?

MRS. CLINTON: No, not while I was trading, not at all. I did become aware of it when Mr. Mackelroy decided to bring his lawsuit, but I think there's a very important distinction. Mr. Mackelroy had a discretionary account. A discretionary account could, therefore, be influenced by the decision of the broker. I did not have a discretionary account. So even if Mr. Mackelroy's concerns were to have been found to have basis, which they didn't -- he was not successful -- that wouldn't have applied to my situation in any event.

Q Mrs. Clinton, do you know anything about Mr. Foster's death? Do you know what he wanted to tell the President that he didn't get to tell him?

MRS. CLINTON: You know, I don't know that he wanted to tell the President anything. That's the first I've heard of that. My memory is that the President actually talked to Vince Monday night before he died. And when I talked with the President afterwards, he was stunned because the conversation was a very normal kind of a conversation. So I don't know --

Q I understood they made an appointment to talk not the next day, but Wednesday. And that would be the day after he died.

MRS. CLINTON: I don't know.

Q My question -- I'd like to follow up, too -- the first one has to do with Susan McDougal. She said that she brought the documents of Whitewater over to you at the Governor's Mansion. Did you receive all the documents? And, if so, what became of them?

MRS. CLINTON: I don't believe that we received all the documents in that way. Over the past several years, we have made a very deliberate effort to try to obtain documents, and every document that we have obtained has been turned over to special counsel, no matter where it came from.

Q And my follow-up has to do with the death of Mr. Foster, the way his office was sealed, and people who were in it. There's been a lot of criticism of the papers in Mr. Foster's office, that some may have been removed.

MRS. CLINTON: Well, I know there's been a lot of concern and criticism about that. I cannot speak to that in any detail, but I know that the special counsel is looking into the circumstances surrounding Mr. Foster's death. And I assume he will issue a report about that, which I hope will put all these matters to rest once and for all.

Q You said just now that you decided that $1,000 was as much as you could risk. Can you tell us what your understanding was of how much you could be at risk with the little amount of money that you and your family had then? We were told earlier that $1,000 was what you were asked to put in. And, second of all, can you give us some explanation -- given that a cattle contract at the time, just one contract, was $1,200 -- for the mystery of $5,300 that was made really in the course of one day, or at least a few days, in the first trade?

MRS. CLINTON: No, I can't. I do not remember any of those details. I've given you every record that I have about that.

The $1,000 was what I wanted to start with. And it was what I thought was a good beginning, a good investment for me. And once I had made the initial return that I did, I reinvested that. This was a roller coaster. And what I believed was that I was getting very good information and that I would end up making money. But there were a couple of days when I lost money. And I knew that I would be responsible for any losses that I suffered. But I did reinvest and I covered the losses by closing positions. And then I eventually stopped trading.

Q When you first started with the $1,000, did you believe you were putting at risk more than $1,000?

MRS. CLINTON: I believed that was certainly possible, yes.

Q Then why take such a risky investment?

MRS. CLINTON: Because I didn't think it was that big a risk because I thought that Jim and the people he was talking with knew what they were doing. And I read a letter to the editor that somebody sent me in one of your newspapers, I think, which talked about a woman who invested $1,000 during the same time and made $750,000. Well, she had a stronger stomach than I did; I couldn't do that.

Q Can I ask you one more question about the $1,000, which is why the White House is reluctant to provide that figure when the news of your commodities trading first came out?

MRS. CLINTON: Because we didn't have the records at hand yet and I didn't want somebody saying what I invested until we

could actually get the records; because I thought that somewhere, buried in some box, I had some records left. I also thought, perhaps, I had my 1978 checks left; which, apparently, I do not have. That's why.

Q Mrs. Clinton, the records you've released to us already showed that you withdrew a large amount of money -- I think like $15,000 -- from the REFCO account at one point and used -- on the same day made a $10,000 interest payment on the Whitewater investment, which would have reduced your tax liability. Was that the reason that was done?

MRS. CLINTON: I don't have any memory of that, Gwen. I'm not saying it was; I just don't have any memory. There would have been nothing wrong with it -- it was my money -- but I don't have any memory of that.

Q I'm not saying there's anything wrong with it, but your intention in making this investment was not to offset some of the liability for the Whitewater real estate investment?

MRS. CLINTON: No, I mean, we went into Whitewater to make money, not to lose it. The embarrassing thing to me is that we ended up losing money and it keeps being beaten like the deadest horse there is, over and over again.

But in '78, '79 and '80, we were still hopeful that we were going to make money on our investment in North Arkansas. And the payments we were making, which were to service the loans primarily, we knew we would have to do as part of our obligations under the joint and individual liability we had for the mortgage.

But when the 1980s began, and real estate just took such a nosedive in Arkansas, I thought then -- and I think the President did, too -- that it was going to be very hard. But we had to hang on because we couldn't get off the mortgage. We had signed -- all four of us were individually responsible. If all the others had had some terrible accident, the one remaining would have been absolutely responsible for the entire debt.

And so it was a situation we got into with the belief that it would be a good investment and one that was, frankly, for us a passive investment; because up until then, if you had a little retirement community or retirement land in north Arkansas, people from the Midwest and South would buy the lots as fast as they could get them. And we didn't have anything to do with the operation or management of it; we just basically thought that eventually the payments by the owners of the lots would begin to pay us back and make a profit. And that never happened.

Q The Whitewater Development was set up, as you say, as a 50-50 partnership between the Clintons and the McDougals, meaning that you were liable for 50 percent of the losses or --

MRS. CLINTON: No --

Q -- 50 percent of the gains. And yet, by your own accounting, you lost half or even maybe a third of what the McDougals lost. This is according to the Lyons report. Doesn't that discrepancy represent some sort of gift or gratuity?

MRS. CLINTON: No. And let me say that, yes, the ownership of the corporation was 50-50. The liability on the underlying debt was 100 percent for each one of us. I mean, there was no gift in that. When my husband and I signed that mortgage, and when we resigned guarantees, we assumed the whole responsibility. I mean, if Jim had gone into bankruptcy early on, if Susan had left, we

would not have only 50 percent of the obligation, we would have 100 percent of the obligation.

Q But why was it that the McDougals lost so much more money than you did? I don't understand that.

MRS. CLINTON: I can't answer that. We gave whatever money we were requested to give by Jim McDougal. He was the one who would say, here's what you owe on interest; here's what your contribution should be. We did whatever he asked us. We saw no records. We saw no documents. He was someone that my husband had known a very long time. He was someone who had been in real estate business with many people we knew, including Senator Fulbright. And we just assumed that whatever he needed he would ask for. And we didn't have any information to the contrary.

Q -- given that you were jointly in separately liable for all the debt and that you and your husband are both lawyers, that you would be so passive about a fairly substantial investment.

MRS. CLINTON: We were not real estate developers, and Jim had a track record. And I wasn't a cattle expert. I trusted Jim Blair, and it worked out for me. And I wasn't a real estate expert, and we lost money. Those things happen.

Q Just to get back to Linda's earlier question, one of the things that has been driving this is either the lack of explanations or the shifting explanations. And in terms of the way that your commodities trading was first described -- that you did the trades, you relied on some advice from Mr. Blair -- later it was revealed that Mr. Blair placed most of the trades, if not all of them. Can you explain what happened? Did you have a new recollection?

MRS. CLINTON: No.

Q Why the shift?

MRS. CLINTON: Well, if you just listen to what you said -- I did the trades. They were my trades. I was responsible for them. But I did them on the advice of Jim Blair, and very often he placed them for me. I'm not in any way excusing any confusion that we have created. I think we have created it because I don't think that we gave enough time or focused enough. I've been traveling, and I'm more committed to health care than anything else I do. I probably did not spend enough time, get as precise.

Different people heard different things that I said, or by the time it got passed to the third or fourth person, or one member of the press would call somebody in the White House, but somebody else would call another person -- so I think that the confusion was our responsibility. We did not give you a focused place to come, and we did not spend the time necessary.

There's not really a contradiction in what you said and what I said. But I can understand how somebody might assume that.

Q Now that we're clearing up a lot of confusions, I'll ask you about one other thing that I've had problems with. During the campaign, I think it was right after the primary debate between Jerry Brown and your husband, you made a statement in, I think, a Chicago restaurant that you never did any regulatory work for Madison Guarantee. When the letter went to Beverly Bassett Shafer (phonetic) about perhaps the legality of offering preferred stock, your name was at the bottom at that letter.

MRS. CLINTON: Right.

Q Could you explain that?

MRS. CLINTON: Yes, I'm glad you asked that because that's another thing that I feel has gotten quite confused in the telling. And let me just try to describe what happened there.

When, in 1985, I believe, maybe '86, there was an effort made on the part of various financial institutions around the country to increase their capital net worth. They began looking for ways to do that. There was a very bright, young associate in our law firm who had a relationship with one of the officers at Madison, a young man whom he had known. They began talking. And if you'll remember what happened when the S&Ls were deregulated, many states were left wholly unprepared. They did not have a regulatory system in place; they didn't even really have good laws. And all of a sudden, there was no federal regulation to speak of, and so people were asking state governments whether things could be done.

Those two young men thought that it would be legal under Arkansas law for a savings & loan to issue preferred stock. But there was absolutely no law on that, and so they couldn't be sure. But they decided that what they wanted to do was to ask the person who regulated savings & loans whether it was legal. Not if Madison could do it, that was the second step. The first step is, could you even do it in Arkansas whether you were A, B or C, not just Madison.

When they talked about doing that, the young attorney in question needed a partner to serve as his backstop, and that was one of the rules we had in our firm. He knew that I knew Jim McDougal. He also knew that Jim had been a client of our firm in the past. This was not a new representation. So he came to me and asked me if I would talk with Jim to whether or not Jim would let the lawyer and the officer go forward on this project. I did that, and I arranged that the firm would be paid a $2,000 a month retainer. And that was ordinary and customary. That would be billed against -- unlike retainers of some really big law firms that if you pay the retainer they keep it no matter they do any work for you, this was really an advance against billing

That was arranged. The young attorney, the young bank officer, did all the work. And the letter was sent, but because I was what you call the billing attorney -- in other words, I had to send the bill to get the payment made -- my name was put on the bottom of the letter. It was not an area that I practiced in; it was not an area that I really know anything to speak of about.

At that point, the regulatory authorities, namely Beverly Bassett Shafer (phonetic), answered the legal question. And the legal question was, yes, it is permissible under Arkansas law to issue this preferred stock. Then the question moved on to the second phase, in which I had no involvement that I have any memory of or anyone that I've talked with -- that was trying to determine whether Madison could go forward. And I think that the securities commissioner acted absolutely appropriately. She answered the legal question -- yes, it is legal to do this. But as to Madison, she laid out conditions that had to be met -- for Madison to do it -- and Madison could never meet those conditions, and so they never issued preferred stock. So the legal question was answered, but Madison got no benefit at all from the answer of that legal question.

Q Can you clarify for us what documents were removed from Vince Foster's office after he died? And why they were there in the first place?

MRS. CLINTON: Mike, I can tell you what I know, which is that I did not know that Vince had any of the documents related to our personal business in his office until after his death. What I believe he was doing with them was serving as a coordinator among our

private lawyers and accountants and certain government officials, like the Office of Government Ethics, with respect primarily to our blind trust; because there were all these questions that had to be answered, and he was kind of the coordinator. The private lawyers would talk to him, and the Office of Government Ethics people would talk to him. I think that's why he had any documents of a personal nature in his office at the time of his death.

Q And to follow, why did your Chief of Staff, Maggie Williams, why was she among those who removed these documents from his office --

MRS. CLINTON: I don't think that she did remove any documents. I think that what happened is that after Mr. Nussbaum reviewed the documents, and after he did so, as I recall -- I was not here, I was in Arkansas, but I believe that that was done in the presence of officials from the Park Police and maybe some other agencies. Then Mr. Nussbaum distributed the files according to whom he thought should have them. There were files related to ongoing work in the counsel's office that needed to be passed on to other lawyers. There were personal files of Vince's that needed to go to his family. And there were these personal files of ours that went to our lawyer.

Q I'm wondering -- another question about this rezoning of your private and public lives -- I'm wondering what kind of a toll, if any, this has taken on your and the President's personal and political lives. And do you ever look in the mirror and wish that you just never got into this?

MRS. CLINTON: No, never, never. Some days are better than other days. I think what has helped me in the last couple of weeks, aside from some good friends who have talked to me and helped me get rezoned, if you will, is my belief that this is really a result of our inexperience in Washington, if you will; that I really did not fully understand everything that I wish now I had known. And it's a learning experience -- sometimes a difficult one, but I think one that both the President are anxious to do because we think that the reason he was elected was to deal with the big issues that we want the country to deal with.

And so it is a little disappointing if we in any way contribute to a diversion from that. And that's something that I don't want to have happen in the future, and I'm certainly going to try to be more sensitive to what you all need and what we need to give you, and do it in a more efficient and effective way the first time. Because, as I said earlier, I feel very confident about how this will all turn out. This is not a long-term problem or issue in any way, but I don't want anybody to have the wrong impressions of either of us. And I don't want anything to interfere with doing what the people of this country need done.

Q -- spoken -- the politics of personal destruction. Who do you believe are the main perpetrators of that?

MRS. CLINTON: I don't want to get into that. I don't think that that bears any real useful discussion. I think that what's important is for us, not just the President and me, but the entire administration, to keep focused on what really will stand the test of history, and what we really are trying to do for the country. And I can't really help it if some people get up every day wanting to destroy instead of build, or wanting to undermine. That's something that I try not to think about or dwell on and try to do what I'm expected to do, which for me is working on health care.

Q (Inaudible.)

MRS. CLINTON: How does my husband ever make these choices? These are hard choices.

Q When was your last conversation with Vince Foster? And what was your understanding of the state of his mind?

MRS. CLINTON: I've thought about that so many times. I don't think I had any conversation with him for at least three weeks before he died, because we left for Tokyo somewhere around the 4th of July, is my best memory. And for about a week before that, I was very preoccupied with getting ready for the trip and doing the things you have to do. So I don't have any memory of having talked to Vince, and I never talked to him during the time that I was gone.

And, like every one of our friends, we've relived everything that happened or didn't happen -- the people who talked to him, the people who spent time with him, they question whether they said the right thing or whether they could have done something else. The fact that I didn't talk to him makes me wonder whether if I had called him, I could have picked up a clue. I just don't have any way of knowing.

Q Supposedly, he had been in depression -- or so we're told -- for a considerable period of time. Were you ever aware of that? Did you have any clue of what was going on?

MRS. CLINTON: No, and neither did people who spent the weekend with him, or saw him in the office that day. One of the things that I've spent a lot of time doing in the last months is trying to educate myself about depression. And my good friend, Tipper Gore, has been a great help on that, as have the people she's worked with on mental health issues. And I just hope that we get over the stigma that is still often attached to people admitting they need help or that they can't understand what's happening to them. I have no doubt now, in retrospect, and many of my friends now can reconstruct conversations or things they saw in Vince in those last weeks, but they didn't know, they didn't understand. And he didn't either feel comfortable or know himself.

So maybe out of all of this tragedy and the aftermath, all of the speculation -- maybe once we put to rest once and for all the fact that he committed suicide and that it was a tragic loss of one of the best people we've ever known, maybe it can do something to help other people understand what depression can do to you.

Q What was your personal reaction when you learned that Jay Stephens would be representing the RTC in a case against Madison?

MRS. CLINTON: My personal reaction?

Q How did you feel about the fairness of that decision by the RTC to hire him?

MRS. CLINTON: Well, I didn't understand it. But I don't know Mr. Stephens, and I assume he will be a very fair and judicious lawyer. I guess that's what I would expect.

Q You're not concerned about his being a Republican appointee and a U.S. Attorney appointed by President Bush?

MRS. CLINTON: Not if he abides by the code of professional ethics and does his job professionally, I'm not -- and you all keep an eye on him. (Laughter.)

Q Do you think, with the benefit of hindsight, that it was improper for you and your law firm to represent the federal government against a family friend, Dan Lassiter (phonetic), and

against accountants for Madison S&L without fully disclosing that you had been business partners with Mr. MacDougal?

MRS. CLINTON: Well, I don't know what was disclosed and what wasn't. Those were not my cases. Those were cases that came to the firm to other lawyers. I've been told that things were disclosed quite extensively. And certainly, in Arkansas, most things are known; and the relationship with Mr. MacDougal, the fact that Mr. Lassiter (phonetic) made campaign contributions to my husband, was certainly well-known.

In both of those instances, I don't think I had anything to do at all with the representation against Madison on behalf of the federal government -- at least I have absolutely no memory of having done anything on that case.

With respect to the Lassiter (phonetic) case, I think out of that entire case, I worked two hours as a favor to one of the lawyers who was out of town who asked me to review a pleading. And I have specifically inquired whether there was any ethical conflict with respect to that, and have been assured there was not. He was not a client that we had any obligation to. Thousands and thousands of people contributed to my husband -- that is not considered disqualification -- we were not personal friends or social friends. So I don't see any basis for saying that my work for him or against him, as limited as it was, amounted to any kind of conflict.

Q The real stumbling -- was four to six weeks ago; and Whitewater has subsided off the front page in the past couple of weeks. Why today? What's changed in the past couple of days that has made you want to come out here?

MRS. CLINTON: Nothing changed, really, except, I said, Helen spoke, so I heard that. But I just -- maybe I'm slow in kind of picking up subtle and not-so-subtle messages. But for me it was an evolutionary process. I really did -- and I see now how mistaken I was -- but I really did believe that every time I went anywhere in the country, I would have press availabilities. I would always answer the press's questions. Sometimes they'd have to wait -- Linda had to wait a long time when I finished doing local interviews and radio interviews in St. Louis; and some of the others of you have been in barns with me and other places like that; you sometimes have to wait. But I always said, are there any questions from the press? And sometimes I'd be asked Whitewater questions, sometimes not. Every time I did satellite feeds to local TV stations, I'd answer the questions.

So I really was under the misimpression that if I answered them in Rochester or I answered them in St. Louis or somewhere else, that should be enough. And I just didn't understand enough about being accessible to all of you or being accessible in Washington. And so I came to that realization, and that's why I'm here.

Q It's not just the press that has questions -- sometimes American citizens who talk to your husband at town meetings will. And one young woman in Charlotte asked him a question I'd like to pose to you. She said that in the recent news reports about the First Lady's cattle future earnings and all these Whitewater allegations, many of us Americans are having a hard time with your credibility. How can you earn our trust back? Is there a fundamental distrust of the Clintons in America?

MRS. CLINTON: Well, I hope not. That would be something that I would regret very much. I do think that we are transition figures, if you will. We don't fit easily into a lot of preexisting categories. And let me speak just about myself. I came to this role, having worked my entire life. I started working in the

summers when I was 13. I always worked -- I worked through college; I worked through law school. That's what I did. And after I married, I continued to work. And after my daughter was born, with the exception of the four months I took off for maternity leave, I worked.

Now, I took time off from work to do volunteer work -- like I took a long time off from my law firm work to work on education reform; or I would take time off to work on my husband's campaigns; or I would be in Washington on the Children's Defense Fund. I would certainly take a lot of time, but I was fundamentally working. And I think that having been independent, having made decisions, it's a little difficult for us as a country maybe to make the transition of having a woman like many of the women in this room sitting in this house.

So I think that the standards or to some extent, the expectations or the demands have changed. And I'm trying to find my way through it and trying to figure out how best to be true to myself, and how to fulfill my responsibilities to my husband and my daughter and the country. So I do think that there is some of that.

And then, additionally, as I have said earlier, I think that my fundamental belief in privacy and my feeling that we were being asked things and demands were being placed on us that had never been demanded of prior inhabitants of this house -- unprecedented, in Arthur Schlessinger's words -- didn't make sense to me. I couldn't quite figure it out. And I resisted that. And I think I resisted it in ways that may have raised more questions than they answered. And I just don't think that was a very useful road for me to go down. And I'm trying now to better understand how to fit my personal needs and my own personal beliefs, and what I want to do with this role for the country, and the contribution I want to make into a broader context so that I can be as forthcoming and accessible as you need me to be.

Q On the subject of health care reform, two of the most controversial elements of the White House plan is the employer mandate and the mandatory health alliances. Do those two elements absolutely have to be in a final package in order for the President to sign it?

MRS. CLINTON: The President has made clear for many months that the bottom line is guaranteed insurance coverage for every American -- sometimes called universal coverage. And that really is the bottom line. Now, there isn't any way that we can think of to get there without either raising taxes or having some combination of employer and employee contribution. And we favor the employer-employee contribution. We think that is fairer, it is more familiar to Americans. It is how they now -- we now -- get our insurance. So we believe that the employer-employee responsibility is the right way to go.

Now, if the Congress, as it is now doing, is looking at alternatives, comes up with another way to do it that they believe will work and can get a majority, we're certainly going to look at that.

And the reason behind the alliances is to pool purchasing power among all of us -- small businesspeople and families, farmers, everybody -- so that we can get the lowest possible cost for insurance. But it is also to ensure that everybody gets the same affordable health care -- it's what's called community rating. And we want to be sure that we can enforce community rating.

Again, if the Congress has a different way of doing it, we are going to be open and responsive to that. But those are the

functions we want to perform -- financing universal coverage fairly and affordably and making sure that community rating is in place.

Q -- suggested a broad-based tax as one means of funding health care reform beyond just the employer contribution alone. What would the White House view be of that?

MRS. CLINTON: We're not going to comment on the congressional process while it's going on. We're encouraging every committee to be as careful and innovative as they can be to come up with solutions to the health care crisis. So we want the Congress to work.

Q Federal regulators have noted that in the mid-1980s, when Whitewater wasn't generating much in the way of income, the mortgage -- and you folks weren't putting too much money in -- the mortgage still was paid. And the question was raised in a memo from one regulator to her boss, shouldn't they have wondered, shouldn't they have known? Can you take us through your thought processes or contacts with the MacDougals of Whitewater during that period of time?

MRS. CLINTON: I really don't have anything to add specifically to that, because I'm not sure exactly what you're referring to. As far as I know, Madison always made it's required regulatory reports. And as far as I know, we always put in whatever money we were requested to put in.

One of the reasons why I'm now glad we have a special counsel is that I think we will, once and for all, whenever he issues his report, know exactly what everybody did. And I can't speak for anybody else besides my husband and me.

Q Do you expect to give testimony to Congress or to the grand jury or anything on your activities in Whitewater?

MRS. CLINTON: I don't know, but we will fully cooperate as appropriate with whatever we're requested to do.

Q One of the things that Congress will looking at when it begins the hearing, and one of the first reports expected out of the special prosecutor, is the possibility of any evidence leading toward obstruction of justice. Do you have -- can you tell us what you're Chief of Staff, Margaret Williams, and your Press Secretary, Lisa Caputo, told you back in the fall? And what you told them about the meetings with federal regulators?

MRS. CLINTON: Nothing. And I don't know what their testimony is, so I can't comment on that.

Q Is there any reason for any -- is there evidence, whatsoever, to lead anyone to suspect there's any obstruction of justice involved, or that the White House said anything that would lead the people to call off their investigation or to think about it?

MRS. CLINTON: Not that I'm aware of, no.

Q Mrs. Clinton, can you tell us what you know about stories about shredding of Whitewater documents down in Arkansas?

MRS. CLINTON: Nothing.

Q Particularly at the gubernatorial mansion?

MRS. CLINTON: Oh, that didn't happen. And I know nothing about any other such stories.

Q You know nothing about documents relating to Whitewater ever shredded anywhere that you know about or authorized or didn't authorize?

MRS. CLINTON: Absolutely not.

Q Mrs. Clinton, following up on the RTC question, the memorandum reported in The New York Times from the investigator in Kansas City, says that Mr. McDougal kited checks and that the funds benefitted Whitewater partners who knew that Whitewater was not cash flowing and that notes for mortgages still were being paid.

Congressman Leach still says that he's convinced, he has no doubt whatsoever, that dollars were diverted from Madison into Whitewater and used to pay the personal loans of the then-Governor, of Mr. Clinton.

Are you convinced that no monies from Mr. McDougal or any of his related companies paid any obligations of yours or your husband's?

MRS. CLINTON: I know of nothing to support that. And I think we should wait and see what all the facts are because, you know, I just want to reiterate that we didn't even see any documents until late in the 1980s -- probably late '88 or '89. And so, I just don't have any way of telling you what went on from '78 to '88 or '89.

Now, I think we ought to wait until somebody who is a credible fact-finder, like the special counsel, look at everything and tells all of us at the same time what happened when, because we don't have any independent information to provide.

Q If I could just follow up -- the suggestion in the RTC memorandum is that the investors, presumably including you and your husband, knew or should have known that Whitewater was not cash flowing and that notes that should have been paid, whether Mr. McDougal asked you to pay them or not.

MRS. CLINTON: Well, shoulda, coulda, woulda -- we didn't. And the only thing I can say to that is when I was asked in late '88 or early '89 by the realtor who handled the sales in north Arkansas to help him, because neither Jim nor Susan McDougal were available any longer, we tried as best we could to do things like pay the taxes. And when owners of lots didn't fulfill their obligations, to try to resell the property -- things that were largely administrative at that point in time. And the fact is that by 1992, the loan was paid off. So I really don't know what that means.

Q Given what you been through, do you have any greater appreciation of what Richard Nixon might have been going through back in '74? (Laughter.) And what are your thoughts about him? How do you think history will judge him?

MRS. CLINTON: Well, I don't know that it's time to start talking like that yet. I think that -- what I think we ought to be doing is praying for President Nixon. And from my perspective, you know, it was a year ago April that my father died at the age of 81. And so, you know, I'm just mostly thinking about his daughters right now.

Q Mrs. Clinton, you have said that when you were at the Rose Law Firm, you didn't share in any of the profits that the firm earned from its representation of state agencies. When did you begin that practice? And did that also include any profits from the firm's facilitating the sale of bonds with the Arkansas Development and Finance Authority?

MRS. CLINTON: I don't remember the exact year, but I made the decision not to share in the profits around the time I became a partner from any representation of state agencies -- anything that could be considered tax money.

For a couple of years, I did share in the benefits from bond underwriting. And then I decided I shouldn't even do that, so I paid the firm back. And from that point in time I did not share in either fees from state agencies or fees generated by any kind of bond underwriting at all.

Q And did you have any part of the $2,000 a month retainer? Did you share in that, in any of that?

MRS. CLINTON: You know, I might have to a very minimal amount for whatever little bit I did on that. But at the end of about a year, I believe, we were no longer representing Madison because, as I explained, they were not going to get to issue preferred stock. They could not do it because of the conditions that Beverly Bassett Shafer (phonetic) had imposed.

So, in fact, we returned money to Madison. I remember writing and signing the letter to Jim McDougal saying we have fulfilled the work we have done for you; we are still holding some of your retainer; there doesn't appear to be any continuing work to be billed against it. So I sent him a check back.

Q Mrs. Clinton, what do you account for the decline in the support of the Clinton health plan? Do you think that the suspicions and questions which have come out of these matters has spilled over on that and affected people's ideas about just how honestly and efficiently government can deal with life or death?

MRS. CLINTON: Mary, I think that's a real important question. I do believe that some of the opponents of health care have certainly tried to use Whitewater as a proxy for their opposition to health care. I think that in the last several days, some of the leading opponents of health care have even said things which seem to suggest that.

I find that very regrettable. I mean, if someone wants to argue about the future of health care in our country, I think the debate ought to be about health care. And I have absolutely no problem with someone saying, I don't like alliances, or I think we ought to have a different benefits package. That's what I believe democratic debate ought to be about. But I do think that some have tried to use this to undermine support for health care.

On the other hand, there has been continuing concern about the health care plan, if you go back and look at the very first time it was introduced back in the fall, because this is big issue; and I think people want to be sure we get it right. But every time you ask the specific questions about what is it people want, I think you can get a pretty good idea of where they want us to go. I mean, people do want health security, and they do want guaranteed benefits.

And the big majority of Americans think the right way to do it is through the workplace, with employer-employee contributions. And I think people want Medicare preserved and improved with prescription drugs and long-term care. And they certainly want to outlaw the insurance practices that discriminate against people with preexisting conditions and impose lifetime limits. And they want to preserve choice of doctor and choice of health plan.

So if you take the elements of the President's plan, and if you look at the polling data that I have, you sometimes get these contradictory results where, if you say to people, do you support the President's plan, they think about the last ad they've seen; or maybe

they've gotten one of these incredible direct mail letters that the sky is falling. It's really just stuff that's been recycled from the fight against Medicare, just new names and new addresses. But when you get to the specifics, there are majorities of Americans for most of the specifics. And I think that's what the Congress is sorting out right now.

So I'm not surprised, and I'm not in any way concerned that we're at this point in the process. I think this is where we would likely be as we're dealing with one of the most important social issues in our country's history.

Thank you very much.

Q Can we do this again --

MRS. CLINTON: Well, you know what? Let me say, one of the things that I didn't mention that influenced me is, a friend of mine gave me a thesis the other day -- gosh, I think it was like Tuesday or Wednesday -- about Eleanor Roosevelt's press conferences. She had 340 press conferences, right -- 340 press conferences during the time.

Q You're my tenth president's First Lady.

Q Will you be doing it, Mrs. Clinton? Will you be doing it --

MRS. CLINTON: Yeah, I think it sounds like fun.

THE PRESS: Thank you.

END 4:45 P.M. EDT

COPY
from ORM

Open Press Questions after HRC Press Conference
[4-27-94/tds]

The press coverage on Mrs. Clinton's April 22 press conference was overwhelmingly favorable. Still, nearly all the reports point out certain questions that haven't been answered, or for which answers still seem (to the reporter or editorial writer in question) unsatisfactory.

The New York Times (4-24) and the Washington Post (4-25) each did editorials on the press conference which, after praising the First Lady, cite several areas of continuing concern:

New York Times

- **"Mrs. Clinton did not, however, adequately dispense with one central issue: whether wealthy benefactors who did business with the state government were padding the Clinton family income while Mr. Clinton was Attorney General and Governor.** She conceded that most of her highly profitable commodities trades were executed on the advice of James Blair, a lawyer for Tyson Foods, a large company that was heavily regulated by and received substantial tax credits from the Arkansas government."

- "Mrs. Clinton likewise insisted that James McDougal...provided no special favors. **But she could not explain why Mr. McDougal wound up losing a lot more money than the Clintons did in what was supposedly a 50-50 deal."**

- "Nor was it comforting to find the First Lady slipping into answers that seemed guarded or legalistic. When asked if her commodities broker might have given her a favorable advantage because of her position, she replied with a lawyerly "There's really no evidence of that. I didn't believe it at the time."

Washington Post

- "Mrs. Clinton held her ground that she crossed no ethical lines as to the governor's wife in trading cattle futures on the advice of a close friend who also served as outside counsel for Arkansas's biggest employer."

- **"She maintained that she never received any favorable treatment in her commodity dealings because of who she was or her husband's position."**

- Answers regarding why she wasn't required to meet margin calls and how she was permitted to enter the market with only $1,000 "won't halt speculation about the help she received in ballooning her financial investments."

- **"To the penetrating question raised by the Resolution Trust Corp.'s senior investigator: 'If you...aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used for your benefit?' Mrs. Clinton offered a less than satisfying response: 'Well, shoulda, coulda woulda, we didn't.' Answers like that won't put away Whitewater. But as Friday demonstrated, fielding questions is better than going in the bunker."**

Here are the various open questions cited in the coverage of the press conference:

- How did Mrs. Clinton turn initial investment of $1,000 into $6,300 on first day of trading? [L.A. Times (Broder) 4-23; W. Post (Schmidt/Babcock) 4-23, (editorial) 4-25; WSJ (Frisby) 4-25]

Mrs Clinton: Can't explain, doesn't recall details.

- Wasn't it unethical to accept this highly lucrative investment advice from Jim Blair, attorney for the state's largest employer, Tyson Foods? [L.A. Times (Broder) 4-23; NYT (Dowd) 4-23, (editorial) 4-25; W. Post (editorial) 4-25]

Mrs Clinton: No because he was a very close family friend and idea that BC doing favors for Tyson refuted by fact that Tyson supported BC's opponent (Frank White) in 1980.

- If Clintons and McDougals were 50-50 partners in Whitewater, why did McDougals lose considerably more money? [NYT (Dowd, Ifill) 4-23, (editorial) 4-25; W. Post (Schmidt/Babcock); L.A. Times (Broder) 4-23]

Mrs. Clinton: "Can't answer that." Put in whatever funds McDougal asked for.

- Shouldn't the Clintons have realized that the McDougals were paying off the mortgage since the venture wasn't bringing in enough income from land sales to make those payments? [W. Post (Schmidt/Babcock) 4-23, (editorial) 4-25; WSJ (Frisby) 4-25]

Mrs. Clinton: "Shoulda, coulda, woulda, we didn't..."

- Did Mrs. Clinton get favorable treatment from powerful friends in her commodities trading? [NYT (Dowd 4-23, (editorial) 4-25]

Mrs. Clinton: "There's really no evidence of that. I didn't believe it at the time....It was my money, it was at risk."

- Why didn't she get any margin calls from Refco? [W. Post (Schmidt/Babcock) 4-23, (editorial) 4-25]

  Mrs. Clinton: "Nobody ever called and asked me for anything. They just, I guess, took the money that I had in the account and closed out the position..." "They may not have gotten around to the paperwork, they may not have thought it was worth it, they may have seen that I was a regular customer and that I covered my losses, that there was never an occasion when they really had to be concerned about it."

- Mrs. Clinton said the $1,000 she put up was the amount she thought "we could afford," while earlier White House explanations said that $1,000 was the amount she was asked to put up. [W. Post (Marcus) 4-23]

- Mrs. Clinton didn't explain what the couple would have done if she had lost more than the $1,000 she initially invested. [W. Post (Marcus) 4-23]

  Mrs. Clinton: "I didn't think it was a big risk because I thought that Jim and the people he was talking with knew what they were doing."

- Mrs. Clinton's account of the $2,000 a month retainer differs sharply from McDougal's account. [L.A. Times (Risen) 4-23; W. Times (Hedges) 4-23]

- Mrs. Clinton said White House didn't reveal that she invested only $1,000 when NYT first did its commodities story because they were still searching check stubs, but White House had the records more than a week before the figure was released. [NYT (Dowd) 4-23]

bc-whitewater times - a1846
(ATTN: National editors) (Includes optional trims)
First Lady Maintains Innocence During Whitewater Briefing (Washn)
By John M. Broder= (c) 1994, Los Angeles Times=

WASHINGTON In an extraordinary moment of White House drama, Hillary Rodham Clinton on Friday answered and deflected dozens of questions about her finances and her ethics in a 66-minute news conference broadcast live nationwide.

The first lady, sitting in a Chippendale-style chair beneath the thoughtful gaze of Abraham Lincoln in the State Dining Room, provided composed and lawyerly answers to a swarm of reporters who demanded to know with all due deference whether she and her husband were liars, hypocrites or crooks.

She maintained her innocence and retained her composure through more than an hour of persistent grilling by the White House press corps. She was obviously well prepared for the long-awaited appearance, seeming to know where the land mines were in questions that reporters had been itching to ask for ks.

But while Mrs. Clinton appeared to meet each question head on, at the end the session she had added little to the store of knowledge about the cluster of controversies known collectively as Whitewater.

In a striking series of statements, Mrs. Clinton said she believes she had contributed to public perceptions of wrongdoing in recent months by refusing to answer questions about Whitewater. She said that trying to maintain a vestige of privacy and her parents' counsel to ignore the opinions of others ''led me to perhaps be less understanding than I needed to of both the press and the public's interest, as well as right, to know things about my husband and me.''

The wonder of the occasion was not in the news Mrs. Clinton made, but that the event occurred at all.

No first lady has ever submitted to the kind of rough-and-tumble news conference that Mrs. Clinton volunteered for Friday. Other presidents' wives have conducted mannered chats over tea with reporters or stepped behind microphones to make pronouncements on such issues as children and drug abuse.

But Hillary Rodham Clinton who described herself Friday as a ''transitional figure'' between more traditional first ladies of the past and a new breed of first spouses with independent identities and careers handled highly specific questions about a series of complex real estate, banking and rities deals in Arkansas. Mrs. Clinton is a lawyer who, in the year re her husband's election, was named among the top attorneys in the ed States.

She took on questions about her hugely profitable foray into the commodities markets in the 1970s, her knowledge of the Whitewater real estate venture's finances in the 1980s and the state of mind of the late deputy White House counsel Vincent W. Foster Jr., a close friend of hers whose death last July was ruled a suicide.

She said she was ''extremely comfortable and confident about everything that I have done'' over the past 16 years and predicted that the broad Whitewater investigation by special counsel Robert B. Fiske would vindicate her and the president.

On the chief matters of substance on which she was challenged, Mrs. Clinton said:

She had ''absolutely no reason to believe'' that she profited from favorable treatment by her advisers when she parlayed a $1,000 stake in the cattle futures market into nearly $100,000 in less than a year.

She could not remember ''any of the details'' of how she turned that initial $1,000 investment into $6,300 in her first day of commodities trading.

That accepting lucrative investment advice from James B. Blair, attorney for the state's largest employer, Tyson Foods Inc., was not unethical because t) lairs were ''among our very best friends.'' She denied any impropriety

and said there were no favors granted Blair or Tyson Foods in exchange. His profitable counsel was simply ``you know, very fortunate for me,'' Mrs. Clinton said.

She ``can't answer'' why she and President Clinton lost considerably less money in the Whitewater real estate project than their putative 50-50 partners, James and Susan McDougal. But she denied that the McDougals' greater losses amounted to a ``gift'' from the owner of a state-regulated thrift to the governor and his wife. She also said did not know how Whitewater's bills got paid after the Clintons stopped contributing to its accounts.

She has ``no memory'' of using her commodities trading profits to make Whitewater loan payments, thus reducing her tax liability for 1978. She said that she got into Whitewater to make money, not as a tax dodge.

She was told nothing in advance by regulators or White House staff about a pending criminal referral on McDougal's failed savings and loan last fall. The Clintons were named as possible beneficiaries of questionable acts at the thrift and federal regulators tipped off White House aides about the pending referral.

She knows nothing about possible shredding of incriminating Whitewater ``terial at the Rose Law Firm in Little Rock, Ark., where she and Foster used practice. And she said that reports that she and Clinton shredded documents the governor's mansion in Little Rock were ``absolutely'' untrue.

(Optional add end)

The first lady admitted that her insistence on a ``zone of privacy'' around her family and her finances had fueled suspicion that she and President Clinton were covering up scandalous details of their life in Arkansas. But she said she ultimately had come to be ``rezoned'' into believing that fuller disclosure would ultimately better serve her, her husband and the public.

She said that her stiff resistance to the appointment of a special counsel and to a full public discussion of the Whitewater matter for more than four months was ``one of the things that I regret most'' about the entire affair.

According to aides, Mrs. Clinton this week finally came to believe that her silence on Whitewater was doing the administration more harm than good, not only on credibility questions arising from the scandal itself but on the White House's broader agenda, particularly health care.

Mrs. Clinton was also asked whether it was hypocritical for her to decry the greed and financial excess of the 1980s at a time when she was playing the futures markets and investing in speculative real estate ventures. She said it w ``a pretty long stretch'' between trying to provide a nest egg for one's i .y and getting into such things as leveraged buyouts, junk bonds and p .on fund raids.

She said that she was raised to believe that ``every person had an obligation to take care of themselves and their family.'' She said that her father ``had me reading the stock tables when I was a little girl, and I started doing that with my daughter when she was a little girl.''

``I mean, I don't think you'll ever find anything that my husband or I said that in any way condemns the importance of making good investments and saving, or that in any way undermines what is the heart and soul of the American economy, which is risk-taking and investing in the future,'' she said.

She grew pensive in discussing Foster's death, expressing regret that she hadn't spoken with him for more than three weeks before his death. She said she has often relived the days and weeks leading up to his death and wondered whether if she had called him she might have ``picked up a clue'' to his depression.

**** filed by:LAWP(--) on 04/23/94 at 02:23EST ****
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[redacted]-Whitewater - a1843
(For national editors) (Includes optional trims)
ATTN: National editors) (Includes optional trims)
Whitewater Tax Returns Raise Doubt About Clintons' Losses (Washn)
By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON Newly released tax returns for the Whitewater Development Corp. raise fresh questions about the assertion by President Clinton and his wife that they poured tens of thousands of dollars into the losing venture and received nothing in return.

The Clintons have consistently defended themselves against critics by arguing that they lost $46,636 on the Ozark Mountain development project during the 1970s and 1980s. Most of the money they spent, they have said, consisted of large interest payments made for Whitewater Development from their personal funds.

Yet the corporate tax returns of Whitewater Development, made public for the first time earlier this week, do not show evidence of payments anywhere near as large as the Clintons have said they made. Instead of documenting the $46,636 that the Clintons say they lost on Whitewater, the tax records and supporting documents show only about $13,000 in such payments by the Clintons.

Tax accountants said that the corporation would have been obligated to reflect the full amount if it were adhering to standard accounting practices.

The Clintons' personal tax returns for the years in question show that they claimed $46,636 as tax deductions, though no canceled checks or bank statements have been released to substantiate the deductions.

The Clintons have said that the payments they claimed on their personal returns were made directly to banks holding Whitewater mortgages, or to other corporations owned by McDougal. In that case, the payments also should have shown up on Whitewater's corporate tax returns, according to independent tax accountants who reviewed the corporation's financial records.

''If a good job of bookkeeping was being done, you would find some record or some notation in the tax returns that the corporation was being relieved of its obligations,'' by the Clintons, said Mark Rogers, an independent Little Rock, Ark., accountant hired by the Los Angeles Times to review the Whitewater returns.

The apparent discrepancy between the personal and corporate tax returns raises more questions about central issues posed by the Clintons' chief GOP critics: did the president and his wife actually lose large sums of money on Whitewater, as they have said, and did they receive tax benefits to which they were not fully entitled?

The corporate tax records seem to support assertions made in recent months by James B. McDougal, the Clintons' partner in the Whitewater venture. McDougal has claimed that the Clintons only invested about $13,000 in Whitewater, not the larger amounts cited by the president. (Clinton originally had said that he and his wife contributed $68,900 to Whitewater, but later revised the figure downward.)

So far, the White House has released no supporting materials, such as canceled checks or bank statements, to document the payments listed in the Clintons' personal returns. Tax experts said that the corporate tax returns should have included entries corresponding with the payments listed in the personal returns but they do not.

The White House declined to comment on the discrepancies. A source familiar with the Clintons' tax records said he could not explain why the full $46,636 was not reflected in Whitewater's corporate returns. ''I just can't answer that question now,'' the source said.

There could be several possible explanations for the discrepancies between the personal and corporate tax returns. Whitewater bookkeepers could have failed to properly record all of the payments made by the Clintons or a tax preparer might have overlooked them. Similarly, the Clintons' records might have been faulty. Indeed, the Clintons and McDougal have characterized Whitewater's record-keeping practices as somewhat haphazard.

Whitewater's corporate returns show that in 1980, Hillary Rodham the name used by Mrs. Clinton at the time made $10,131 in interest payments on behalf of Whitewater. In 1979, the returns show, Bill Clinton made a loan to Whitewater of $2,900.

In 1981, however, Mrs. Clinton received $15,185 back from Whitewater, according to the corporate tax records. The entry indicates that the payment was in the form of land owned by the corporation and not in cash.

[redacted]

preparer might have overlooked them. Similarly, the Clintons' records might have been faulty. Indeed, the Clintons and McDougal have characterized Whitewater's record-keeping practices as somewhat haphazard.

Whitewater's corporate returns show that in 1980, Hillary Rodham [redacted] the name used by Mrs. Clinton at the time [redacted] $10,131 in interest payments on behalf of Whitewater. In 1979, the returns show, Bill Clinton made a loan to Whitewater of $2,900.

In 1981, however, Mrs. Clinton received $15,185 back from Whitewater, according to the corporate tax records. The entry indicates that the payment [redacted]

Mrs. Clinton took out a $30,000 loan from a McDougal-controlled bank to build a model home on one Whitewater lot, according to documents released by McDougal along with the corporate tax returns. But the corporate returns indicate that the property was not considered an asset of the corporation. Mrs. Clinton later sold the property herself.

(End optional trim)

The Whitewater tax returns also call into question findings contained in a report issued by the Clinton campaign in March 1992, in response to disclosures about the Whitewater controversy. The report, prepared by an accounting firm hired by James Lyons, a Denver attorney and old friend of Clinton, exonerated the Clintons of any wrongdoing.

Financial information in the corporate tax returns conflicts sharply with the figures in that report. For example, the report stated that the Whitewater venture suffered losses during years in which the corporation's tax returns show that it made money. And the corporate returns indicate that Whitewater was bringing in as much as $60,000 annually from land sales during years in which the Lyons report said that no land was sold.

The White House has distanced itself from the 1992 report in recent months but still uses many of its basic findings to defend the president and Mrs. Clinton.

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The White House

Office of the Press Secretary

For Immediate Release: March 29, 1994

STATEMENT OF LISA CAPUTO, PRESS SECRETARY FOR THE FIRST LADY
AND JOHN PODESTA, WHITE HOUSE STAFF SECRETARY
MARCH 29, 1994

Details of Mrs. Clinton's Commodity Trades

Sixteen years ago, Mrs. Clinton made a series of commodity investments which, in years 1978 and 1979, returned a profit. Mrs. Clinton put up her own money, invested it in her own accounts, and assumed the full risk of loss. Mrs. Clinton traded in commodity futures through two different accounts in her name in Little Rock, Arkansas and in Springdale, Arkansas.

Commodity futures are traded on "margin." A margin is "the amount of money or collateral deposited by a customer with his broker...for the purpose of insuring the broker...against loss on open futures contracts. The margin is not partial payment on a purchase." [Commodity Futures Trading Commission (CFTC) Glossary, September 1992]

Mrs. Clinton initially invested $1,000 in cash in a margin account beginning in October 1978 in her Ray E. Friedman & Co. (REFCO) account in Springdale. Her first trade made a profit of $5,300, and she reinvested the principal and proceeds in several transactions. In a series of trades through the remainder of 1978, she accumulated trading profits of $49,069 offset by trading losses of $22,548. Her net gain for 1978 was $26,541.

Mrs. Clinton continued trading through this account in 1979. Her trading profits were approximately $109,600, offset by trading losses of approximately $36,600. Her net gain in this account in 1979 was $72,996. Mrs. Clinton ceased trading in her REFCO account in July 1979. The account was formally closed in October of that year.

Mrs. Clinton opened a second account, through her stockbroker Stephens, Inc. in Little Rock, which made trades through ACLI International, Peavey Company, and Clayton Brokerage. The commodities account was opened in October 1979 with $5,000 in cash. While trading positions moved up and down -- at one point the equity in her account reached a high of $26,894 -- her trading resulted in small net losses in 1979 and 1980. She ceased trading in this account soon after Chelsea was born. The account was closed in March 1980.

The commodities traded were cattle, soybeans, sugar, hogs, copper, and lumber. In every instance, and at all times, these trades were invested with Mrs. Clinton's money, in her account, and at her risk. These gains and losses were reported on the family's tax returns as appropriate.

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HRC COMMOD.

THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript March 29, 1994

BACKGROUND BRIEFING
BY
SENIOR ADMINISTRATION OFFICIALS

The Roosevelt Room

4:30 P.M. EST

SENIOR ADMINISTRATION OFFICIAL: I'm not going to belabor reading this, but I want to make some points on it. But it's statement for the record. And you can take it for the record. I'm going to read a couple of paragraphs from it.

Q Does that mean you can be quoted?

MR. PODESTA: You can quote me from the statement, and then we'll be ON BACKGROUND, White House officials. I want to make a couple of key points out of the center of the statement, which is a different version than what I've seen.

We released some of this information in the past, but let me just click off a couple of the paragraphs, and then you can get into questions.

Sixteen years ago, Mrs. Clinton made a series of commodity investments which in years 1978 and '79 returned a profit. She put up her own money, invested it in her own accounts, and assumed the full risk of loss. She initially invested $1,000 in cash in a margin account beginning in October 1978 in her Ray E. Friedman account, which is known as REFCO -- account in Springdale, Arkansas.

Her first trade made approximately $5,300 and she reinvested the principal and proceeds in several transactions. *In a series of trades through the remainder of 1978 she accumulated traded profits of $49,069, which was offset by trading losses of $22,548. Her net gain for 1978 was $26,541.

Mrs. Clinton continued trading through this account in '79. Her trading profits were approximately $109,600, offset by trading losses of approximately $36,600. Her net gain in this account in '79 was $72,996, as we've previously reported.

Mrs. Clinton ceased trading in this account in July '79. The account was formally closed in October of that year. She traded through a second account, the details of which are outlined in the paragraph. The gains and losses were reported on the family's tax returns as appropriate.

SENIOR ADMINISTRATION OFFICIAL: Now, ON BACKGROUND, I'm happy to answer questions.

Q Are you not just saying in every instance these involved her own money, her own account, her risk?

SENIOR ADMINISTRATION OFFICIAL: (Inaudible.)

Q What was the total net gain of both accounts added together?

SENIOR ADMINISTRATION OFFICIAL: It's approximately $98,000.

Q The $72,000 plus the $26,000?

SENIOR ADMINISTRATION OFFICIAL: The $72,000 plus $26,000, minus $560, minus $449.

Q In addition to the questions about whether Mrs. Clinton had used her own -- invested her own money, there have been questions published about whether she was allocated the good trades after they had occurred. Apparently, there were other people who traded with REFCO who complained that they thought losing trades were being allocated to their accounts, and in fact, her broker was, I guess, censured by the Chicago Merc for something like that. Can you make any statement about that?

SENIOR ADMINISTRATION OFFICIAL: She had no knowledge of any allocation trades. The people on the losing side of those trades also had the same broker. She lost money in that account on several trades. And beyond that, we really know nothing about it and would refer you to the Chicago Mercantile --

Q She saw this before you put it out, and the statement?

SENIOR ADMINISTRATION OFFICIAL: She saw the statement.

Q And why did it take so long if The New York Times had a story two weeks ago on this?

SENIOR ADMINISTRATION OFFICIAL: There wasn't much follow-up and we had many questions that were being asked by reporters about a variety of topics.

SENIOR ADMINISTRATION OFFICIAL: I would like to say one thing with regard to that on background. And that is that I think the careless reporting by Newsweek left a misinterpretation out there that was inaccurate. And we wanted to set the record straight and present the facts.

Q And The New York Times was right? I didn't see it, so I shouldn't ask it, but was it a more accurate --

SENIOR ADMINISTRATION OFFICIAL: Well, we take issue with some points of the interpretation in The New York Times. But I think that the fact that she traded through her own account we don't take issue with.

Q Is there any reason why she decided not to keep trading? It says here that she stopped --

SENIOR ADMINISTRATION OFFICIAL: She got pregnant with Chelsea. She just couldn't stomach it anymore. That was not a pun. (Laughter.)

Q If she kept one account going until after Chelsea was born, was that mean that she couldn't stomach it anymore?

SENIOR ADMINISTRATION OFFICIAL: She closed the account right after Chelsea was born.

Q Well, then she wasn't pregnant anymore.

SENIOR ADMINISTRATION OFFICIAL: She got pregnant in July and Chelsea was born in February, and she closed the account in March.

Q What were the net losses on that second account?

Q Was it because she was too busy or she wasn't interested anymore?

SENIOR ADMINISTRATION OFFICIAL: It was too nerve-wracking.

Q Can you explain why, on their income taxes for those years, that they did not list the dates of the trades and their bases and the amounts that they gained, as the Schedule D requires?

SENIOR ADMINISTRATION OFFICIAL: They listed net information which was provided to them by REFCO and the other account, and it was never challenged by the IRS.

Q Did they not have -- there was a space on the form to fill in the sales prices. Did they not have that information at the time?

SENIOR ADMINISTRATION OFFICIAL: I don't know the answer to that, but I think that they provided net short-term gains and the IRS accepted that.

Q So is it your understanding they should have provided more information than that?

SENIOR ADMINISTRATION OFFICIAL: No, it's not my understanding.

Q Is it your understanding that that was fine, then? I don't know anything about this.

SENIOR ADMINISTRATION OFFICIAL: I can't speak for them. I think this was an appropriate way to record it, and if it was not an appropriate way to record it, I assume that the IRS would have challenged it.

Q This is a margin account we're talking about here. Was she liable for losses above the $1,000 that she originally put in? If it had lost in the market, would she have been liable for more than --

SENIOR ADMINISTRATION OFFICIAL: She was fully liable on the account.

Q How much are you talking about -- well, I guess that's not really possible to determine how much you're talking about.

Q What does fully liable mean? Was she liable only fully up to $1,000 or liable for --

SENIOR ADMINISTRATION OFFICIAL: No, she was liable for any losses that the account accumulated. Generally, what happens is if the market moves against you, your position is closed out. And if you don't have enough money in your account to cover the position, then you owe them additional money. That never occurred in her account. She'd always have sufficient money in the account to cover whatever position she had in the -- that she had taken.

Q And she made almost $100,000 here off of a $6,000 investment? Is that the two bottom-line figures?

SENIOR ADMINISTRATION OFFICIAL: I think that's --

Q -- or on the original $1,000?

Q How did Mrs. Clinton make decisions on trade, and how often did she talk with Mr. Blair, and how often with --

SENIOR ADMINISTRATION OFFICIAL: I think she got advice from Mr. Blair; he was active in the markets. She talked to other people. There were -- she did not take all of Mr. Blair's advice.

Q Mr. Blair?

SENIOR ADMINISTRATION OFFICIAL: Jim Blair is an old friend of the Clintons who was an attorney at the time in Springdale.

Q Was he tied in with Tyson --

SENIOR ADMINISTRATION OFFICIAL: At the time he represented Tyson. I believe now he is the general counsel.

Q How about contacts with Mr. Bowen?*

SENIOR ADMINISTRATION OFFICIAL: She opened the account with Mr. Bowen*.

Q In person or on the phone?

SENIOR ADMINISTRATION OFFICIAL: I'm not sure.

Q Was she aware that Mr. Bowen had previous difficulty?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Did she talk to Mr. Bowen about the trades?

SENIOR ADMINISTRATION OFFICIAL: She would discuss trades with a variety of people and then -- (inaudible) -- trades through the REFCO office. I'm not exactly -- I'm not clear about what your question is.

Q Well, he's the broker in the office. Did she call him?

SENIOR ADMINISTRATION OFFICIAL: It was not a discretionary account.

Q So she didn't call him to execute the trade?

SENIOR ADMINISTRATION OFFICIAL: She, I think, on occasion did.

Q Was she practicing law through this whole period? Was she on maternity leave? The reason I ask, you say that the -- the account that made good money she closed down in July of '78 -- I'm sorry -- stopped trading in July of '79. You said she became pregnant in July and had the baby in February. So she stopped trading in the profitable account with REFCO early in the pregnancy, correct?

SENIOR ADMINISTRATION OFFICIAL: Correct.

Q And it's the other account that she closed down after Chelsea was born. So she closed the first one, why, the profitable one? She stopped trading in the REFCO account --

SENIOR ADMINISTRATION OFFICIAL: Sorry, I have it wrong. She --

SENIOR ADMINISTRATION OFFICIAL: She did stop trading when she became pregnant in the REFCO account.

Q But that was very early in the pregnancy. Was the pregnancy the reason she stopped trading in this profitable REFCO one?

SENIOR ADMINISTRATION OFFICIAL: She got -- what I know is that she got pregnant and found it too nerve-wracking, and then got out altogether right after Chelsea was born.

Q But we're correct that the one she -- the profitable one she got out of, that she ceased trading in July of '79 would have been very early in the pregnancy.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q The other one in which she had net losses in '79 and '80 was the one she closed down after Chelsea was born.

SENIOR ADMINISTRATION OFFICIAL: Correct.

Q So the profitable trading was done before she was pregnant?

SENIOR ADMINISTRATION OFFICIAL: Correct.

Q What were the net losses on the second account that was closed in March '80? Are those factored into your --

SENIOR ADMINISTRATION OFFICIAL: They were $449 -- $560 in 1979 and $449 in 1980.

Q Wait, what was it in '80?

SENIOR ADMINISTRATION OFFICIAL: $449.

Q Off the $5,000 -- the $5,000 invested in that account came up with losses of about $1,000. Is that right?

Q Were the nets gained in that account then be the $5,000 minus the accumulation of those two figures?

SENIOR ADMINISTRATION OFFICIAL: There was a net loss.

SENIOR ADMINISTRATION OFFICIAL: There was a net loss.

Q Is there a reason why we don't have a statement from that account?

SENIOR ADMINISTRATION OFFICIAL: Well, it was getting late. I'm happy to try to answer questions and if you want to make specific requests we'll --

Q You mentioned that she talked to other people besides Jim Blair. What other people are you aware of that she talked to about her trading?

SENIOR ADMINISTRATION OFFICIAL: She talked to a lot of different people. I mean, Arkansas is a rural state. There were just a lot of people around that she knew. She read the Wall Street Journal and just talked to a lot of different people.

Q I've seen before that she read the Wall Street Journal, but you said she relied on Jim Blair -- but were there a

couple of other people in particular that she relied on? She did her own research in terms of --

SENIOR ADMINISTRATION OFFICIAL: I'd have to get back to you.

Q I think the question is sort of would she credit Blair with most of the knowledge that led to this huge profit or --

SENIOR ADMINISTRATION OFFICIAL: I think he was an important advisor.

Q It's customary, as I understand it, when one takes in commodity trading to open two accounts simultaneously -- one to take long positions, one to take short positions. And yet you only provide accounts from one account. Was there a second account --

SENIOR ADMINISTRATION OFFICIAL: No, I think --

Q I mean at REFCO or at the other broker?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Was there a second account?

SENIOR ADMINISTRATION OFFICIAL: No. Her trading at REFCO is reflected in --

Q All of her trading?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q She didn't trade into Blair's account or somebody else's?

SENIOR ADMINISTRATION OFFICIAL: Correct.

Q Did she specifically --

SENIOR ADMINISTRATION OFFICIAL: The longs and shorts are on the trading -- you could take opposing positions in the same account. I don't know what the industry practice is. But you can do that.

Q How did she make so much money?

SENIOR ADMINISTRATION OFFICIAL: I don't know why you would need to set up two different accounts to do what you're suggesting.

Q How did she make so much money?

SENIOR ADMINISTRATION OFFICIAL: It was a good market. Again, I would go back and check with the Merc or check with other people, but the cattle market -- she wasn't only in cattle, she was in hogs and soybeans and --

Q What are feeders?

SENIOR ADMINISTRATION OFFICIAL: Feeders are feeder cattle. But it was a bull market and a lot of people made a lot of money.

Q Had she studied the commodities business before beginning trading?

SENIOR ADMINISTRATION OFFICIAL: I have to take that.

Q -- commodities market since?

SENIOR ADMINISTRATION OFFICIAL: I believe that she had one trade in 1986 in -- (inaudible.)

Q Why, after making $99,000 in 10 months, would she not use this expertise again?

SENIOR ADMINISTRATION OFFICIAL: She found it to be too nerve-wracking. She just didn't --

Q Is that what she said?

SENIOR ADMINISTRATION OFFICIAL: Yes. She just didn't have the stomach for it anymore.

Q Once she had realized the kind of profits she did in '78 and '79, did she seek any kind of tax shelter to cushion the blow on that? Did they specifically go into the Whitewater investment as a way to protect some of this money?

SENIOR ADMINISTRATION OFFICIAL: I don't think there was any tax sheltering. She paid short-term capital gains taxes on all the entire profit. So I don't think there was any sheltering there at all.

Q Is there any chance that the First Lady might consider having some kind of a news conference for addressing any questions, not just about this but about any of the other issues that have been raised about Whitewater and her representation of Madison and all of that?

SENIOR ADMINISTRATION OFFICIAL: The First Lady is asked any questions and all questions that have been asked of her.

Q Well, she didn't -- (inaudible) -- when we saw her with another network. (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: And I'm glad I'm on background -- I would say that the other network and today's New York Times did not put what transpired into context. She did an hour-long satellite feed with 10 stations with several different affiliates. I believe there were some CBS affiliates on that feed. Seven of the 10 interviewers asked Whitewater questions. The NBC News channel, before there was a technical problem, asked four or five Whitewater questions. So I think that today's New York Times story in reference to that was somewhat misleading.

Q Could we put in a request that she would do a news conference with us?

SENIOR ADMINISTRATION OFFICIAL: Request noted.

SENIOR ADMINISTRATION OFFICIAL: Can I just clarify one point? On the short-term gain, it's taxed as ordinary income, it's not sheltered.

Q On some of the account statements, the description says "for today." And then there will be a credit or a debit. Does that mean that these were day trades?

SENIOR ADMINISTRATION OFFICIAL: No.

Q What does it mean?

SENIOR ADMINISTRATION OFFICIAL: It means that the positions were closed on that day.

SENIOR ADMINISTRATION OFFICIAL: I don't -- not that I know of.

Q ' She deduct any interest on her taxes from the margin loans at all?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Why not?

Q She wouldn't engage in an account like this, would she, without telling him?

SENIOR ADMINISTRATION OFFICIAL: All I know is that it was her account and her risk.

SENIOR ADMINISTRATION OFFICIAL: I think she got net numbers and she gave them to her accountant. Her accountant was -- (inaudible) -- she got a net number -- (inaudible) -- gain on all that amount. Whether she could have -- that's an interesting question, whether she could have deducted --

Q Typically, you can if it's a loan. If it's a margin loan you can deduct the interest. They took a lot of other deductions. Why not in this case?

SENIOR ADMINISTRATION OFFICIAL: I think you've got a net number on the gain if she -- she paid full taxes on the gain. Whether she had offsetting deductions that were available to her that she didn't take -- she didn't take them. And I think she turned over her documents to her CPA and her CPA prepared the forms. And maybe they were not aware of it. I was not aware of it until --

SENIOR ADMINISTRATION OFFICIAL: I wanted to add one issue to why -- did she discuss it with the President. What I can tell you is that this was her account. It was in her name. His name was not on this account. He was not involved in this account in any way.

Q Have you asked her if she told her husband about this account and to what extent her husband knew about the account?

SENIOR ADMINISTRATION OFFICIAL: I have not asked her that question.

Q So you don't know if she talked with him?

Q On the small net losses in the Stephens account, I don't know how to -- to cover those losses did it come out of her pocket?

SENIOR ADMINISTRATION OFFICIAL: It came out of -- essentially, it ended up coming down to $500 in cash. The account ends up $1,000 less than the $5,000.

Q It appears that in 1980 after she got out she took $95,000 of her assets, presumably some of it this money, and invested in something -- on the taxes it's federal farm, c.r. -- what does that mean?

SENIOR ADMINISTRATION OFFICIAL: I think it's from credit bank notes.

Q What's CSTZ.

SENIOR ADMINISTRATION OFFICIAL: We're beyond my --

Q Bonds?

SENIOR ADMINISTRATION OFFICIAL: I think the farm credit backed bonds, but I'm telling you, you're beyond my knowledge.

Q -- the profits in here because they presumably had relatively few other assets.

SENIOR ADMINISTRATION OFFICIAL: I'll take the question, but I don't know the answer to that.

Q When did Mrs. Clinton first learn that Mr. Bowen had been suspended by the Chicago Merc?

SENIOR ADMINISTRATION OFFICIAL: I'm going to have to take that. I think just in the context of this report, but I'll try to get an answer to that.

Q What did you say the attribution was --

SENIOR ADMINISTRATION OFFICIAL: She did not know at the time that he had ever been suspended when she was trading. He then was, I think, if I read the press right, suspended again after she was out of REFCO.

Q But there were reports in the newspapers at that time -- the Wall Street Journal and others.

Q Which she was reading. (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I just know the answer. I'll take it.

Q What are you going to tell the grand jury? (Laughter.)

THE PRESS: Thank you.

END 4:55 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 11, 1994

BACKGROUND BRIEFING
BY SENIOR ADMINISTRATION OFFICIAL

The Roosevelt Room

4:13 P.M. EDT

MS. MYERS: The ground rules for this will be the same as the last time, which is that David Kendall will read a statement on the record, and the rest of this briefing will be on background.

Q Couldn't we have it on the record, Dee Dee?

MS. MYERS: David Kendall will read a statement on the record, and the rest of this will be on background -- senior administration official and someone familiar with the -- David, how do you want to describe someone familiar with --

MR. KENDALL: Familiar with the records.

MS. MYERS: -- with the records. David will talk about the tax return issues, and John will talk more about the commodities trading part of this.

Q And you object to having John on the record?

MS. MYERS: Yes. I think we intended to do this on background.

MR. KENDALL: This is my on-the-record statement.

The President and Mrs. Clinton today released additional documents relating to their tax returns and commodity trading in 1978-80. Our review of these records discloses that the Clintons' 1979 tax returns were audited and approved by the Internal Revenue Service; that there was a small, unreported capital loss in 1979; and that a short-term capital gain of $6,498 from 1980 commodities trading was not reported. The federal tax on this gain would have been $3,315; the state tax would have been $514.

The Clintons are today paying these taxes plus accrued interest. Even though taxpayers have no obligation to correct newly-discovered errors from 14 years ago, the President and Mrs. Clinton have repeatedly said that they will correct any mistakes in their tax returns if any errors are found; and they are doing so today.

The Clintons do not know how the error occurred, but accept responsibility for it. They view it as their duty to come forward, disclose the mistake and pay what is owed. They've made a payment to the federal government of $3,315 -- the amount of additional tax due on the 1980 return; along with a payment of $10,134 representing interest due on this amount. They have also made a payment of $514 along with a payment of $652 in interest representing the amount due the state of Arkansas. The Internal Revenue Service audited the Clintons' 1979 tax returns with a particular focus on commodity training gains and the interest deductions for that year. The IRS audit concluded that their income from commodities trading and their interest deductions were accurately reported, and no additional taxes or adjustments were required.

The Clinton's tax returns for 1979 and 1980 were professionally prepared by the their CPA in Little Rock. And in 1980 they paid $17,680 in federal income tax, and $2,836 in Arkansas state income tax. The Clintons provided their accountant with relevant financial records, including commodity trading records that they had received.

In 1978, Mrs. Clinton opened an investment account with Stephens, Inc. in Little Rock. Beginning in October 1979, her broker at Stephens initiated several commodity trades. He dealt sequentially with three commodities brokers -- Clayton Brokerage Company, 1978; Peavey Company, 1979-'80; and ACLI International Commodity Services, Inc. in 1980. This trading began with a $5,000 deposit by Mrs. Clinton on October 12, 1978, and ended when the ACLI account was closed on May 14th, 1980.

Stephens, Inc., prepared annual year-end statements on which the Clintons and their CPA relied the preparation of the family's tax returns. The Stephens year-end statement for 1980 attached to the tax return only included information on securities and bonds. Documentation provided by Peavey enabled the Clintons' CPA to document a short-term capital loss on Schedule D of their 1980 return amounting to $449.00. Although Mrs. Clinton received monthly statements from ACLI while the ACLI account was open, she apparently did not receive any year-end summary or account closing summary of the ACLI gains and losses. At that time, brokerage firms dealing with -- (inaudible).

In the analysis of the record by the Clintons' attorneys and accountant concluded over the weekend, it was determined that a small capital loss made in dollars from the Clayton account was not reported on the 1979 return. It was also determined that a short-term capital gain of $6,498 from the ACLI account was not reported on the 1980 return.

Three of the last five presidents have been required to pay back taxes that the IRS determined were due --. Here the Clintons have reached back 14 years to a time long closed by the IRS, and after careful investigation, have made the determination themselves to pay not only the tax, but also interest for that entire period in amount that dwarfs the tax paid.

A quick correction -- that should be '79. On the second page -- one, two, third paragraph -- I beg your pardon. There is a typographical error. The last sentence of the third paragraph which begins, "This trading began with a $5,000 deposit -- (inaudible) -- 1979."

Q When were they audited?

MR. KENDALL: They were audited --

Q Shouldn't this be '79 also at the beginning of that paragraph -- the Stephens account?

MR. KENDALL: No, the Stephens account was -- let me make a brief on the record statement and then we'll take your questions on background. That's the statement you have, and the whole statement's available for the record, so let me highlight a couple of paragraphs.

The White House is today making available additional records of the First Lady's commodity transactions as documented by her brokerage house, REFCO, as well as records from commodities trading that was conducted through Stephens, Inc. The transactions covered by these records occurred during 1978 through 1980.

At the request of the White House, Mr. Leo Melamed of Chicago, Illinois, an internationally recognized expert on the commodities markets, reviewed the records over the weekend of the First Lady's commodity transactions. A statement by Mr. Melamed accompanies my statement and is available for the record with the additional documents being released today.

I would note that Mr. Melamed at the time was the Chairman of the Executive Committee of the Chicago Mercantile Exchange and is a former Chairman of the Chicago Mercantile Exchange, one of the foremost experts in the industry. And he concludes that she paid normal full commissions; she made money on a lot of trades, lost money on some; sometimes those losses were substantial; and on balance she did well. She received some valuable market advice and assistance and violated no rules in the course of these transactions.

That concludes my ON THE RECORD statement.

SENIOR ADMINISTRATION OFFICIAL: A question was already asked. Let me clarify that. Now we're ON BACKGROUND. The Stephens account was opened in 1978, but the commodity trading didn't begin until October 12, 1979.

Q The $5,000, is that -- that's a different account from the --

SENIOR ADMINISTRATION OFFICIAL: That is a different account.

Q Do you think you were candid with us the last --

SENIOR ADMINISTRATION OFFICIAL: She started the Stephens account with $5,000 cash.

Q And what did she wind up that Stephens account with when she closed it?

SENIOR ADMINISTRATION OFFICIAL: When the account was closed, $10,489 was withdrawn in May of 1980.

Q Have other funds been withdrawn during the course that that account was active?

SENIOR ADMINISTRATION OFFICIAL: No, they have not.

SENIOR ADMINISTRATION OFFICIAL: If you want, I could explain the math; which is, if you add the $6,498 which we reference in Mr. Kendall's statement on the taxes and I believe the $1,009 which had been deducted from her base, that she deducted from her 1979 and 1980 tax returns from the Peavey account, you get to the -- you can calculate the amount then.

Q The last time we were here talking about the Stephens account, you said she opened it with $5,000, lost $1,000 and got out.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q Now, that's inoperative.

SENIOR ADMINISTRATION OFFICIAL: That is inoperative. In the course of collecting these records, we discovered this --

SENIOR ADMINISTRATION OFFICIAL: We determined that there was -- we finally determined that there was, in fact, a gain and that the gain of $6,498 had been unreported, and we've taken corrective action.

Q How did you finally determine it?

SENIOR ADMINISTRATION OFFICIAL: By a review of the records, by a collection of the records, by following through what are really three trading accounts kept by one separate brokerage account; and by really beginning back in October of '79 and doing the analysis all the way up to when the commodity accounts were closed.

Q Do you think you were candid with us when you first explained Mr. Blair's role; then two weeks later you come back and tell us something different?

SENIOR ADMINISTRATION OFFICIAL: Yes. I think the question that was on the table at the time and the question I tried to respond to at the time was, did Mrs. Clinton control her own account; was she making trading decisions? And that was the thrust of the questions. I tried to give you -- in the course of preparing for this briefing, I went back and looked at the answers that I gave. I don't think I gave you any inaccurate information with regard to that.

As further questions were asked, I learned more information; and I, frankly, was able -- based on questions about how the transactions were actually carried out, and I provided that The Washington Post when asked.

Q Did you know at that time --

Q Did you learn more by talking to Mrs. Clinton?

SENIOR ADMINISTRATION OFFICIAL: I did.

Q -- subsequently.

SENIOR ADMINISTRATION OFFICIAL: Subsequent to the last briefing.

Q For those of us who weren't at the original briefing, you did not say then that Mrs. Clinton made her own trades, but Mrs. Clinton was making her own trade decisions. Is that what you said in the first briefing -- I'm sorry.

SENIOR ADMINISTRATION OFFICIAL: I don't have the transcript in front of me -- maybe we can get that; but I said that she was in control of her account; she made her trading decisions. I think that, again, what was clear in my comments to The Post over the weekend --

Q Did you know what his role --

Q Let him finish.

SENIOR ADMINISTRATION OFFICIAL: -- was that she would discuss it with Mr. Blair at times, make a decision, then Blair would pass along the information. Actually, the brokers at REFCO would place the trade in a technical sense with the brokerage house.

Q Who advised her on her Stephens trading? That was a whole different account, a bunch of different commodities, it was in a difference city. Who was giving her advice on trading all those commodities through Stephens?

SENIOR ADMINISTRATION OFFICIAL: Primarily her broker, Bill Smith.

Q Bill Smith, at Stephens, Inc.

SENIOR ADMINISTRATION OFFICIAL: At Stephens Inc.

SENIOR ADMINISTRATION OFFICIAL: Who was at that time at Stephens, Inc.

Q So at the time of the last briefing, you were not aware that Blair was making most of those transactions --

SENIOR ADMINISTRATION OFFICIAL: I was not aware that he was passing along the trading decisions that Mrs. Clinton was making.

I want to be clear about that. I think that she was making the decisions. He was not exercising discretion over her account. He would check with her, they would talk about it; sometimes she would take his advice, sometimes she wouldn't. When they reached a conclusion, he would pass along the decision.

Q But how do you know she made the decision to get in and out?

SENIOR ADMINISTRATION OFFICIAL: Because she has told me that and he has -- well, she has told me -- with specific reference to getting in and out, she has told me that.

Q Why is the amount of interest here so different? On the federal government's interest payment, it's 300 percent of the amount owed, whereas on the state payment, it's only about 30 percent bigger.

SENIOR ADMINISTRATION OFFICIAL: I can't give you a logical answer, but I can give you a factual answer. The IRS quarterly publishes interest charges, and those in the relevant period have ranged from 7 percent to 20 percent. It's a complicated calculation, depending upon what the quarterly interest charge is. The state of Arkansas, you simply call up the revenue people, give them the year and the date and they tell you how much you owe in interest.

Q Is there no penalty?

SENIOR ADMINISTRATION OFFICIAL: We did not feel that any penalty would be applicable here in either case. This is a strictly voluntary payment. It is 14 years old.

Q Is there any question, though? Could the IRS not come back and say, you do owe a penalty as a result of this?

SENIOR ADMINISTRATION OFFICIAL: We don't believe so because the tax year has long ago closed.

Q In the earlier description of Mrs. Clinton's trading you said that she became pregnant which caused her to get cold feet or she lost the stomach for it. But these new records show she was actively trading in February, March, April, during the month that the baby was born. Right? February? And March, April, and even into May when she had a week's old infant in her arms. Does that mean that that statement was not true also?

SENIOR ADMINISTRATION OFFICIAL: I think if you look at the trading from the time her baby was born -- and I think it's her recollection that that affected her desire to trade -- that largely she was closing out her positions through March. She made one small trade in May.

Q What was the margin call that the President talked about at the town meeting?

SENIOR ADMINISTRATION OFFICIAL: Well, the President made the reference to a time in which the baby was born. I don't believe -- I think that the --

Q He said she got a margin call and then she got out.

SENIOR ADMINISTRATION OFFICIAL: No, I think he said that you haven't received a margin call; she did, and then she got out. She was having a baby. I think that that, again -- we are talking about recollections that are 15, 16 years old, and I don't believe that there was a margin call at the time Chelsea was born.

Q Was there a margin call along the way somewhere, however?

SENIOR ADMINISTRATION OFFICIAL: The REFCO records we released two weeks ago indicate there were margin calls.

Q -- you and I talked about this, you indicated you believed that the margin call to which the President was referring was in this trading account, the second trading account, the Stephens account.

SENIOR ADMINISTRATION OFFICIAL: You know, we are trying the best we can to reconstruct this. These are 16-year-old recollections, they're 16-year-old records. And I think that she did -- I have to get the records out -- I'll get back to you on that, but I think there was a loss that Mrs. Clinton remembered that occurred right around the time that Chelsea was born, and I think that that really was the memory that was triggered in the President's mind.

Q -- margin call?

SENIOR ADMINISTRATION OFFICIAL: I don't think that resulted in a margin call, it was just a substantial loss, and she closed her position out and got out.

I think at this point we're just trying to match recollections with documents, rather than having a really specific recollection that there was a margin call at that point. I believe that one -- she was -- right after the baby was born, there was, as I say, a loss in one of those positions that ended up being closed in March.

Q Can you clarify when and why the IRS audit was done in '79 --

SENIOR ADMINISTRATION OFFICIAL: We know that the audit letter went out in January of 1982. I can't tell you why it was done. You have the letter itself, which indicates the primary areas of interest, and it was -- yes, it' back of my statement.

Q There was no audit in the '80 tax return, correct?

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q And what is the statute of limitations on filing back taxes that were missed?

SENIOR ADMINISTRATION OFFICIAL: Three years. Criminal statute is five years.

Q So, legally, they didn't have to do this, but they voluntarily decided to do it?

SENIOR ADMINISTRATION OFFICIAL: Exactly right. The President has said on many occasions that whatever the legal obligation, if they determine that a tax has not been paid that they will pay it. And this was the determination that was made here when we finally, just last weekend, the last few days, put all of the

records together and ascertained that indeed there was this gain here.

Q Well, what's your best guess -- how did they miss the $6,400 --

SENIOR ADMINISTRATION OFFICIAL: I don't have a best guess and I don't have a precise explanation. The records are complicated. There were no year-end summaries either from ACLI or Stephens on the commodities part. If you look to the 1980 tax return, you will see a schedule from Stephens that does indicate bond and stock capital gains and losses. I think that the best answer is this was simply overlooked. It was not obvious from the records at hand, and it went unreported.

Q So some of the other profits from the Stephens account were reported, but the profits for the commodities were not. That's the only thing that was not reported.

SENIOR ADMINISTRATION OFFICIAL: That's correct.

Q But the other aspects of the Stephens account were reported.

SENIOR ADMINISTRATION OFFICIAL: They were. And Stephens again was largely -- did the stock and bond trading. It went to other commodity brokers -- first to Clayton, second to Peavey, third to ACLI. And of those entities, it appears that only Peavey sent out year-end statements. You'll see the two Peavey year-end statements. They are there; they were reported.

Q Who were the Presidents?

Q Other than Nixon.

SENIOR ADMINISTRATION OFFICIAL: Reagan, Bush and Nixon were the ones I was thinking of. Bush, while he was Vice President.

Q $198,000.

SENIOR ADMINISTRATION OFFICIAL: $198,000, I think, for, I think, Bush. We know that the Reagans paid $20,000, and then their only estimate to the amount of tax imposed, due to Mrs. Reagan's gifts. And then, I believe that President Nixon, we know, paid $280,000.

SENIOR ADMINISTRATION OFFICIAL: He also had liability for $148,000 in 1969.

Q Did Bush, because of his house in Texas and the thing in Maine -- Kennebunkport -- this was the legal argument over which one was the residence and which --

SENIOR ADMINISTRATION OFFICIAL: Right. And he ended up paying, I believe, in three -- it was not reported until later --

Q Well, this wasn't -- not unreported income; this was a dispute over which one of his --

SENIOR ADMINISTRATION OFFICIAL: It was $198,000.

Q -- residences he could claim.

Q He paid taxes on $198,000 or he paid $198,000 --

SENIOR ADMINISTRATION OFFICIAL: -- pay $198,000 in taxes.

Q Can you clarify for us again how you came to discover -- additional $6,500 in unreported taxes? Did Mrs. Clinton recall it in reviewing her own records, or did you recall it reviewing her records?

SENIOR ADMINISTRATION OFFICIAL: I'll try and describe it. We tried to put the records together as we found them from these three trading accounts that were done through Stephens. As my colleague has indicated, you begin with a $5,000 deposit in the Clayton account. There's some trading in the Clayton account, because they don't send a year-end statement, a small capital loss goes unreported. That was $80.00. Peavey does send a year-end statement for 1979, and you see that loss of $560.00 reflected on the '79 tax returns.

Early in 1980, and again you see this on the 1980 tax returns, Peavey has another loss in the amount of $449. Now, going into the ACLI account, is $3,911. However, that is $80 short of what you do when you work out the math because the Clayton commissions weren't included in there.

You get from the Peavey to ACLI transfer of $3,911. You then go through a large variety of trades, which are reflected in the ACLI records. You finally come to transfer out on 5/14/80 of $10,489 that goes back to Stephens.

SENIOR ADMINISTRATION OFFICIAL: For those of you who would like to find it quickly, we provided an easy-to-use chart.

Q I think you're missing -- our point is, were you going through records in your basement and said, oh, my God, here's some Peavey account --

SENIOR ADMINISTRATION OFFICIAL: Your questions caused us to focus on these records and do an analysis. And that analysis has been difficult. We have just completed it on the tax aspects, and these are the results.

Q -- was not complete when you briefed on this before -- is that what it is?

SENIOR ADMINISTRATION OFFICIAL: That's absolutely right.

Q When did you start the analysis? You said your questions prompted us to do an analysis. When did you start going back over this?

SENIOR ADMINISTRATION OFFICIAL: We really began it in the last week or so in looking, at least, at least at the tax aspects of it trying to figure out what, how the numbers fit together from the various accounts.

SENIOR ADMINISTRATION OFFICIAL: I'd like to add something. I'd like to add two points. One is that in my colleague's going through the history of '79, we should add that the $72,996.00 gain reflected on the REFCO end-of-the-year statement was provided to the accountant and properly included in their -- that's a gain which they properly included in their 1979 tax returns.

Secondly, when we briefed the last time, we were primarily briefing on REFCO. At that time we said we were trying to get these other records together. When we began to assemble them, they were with my colleague, and he began to pull them together, and we tried to understand what was in them. And through the course of that, we discovered this --

Q But my question is, how come in one week, 14 years after the fact, you were able to these ACLI records showing a $6,500 gain that was not available to the Clintons in early 1981 when they were preparing their taxes?

Q -- their does record go to ACLI?

SENIOR ADMINISTRATION OFFICIAL: I can't answer the question. The records are confusing. They are over two years and three trading accounts. There are no summaries. The Clintons have accepted responsibility. It was an oversight. We don't know how it happened. They had a professional return preparer, a good accountant, as the audit indicates when the IRS checked out the 1979 returns. Everything was in order.

Q But why can't you answer that --

SENIOR ADMINISTRATION OFFICIAL: These were all the Clintons' records. They were in their possession at one place or another.

SENIOR ADMINISTRATION OFFICIAL: And we believe they were -- and, as we said, we believe they were turned over to the accountant.

Q The evidence was there --

Q They were turned over to the accountant?

SENIOR ADMINISTRATION OFFICIAL: We believe so. That was their standard practice.

Q You didn't have to call up -- the records were there. You didn't --

SENIOR ADMINISTRATION OFFICIAL: No one else has records.

Q -- call up ACLI and say, hey, we're missing these records?

SENIOR ADMINISTRATION OFFICIAL: ACLI is long out of business. These were the Clintons' own records. And they have preserved them for 14 years. It was our own analysis that determined this. It wasn't the IRS or anything else.

SENIOR ADMINISTRATION OFFICIAL: I think that in --

Q On whose initiative did you go after these records? Was it Mrs. Clinton's, was it the President's or was it both?

Q Or yours?

Q Or Dee Dee's? (Laughter.)

SENIOR ADMINISTRATION OFFICIAL: I think that we were trying -- you had questions; we were trying to be as forthcoming as possible. The question was asked earlier why it took us two weeks to get it together. Frankly, we're trying to reconstruct things that happened 15 or 16 years ago. We found the records in a variety of places. But they were in the possession of the Clintons. We've pulled them together, and we're trying to provide as much information as quickly as we can. And when we get additional information, we'll provide it to you. If we find additional record -- you now have the records we have; if you find additional records, we'll be happy to provide --

Q So it was your initiative and not the Clintons. It was your initiative.

SENIOR ADMINISTRATION OFFICIAL: No, it was the -- no, I didn't say that.

Q That's what I'm asking, was it the Clintons or was it yours?

SENIOR ADMINISTRATION OFFICIAL: They directed us to review these records top to bottom.

Q Are these all the records or are there more records yet to come?

SENIOR ADMINISTRATION OFFICIAL: These are all the records we have been able to locate. Believe me, we have looked very hard for records that would indicate some loss that would counterbalance the gain. (Laughter.)

Q When were the taxes paid?

SENIOR ADMINISTRATION OFFICIAL: They were paid today.

Q They paid today? How were they paid? Were they like hand-delivered in a certified check?

SENIOR ADMINISTRATION OFFICIAL: Sent to the Treasury in the State of Arkansas.

Q John, are you doing a similar reconstruction of the Whitewater records --

Q Their income tax --

Q Are you doing a similar reconstruction with the Whitewater records as it relates to the taxes?

SENIOR ADMINISTRATION OFFICIAL: No. We are analyzing issues as they come along on Whitewater, and we'll follow the same procedure here. Anything we determine to be erroneous will be corrected.

Q So with the documents coming out in Little Rock tomorrow, you don't know anything that's going to come out tomorrow that's going to cause you to have another one of these sessions on Thursday?

SENIOR ADMINISTRATION OFFICIAL: I'm not aware of anything right now.

Q The one question I have is, when she pulled the $10,000 out of the account, she put $5,000 in and you took $10,500 out, doesn't that tell you you have a gain?

SENIOR ADMINISTRATION OFFICIAL: If you look at these trading records, you will see a complicated pattern of gains and losses. You will also not see any easy way to define the basis for determining what your gain is.

Q Okay, except my question is, whatever -- if you go up and down and up and down in a single year, this was a relatively short period of time -- you put in $5,000 and you take out $10,500. No matter what the trading pattern is, don't you have to pay capital gains on that $10,000?

SENIOR ADMINISTRATION OFFICIAL: You do, but what I'm suggesting to you is, that's not an easy calculation where you have two years at issue, three trading accounts and no year in summaries.

SENIOR ADMINISTRATION OFFICIAL: And it was being traded through an account in which there was a year-end summary provided.

Q Was the $5,000 account opened with cash or is there a cancelled check on --

SENIOR ADMINISTRATION OFFICIAL: There's a wire transfer.

Q A wire transfer?

Q -- discretionary? She was the one who made those decisions?

SENIOR ADMINISTRATION OFFICIAL: It was a discretionary account. The broker was able to make decisions, but did so in consultation with her.

Q Stephens was a discretionary account.

Q Did you offset the unreported capital loss of $80?

SENIOR ADMINISTRATION OFFICIAL: Yes, we did.

Q In your discussions with Mrs. Clinton, or a discussion in which you learned that her trade, in fact, were sometimes placed by Mr. Blair, what else have you learned in the last week on a colter of how she made her decisions, and who else she got advice from; how she contacted him on a daily basis in order to instruct him to make trades for her?

SENIOR ADMINISTRATION OFFICIAL: I think that depended on how active she was in the market at the particular time. I think she'd talk to him frequently. I think there were other people who she talked with, but that he was, I think -- he was particularly active following the market on a daily basis. And, as I said in the last briefing, he was her important advisor and gave her trade advice. She didn't always take it -- sometimes she did, sometimes she didn't.

Q Can you tell us who else she got advice from?

SENIOR ADMINISTRATION OFFICIAL: I'll try to get that.

Q Did she ever actually place a trade herself?

SENIOR ADMINISTRATION OFFICIAL: I believe she did. I believe she did. I believe she did at REFCO. But, again, everyone's memory is not crystal clear on this, but I believe she did.

Q Have you asked her that?

SENIOR ADMINISTRATION OFFICIAL: I have asked her that, and she believes she did.

Q With Mr. Bone?

SENIOR ADMINISTRATION OFFICIAL: It's not clear whether it was with Mr. Bone or with one of the other brokers. I think she's met Mr. Bone.

Q Did Blair play any role, formal or informal, in the Stephens account?

SENIOR ADMINISTRATION OFFICIAL: I don't think so, but I can't say that they didn't talk about some of these areas.

Q My calculation is that the Clintons today wrote out a check for $14,615 to the state and to the federal government.

Q If you add up the state and the federal --

Q Two checks totaling $14,615.

SENIOR ADMINISTRATION OFFICIAL: Whatever the numbers add up to, those are the checks --

Q So it would be two checks totaling that amount?

SENIOR ADMINISTRATION OFFICIAL: Yes.

Q And they went out today?

SENIOR ADMINISTRATION OFFICIAL: Right. Yes.

Q If it's cost them so far $14,000, this whole review has cost them $14,615 -- (laughter.)

SENIOR ADMINISTRATION OFFICIAL: One might ask, do your lawyers exist to make you pay more taxes or save you taxes.

Q Well, the question I have is, obviously your legal fees will be added to this, whatever they may be. How much so far has this review cost the Clintons out of their pocket?

SENIOR ADMINISTRATION OFFICIAL: I don't know and I'm not going to speak to the legal fees. It has cost them the amounts that you've indicated. Again, there is not a legal obligation to do that. It was a voluntary payment which they felt was the right thing to do, and they've done it.

Q Are they paying you legal fees?

SENIOR ADMINISTRATION OFFICIAL: Well, I'm billing them, and they're paying me, and that's all I'm going to say about it.

Q Dee Dee, can you talk about that? Do you know whether they've paid any legal fees to Mr. Campbell? Could you find out for us --

Q Are you billing them at your standard hourly rate that you would bill me?

SENIOR ADMINISTRATION OFFICIAL: I am.

Q Is there any review or second-guessing going on about the internal process here at the White House, which has managed to drag this whole thing out over an extended period of time?

SENIOR ADMINISTRATION OFFICIAL: We are trying to provide information and answers as quickly as we can get them. We're sort of damned if we do, and we're damned if we don't. If we don't provide you information, you're pounding on us that we haven't put it out quickly enough; and if we get information out and then come back with more after we've gathered and analyzed it, then we're dragging it out. Our modus operandi is to get -- as we get information that we can provide to you, we'll provide it to you. And I think the Clintons are both fully supported that. And they have -- that really goes back to the last question.

Q Did you know that Mr. Blair executed a number of trades before The Washington Post asked you?

SENIOR ADMINISTRATION OFFICIAL: I think that's a technical question, and I answered it, which is, he passed along the information. I did not know that before they asked.

Q Did you know before The Washington --

SENIOR ADMINISTRATION OFFICIAL: I did not know that before The Washington Post --

Q Have they filed their --

SENIOR ADMINISTRATION OFFICIAL: I never asked either one of them that. And I --

Q -- on the 15th?

SENIOR ADMINISTRATION OFFICIAL: We'll put out a statement on the 15th.

Q Mrs. Clinton has always been such an effective spokeswoman for any issue that's come up. Why hasn't she just directly taken this thing on head on, like tell -- a Geraldine Ferraro-type news conference on this and just dealt with all the questions that have come along?

SENIOR ADMINISTRATION OFFICIAL: I think she's answered questions as they're posed to her, and she's going to continue to do that.

Q Is there some concern about her legal exposure on this?

SENIOR ADMINISTRATION OFFICIAL: No.

Q Any plans for her to conduct a news conference along these lines?

Q What you're referring to are things that have happened on the run.

SENIOR ADMINISTRATION OFFICIAL: On the run?

Q Yes, trips to Denver and other places.

SENIOR ADMINISTRATION OFFICIAL: What's that?

Q Questions that she's entertained on this subject.

SENIOR ADMINISTRATION OFFICIAL: She's held press availabilities in every city she's been in. She's answered any questions --

Q How about Wall Street?

Q How about the White House?

SENIOR ADMINISTRATION OFFICIAL: Maybe you guys ought to invest some time and money and follow us on the road.

Q We've invested lots of time and money.

Q Why do we have to? I mean, why can't we operate from here, in the White House?

SENIOR ADMINISTRATION OFFICIAL: I'd like to add one point, which is that lost through in all this is the Melamed statement. I would reference the fact that with these additional

documents, you can see that full commissions were paid in overnight trading, as opposed to day trading. It's virtually impossible to allocate trades. Many of the issues that have been sort of thrown up as problems in the trading account, I think, are answered by that statement. And if you'd like to get additional information --

Q -- ask him to make this review?

SENIOR ADMINISTRATION OFFICIAL: He did it over the weekend.

Q Part of the Melamed statement, there's a line that reads as follows: "It must be noted that she was trading was incredibly correct on the market directions of that day." Do I take it day means that era in time?

SENIOR ADMINISTRATION OFFICIAL: Era, yes.

Q When he says, "incredibly correct," I assume he means that in a colloquial --

SENIOR ADMINISTRATION OFFICIAL: I think that he means they made a lot of money for their clients, for a lot of clients.

Q -- (inaudible.)

SENIOR ADMINISTRATION OFFICIAL: No, no.

Q -- read that whole story and figured that and I didn't have to?

SENIOR ADMINISTRATION OFFICIAL: It won't do you any good.

Q No.

(Inaudible segment away from microphone.)

Q How much time has Mrs. Clinton spent on all of this? Reconstructing stuff, talking to you -- can you give us an idea of how much times she's put into this?

SENIOR ADMINISTRATION OFFICIAL: I think she's primarily working on health care --

Q Well, yes, but I mean she's devoted some time to this.

SENIOR ADMINISTRATION OFFICIAL: I think she has been totally responsive to me. When I ask a question, she's tried to give me the information.

Q But you don't have any idea of how many hours or -- do you see her -- do you talk to her every day on this?

SENIOR ADMINISTRATION OFFICIAL: No -- but I talk to her quite frequently. And she's tried -- again, these are 16-year-old records. She's trying to jog her memory, and new questions come up and, frankly, with all of you pouring over the records, I'm sure they'll be more questions. I'll taken them, and I'll try to get the answers.

Q But the fact that she was still trading in commodities in 1980 is new. We were told she got out and --

SENIOR ADMINISTRATION OFFICIAL: No, that's not true.

Q But everything you say --

SENIOR ADMINISTRATION OFFICIAL: I said at the last briefing that following the birth of Chelsea, she basically got out of the market. She was winding her way out of the market.

Q But everything you say is what she's told you basically. You haven't gone to try to corroborate --

SENIOR ADMINISTRATION OFFICIAL: I've talked to Blair.

Q -- tried to corroborate the recollections. You've talked to Blair. Have you talked to Bone?

SENIOR ADMINISTRATION OFFICIAL: No.

Q So you don't know if these records or the records you gave us before actually reflect what happened, or not. They're just records that they've provided you.

SENIOR ADMINISTRATION OFFICIAL: Sure, I do. Of course, they do.

Q Well, if trades were allocated, they can just make up a record for a trade after the fact. I mean, you don't know if they did that or not.

SENIOR ADMINISTRATION OFFICIAL: No, no, no, no. I mean, I think that's more on this point, which is you can allocate trades -- if you're going to allocate trades, you need to do that on a daily basis. Once you open a position up and hold it overnight, you're at the mercy of the market. There's no more good trade for you, bad trade for him. You're at the mercy of the market. And the 30 out of 32 trades are overnight trades.

Q Okay, the stuff that you gave us the first time could not show whether or not her trades were allocated. You're saying this does.

SENIOR ADMINISTRATION OFFICIAL: Yes. This shows that they were not.

Q I mean -- that's what I mean.

Q These 32 were REFCO or Stephens trades?

SENIOR ADMINISTRATION OFFICIAL: REFCO. The Stephens trades were held open for long periods of time. There's one trade that was probably for five months.

Q There was a time when the expression was she was exasperated that people cared this much about this old stuff. Was that correct, and is there still that sense or --

SENIOR ADMINISTRATION OFFICIAL: I think she's understands that people are going to have questions, and she's trying to answer them.

Q What was her reaction when she was told that in fact they had -- that was unreported?

SENIOR ADMINISTRATION OFFICIAL: I think she -- we had a hard time really sort of understanding how that was true and wanted to know exactly how that could have been possible because she was in the habit of always providing all the information and paying her taxes. And as I said in the briefing, the fact that she paid taxes on the $26,000 in 19 -- $26,000-plus in 1978, the $72,000-plus in 1979 indicates that.

So she was, I think, at first wanted to know precisely how that happened. But then when she -- when Kendall explained to her, she --

Q So these were ACLI records -- based on ACLI records that the accountant presumably had at the time but overlooked?

SENIOR ADMINISTRATION OFFICIAL: You know, we can't be certain. The standard practice was to -- . But there was no year-end statement. And again, these were complex and confusing records. If you took these records and said -- after someone explained to you what you're looking for -- and said, go find it, it'd be pretty easy to find it. But they were -- you know, when I think Kendall first looked at them and I first looked at them, they were complex and confusing.

Q These things didn't immediately pop out when you first saw these records --

SENIOR ADMINISTRATION OFFICIAL: No --. It took him a long time, and he did -- he did significant --

Q And the thing -- on the REFCO booking, was he pouring over -- as well over the weekend or just Stephens or --

SENIOR ADMINISTRATION OFFICIAL: I think the REFCO documents, whether he was or I was, the REFCO documents --

SENIOR ADMINISTRATION OFFICIAL: I checked the numbers. (Laughter.)

Q And you don't expect to be releasing any more records to us?

SENIOR ADMINISTRATION OFFICIAL: We have no more records, but if we get any more I'm sure we're probably get a request for them and we'll probably end up releasing them.

Q The total gains now goes up to $106,000 on $100,000?

SENIOR ADMINISTRATION OFFICIAL: No. It could support another five gain. That was $5,000 cash. So it's $98,000 plus $6,000. Well, it was $98,000 -- it was actually $98,000 plus $5,500 because the reason there's a $6,500 gain is because she took $1,000 loss. So it's about $103,000 -- $104,000 on $6,000.

Q -- $104,000 on $6,000. The ratio is getting better.

Q I don't mean to belabor this point, I just want to understand --

SENIOR ADMINISTRATION OFFICIAL: I suppose you can make money outside of Springdale. (Laughter.)

Q These numbers that we have -- are these the ones that Kendall went over a couple weeks ago? I mean, you're saying there are no other records?

SENIOR ADMINISTRATION OFFICIAL: That's right.

Q That he has no more details than we have?

SENIOR ADMINISTRATION OFFICIAL: These are the commodity records. That's it.

Q Now, where were these records kept? Did the Clintons have all these in the White House? Were they in Arkansas, or were they scattered around?

SENIOR ADMINISTRATION OFFICIAL: They were scattered around.

END 4:55 P.M. EDT

THE WHITE HOUSE

WASHINGTON

April 13, 1994

MEMORANDUM FOR JOHN D. PODESTA

FROM: W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: A.G. EDWARDS TRADES

Bobby Tucker is the Manager of the A.G. Edwards Office in St. Louis through which the trade was placed.

His records showed that this S&P trade in 1987 was the only trade Mrs. Clinton placed through his office. He pointed out that the arrangements were made by Bill Smith, not Mrs. Clinton.

His office received $5000 from Smith on 3/17. His records do not disclose whether this was a wire transfer. He believes that at the time, $5000 was sufficient margin for this futures contract.

Mrs. Clinton went short on 3/17 by selling one contract and closed out the position on 3/18 by buying one contract. According to Tucker, the S&P was at 290.90 on 3/17 when she sold. The face value of the contract is computed by multiplying the S&P by 500 (the number of stocks in the S&P). According to Tucker, on 3/18, the S&P was 295.80. The multiplication comes pretty close to the figures on their tax returns. (290.90 x 500 = 145,450; 295.80 x 500 = 147,900). (See attached documents for their tax return figures).

According to Mr. Tucker's records, Mrs. Clinton lost $2531.78. Sometime on or after 3/18 (his records do not show when), A.G. Edwards transferred $2468.22 to Smith on Mrs. Clinton's behalf.

W.N.E.

cc: Lloyd Cutler

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. form	re: Reportable Income [Personally Identifiable Information] [partial] (1 page)	04/13/1994	b(6)

COLLECTION:
Clinton Presidential Records
First Lady's Office
Lissa Muscatine
OA/Box Number: 20080

FOLDER TITLE:
Commodities

2015-0275-S
rc1899

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

One North Jefferson
St. Louis, Missouri 63103
(314) 289-3000

A.G. Edwards & Sons, Inc.
INVESTMENTS SINCE 1887

JAN 25 1988 SIPC

1099-DIV, 1099-INT,
1099-OID, 1099-B

It is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty will be imposed on you if this income is taxable and the IRS determines that it has not been reported.

K. R. CLINTON
C/O SMITH INVSTMENT MGMT
5800 EVERGREEN
LITTLE ROCK AR 72205

PERIOD ENDING	PAGE	ACCOUNT NUMBER
12/31/87	1	020 096-942

TAXPAYER I D NUMBER
(b)(6) [001]

A.G. EDWARDS & SONS I D NUMBER
43-0895447

YEAR-TO-DATE INFORMATION REPORTABLE INCOME

(1.) DIVIDENDS	(2.) CAPITAL GAINS (INCL IN BOX 1)	(3.) CASH LIQUIDATIONS	(4.) NON-CASH LIQUIDATIONS
(5.) TOTAL TAXABLE INTEREST	(6.) TREASURY INTEREST (INCL IN BOX 5)	(7.) ORIGINAL ISSUE DISCOUNT	(8.) OTHER

WITHHOLDING

(9.) DIVIDENDS	(10.) INTEREST	(11.) ORIGINAL ISSUE DISCOUNT	(12.) GROSS PROCEEDS	(13.) TOTAL

NON-REPORTABLE ITEMS

(14.) NON-TAXABLE INTEREST	(15.) MARGIN INTEREST CHARGED	(16.) NON-TAXABLE DIVIDENDS

DATE	ENTRY	QUANTITY	DESCRIPTION	CUSIP	AMOUNT
			...COMMODITY SUMMARY....		
			...REGULATED FUTURES....		
			REALIZED 1987 LOSS		2,531.78
			UNREALIZED 12-31-86		0.00
			UNREALIZED 12-31-87		0.00
			1987 TAX SUMMARY LOSS		2,531.78
			... END OF STATEMENT....		

SMITH-BINES, INC.
REALIZED CAPITAL GAINS AND LO.
Hillary Rodham Clinton
CLI105
From 01-01-87 Through 12-31-87

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss Short Term	Gain Or Loss Long Term
03-17-87	03-18-87	-1	S & P June Futures	-147,940.89	-145,409.11	-1,012.71	-1,519.07
05-05-87	05-19-87	5	OEXRH Put June 270	1,635.00	1,884.55	249.55	
05-18-87	08-21-87	1	OEXTL Put August 260	272.50	0.00	-272.50	
05-27-87	08-21-87	5	OEXTL Put August 260	1,275.00	0.00	-1,275.00	
08-04-87	11-16-87	6	Amer Fam Nov 15, AFLXC	545.00	0.00	-545.00	
TOTAL GAINS						249.55	0.00
TOTAL LOSSES						-3,103.21	-1,519.07
GRAND TOTALS					-143,524.56	-2,855.66	-1,519.07

CLINTON 028 1362-68

1987 DIAGNOSTICS REPORT FOR RETURN ID. NUMBER 7E136268 PAGE 4

PREPARERS INPUT REVIEW

....*....1....*....2....*....3....*....4....*....5....*....6....*....7....*....

DATA FOR SHEET NUMBER 06 (CONTINUED)

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DATA FOR SHEET NUMBER 07

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13626807 6707  OTHER CLOSING COSTS            748
13626807 6713  COST                           113000
13626807 6714  IMPROVEMENTS                   7000
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DATA FOR SHEET NUMBER 08

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DATA FOR SHEET NUMBER 11

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13626811 3801 WVALUE PARTNERS I
13626811 38012 5800 EVERGREEN SUITE 203
13626811 38013 LITTLE ROCK, AR. 72205
13626811 38016 710605874
13626811 38023                                        257
13626811 38024                                        3492
13626811 38025                                        -739
13626811 38044                                        621       366
13626811 38066                                        3631
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DATA FOR SHEET NUMBER 12

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13626812 3800  002
13626812 3801  ROSE BUILDING LIMITED PARTNERSHIP
13626812 38012 120 E FOURTH ST.
13626812 38013 LITTLE ROCK, AR. 72201
13626812 38016 710534041
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....*....1....*....2....*....3....*....4....*....5....*....6....*....7....*...

Lisa—
FYI
Jane

THE WHITE HOUSE

WASHINGTON

June 8, 1994

MEMORANDUM FOR LLOYD CUTLER
SPECIAL COUNSEL TO THE PRESIDENT

FROM: W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: MEMO OPPOSING COMMODITIES HEARINGS

Attached please find a draft memo drafted in part by Jane Sherburne and in part by myself setting forth some materials to oppose a hearing into the commodities trading of Mrs. Clinton.

We have presented the material in memo form, with the understanding that we may turn it into talking points or some other form as the need arises.

W.N.E.

cc: Jane Sherburne
John D. Podesta
Todd Stern
Doug Sosnik

(wne/jss 6/8)

RE: A HEARING INTO THE COMMODITIES TRADING LACKS ANY VALID LEGISLATIVE PURPOSE AND SHOULD BE DENIED

The Republicans in Congress have recently given notice that they intend to use the hearing process to investigate commodities trading by Mrs. Clinton in the late 1970s and early 1980s. During the week of May 23, 1994, Rep. Doolittle in the House and Sen. D'Amato in the Senate each introduced resolutions calling for Whitewater hearings. Each included a provision requiring hearings on the commodities issues.

Neither resolution sets forth a legislative purpose for a hearing into the commodities issues. Addressing the need for hearings into the trades, Rep. Doolittle told the Arkansas Democrat Gazette: "You have to have hearings or else we'll never hear the truth. . . . There are an awful lot of unanswered questions." Sen. D'Amato has similarly talked about the need for disclosure of the facts surrounding the trades in the late in 1970s and early 1980s.

A. **The Doctrine of Legislative Purpose.**

Congressional power to conduct investigations, particularly into private affairs, is limited. The hearing must relate to a legitimate legislative purpose. As the Supreme Court noted in Quinn v. United States, 349 U.S. 155, 161 (1955):

> [T]he power to investigate, broad as it may be, is also subject to recognized limitations. It cannot be used to inquire into private affairs unrelated to a valid legislative purpose. Nor does it extend to an area in which Congress is forbidden to legislate. Similarly, the power to investigate must not be confused with any of the powers of law enforcement; those powers are assigned under our Constitution to the Executive and Judiciary.

The leading case on the limitation of the power of Congress to investigate is Watkins v. United States, 354 U.S. 178 (1957), which arose out of the refusal by a witness to respond to questions posed by the House Un-American Activities Committee. While generally agreeing that Congress has broad authority to conduct investigations, the Supreme Court sharply delineated the limitations on that power:

> [B]road as is this power of inquiry, it is not unlimited. There is no general authority to expose the private affairs of individuals without

> justification in terms of the functions of the Congress. . . . No inquiry is an end in itself; it must be related to, and in furtherance of, a legitimate task of the Congress. Investigations conducted solely for the personal aggrandizement of the investigators or to "punish" those investigated are indefensible.

In its most quoted line, the Court stated:

> We have no doubt that there is no congressional power to expose for the sake of exposure. . . . That cannot be inflated into a general power to expose where the predominant result can only be an invasion of the private rights of individuals.

Finally, the Court held that congressional "committees are restricted to the missions delegated to them, i.e., to acquire certain data to be used by the House or the Senate in coping with a problem that falls within its legislative sphere."

The limitations on the power of Congress to conduct investigations are widely accepted, though not often successful in litigation. In the first Supreme Court case on this subject, the Court held that the congressional investigative power may be exercised only "in aid of the legislative function." Kilbourn v. Thompson, 103 U.S. 168, 204 (1880); United States v. Icardi, 140 F.Supp. 383, 388 (D.D.C. 1956)(Congressional investigation must be in aid of legislation).

In his oft-cited study of Congressional investigations, The Power to Probe, James Hamilton refers to the legitimate Congressional investigative power to gather information needed for the enactment of legislation, to inform about the workings of government, and to oversee the conduct of the Executive Branch. While all of these functions are proper, Mr. Hamilton acknowledges that investigations that exceed these functions are impermissible. See also Grabow, Congressional Investigations: Law and Practice §4.1 (1988).

B. The Republicans Have Articulated No Legislative Purpose for Hearings into Mrs. Clinton's Commodities Trading

The Republicans have never articulated a valid legislative purpose for hearings into Mrs. Clinton's commodities trading in the late 1970s and early 1980s. And any attempt by them now should be rejected as insincere and invented political sophistry.

Both Rep. Doolittle and Senator D'Amato in their respective resolutions calling for hearings specifically list Mrs. Clinton's commodities trading as one of the subjects. The Republican House resolution cites only that "allegations have been reported in public concerning the possibility of unethical

or illegal conduct in connection with . . . Ray E. Friedman & Company (REFCO) . . . " The only authority cited for the hearings was that "Congress has a constitutional obligation to conduct oversight of matters relating to the operations of the government, including matters related to any governmental investigations . . . ." The Senate resolution calls for the creation of a subcommittee to investigate, among numerous other matters, "the circumstances surrounding and the propriety of the commodities-futures trading activities of Hillary Rodham Clinton." Although the Senate resolution contains boiler-plate language about recommending legislation and oversight as the purposes of the subcommittee, the resolution does not set forth any specific function for the investigation into the commodities trading activity by a single individual approximately 15 years ago.

The Supreme Court in Watkins deemed the authorizing resolution a significant source of information concerning the legislative purpose of the investigation. The failure to articulate such a purpose in the resolution in Watkins led in part to the Supreme Court's decision to reject the validity of the investigation. The lack of a valid legislative purpose is similarly obvious here.

The public statements by Rep. Doolittle and Senator D'Amato make it equally clear that they are pursuing no valid legislative purpose. First, neither has ever attempted to articulate what legislation would be aided by a hearing into Mrs. Clinton's trades, now approximately 15 years ago. Second, to the extent that either has made any statements concerning the reason for hearings, they have both pointed simply to the need to answer questions, to get to the bottom of the issue. In short, they seek to do precisely what Watkins forbids, that is, "to expose for the sake of exposure."

C. There is No Conceivable Legitimate Legislative Purpose That Justifies Hearings on the Subject of Hillary Clinton's Commodity Trading.

The Republicans may assert that disclosures about Mrs. Clinton's commodities activity raise questions about the correctness of the statutory and regulatory scheme under which commodities trading is conducted -- her experience constitutes a case study that may suggest a need for new legislative initiatives or intensified Congressional oversight. This rationale fails for the following reasons:

1. The Commodities Futures Trading Commission (like the SEC) does not regulate customers. Mrs. Clinton was a customer. If her trades were not executed by REFCO in a manner consistent with regulatory requirements, the blame falls to REFCO, not Mrs. Clinton. Any Congressional inquiry based on

oversight of the CFTC arguably could look into whether CFTC's enforcement against REFCO was what it should have been, but the inquiry need not reach -- and certainly should not be permitted to feature -- Mrs. Clinton.

2. Neither can an inquiry into REFCO practices be justified. The Chicago Mercantile Exchange ("CME") undertook an exhaustive review of REFCO practices that ended on December 13, 1979 -- five months after Mrs. Clinton's final REFCO trades -- with a $250,000 fine and Red Bone's suspension from commodity trading for three years. The CME inquiry found "serious and repeated violations of record-keeping functions, order-entry procedures, margin requirements and hedge procedures." Republicans and press preoccupied with Mrs. Clinton's trades have charged that her profits were attributable to REFCO's failure to follow these rules. But REFCO was caught and disciplined for its failure to follow these rules. Repeating the CME investigation of the 1970's is entirely unnecessary and cannot be justified.

3. Commodities trading practices in the 1978-80 period are irrelevant to considerations about the current statutory scheme and regulatory environment. The Commodities Futures Trading Act (the "Act") that created the Commodities Futures Trading Commission (the "CFTC") was enacted in 1974. The CFTC had barely commenced regulatory activity by 1976 and was still in its infancy when Mrs. Clinton entered the market in 1978. Since she left the market in 1980, the CFTC has promulgated new rules no fewer than [ ] times.

Also since 1980 -- and since REFCO's widely publicized discipline in 1979 -- Congress has put the CFTC through the crucible of no fewer [and possibly more] than five general oversight hearings and six hearings related to its reauthorization. The Act itself has been amended at least [ ] times.

Intense congressional scrutiny of futures trading practices also resulted from the "Silver Crisis" in 1980 (caused by the Hunt family's failure to meet hundreds of millions of dollars in margin calls), the stock market crash in 1987 (widely attributed to the disconnection between the futures and stock markets), and the FBI's Chicago Board of Trade sting operation in [ ] (exposing [ ]). Further, Congress and its investigating arm, the GAO, already have conducted specific inquiries into the trading practices the Republicans now claim require investigation (see, e.g., "Report on the Regulation of Futures Margins," Committee Print, House Committee on Banking, Finance and Urban Affairs, August 1988; "Commodity Futures Regulation -- Current Status and Unresolved Problems," GAO/CED-82-100, July 15, 1982).

Similarly, self-regulation has changed dramatically over the past 16 years. The CME has amended its rules numerous times since the time Mrs. Clinton traded commodities futures, including rule revisions affecting margin requirements and broker

allocation of trades. And, the National Futures Association, which today is significant self-regulatory force, only came into existence in 1982.

* * * * *

Congressional review of futures trading practices employed by one broker for one customer sixteen years ago is wholly irrelevant to any legitimate oversight of the efficacy of today's statutory scheme and related regulations. The Republicans' politically inspired call for hearings into this issue should be rejected.

THE WHITE HOUSE

WASHINGTON

June 10, 1994

MEMORANDUM FOR LLOYD CUTLER
SPECIAL COUNSEL TO THE PRESIDENT

FROM: JANE SHERBURNE
SPECIAL ASSOCIATE COUNSEL TO THE PRESIDENT

RE: TALKING POINTS OPPOSING COMMODITIES HEARINGS

Attached are talking points, derived from the memorandum Neil Eggleston circulated earlier this week, opposing Congressional hearings on Mrs. Clinton's commodities trades.

cc: John Podesta
Todd Stern
Lisa Caputo
Doug Sosnik
Neil Eggleston

Commodities

Background: The Republicans in Congress are making arguments that the scope of the first phase of congressional hearings on "Whitewater" should be expanded to include an investigation into commodities trading by Mrs. Clinton during the 1978-80 period. We oppose such an inquiry for the following reasons:

- There is no conceivable legitimate legislative purpose that would justify hearings on the subject of Hillary Clinton's commodities trades.
    - Congressional investigations cannot be used to inquire into private affairs unrelated to a valid legislative purpose.
    - Since the abuses of McCarthy's Un-American Activities Committee the rule has been that congressional investigations must be for the purpose of furthering a legitimate task of Congress
    - Congress has no legitimate interest in futures trading practices employed by one broker for one customer fourteen to sixteen years ago
        - trading practices in the 1978-80 period are irrelevant to the laws and regulations of today and how they are enforced
        - the laws and regulations have been changed numerous times over the last 15 years
    - Congress has conducted vigorous oversight of commodities trading since 1980
        - the CFTC has been reauthorized three times since Mrs. Clinton stopped trading
            - there have been extensive congressional hearings in both Houses in connection with each of these reauthorizations
        - there have been at least five general oversight hearings since the time of REFCO's widely publicized discipline in 1979
            - in addition to legislative action in response to the Silver Crisis in 1980 and the stock market crash in 1987
- The Republican claim that congressional oversight obligations require hearings is a false and shabby disguise for pure partisan politics.

June 1, 1994

To the Editor of the Times:

For a man who usually chooses his words so carefully, William Safire's description of Mrs. Clinton's commodity trading as "bribery in its most modern form" is off the wall, a phrase that deserves its own "On Language" column. He offers no evidence -- and there is none -- of what he calls "blatantly preferential treatment", or "trades made on [her] behalf with little or perhaps no Clinton input", or "records strangely missing."

Mrs. Clinton has made her own copies of her brokers' trading records public, and after she learned that the Chicago Mercantile Exchange had its own records, she affirmatively sought out and disclosed them. The Exchange records essentially confirm and complement her copies of the brokers' records, although there are some gaps in each. But as Mr. Leo Melamed, former head of the Exchange, has explained, such gaps are not unusual, and nothing in the records suggests she violated any rule or that any of her trades were "allocated" to her by the brokerage firm in order to guarantee a profit.

Mrs. Clinton made her own trading decisions, her money was at risk, she paid full commissions, and she made both profitable and unprofitable trades during the time she was in the market. The account was in her name, and she was liable to the brokerage house for any losses she sustained, whatever the amount of margin required by her broker.

Always the language maven, Mr. Safire characterizes this not as bribery in its "narrow legal sense", but as a "subtle new bribery" -- so "subtle" that he is unable to articulate any plausible basis for calling it "bribery" at all. While he relies on the Merriam-

Webster Third Unabridged Dictionary for a definition of bribery as a "price, reward or gift bestowed or promised with a view to pervert [the] judgment or corrupt the conduct" of a public official, even this definition requires a who, a quid and a quo, none of which he supplies. If it is Tyson Foods he has in mind because its outside counsel Jim Blair was a Clinton friend and her trading adviser in 1978, he fails to explain why Tyson opposed Bill Clinton in his 1980 election campaign. He also fails to explain why Mr. Blair, with his supposed knack for allocating guaranteed profits to anyone he wanted, lost a bundle of his own by continuing to trade cattle futures in the months after Mrs. Clinton left the market.

I usually enjoy Mr. Safire's columns, particularly when they stiff some other Administration than the one I happen to work for. But bribery is a serious and invidious charge. It should not be made on the basis of mere hypothesis concerning a "person or persons unknown, possibly acting through third parties." That sounds most unlike the Bill Safire I know.

Sincerely,

Lloyd N. Cutler
Counsel to the President

Abroad at Home

ANTHONY LEWIS

Guilt For Vietnam

In the years 1969 through 1972, when Richard Nixon and Henry Kissinger made policy on Vietnam, 20,492 Americans died in the war. At the end of that time the United States got out the same way it could have at the beginning, on terms that led before long to a Communist victory.

President Nixon and Mr. Kissinger understood all along that there was no feasible way to "win" in Vietnam. They knew that after all the U.S. forces were gone, a South Vietnamese Army that would not fight was likely to be overwhelmed before long. But they wanted to delay that denouement for political reasons.

Anyone who doubts that political self-interest dominated Vietnam policy making in the Nixon White House should look at the newly published diaries of the late H. R. Haldeman, its chief of staff. On Dec. 15, 1970, he wrote this entry:

"K came in and the discussion covered some of the general thinking about Vietnam and the P's big peace plan for next year, which K later told me he does not favor. He thinks that any pullout next year would be a serious mistake because the adverse reaction to it could set in well before the '72 elections. He favors instead a continued winding down and then a pullout right at the fall of '72 so that if any bad results follow they will be too late to affect the election."

It was the fall of 1972 — during the election campaign — when Mr. Kissinger announced, "Peace is at hand." After further heavy U.S. bombing of North Vietnam, designed to overcome South Vietnamese resistance to the terms the agreement was signed in January 1973. By then Mr. Nixon had been reelected.

All of that may seem ancient history, but it is not. For in the United States Senate last week the argument was made that a man who protested those four added years of the Vietnam War — a man who thought lives mattered more than politics — should therefore be barred from public office.

That attack was made on Sam Brown Jr., whom President Clinton nominated last November as Ambassador to the Conference on Security and Cooperation in Europe. Republicans delayed the nomination for months in committee and are now filibustering to keep it from coming to confirmation vote on the floor.

Sam Brown was a leading activist against the Vietnam War. He was in the political part of the movement, opposing extremist tactics. He headed one of the most successful protest efforts, the Vietnam War Moratorium in 1969.

Senator Robert C. Smith, Republican of New Hampshire, denounced Mr. Brown last week as "a radical anti-war protester" who "publicly supported our Communist enemies in Vietnam." He said "the Sam Browns of the world are the people who throughout the cold war opposed what we did to fight Communism."

The attack on Mr. Brown was really an attack on President Clinton. Senator Smith made that explicitly clear, saying that "many" of Mr. Clinton's "national security nominees" were "unabashed anti-war activists or radical extremists."

Why punish those who sought a timely end to war?

"The President continues to surround himself," Senator Smith said, "with the type of people he protested with in the golden years of the anti-war movement. And it is having a devastating effect on the quality and the effectiveness of our national security policy."

Senator John Kerry, Democrat of Massachusetts, a decorated veteran of the Vietnam War, said Senator Smith and some of his colleagues were attacking the right to dissent, "a reverse form of political correctness." And Sam Brown's dissent, Senator Kerry said, turned out to be right. Even Richard Nixon and Henry Kissinger eventually "adopted his judgment, which was that we had to get out."

If people are to be punished for the views they held on Vietnam 25 years ago, it would be more logical to punish those who were wrong. We would then bar from any position of public trust persons involved in the Kissinger-Nixon policy that uselessly sacrificed 20,492 Americans and many times that number of Vietnamese, North and South. But I am against such bills of political attainder.

In the current Republican mood in Washington, a mood of slash and burn, philosophical niceties have no place. Shutting off a Senate filibuster requires 60 votes. Two attempts to bring Sam Brown's nomination to a vote failed last week, the first winning 56 votes and the second 56. Supporters may try again after the Memorial Day recess. The result will say a lot about the state of American political life.

Essay

WILLIAM SAFIRE

That $100,000 'Profit'

WASHINGTON

Bit by excruciating bit, like an adhesive being pulled off an old wound, the cover story about the Clintons' amazing, one-year 10,900 percent "profit" in the commodities markets is being peeled away.

With each disclosure of blatantly preferential treatment and credit improperly extended, of trades made in their behalf with little or perhaps no Clinton input, and of records strangely missing for one in five key transactions — it becomes harder for the Clintons and their apologists to maintain the fiction that their financial bonanza had anything to do with business judgment or even luck.

Common sense suggests that a person or persons unknown, possibly acting through third parties, determined that the new Governor of Arkansas and his wife would be the recipient of almost exactly $100,000 in trading "profits" on the wildly risky commodities markets. Wouldn't a hidden friend in need later have a substantial call on the Clintons?

If my theory is correct, and as information continues to be developed to show the passivity of the Clinton participation, the directing of a huge bundle of money into the Clinton pocket could be classified under a word that has only been whispered in connection with this deal: bribery, in its most modern form.

I do not use the term in its narrow legal sense, requiring a specific quid pro quo. Rather, I base my definition on Merriam-Webster's Third Unabridged: "a price, reward, gift or favor bestowed or promised with a view to pervert the judgment or corrupt the conduct esp. of a person in a position of trust (as a public official)."

That's the way the subtle new bribery works: make somebody beholden to you, through an untraceable source, and somewhere down the line the public official is likely to smile kindly on one of your government-regulated enterprises.

Was the Clintons' sudden wealth really earned?

In the Clinton case of sudden wealth through commodity trading, however, there is this wrinkle: when somebody wins $100,000 in this game, it means that others lose exactly that much. Just as the winners dutifully declare the profits on their tax return, the losers declare their losses — and thereby reduce their tax liability.

The winning Clintons, slipping past the requirement to go into detail, reported a net income of $72,000 from commodity trading on their 1979 return. Their statement, which does not label this income the gift that I think it is, should not worry them. Even if it was a gift, reward or favor, they are in the clear: the six-year statute of limitations on Section 7206 of the Internal Revenue Code — about willful false statements on a tax return — ran out long ago.

But the person or persons unknown who "lost" this money, if they did so deliberately by allocating the loss "leg" of a trade to themselves (or to anyone in what I suspect is a conspiracy), might have a problem if anybody began poking around in old records or taking testimony under oath.

That's because they probably deducted their losses on their own tax returns, reducing the amount they owed the I.R.S. According to a source familiar with that service, who looks with dismay at the see-no-evil agents at the Little Rock office, that trick of sharing with Uncle Sam the cost of making the winners rich might constitute tax fraud.

"Section 6663, the fraud penalty provision, has no statute of limitations," he or she informs me. "You could prosecute for an offense clear back to 1913, when income taxes began."

Thus, the way to discover possible motives behind the transfer of a bonanza to the Clintons — the nest egg underneath the Whitewater hen — would be for special counsel Robert Fiske to call Clinton advisers and brokers, including their clients as well as those behind the Clintons' small Stephens account, before one of his grand juries.

This is not doing Non-independent counsel is sticking to his charter rather than follow where the trail leads.

If he won't investigate, who will? Last week, a House-Senate conference finally agreed on an Independent Counsel Act; the Senate promptly confirmed it, and the House final action is scheduled this week. President Clinton cannot avoid signing it.

If the Fiske force continues to flinch, a truly independent court-appointed counsel would be better suited to getting the whole truth about the Clintons' profit.

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Question

- **Was Mrs. Clinton's investment in Value Partners -- an investment fund that held certain health care stocks -- improper in light of her role in the Administration's health care effort?**

The Facts

- This issue was twice raised by Republican Members of the House and twice rejected by the Office of Government Ethics.
- On February 10, OGE, in response to an earlier letter, OGE stated that there was no basis for investigating alleged ethics violations by the First Lady. On March 9, eighty-one Republican Members again questioned the First Lady's Value Partners investment.

- In the May 3 letter, OGE stated that the First Lady's participation in the President's Task Force on National Health Care Reform, while an investor in Value Partners, was in no way improper, and did not create even an "appearance" that the conflict of interest laws had been violated.

- OGE also noted that the First Lady did not violate any administrative Standards of Ethical Conduct, even assuming they applied to the First Lady, which OGE did not concede.

- In reaching its conclusion, OGE "reviewed all the additional information provided" by the Republicans, and gave that information "its most expansive interpretation." Nonetheless, OGE found that "a violation of 18 U.S.C. § 208 or the standards of conduct could not be established from the circumstances and concerns that are the basis" of the Republicans' allegations.

- The OGE letter was signed by OGE Director Stephen D. Potts, a Bush appointee serving a five-year term.

Talking Points

- As the Office of Government Ethics has definitively stated, after two separate reviews, the First Lady's investment in the Value Partners investment fund in no way violated any ethics law or standard of conduct, even assuming the First Lady is covered by such laws or standards.

Question

- **Did Tyson Foods receive favored treatment from Mr. Clinton in Arkansas and has it received such treatment from the Clinton Administration?**

The Facts

- **Arkansas.** Tyson was treated like any other large employer in Arkansas -- sometimes its positions were supported by Governor Clinton's administration, sometimes not. On many occasions, Tyson tangled with the Clinton Statehouse:

  ♦ 1985 -- Tyson strongly supported a proposed gas tax. Clinton fought against it and ultimately vetoed it.

  ♦ 1986 and 1987 -- Tyson fought against a truck weight tax which Clinton fought for successfully. (Parts of it were later overturned in court.)

  ♦ 1988 -- The Poultry Federation, of which Tyson was a leading member, fought against ethics legislation requiring the disclosure of what lobbyists spend to try to influence public officials. Governor Clinton supported this legislation, which was defeated in the legislature, but subsequently passed by way of a citizens initiative.

  ♦ 1991 -- Tyson fought Governor Clinton on regulations regarding animal waste. Clinton had formed a Task Force to devise regulations that would have, among other things, required chicken producers (like Tyson) to pay the cost of environmental compliance incurred by chicken growers (the independent farmers who raise chickens and sell them to producers like Tyson). (Tyson and other producers successfully blocked the regs that would have imposed financial responsibility on the producers, although regulations were imposed that required producers to write an environmental protection clause into their contracts with growers.)

  ♦ Tyson has been fighting unsuccessfully for years to get its trucks classified as "farm vehicles" so that the trucks would not have to be licensed (which involves some cost to Tyson).

  ♦ Tyson has also been fighting unsuccessfully for years to have water declared an integral part of chickens since they don't have to pay taxes on anything that is considered an integral part of the finished product.

- **Washington.** Tyson has not received special treatment by the Clinton Administration in Washington. Fourteen Tyson plants alone were subjected to surprise inspections last year, and the Department is fully engaged in developing tough new sanitary standards for chicken producers. It is true that Mike Espy focussed more on beef when he first came in last year, but that was in response to the e-coli breakout, which involved a number of deaths and required urgent attention.

- Since January 1993, the Agriculture Department has taken several steps to improve both meat and poultry inspection systems: conducting a thousand-plant blitz of unannounced inspections of both poultry and meat plants; pushing to mandate safe cooking and handling labels on all raw meat and poultry; pushing to enforce zero tolerance on meat and develop a zero tolerance policy on poultry; adding a new inspection spot on the line in chicken processing plants; mandating the use of FDA-washes; mandating microbial tests in all poultry plants.

Talking Points

- The Clinton Administration has not given special treatment to poultry producers generally or to Tyson in particular. Fourteen Tyson plants alone were subjected to surprise inspections last year, and the Department is fully engaged in developing tough new sanitary standards for chicken producers.

- When Bill Clinton was Governor of Arkansas, Tyson was treated like any other large employer in Arkansas -- sometimes its positions were supported by the Clinton administration, sometimes not. On many occasions, Tyson tangled with the Clinton Statehouse.

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Nov. 29, 1994

Talking Points re Commodities

Key points are made in the various White House and Melamed statements on the matter (March 29, April 11, May 26) and in HRC's April 22 press conference. We released the Merc records on May 26, and they got little publicity, since they generally confirm the Refco records. We should emphasize this point.

HRC's investments both lost and earned money.

Her accounts were in her name and used her money. She was fully at risk personally and had significant losses ($58,000) in her Refco account, as well as gains. Her real skill: getting out at the right time.

Refco was responsible for enforcing margin requirements.

Margin requirements exist to protect the broker. While her first Refco trade was undermargined, she was on the hook: the trade was in her name and her account number and she was a highly visible person in the state at the time. Refco always knew it could make up any losses from her. Refco wasn't being eleemosynary, however: in just about a year, it made over $19,000 in commissions from her, on winning and losing trades.

There's no evidence anywhere of favorable treatment.

We've released the relevant Refco records (including the contemporaneous trade confirmations) in our possession, and in May we also released records obtained from the Chicago Mercantile Exchange, which we had never seen: we had no knowledge of, control over, or access to these records. We voluntarily sought these records out and made them publicly available, gambling that they would corroborate the records we had previously released. They did. The Merc records confirm and complement the Refco records. Both sets of records show the same set of winning and losing trades, in HRC's name and account number. Most of the trades are overnight, and this means that control of profitability is given up to the market. There is no evidence (repeat, NO EVIDENCE!!), anywhere, of favorable trade allocation. Many people trading with the Springdale office of Refco, such as Jim Blair, continued trading into the fall of 1979 and lost large amounts. HRC ceased trading at Refco in July, 1979.

Litigation against Refco proves nothing.

A number of customers who lost money later sued Refco, alleging various schemes to defraud them by Refco. None of these suits were ultimately successful (although Jim Blair achieved a settlement with Refco that was satisfactory to him). The existence of this litigation is wholly irrelevant to HRC, although it is often adduced as some proof of wrongdoing, by someone, somewhere, which somehow tarnishes HRC. It just doesn't make logical sense.

THE WHITE HOUSE

Office of the Press Secretary

FOR IMMEDIATE RELEASE April 11, 1994

Statement of John Podesta, White House Staff Secretary

The White House is today making available additional records of the First Lady's commodities transactions as documented by her brokerage house, the Ray E. Friedman Corporation (REFCO) as well as records from commodities trading that was conducted through Stephens, Inc. The transactions covered by these records occurred during 1978 through 1980.

At the request of the White House, Mr. Leo Melamed of Chicago, Illinois, an internationally recognized expert on the commodities markets, reviewed the records of the First Lady's commodities transactions. A statement by Mr. Melamed accompanies additional documents being released today at the request of the First Lady.

In his statement, Mr. Melamed says, *"What these records show is that Mrs. Clinton was, during 1978 and 1979, a relatively modest trader who traded in a variety of commodities, including cattle, soybeans and hogs. She paid normal, full commissions. She made money on a lot of trades, lost money on some--sometimes those losses were substantial--and, on balance, she did extremely well...(S)he received some valuable market advice and assistance, and violated no rules in the course of these transactions."*

Leo Melamed, recognized as the founder of the concept of financial futures, is the former Chairman of the Chicago Mercantile Exchange and former Chairman of its Executive Committee. He was also Chairman of the International Monetary Market. In addition to having served as an Advisor to the Commodities Future Trading Commission, he has lectured and written extensively about the financial futures markets. He was editor of *An Anthology: The Merits of Flexible Exchange Rates* published in 1988, and authored *Leo Melamed on the Markets* published by John Wiley and Sons, Inc., in 1993.

Mr. Melamed is currently Chairman and CEO of Sakura Dellsher, Inc., a Futures Commission Merchant (FCM). Mr. Melamed is a lifelong futures trader and is fully familiar with the trading rules and practices of the futures industry. He is on the Board of Directors of the National Bureau of Economic Research.

###

Attachment: Statement of Leo Melamed

Statement of Leo Melamed
April 11, 1994

At the request of the White House, I have examined the records which reflect Mrs. Clinton's trading activity at Refco. It is my considered opinion that unless there are additional records to indicate otherwise, this is a tempest in a teapot. Nothing in these records appears to reflect any trading violations on the part of Mrs. Clinton.

From these records, it seems true that Mrs. Clinton began the account with a lesser amount than would be normal and this would certainly be nearly impossible today. However, she would not be the first to begin trading with but $1,000. This has been done time and again in the course of our industry.

Moreover, one must remember that this was 15 years ago during a highly volatile market era. Indeed, that period of time represents perhaps one of the most chaotic periods in the history of agricultural meat prices. The cattle market, in a period of about one year, went from $.47 per pound to $.80 per pound, representing a $13,000 increase in each futures contract. In other words, literally a $1,200 investment in early 1978 would have produced a $13,000 profit one year later. Additionally, it was during a time when futures markets were substantially less regulated than they are today.

On the basis of Mrs. Clinton's transactions, there is no evidence of favorable trade allocation. Indeed, the records indicate quite the opposite. Out of some 32 separate transactions that Mrs. Clinton made with Refco, all but about 2 were overnight trades. The distinction between overnight trades and day trades is highly significant. In an overnight trade, the control of profitability is given up to the market. The trade will be profitable or not as a consequence of the next day's market movement and little else. Most of Mrs. Clinton's trades were overnight positions, thus she assumed the market risk.

Mrs. Clinton's records do indicate that her account was, at times, thinly margined and that on occasion she traded with insufficient margin. But in this regard she was in the company of many other customers who were treated similarly during that time frame. On those occasions when Mrs. Clinton was under margined, she generally closed out her position without incurring a deficit in her overall account. Being under-margined is a not a violation of the customer involved but rather a violation of the firm where the customer's account is held. And in fact, her trading firm, without admitting or denying the violations, was substantially fined by the Chicago Mercantile Exchange in 1979 for margin violations, as well as other alleged infractions of Exchange rules.

What these records show is that Mrs. Clinton was, during 1978 and 1979, a relatively modest trader who traded in a variety of commodities, including cattle, soybeans and hogs. She paid normal, full commissions. She made money on a lot of trades, lost money on some--sometimes those losses were substantial--and, on balance, she did extremely well. This was by no means unprecedented at that time.

Mrs. Clinton was clearly receiving very good and well-educated advice, as she had every right to do and as she has herself acknowledged. She may even have had on occasion discretionary trading executed on her behalf. It must be noted that the firm at which she was trading was incredibly correct on the market direction of that day. Refco and its customers literally made hundreds of millions of dollars as a consequence of correctly predicting the movement of market prices during that time frame. Mrs. Clinton's profit, while substantial in every day life, was minuscule when measured against the background of that market era.

Overall, my conclusion from reviewing Mrs. Clinton's futures trading records available to date is that she did extremely well in the markets, received some valuable market advice and assistance, and violated no rules in the course of these transactions.

###

Mr. Leo Melamed
(312)-930-3310

1978 Trades - REFCO

DATE	AMOUNT	TYPE OF TRADE	PROFIT	LOSS	COMMISSION	NET
10/13	sold 5	DEC '78 LV CATTLE				
10/23	bought 5		8,100.00		250.00	7,850.00
10/25	bought 1	MAR '79 SOYBEANS				
10/30	sold 1		1,600.00		199.00	1,401.00
10/27	bought 1	MAY '79 SOYBEANS				
10/30	sold 1		475.00		199.00	276.00
10/27	bought 10	APR '79 LV CATTLE				
10/30	sold 10		5,800.00		598.00	5,600.00
10/24	sold 8	FEB '79 LV CATTLE				
	sold 2					
11/2	bought 10			(1,980.00)	500.00	(2,480.00)
11/8	sold 2	JAN '79 SOYBEANS				
11/9	bought 2		2,600.00		98.00	2,502.00
11/13	bought 10	APR '79 LV CATTLE				
11/21	sold 5		5,250.00		250.00	5,000.00
12/18	sold 5		11,850.00		250.00	11,400.00
11/8	sold 10	DEC '78 LV CATTLE				
11/22	bought 10			(16,900.00)	500.00	(17,400.00)
11/13	bought 20	JUL '79 SOYBEANS				
12/6	bought 20		5,750.00		980.00	4,770.00
11/1	bought 2	MAY '79 SOYBEANS				
11/13	sold 2			(2,550.00)	98.00	(2,648.00)
11/13	sold 18	MAY '79 SOYBEANS				
11/14	sold 2					
12/12	bought 20		1,950.00		980.00	970.00
11/22	bought 5	FEB '79 LV CATTLE				
12/11	bought 60					
12/12	bought 65		7,250.00		3,250.00	4,000.00

1979 Trades - REFCO

DATE	AMOUNT	TYPE OF TRADE	PROFIT	LOSS	COMMISSION	NET
1/4	bought 10	APR '79 LV CATTLE				
1/24	sold 10		7,700.00		500.00	7,200.00
1/26	bought 11	APR '79 LV CATTLE				
	bought 3					
2/28	sold 14		25,980.00		700.00	25,280.00
3/5	sold 5	JUN '79 HOGS				
3/6	bought 1					
	bought 4		1,470.00		250.00	1,220.00
3/7	sold 5	JUN '79 HOGS				
3/9	bought 5		487.50		250.00	237.50
3/13	bought 10	JUL '79 SOYBEANS				
4/16	sold 10			(8,250.00)	490.00	(8,740.00)
4/30	sold 15	JUN '79 LV CATTLE				
5/4	bought 15		12,900.00		750.00	12,150.00
5/16	bought 5	JUN '79 HOGS				
5/16	sold 5		75.00		195.00	(120.00)
5/14	sold 5	JUNE '79 HOGS				
5/16	sold 3	JUNE '79 HOGS				
	sold 2					
5/17	bought 5					
5/17	bought 5		3,052.50		500.00	2,552.50
5/21	sold 5	JUL '79 HOGS				
5/24	bought 5		337.50		250.00	87.50
5/21	sold 5	AUG '79 FEEDERS				
5/29	bought 5		1,207.50		250.00	957.50
5/25	sold 5	AUG '79 FEEDERS				
5/31	bought 5		3,675.00		250.00	3,425.00
5/31	bought 5	AUG '79 LV CATTLE				
6/11	sold 5		600.00		250.00	350.00
6/29		AUG '79 LV CATTLE	3,765.00		300.00	3,465.00

(1979 REFCO Trades - continued)

5/29	sold 1	SEP '79 FEEDERS				
7/17	bought 1		483.00		50.00	433.00
5/29	sold 4	SEP '79 FEEDERS				
7/17	bought 4		1,848.00		200.00	1,648.00
6/18	sold 10	AUG '79 FEEDERS				
7/17	bought 10			(26,460.00)	500.00	(26,960.00)
7/17	bought 50	AUG '79 LV CATTLE				
7/17	sold 50		10,500.00		1,950.00	8,550.00
6/27	sold 50	AUG '79 LV CATTLE				
7/20	bought 50		43,760.00		2,500.00	41,260.00

1979 - 1980 Trades - Through Stephens, Inc.

DATE	AMOUNT	TYPE OF TRADE	PROFIT	LOSS	COMMISSION	NET
10/9	bought 1	MAR '80 NY SUGAR				
2/22	sold 1		11,435.20		224.00	11,211.20
11/28	bought 1	MAY '80 SUGAR				
12/10	sold 1			(436.80)	82.00	(518.80)
1/3	bought 1	SEP '80 SUGAR				
3/18	sold 1		4,872.00		144.00	4,728.00
1/14	bought 1	SEP '80 Copper				
1/23	bought 1					
3/21	sold 2			(11,250.00)	190.00	(11,440.00)
2/12	bought 10	DEC '80 WHEAT				
3/10	sold 10			(3,700.00)	186.00	(3,886.00)
2/13	sold 2	SEP '80 LUMBER II				
3/18	bought 2			(6,300.00)	200.00	(6,500.00)
2/22	bought 1	SEP '80 SUGAR II				
3/31	sold 1			(6,148.80)	62.00	(6,210.80)
2/25	sold 2	DEC '80 COPPER				
3/21	bought 2		12,950.00		75.00	12,875.00
2/25	sold 2	JUL '80 LUMBER				
3/19	bought 2		3,920.00		90.00	3,830.00
3/27	sold 1	OCT '80 SUGAR				
3/31	bought		929.60		62.00	867.60
5/1	sold 1	SEP '80 T BOND				
5/13	bought 1		593.75		60.50	533.25

STATEMENT OF DAVID E. KENDALL, ESQ.

The President and Mrs. Clinton today released additional documents relating to their tax returns and commodity trading in 1978-80. Our review of these records discloses that the Clintons' 1979 tax returns were audited and approved by the Internal Revenue Service, that there was a small unreported capital loss in 1979, and that a short term capital gain of $6,498 from 1980 commodities trading was not reported. The federal tax on this gain would have been $3,315; the state tax would have been $514. The Clintons are today paying these taxes plus accrued interest.

Even though taxpayers have no obligation to correct newly discovered errors from fourteen years ago, the President and Mrs. Clinton have repeatedly said that they will correct any mistakes in their tax returns, if any errors are found, and they are doing so today. The Clintons do not know how the error occurred but accept responsibility for it. They view it as their duty to come forward, disclose the mistake, and pay what is owed. They have made a payment to the federal government of $3,315, the amount of additional tax due on the 1980 return, along with a payment of $10,134, representing interest due on this amount. They have also made a payment of $514, along with a payment of $652 in interest, representing the amount due the State of Arkansas.

The Internal Revenue Service audited the Clintons' 1979 tax returns, with a particular focus on commodities trading gains and the interest deductions for that year.

The IRS audit concluded that their income from commodities trading and their interest deductions were accurately reported, and no additional taxes or adjustments were required.

The Clintons' tax returns for 1979 and 1980 were professionally prepared by their CPA in Little Rock, and in 1980, they paid $17,680 in federal income tax and $2,836 in Arkansas state income tax. The Clintons provided their accountant with relevant financial records, including commodity trading records that they had received.

In 1978, Mrs. Clinton opened an investment account with Stephens Inc., in Little Rock. Beginning in October 1979, her broker at Stephens initiated several commodity trades. He dealt sequentially with three commodities brokers: Clayton Brokerage Co. (1979), Peavey Co. (1979-80), and ACLI International Commodity Services, Inc. (1980). This trading began with a $5,000 deposit by Mrs. Clinton on October 12, 1978, and ended when the ACLI account was closed on May 14, 1980.

Stephens Inc., prepared annual year-end statements on which the Clintons and their CPA relied for the preparation of the family's tax returns. The Stephens' year-end statement for 1980, attached to the tax return, only included information on securities and bonds.

Documentation provided by Peavey enabled the Clintons' CPA to document a short-term capital loss on Schedule D of their 1980 return amounting to $449. Although Mrs. Clinton received monthly statements from ACLI while the ACLI account was open, she apparently did not receive any year-end summary or account-

closing summary of the ACLI gains and losses. At that time, brokerage firms dealing with commodities were not required by law to send end-of-the-year statements.

In the analysis of the records by the Clintons' attorneys and accountant concluded over the weekend, it was determined that a small capital loss ($80) from the Clayton account was not reported on the 1979 return. It was also determined that a short-term capital gain of $6,498 from the ACLI account was not reported on the 1980 return.

Three of the last five presidents have been required to pay back taxes that the IRS determined were due and owing. Here the Clintons have reached back 14 years to a time long closed by the IRS and, after a careful investigation, have made the determination themselves to pay not only the tax but also interest for that entire period, in an amount that dwarfs the tax paid.

Internal Revenue Service

Department of the Treasury

District
Director

700 W. Capitol, Little Rock, Arkansas 72201

April 11, 1994

Mr. David E. Kendall
Williams and Connolly
725 Twelfth Street, N.W.
Washington, D.C. 20005

Dear Mr. Kendall:

The individual tax return, Form 1040, for William J. Clinton and Hillary Rodham for the tax period ended December 31, 1979, was examined by the Internal Revenue Service in 1982. No change was made to the income tax liability as originally reported by the taxpayer.

Sincerely,

James E. Donelson
District Director

Internal Revenue Service
District Director

Department of the Treasury
700 West Capitol Ave Stop 1
Little Rock, AR 72201

Date: 1-24-82

Form Number: 1040

Tax Year(s): 1979

Day and Date of Appointment: Tuesday February 9, 1982

Time: 9:30

Place of Appointment: Little Rock, 516 Midland

My Telephone Number: 378-5531

William J. Clinton and Hillary D. Rodham
516 Midland
Little Rock, AR 72205

Your Federal tax return for the above year(s) has been assigned to me for examination. Because I need additional information to verify certain items reported on your return, I would like to meet with you at the time and place shown above.

If you filed a joint return, either you or your spouse may keep the appointment or you may have an attorney, a certified public accountant, an individual enrolled to practice before the Internal Revenue Service, or a qualified unenrolled individual represent or accompany you. If you are not present, however, your representative must have written authorization to represent you. Form 2848-D, Authorization and Declaration, may be used for this purpose and if your representative does not have copies of this form, they may be obtained from one of our offices. Also, any other individual, even though not qualified to represent you, may accompany you as a witness and assist in establishing the facts in your case.

About the records needed to examine your return—

To help me make the examination as brief as possible, please have the following information available if applicable to your return:

Workpapers used in preparing your return;
All books and records concerning your income, expenses, and deductions;
Bank statements and canceled checks;
Duplicate deposit slips;
Savings account passbooks;
Information on other invested funds;
Records of all loans and repayments;
Purchase invoices covering acquisitions of capital items;
Records covering purchases or sales of real estate or other property;
Information on any nontaxable income;
Your copy of your Federal tax return for 1979.

The law requires taxpayers to substantiate all items affecting their tax liabilities when requested to do so. If you do not keep this appointment or do not arrange another, we will have to proceed on the basis of available return information.

About the examination and your appeal rights—

We realize some taxpayers may be concerned about an examination of their tax returns. We hope we can relieve any concern you may have by briefly explaining why

(over)

we examine, what our procedures are, and what your appeal rights are if you do not agree with the results.

We examine returns to verify the correctness of income, exemptions, credits, and deductions. We find that the vast majority of taxpayers are honest and have nothing to fear from an examination of their tax returns. An examination of such a taxpayer's return does not suggest a suspicion of dishonesty or criminal liability. In many cases, no change is made to the tax liability reported or the taxpayer receives a refund. However, if taxpayers do not substantiate items when requested, we have to act on available return information that may be incomplete. That is why your cooperation is so important.

I will go over your return and records and then explain any proposals to change your tax liability. I want you to understand fully any recommended increase or decrease in your tax, so please don't hesitate to ask questions about anything not clear to you.

If changes are recommended and you agree with them, I will ask you to sign an agreement form. By signing you will indicate your agreement to the amount shown on the form as additional tax you owe, or as a refund due you, and simplify closing your case.

Most people agree with our proposals, and we believe this is because they find our examiners to be fair. But you don't have to agree. If you choose, we can easily arrange for you to have your case given further consideration. You need only tell me you want to discuss the issue informally with my supervisor, and we will do our best to arrange a meeting immediately.

In addition, you may request the Office of Regional Director of Appeals, which is separate from the district office, to consider your case. We will be glad to explain this procedure and also how to appeal outside the Service to the courts.

I will also be glad to furnish you a copy of our Publication 556, Audit of Returns, Appeal Rights, and Claims for Refund, which explains in detail our procedures covering examination of tax returns and appeal rights. You can get a copy of this publication by writing us for it or by asking for it when we meet.

About repetitive examinations--

We try to avoid unnecessary repetitive examinations of the same items on returns filed by individuals, but this occasionally happens. Therefore, if this is an examination of your individual return and if the issues raised in the course of this examination are the same as those examined in either of the 2 previous years and the examination resulted in no change to your tax liability, please notify me. The examination of your return will then be suspended pending a review of our files to determine whether it should proceed.

About your appointment--

Your appointment is the next step. If the date, time or place of the appointment is inconvenient for you, please contact me to make more suitable arrangements. I will consider the appointment confirmed if I do not hear from you at least 7 days before the scheduled date. Please contact me at the telephone number shown in the heading of this letter if you have any questions. Thank you for your cooperation.

Sincerely yours,

Eugene J. Wing

Examiner

Enclosure:
Publication 876, Privacy Act Notice

Form 886-A (Rev May 1980)	Department of the Treasury — Internal Revenue Service **Explanation of Items**	Schedule No. or Exhibit
ne of Taxpayer William J Clinton and Hillary D. Rodham		Year/Period Ended 1979

Please have the following information available:

1. Confirmation statements on Buy and Sell of Commodities from REFCO and Peavey.
2. Monthly Broker statements from REFCO and Peavey
3. Bank statements of Mr. Clinton and Mrs. Rodham for 1979
4. Copy of 1980 Return, Form 1040
5. Verification of Interest Expense
6. Verification of Income and expenses reflected on schedule C of Hillary D Rodham.

-pls be sure Carries both term figure +

sll. Fhis checks ng term vs. short term ga.n

757-7431

refco

Ray E. Friedman & Company

222 South Riverside Plaza, Suite 660, Chicago, Illinois 60606 (312) 454-4900

DATE 12-31-79

YEAR END STATEMENT

ACCOUNT NO. 8601 26349

ACCOUNT OF

HILARY RODHAM
720 W 3RD ST
LITTLE ROCK ARK 72201 72201

HILARY RODHAM
720 W 3RD ST
LITTLE ROCK ARK 72201 72201

DATE	GRAINS IN 000'S BOUGHT	GRAINS IN 000'S SOLD	COMMODITY	TRADE PRICE	AMOUNT DEBIT	AMOUNT CREDIT
1979	STATEMENT OF PROFIT AND LOSS					
				JAN-JUN 14		44,600.0
				JUNE		3,765.0
				JULY		24,631.0
				TOTALS		72,996.0
			*** NET PROFIT OR LOSS FOR 1979 ***			
			72,996.00 PROFIT			

THIS INFORMATION RECAPS THE PROFIT OR LOSS DUE TO TRADING ACTIVITY UNDER THIS ACCOUNT NUMBER FOR 1979.

PEAVEY COMPANY
COMMODITY SERVICES DIVISION
141 WEST JACKSON BOULEVARD
CHICAGO, ILLINOIS 60604

1979
STATEMENT OF PROFIT AND LOSS (-)

MONTH	REGULATED	NON-REGULATED
NOV	82.00-	
DEC	477.80-	
	559.80-	*

HILLARY RODHAM
35065 1800 CENTER ST.
850 LITTLE ROCK, AR. 72206

NET PROFIT OR LOSS (-) FOR 1979
$559.80-

TAX

THIS INFORMATION MERELY RECAPS THE AMOUNT INDICATED FOR 1979.
THIS IS NOT NECESSARILY AN ACCURATE FIGURE FOR YOUR TAX PURPOSES.

SCHEDULE D (Form 1040)
Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

1980
15

Name(s) as shown on Form 1040 | Your social security number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expenses of sale	e. Cost or other basis, as adjusted (see instructions page 21)	f. LOSS If column (d) is more than (e) subtract (e) from (d)	g. GAIN If column (e) is more than (d) subtract (d) from (e)
1 COMMODITIES					447	
SEE SCH ATTACHED						130
2 Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11					2	
3 Enter your share of net short-term gain or (loss) from partnerships and fiduciaries					3	
4 Add lines 1, 2 and 3 in column f and column g					4 447	130
5 Combine line 4, column f and line 4, column g and enter the net gain or (loss)						5 (317)
6 Short-term capital loss carryover from years beginning after 1969						6 ( )
7 Net short-term gain or (loss), combine lines 5 and 6						7 (317)

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

8						
SEE SCHEDULE					15	
WASH SALE ADJ						
1) 325 X 43.8%						142
9 Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, or 18					9	
10 Enter your share of net long-term gain or (loss) from partnerships and fiduciaries					10	
11 Add lines 8, 9 and 10 in column f and column g					11 158	142
12 Combine line 11, column f and line 11, column g and enter the net gain or (loss)						12 (16)
13 Capital gain distributions						13
14 Enter gain, if applicable, from Form 4797, line 5(a)(1)						14
15 Enter your share of net long-term gain from small business corporations (Subchapter S)						15
16 Combine lines 12 through 15						16 (16)
17 Long-term capital loss carryover from years beginning after 1969						17 ( )
18 Net long-term gain or (loss), combine lines 16 and 17						18 (16)

Note: If you have capital loss carryovers from years beginning before 1970, do not complete rest of form. See Form 4798 instead. Otherwise, complete this form on reverse.

547116

SCHEDULE OF REALIZED GAINS & LOSSES
PREPARED FOR: HILLARY RODHAM
FOR THE PERIOD FROM: 01/01/80 THROUGH 12/31/80

AMOUNT	SECURITY	ORIGINAL COST	PURCHASE DATE	PROCEEDS	SALE DATE	GAIN OR (-LOSS)	PERCENT
	SHORT TERM						
30	BELL & HOWELL CO	492.84	02/22/79	727.14	01/15/80	234.30	47.55
70	DE BEERS CONS MINES LTD ADR	473.12	03/16/79	770.00	01/21/80	296.88	62.75
40,000	FEDERAL FARM CR BKS CSBD 14.40% 05/01/80	40,937.00	11/07/79	40,000.00	04/17/80	-937.00	-2.29
15,000	FEDERAL FARM CR BKS CSBD 14.40% 05/01/80	15,126.36	11/07/79	15,000.00	01/15/80	-126.36	-.84
35,000	FFCB 13.25 11/03/80	35,000.00	04/22/80	35,000.00	11/03/80	0.00	0.00
5,000	FFCB 13.25 11/03/80	5,000.00	04/22/80	5,215.53	09/09/80	215.53	4.31
100	OCCIDENTAL PETE CORP	2,527.00	09/13/79	2,370.68	04/24/80	-156.32	-6.07
	TOTAL SHORT TERM	99,956.14		99,086.35		130.21	0.13
	LONG TERM						
35	GAS SVC CO	536.08	03/13/79	459.64	07/09/80	-76.42	-14.67
35	MCNEIL CORP	457.46	02/22/79	455.35	04/23/80	-2.11	-.46
50	OXFORD INDS INC	510.56	02/22/79	433.43	04/24/80	-77.13	-15.11
	TOTAL LONG TERM	1,506.08		1,348.42		-157.66	-10.47
	GRAND TOTALS	100,462.22		100,434.77		-27.45	-.03

APR-11-94 MON 8:37

PEAVEY COMPANY
COMMODITY SERVICES DIVISION
141 WEST JACKSON BOULEVARD
CHICAGO, ILLINOIS 60604

1980
STATEMENT OF PROFIT AND LOSS (-)

MONTH	REGULATED	NON-REGULATED
JAN	98.50-	
FEB	350.50-	
	449.00-	*

HILLARY RODHAM
85065 1800 CENTER ST.
850 LITTLE ROCK, AR. 72206

NET PROFIT OR LOSS (-) FOR 1980
$449.00-

INFORMATION MERELY RECAPS THE AMOUNT INDICATED FOR 1980.
IS NOT NECESSARILY AN ACCURATE FIGURE FOR YOUR TAX PURPOSES.

COPY
from ORM

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 22, 1994

PRESS CONFERENCE
BY THE FIRST LADY

The State Dining Room

3:37 P.M. EDT

MRS. CLINTON: Well, let me thank all of you for coming. I know this is a busy day. It got busier than I thought it would when we first made this decision early this morning, and I appreciate your gathering.

I have, in the last couple of days, wanted to do this in part because I realized that despite my traveling around the country and answering questions, I did not really satisfy a lot of you in having your questions asked and answered. And last week, I think it was Helen said, I can't travel with her, so how can I ask her questions? So, for that reason, we are here and, Helen, you get the first question.

Q Since Whitewater's been in the news so much, I feel it's fair to ask you the same question I put to the President some time ago -- and you are a co-partner. Do you know of any money that could have gone from Madison to the Whitewater project or to any of your husband's political campaigns?

MRS. CLINTON: Absolutely not. I do not.

Q Actually, on the same theme with your commodities profits -- it is difficult for a layman, and probably for a lot of experts, to look at the amount of the investment and the size of the profit. Is there any way you can explain how you --

MRS. CLINTON: Well, I can certainly tell you what happened. And I appreciate your asking me about it because I've tried to follow the accounting in the press about it, and I want to explain as clearly as I can what occurred.

Back in 1978, in October, one of our best friends, Jim Blair -- who had been a friend of my husband's and mine for sometime -- talked to me about what he thought was a great investment opportunity. He is someone who has been an investor ever since he was a teenager, with usually very good results. And he had followed closely what had been happening in the cattle market. And I only knew a little bit about that, although living in Arkansas, particularly northwest Arkansas, as I did, I was familiar with a lot of ranchers and people who were in the cattle industry. And when Jim said, I think there's going to be a great opportunity to make money, and explained why, and asked me what I thought we could afford to invest, I told him $1,000.

So I opened an account at his very strong recommendation, and proceeded to trade over the next months until July. You know, not all my trades made money; some of them lost money. I talked to Mr. Blair very frequently. In fact, Jim would call me on a regular basis, and I would make a decision whether I would or would not trade, and then the trade would be placed. Often, he placed it for me. And there was nothing wrong with that; he was on the spot, he was often in the offices of the broker.

I stopped trading in July of 1979. And I did stop trading in large measure because I could not keep up with it. It takes a lot of nerve to be in the commodities trading, and I just found out I was pregnant. And so, when he called again, I said, you know, I just don't want to do this anymore. And I think he may have even called a few more times saying, it's really still doing well -- trade again. And I didn't, and I'm glad I didn't because he and other friends of mine who were trading ended up losing money.

So it was a good investment offered by somebody who knew a lot, who could provide a lot of good advice. And I was lucky and made the decision to stop when I did.

Q Mrs. Clinton, can you talk about the second account? You had two --

MRS. CLINTON: I'll get there in just a minute --

Q Do you wonder since then if maybe your broker might have, because of your position and your husband's, might have given you some kind of unfavorable -- or a favored advantage?

MRS. CLINTON: There's really no evidence of that. I didn't believe it at the time. As I said, I made and lost money in that commodities account. It was my money; it was at risk. The account was in my name; I got the reports. We've released all of the documents we could find from that period from that account. So, no, I had no reason to believe that. And as Mr. Leo Melamed, the former head of the Chicago Mercantile Exchange, said when he looked at all of my trading records, there isn't any evidence that anybody gave me any favorable treatment. And even Mr. Blair, who ended up losing money, I think would find it very hard to argue that he got any favorable treatment. I just don't think there's any evidence of that.

Q Mrs. Clinton, you say you stopped trading in July of 1979. Could you talk about the second account that was opened? There was a second account with the Stephens Company in which I think you invested $5,000. And at first the White House claimed you lost money on it, but later you put out a document showing you actually made $6,000 on it and didn't close it until a few months after Chelsea was born.

MRS. CLINTON: That's right. I'm glad you asked that because I really want to clarify it. I think there's been a lot of confusion. There were two accounts. The first account -- the one that I was just talking about -- was the REFCO account. I traded in that from October '78 to July of '79, when I found out I was pregnant, and I stopped trading. Now, I closed that account for good in October of '79, and I took some of the money that I had made and put it into an account at Stephens. And at that point, I made that a discretionary account. My REFCO account was a nondiscretionary account, which meant that I had to approve and give the go-ahead for every trade.

In the discretionary account at Stephens, my broker made most of the decisions, and I think did a good job for me. He diversified the money that I gave him and put it into money market and stocks and bonds and $5,000 into some commodities.

Now, what happened then is, in retrospect as I've been able to reconstruct it now, is that my broker made these decisions; he checked with me maybe a couple of times a month, but because it was discretionary, he did not have to get my approval. So money would be moved from one investment to another investment. And during the course of the time between October of '79 and probably May of 1980, he had me in and out of three different commodity accounts in

much smaller numbers than what I had been in charge of doing in my REFCO account.

In February of 1980, my daughter was born -- at the very end of the month. And I remember talking to my broker sometime after that and said, I just want to get out of commodities altogether. I don't ever want to have to worry about it. So he got me out of the positions that I had been in, so that by May, I was no longer doing any kind of commodity trading in the Stephens account. Now, what happened, though, is that he took the money that I now know I made -- I really didn't think I'd made any money in commodities -- and he bought some stock and he did some other things for me.

Now, in the fall of 1980, my husband lost his election, we moved. So by 1981, when I gathered all my documents together to give to my accountant, I had a year-end statement from Stephens which did not report anything about commodities; I had a year-end statement from the Peavey Brokerage Company which reported a lose; and I had no year-end statement from either Clayton or the company called ACLI. So I think what happened is we bundled all of the documents we had -- because I took all of the reports that I had, gave them to the accountant -- and I believe that in the absence of a year-end statement, the accountant and my husband and I missed the fact that we had actually made some money in the ACLI account.

Q You didn't remember the profit?

MRS. CLINTON: No, I did not remember that profit. I did not. And, in fact, as you said, when some people looking at the records for me began looking at it originally, they looked at the records, and they thought I'd had a $5,000 loss. And they came to me and said, we think you had a loss which you didn't report. And I said, I just don't remember. I thought I basically got out with what I put in. And then they went back and relooked at it again with more accountants and they came up with the gain. So it was hard to find, apparently.

Q With regard to the REFCO account, just how did the procedure go? Did Mr. Blair basically recommend to you the transactions which you either said yes or no to? Or was it based more on knowledge that you had gained, as some of your staff have suggested, from reading the papers or whatever? What happened?

MRS. CLINTON: Well, Brit, it was primarily Jim's suggestions. But I also did try to educate myself. I did try to read some things. He actually gave me a few documents to read -- because he had this theory that because of the economy in the early part of the 1970s, a lot of cattle herds had been liquidated so that there was going to be a big opportunity to make money in the late '70s; and he gave me things to read about that. And I did occasionally read publications like the Journal and others and I tried to educate myself because I took the responsibility seriously. But I relied primarily on his advice because he really spent an enormous amount of time studying the market and talking to many more people than I ever could have -- people who ran feed lots or bought beef for large supermarket chains.

So he would talk to me and he would say, here's what I think is going on; what do you think? Now, I did not make every trade he recommended. And certainly, by July, when I began to get nervous about it, I stopped taking his recommendations because I just couldn't bear the risk anymore.

Q Did it concern you at the time that because of his position with the company that he represented, that there was an ethical question raised by your accepting this level of assistance in a financial matter from him?

MRS. CLINTON: No, it did not. And the reason it didn't is that he and his wife are among our very best friends. My husband preformed their marriage ceremony. I was the "best person" at the wedding. We are very close friends. And I've found it a little bit surprising that anyone would suggest that, because in 1980, right during the time that this was all going on, when my husband ran for reelection, Tyson supported his opponent. So there's really no basis for suggesting it was anything other than what it was, which was a friend who made a suggestion not just to me, but to a number of people, which I think was very fortunate for me.

Q Mrs. Clinton, you've said that there was no preferential treatment in all of this. The records indicated that your account was short of money at various points. Were there margin calls? And did you meet any of those calls? And were you aware at any time that REFCO was coordinating trades to drive prices up or down?

MRS. CLINTON: No, I was not aware of that, Andrea. I was told that after I stopped trading some months later. And I know there were lawsuits filed alleging that. I don't think any of that was ever proved, at least that I'm aware of.

When my position was under margin, I would either close out my position or use the equity that I had. And I think Mr. Melamed said, based on his review of the records, there were a couple of occasions when I was under margin. Nobody ever called and asked me for anything. They just, I guess, took the money that I had in the account and closed out the position. But that was the responsibility of the broker, and from what I know, they were doing so many trades, and there was so much volume going through that, I was a relatively small customer. I mean, it was very big money for me and my family, but it was a very small account. And I don't think they paid any attention to my particular situation.

Q Why do you think they gave you this treatment with you being such a small customer? Don't you think that was preferential treatment based upon who you were and who your husband was?

MRS. CLINTON: No, I really don't believe that. I don't think there's any evidence of that. You know, from what I know about commodity trading, and what I know about the cattle market during that period of time, they were just buying and selling on a huge basis, day in and day out. And I think that they may have not gotten around to the paperwork; they may have not thought it was worth it; they may seen that I was a regular customer and that I covered my losses; that there was never an occasion when they really had to be concerned about it. I can't read their minds or speculate, but I had absolutely no reason to believe that I got any favorable treatment.

And the fact that I closed the account out and took my money, whereas the people whom I knew were much bigger traders, like Jim Blair and others, they lost money -- and why would Jim Blair try to help me get favorable treatment that he couldn't get for himself? I mean, it doesn't make any sense to me at all.

Q Mrs. Clinton, one of the things that has made all of this so controversial is the shifting accounts of what happened, because initially the White House explained that you were consulting Blair and many others and reading the Wall Street Journal, and then later, had to correct that, and we found out that Mr. Blair was, in fact, most often placing your trades for you -- phoning the trades in. Why was the account -- why did the account have to be corrected? Why was it not explained accurately the first time?

MRS. CLINTON: Well, Linda, I think it's because -- we're trying to reconstruct events of 15, 16, 17 years ago. There

are a lot of people who are trying to help, but until relatively recently, there wasn't any one person in charge of trying to get everything together and get the information as accurate as possible. I think the people in the White House did the best job they could. I think that we did the best job we could trying to remember things, and oftentimes having to search to see whether we had any records.

I mean, I don't know how many of you keep records from 1978 or '79, but we went through a lot of effort to try to see whether we had anything so we could answer questions and then make things available. Sometimes we'd find part of something; sometimes we'd then find the rest of it.

So I appreciate and understand the concern about why we would have to add information or go back and say, well, this needs to be corrected. But the fundamental facts have not changed. The fundamental facts are, as I have said, I opened an account with my money; I made the trades; it was nondiscretionary; I took the risk; I was the one who made the decision to stop trading. And I did rely on JIm Blair. I used some other advice as well, but he was my principal advisor in this.

Q But that wasn't a question of documents, that particular fact -- the fact that he was really riding the trading for you. I guess I wanted to reask that question again. Why -- that would be something you would remember or not remember without documentary support. So why was that fact not made clear? And were you essentially riding on his coattails when you traded?

MRS. CLINTON: No, I wasn't. I was riding on the money I invested. I don't know how any of you make investment decisions, but I like to listen to people I know and trust who I think know what they're doing. And he was somebody who I very much thought knew what he was doing and was more than willing to share his information not only with me, but with many people -- members of his family and other of his friends. And it was, for all of us, a decision to put ourselves basically at the mercy of the market. And as Jim Blair found out, he wasn't always right -- he lost a lot of money. And I was lucky I didn't. But that was my decision.

Q Mrs. Clinton, a number of your old friends in Little Rock -- Warren Stephens I guess is an old friend; Kurt Bradberry, Bill Bowen, people like that -- had a meeting on March 31st and they decided that, really, Arkansas is taking a beating; portrayed, in the words of one of them, as a "moral and ethical backwater," basically because people here are saying, it was done that way in Arkansas. How do you feel about what's happening down there, and what's happening to those people who feel they're being hurt by events out of their control and they feel that they're not really being -- the state is not really being defended by you and your husband? I wonder if you'd address that.

MRS. CLINTON: Well, I feel very bad about it because I think Arkansas is a wonderful place, and filled with some of the best people I've ever been privileged to know or work with. And I do think that many of the charges have been very unfair and have really lacked any historic or realistic context. I don't think it's necessary to point fingers at any other state in the Union to say that in every place there are people who have problems, and there are people who cause problems. And I think that the state of Arkansas is a place that has so much to be proud of. So I hope that we can get back to a more realistic assessment of what goes on there.

Q May I follow that?

MRS. CLINTON: Sure.

Q They've said -- specifically Bradberry and Mr. Stephens have said that to a certain extent, they feel you brought this on yourself -- the two of you -- because of campaign statements about "the decade of greed" and just things that they feel, in their words, "make it look like hypocrisy;" that you were in the go-go trading, you were trying -- as you said -- an opportunity to make money just as they were. And they felt like they had been condemned by you -- that people like that had been condemned by you during the campaign. And that now you were being shown to be doing the things you spoke against.

MRS. CLINTON: Well, Kurt and Ward have never said that to me, so I'll have to take your word for it. But I do think you raised an important question that I would like to talk about a little bit.

I was raised to believe that every person had an obligation to take care of themselves and their family. And that meant earning an income and saving and investing. I was raised by a father who had me reading the stock tables when I was a little girl, and started doing that with my daughter when she was a little girl. I don't think you'll ever find anything that my husband or I said that in any way condemns the importance of making good investments and savings; or that in any way undermines what is the heart and soul of the American economy, which is risk-taking and investing in the future.

What I think we were saying is that, like anything else, that can be taken to excess. When companies are leveraged into debt, when loans are not repaid, when pension funds are raided -- all of the things that marked the excess of the 1980s are things that we spoke out against. I think it's a pretty long stretch to say that the decisions that we made to try to create some financial security for our family and make some investments come anywhere near there.

I also think that my husband and I made different choices than to concentrate on making money during the 1980s. We obviously wanted enough financial security to send our daughter to college, and put money away for our old age, and help our parents when we could. But we were primarily interested in, as in his case, in trying to provide opportunities for people in Arkansas and make a difference in their lives. And what I tried to do, both to help him and to work on behalf of children or education reform, was what was really important to us. So I think that is something that needs to be put again into a proper perspective.

Q In USA Today, somewhat in the same vein, you were reported to have opposed a special prosecutor, at least in the beginning, and some of the release of tax documents on the basis of privacy -- that you felt you had a right to privacy. Do you think that that helped to create any impression that you were trying to hide something?

MRS. CLINTON: Yes, I do. And I think that is probably one of the things that I regret most, and one of the reasons why I wanted to do this -- because I've had to really do a lot of thinking the last couple of months. You know, again, I was raised to really believe that what was important was what you thought about yourself and how you measured up to the standards you set for yourself. And I think if my father or mother said anything to me more than a million times, it was, don't listen to what other people say, don't be guided by other people's opinions. You know, you have to live with yourself.

And I think that's good advice. I mean, I'm glad I got it as a girl growing up, and I've passed it on to my daughter. But I do think that that advice and my belief in it, combined with my sense of privacy, because I do feel like I've always been a fairly private

person leading a public life, led me to perhaps be less understanding than I needed to of both the press and the public's interest as well as right to know things about my husband and me.

So, you're right, I've always believed in a zone of privacy. And I told a friend the other day that I feel after resisting for a long time I've been rezoned. (Laughter.) And I now have a much better appreciation of what's expected, and not only what I have done, because I am extremely comfortable and confident about everything that I have done, but about my ability to communicate that clearly and to give the information that you all need.

Now, to your other question about the special counsel -- I was not the only one of my husband's advisors who questioned the idea of a special counsel. I think those of us who did were concerned about the precedent that would be set by having such an appointment made when none of the existing standards that had always been in place had been met. There was no credible allegation, all of the things that usually are required. So I was questioning of that. But the President made the decision that we needed to get on with the business he came to Washington to do and that this was an important step to take, and I respected that decision.

Q Is it true that you represented Hayden Mackelroy (phonetic) in his lawsuit against REFCO?

MRS. CLINTON: Yes.

Q -- clients in the office?

MRS. CLINTON: Yes, I was Arkansas Counsel for Mr. Mackelroy.

Q And were you aware of the allegations against the company and against the Springdale office that he raised in his testimony? I know that you'd withdrawn from the case by then, but I wondered if you were aware of his specific allegations that trades were allocated by the brokers in Chicago on the instructions of the Springdale office after the close of business each day during the time you were trading?

MRS. CLINTON: No, not while I was trading, not at all. I did become aware of it when Mr. Mackelroy decided to bring his lawsuit, but I think there's a very important distinction. Mr. Mackelroy had a discretionary account. A discretionary account could, therefore, be influenced by the decision of the broker. I did not have a discretionary account. So even if Mr. Mackelroy's concerns were to have been found to have basis, which they didn't -- he was not successful -- that wouldn't have applied to my situation in any event.

Q Mrs. Clinton, do you know anything about Mr. Foster's death? Do you know what he wanted to tell the President that he didn't get to tell him?

MRS. CLINTON: You know, I don't know that he wanted to tell the President anything. That's the first I've heard of that. My memory is that the President actually talked to Vince Monday night before he died. And when I talked with the President afterwards, he was stunned because the conversation was a very normal kind of a conversation. So I don't know --

Q I understood they made an appointment to talk not the next day, but Wednesday. And that would be the day after he died.

MRS. CLINTON: I don't know.

Q My question -- I'd like to follow up, too -- the first one has to do with Susan McDougal. She said that she brought the documents of Whitewater over to you at the Governor's Mansion. Did you receive all the documents? And, if so, what became of them?

MRS. CLINTON: I don't believe that we received all the documents in that way. Over the past several years, we have made a very deliberate effort to try to obtain documents, and every document that we have obtained has been turned over to special counsel, no matter where it came from.

Q And my follow-up has to do with the death of Mr. Foster, the way his office was sealed, and people who were in it. There's been a lot of criticism of the papers in Mr. Foster's office, that some may have been removed.

MRS. CLINTON: Well, I know there's been a lot of concern and criticism about that. I cannot speak to that in any detail, but I know that the special counsel is looking into the circumstances surrounding Mr. Foster's death. And I assume he will issue a report about that, which I hope will put all these matters to rest once and for all.

Q You said just now that you decided that $1,000 was as much as you could risk. Can you tell us what your understanding was of how much you could be at risk with the little amount of money that you and your family had then? We were told earlier that $1,000 was what you were asked to put in. And, second of all, can you give us some explanation -- given that a cattle contract at the time, just one contract, was $1,200 -- for the mystery of $5,300 that was made really in the course of one day, or at least a few days, in the first trade?

MRS. CLINTON: No, I can't. I do not remember any of those details. I've given you every record that I have about that.

The $1,000 was what I wanted to start with. And it was what I thought was a good beginning, a good investment for me. And once I had made the initial return that I did, I reinvested that. This was a roller coaster. And what I believed was that I was getting very good information and that I would end up making money. But there were a couple of days when I lost money. And I knew that I would be responsible for any losses that I suffered. But I did reinvest and I covered the losses by closing positions. And then I eventually stopped trading.

Q When you first started with the $1,000, did you believe you were putting at risk more than $1,000?

MRS. CLINTON: I believed that was certainly possible, yes.

Q Then why take such a risky investment?

MRS. CLINTON: Because I didn't think it was that big a risk because I thought that Jim and the people he was talking with knew what they were doing. And I read a letter to the editor that somebody sent me in one of your newspapers, I think, which talked about a woman who invested $1,000 during the same time and made $750,000. Well, she had a stronger stomach than I did; I couldn't do that.

Q Can I ask you one more question about the $1,000, which is why the White House is reluctant to provide that figure when the news of your commodities trading first came out?

MRS. CLINTON: Because we didn't have the records at hand yet and I didn't want somebody saying what I invested until we

could actually get the records; because I thought that somewhere, buried in some box, I had some records left. I also thought, perhaps, I had my 1978 checks left; which, apparently, I do not have. That's why.

Q Mrs. Clinton, the records you've released to us already showed that you withdrew a large amount of money -- I think like $15,000 -- from the REFCO account at one point and used -- on the same day made a $10,000 interest payment on the Whitewater investment, which would have reduced your tax liability. Was that the reason that was done?

MRS. CLINTON: I don't have any memory of that, Gwen. I'm not saying it was; I just don't have any memory. There would have been nothing wrong with it -- it was my money -- but I don't have any memory of that.

Q I'm not saying there's anything wrong with it, but your intention in making this investment was not to offset some of the liability for the Whitewater real estate investment?

MRS. CLINTON: No, I mean, we went into Whitewater to make money, not to lose it. The embarrassing thing to me is that we ended up losing money and it keeps being beaten like the deadest horse there is, over and over again.

But in '78, '79 and '80, we were still hopeful that we were going to make money on our investment in North Arkansas. And the payments we were making, which were to service the loans primarily, we knew we would have to do as part of our obligations under the joint and individual liability we had for the mortgage.

But when the 1980s began, and real estate just took such a nosedive in Arkansas, I thought then -- and I think the President did, too -- that it was going to be very hard. But we had to hang on because we couldn't get off the mortgage. We had signed -- all four of us were individually responsible. If all the others had had some terrible accident, the one remaining would have been absolutely responsible for the entire debt.

And so it was a situation we got into with the belief that it would be a good investment and one that was, frankly, for us a passive investment; because up until then, if you had a little retirement community or retirement land in north Arkansas, people from the Midwest and South would buy the lots as fast as they could get them. And we didn't have anything to do with the operation or management of it; we just basically thought that eventually the payments by the owners of the lots would begin to pay us back and make a profit. And that never happened.

Q The Whitewater Development was set up, as you say, as a 50-50 partnership between the Clintons and the McDougals, meaning that you were liable for 50 percent of the losses or --

MRS. CLINTON: No --

Q -- 50 percent of the gains. And yet, by your own accounting, you lost half or even maybe a third of what the McDougals lost. This is according to the Lyons report. Doesn't that discrepancy represent some sort of gift or gratuity?

MRS. CLINTON: No. And let me say that, yes, the ownership of the corporation was 50-50. The liability on the underlying debt was 100 percent for each one of us. I mean, there was no gift in that. When my husband and I signed that mortgage, and when we resigned guarantees, we assumed the whole responsibility. I mean, if Jim had gone into bankruptcy early on, if Susan had left, we

would not have only 50 percent of the obligation, we would have 100 percent of the obligation.

Q But why was it that the McDougals lost so much more money than you did? I don't understand that.

MRS. CLINTON: I can't answer that. We gave whatever money we were requested to give by Jim McDougal. He was the one who would say, here's what you owe on interest; here's what your contribution should be. We did whatever he asked us. We saw no records. We saw no documents. He was someone that my husband had known a very long time. He was someone who had been in real estate business with many people we knew, including Senator Fulbright. And we just assumed that whatever he needed he would ask for. And we didn't have any information to the contrary.

Q -- given that you were jointly in separately liable for all the debt and that you and your husband are both lawyers, that you would be so passive about a fairly substantial investment.

MRS. CLINTON: We were not real estate developers, and Jim had a track record. And I wasn't a cattle expert. I trusted Jim Blair, and it worked out for me. And I wasn't a real estate expert, and we lost money. Those things happen.

Q Just to get back to Linda's earlier question, one of the things that has been driving this is either the lack of explanations or the shifting explanations. And in terms of the way that your commodities trading was first described -- that you did the trades, you relied on some advice from Mr. Blair -- later it was revealed that Mr. Blair placed most of the trades, if not all of them. Can you explain what happened? Did you have a new recollection?

MRS. CLINTON: No.

Q Why the shift?

MRS. CLINTON: Well, if you just listen to what you said -- I did the trades. They were my trades. I was responsible for them. But I did them on the advice of Jim Blair, and very often he placed them for me. I'm not in any way excusing any confusion that we have created. I think we have created it because I don't think that we gave enough time or focused enough. I've been traveling, and I'm more committed to health care than anything else I do. I probably did not spend enough time, get as precise.

Different people heard different things that I said, or by the time it got passed to the third or fourth person, or one member of the press would call somebody in the White House, but somebody else would call another person -- so I think that the confusion was our responsibility. We did not give you a focused place to come, and we did not spend the time necessary.

There's not really a contradiction in what you said and what I said. But I can understand how somebody might assume that.

Q Now that we're clearing up a lot of confusions, I'll ask you about one other thing that I've had problems with. During the campaign, I think it was right after the primary debate between Jerry Brown and your husband, you made a statement in, I think, a Chicago restaurant that you never did any regulatory work for Madison Guarantee. When the letter went to Beverly Bassett Shafer (phonetic) about perhaps the legality of offering preferred stock, your name was at the bottom at that letter.

MRS. CLINTON: Right.

Q Could you explain that?

MRS. CLINTON: Yes, I'm glad you asked that because that's another thing that I feel has gotten quite confused in the telling. And let me just try to describe what happened there.

When, in 1985, I believe, maybe '86, there was an effort made on the part of various financial institutions around the country to increase their capital net worth. They began looking for ways to do that. There was a very bright, young associate in our law firm who had a relationship with one of the officers at Madison, a young man whom he had known. They began talking. And if you'll remember what happened when the S&Ls were deregulated, many states were left wholly unprepared. They did not have a regulatory system in place; they didn't even really have good laws. And all of a sudden, there was no federal regulation to speak of, and so people were asking state governments whether things could be done.

Those two young men thought that it would be legal under Arkansas law for a savings & loan to issue preferred stock. But there was absolutely no law on that, and so they couldn't be sure. But they decided that what they wanted to do was to ask the person who regulated savings & loans whether it was legal. Not if Madison could do it, that was the second step. The first step is, could you even do it in Arkansas whether you were A, B or C, not just Madison.

When they talked about doing that, the young attorney in question needed a partner to serve as his backstop, and that was one of the rules we had in our firm. He knew that I knew Jim McDougal. He also knew that Jim had been a client of our firm in the past. This was not a new representation. So he came to me and asked me if I would talk with Jim to whether or not Jim would let the lawyer and the officer go forward on this project. I did that, and I arranged that the firm would be paid a $2,000 a month retainer. And that was ordinary and customary. That would be billed against -- unlike retainers of some really big law firms that if you pay the retainer they keep it no matter they do any work for you, this was really an advance against billing

That was arranged. The young attorney, the young bank officer, did all the work. And the letter was sent, but because I was what you call the billing attorney -- in other words, I had to send the bill to get the payment made -- my name was put on the bottom of the letter. It was not an area that I practiced in; it was not an area that I really know anything to speak of about.

At that point, the regulatory authorities, namely Beverly Bassett Shafer (phonetic), answered the legal question. And the legal question was, yes, it is permissible under Arkansas law to issue this preferred stock. Then the question moved on to the second phase, in which I had no involvement that I have any memory of or anyone that I've talked with -- that was trying to determine whether Madison could go forward. And I think that the securities commissioner acted absolutely appropriately. She answered the legal question -- yes, it is legal to do this. But as to Madison, she laid out conditions that had to be met -- for Madison to do it -- and Madison could never meet those conditions, and so they never issued preferred stock. So the legal question was answered, but Madison got no benefit at all from the answer of that legal question.

Q Can you clarify for us what documents were removed from Vince Foster's office after he died? And why they were there in the first place?

MRS. CLINTON: Mike, I can tell you what I know, which is that I did not know that Vince had any of the documents related to our personal business in his office until after his death. What I believe he was doing with them was serving as a coordinator among our

private lawyers and accountants and certain government officials, like the Office of Government Ethics, with respect primarily to our blind trust; because there were all these questions that had to be answered, and he was kind of the coordinator. The private lawyers would talk to him, and the Office of Government Ethics people would talk to him. I think that's why he had any documents of a personal nature in his office at the time of his death.

Q And to follow, why did your Chief of Staff, Maggie Williams, why was she among those who removed these documents from his office --

MRS. CLINTON: I don't think that she did remove any documents. I think that what happened is that after Mr. Nussbaum reviewed the documents, and after he did so, as I recall -- I was not here, I was in Arkansas, but I believe that that was done in the presence of officials from the Park Police and maybe some other agencies. Then Mr. Nussbaum distributed the files according to whom he thought should have them. There were files related to ongoing work in the counsel's office that needed to be passed on to other lawyers. There were personal files of Vince's that needed to go to his family. And there were these personal files of ours that went to our lawyer.

Q I'm wondering -- another question about this rezoning of your private and public lives -- I'm wondering what kind of a toll, if any, this has taken on your and the President's personal and political lives. And do you ever look in the mirror and wish that you just never got into this?

MRS. CLINTON: No, never, never. Some days are better than other days. I think what has helped me in the last couple of weeks, aside from some good friends who have talked to me and helped me get rezoned, if you will, is my belief that this is really a result of our inexperience in Washington, if you will; that I really did not fully understand everything that I wish now I had known. And it's a learning experience -- sometimes a difficult one, but I think one that both the President are anxious to do because we think that the reason he was elected was to deal with the big issues that we want the country to deal with.

And so it is a little disappointing if we in any way contribute to a diversion from that. And that's something that I don't want to have happen in the future, and I'm certainly going to try to be more sensitive to what you all need and what we need to give you, and do it in a more efficient and effective way the first time. Because, as I said earlier, I feel very confident about how this will all turn out. This is not a long-term problem or issue in any way, but I don't want anybody to have the wrong impressions of either of us. And I don't want anything to interfere with doing what the people of this country need done.

Q -- spoken -- the politics of personal destruction. Who do you believe are the main perpetrators of that?

MRS. CLINTON: I don't want to get into that. I don't think that that bears any real useful discussion. I think that what's important is for us, not just the President and me, but the entire administration, to keep focused on what really will stand the test of history, and what we really are trying to do for the country. And I can't really help it if some people get up every day wanting to destroy instead of build, or wanting to undermine. That's something that I try not to think about or dwell on and try to do what I'm expected to do, which for me is working on health care.

Q (Inaudible.)

MRS. CLINTON: How does my husband ever make these choices? These are hard choices.

Q When was your last conversation with Vince Foster? And what was your understanding of the state of his mind?

MRS. CLINTON: I've thought about that so many times. I don't think I had any conversation with him for at least three weeks before he died, because we left for Tokyo somewhere around the 4th of July, is my best memory. And for about a week before that, I was very preoccupied with getting ready for the trip and doing the things you have to do. So I don't have any memory of having talked to Vince, and I never talked to him during the time that I was gone.

And, like every one of our friends, we've relived everything that happened or didn't happen -- the people who talked to him, the people who spent time with him, they question whether they said the right thing or whether they could have done something else. The fact that I didn't talk to him makes me wonder whether if I had called him, I could have picked up a clue. I just don't have any way of knowing.

Q Supposedly, he had been in depression -- or so we're told -- for a considerable period of time. Were you ever aware of that? Did you have any clue of what was going on?

MRS. CLINTON: No, and neither did people who spent the weekend with him, or saw him in the office that day. One of the things that I've spent a lot of time doing in the last months is trying to educate myself about depression. And my good friend, Tipper Gore, has been a great help on that, as have the people she's worked with on mental health issues. And I just hope that we get over the stigma that is still often attached to people admitting they need help or that they can't understand what's happening to them. I have no doubt now, in retrospect, and many of my friends now can reconstruct conversations or things they saw in Vince in those last weeks, but they didn't know, they didn't understand. And he didn't either feel comfortable or know himself.

So maybe out of all of this tragedy and the aftermath, all of the speculation -- maybe once we put to rest once and for all the fact that he committed suicide and that it was a tragic loss of one of the best people we've ever known, maybe it can do something to help other people understand what depression can do to you.

Q What was your personal reaction when you learned that Jay Stephens would be representing the RTC in a case against Madison?

MRS. CLINTON: My personal reaction?

Q How did you feel about the fairness of that decision by the RTC to hire him?

MRS. CLINTON: Well, I didn't understand it. But I don't know Mr. Stephens, and I assume he will be a very fair and judicious lawyer. I guess that's what I would expect.

Q You're not concerned about his being a Republican appointee and a U.S. Attorney appointed by President Bush?

MRS. CLINTON: Not if he abides by the code of professional ethics and does his job professionally, I'm not -- and you all keep an eye on him. (Laughter.)

Q Do you think, with the benefit of hindsight, that it was improper for you and your law firm to represent the federal government against a family friend, Dan Lassiter (phonetic), and

against accountants for Madison S&L without fully disclosing that you had been business partners with Mr. MacDougal?

MRS. CLINTON: Well, I don't know what was disclosed and what wasn't. Those were not my cases. Those were cases that came to the firm to other lawyers. I've been told that things were disclosed quite extensively. And certainly, in Arkansas, most things are known; and the relationship with Mr. MacDougal, the fact that Mr. Lassiter (phonetic) made campaign contributions to my husband, was certainly well-known.

In both of those instances, I don't think I had anything to do at all with the representation against Madison on behalf of the federal government -- at least I have absolutely no memory of having done anything on that case.

With respect to the Lassiter (phonetic) case, I think out of that entire case, I worked two hours as a favor to one of the lawyers who was out of town who asked me to review a pleading. And I have specifically inquired whether there was any ethical conflict with respect to that, and have been assured there was not. He was not a client that we had any obligation to. Thousands and thousands of people contributed to my husband -- that is not considered disqualification -- we were not personal friends or social friends. So I don't see any basis for saying that my work for him or against him, as limited as it was, amounted to any kind of conflict.

Q The real stumbling -- was four to six weeks ago; and Whitewater has subsided off the front page in the past couple of weeks. Why today? What's changed in the past couple of days that has made you want to come out here?

MRS. CLINTON: Nothing changed, really, except, I said, Helen spoke, so I heard that. But I just -- maybe I'm slow in kind of picking up subtle and not-so-subtle messages. But for me it was an evolutionary process. I really did -- and I see now how mistaken I was -- but I really did believe that every time I went anywhere in the country, I would have press availabilities. I would always answer the press's questions. Sometimes they'd have to wait -- Linda had to wait a long time when I finished doing local interviews and radio interviews in St. Louis; and some of the others of you have been in barns with me and other places like that; you sometimes have to wait. But I always said, are there any questions from the press? And sometimes I'd be asked Whitewater questions, sometimes not. Every time I did satellite feeds to local TV stations, I'd answer the questions.

So I really was under the misimpression that if I answered them in Rochester or I answered them in St. Louis or somewhere else, that should be enough. And I just didn't understand enough about being accessible to all of you or being accessible in Washington. And so I came to that realization, and that's why I'm here.

Q It's not just the press that has questions -- sometimes American citizens who talk to your husband at town meetings will. And one young woman in Charlotte asked him a question I'd like to pose to you. She said that in the recent news reports about the First Lady's cattle future earnings and all these Whitewater allegations, many of us Americans are having a hard time with your credibility. How can you earn our trust back? Is there a fundamental distrust of the Clintons in America?

MRS. CLINTON: Well, I hope not. That would be something that I would regret very much. I do think that we are transition figures, if you will. We don't fit easily into a lot of preexisting categories. And let me speak just about myself. I came to this role, having worked my entire life. I started working in the

summers when I was 13. I always worked -- I worked through college; I worked through law school. That's what I did. And after I married, I continued to work. And after my daughter was born, with the exception of the four months I took off for maternity leave, I worked.

Now, I took time off from work to do volunteer work -- like I took a long time off from my law firm work to work on education reform; or I would take time off to work on my husband's campaigns; or I would be in Washington on the Children's Defense Fund. I would certainly take a lot of time, but I was fundamentally working. And I think that having been independent, having made decisions, it's a little difficult for us as a country maybe to make the transition of having a woman like many of the women in this room sitting in this house.

So I think that the standards or to some extent, the expectations or the demands have changed. And I'm trying to find my way through it and trying to figure out how best to be true to myself, and how to fulfill my responsibilities to my husband and my daughter and the country. So I do think that there is some of that.

And then, additionally, as I have said earlier, I think that my fundamental belief in privacy and my feeling that we were being asked things and demands were being placed on us that had never been demanded of prior inhabitants of this house -- unprecedented, in Arthur Schlessinger's words -- didn't make sense to me. I couldn't quite figure it out. And I resisted that. And I think I resisted it in ways that may have raised more questions than they answered. And I just don't think that was a very useful road for me to go down. And I'm trying now to better understand how to fit my personal needs and my own personal beliefs, and what I want to do with this role for the country, and the contribution I want to make into a broader context so that I can be as forthcoming and accessible as you need me to be.

Q On the subject of health care reform, two of the most controversial elements of the White House plan is the employer mandate and the mandatory health alliances. Do those two elements absolutely have to be in a final package in order for the President to sign it?

MRS. CLINTON: The President has made clear for many months that the bottom line is guaranteed insurance coverage for every American -- sometimes called universal coverage. And that really is the bottom line. Now, there isn't any way that we can think of to get there without either raising taxes or having some combination of employer and employee contribution. And we favor the employer-employee contribution. We think that is fairer, it is more familiar to Americans. It is how they now -- we now -- get our insurance. So we believe that the employer-employee responsibility is the right way to go.

Now, if the Congress, as it is now doing, is looking at alternatives, comes up with another way to do it that they believe will work and can get a majority, we're certainly going to look at that.

And the reason behind the alliances is to pool purchasing power among all of us -- small businesspeople and families, farmers, everybody -- so that we can get the lowest possible cost for insurance. But it is also to ensure that everybody gets the same affordable health care -- it's what's called community rating. And we want to be sure that we can enforce community rating.

Again, if the Congress has a different way of doing it, we are going to be open and responsive to that. But those are the

functions we want to perform -- financing universal coverage fairly and affordably and making sure that community rating is in place.

Q -- suggested a broad-based tax as one means of funding health care reform beyond just the employer contribution alone. What would the White House view be of that?

MRS. CLINTON: We're not going to comment on the congressional process while it's going on. We're encouraging every committee to be as careful and innovative as they can be to come up with solutions to the health care crisis. So we want the Congress to work.

Q Federal regulators have noted that in the mid-1980s, when Whitewater wasn't generating much in the way of income, the mortgage -- and you folks weren't putting too much money in -- the mortgage still was paid. And the question was raised in a memo from one regulator to her boss, shouldn't they have wondered, shouldn't they have known? Can you take us through your thought processes or contacts with the MacDougals of Whitewater during that period of time?

MRS. CLINTON: I really don't have anything to add specifically to that, because I'm not sure exactly what you're referring to. As far as I know, Madison always made it's required regulatory reports. And as far as I know, we always put in whatever money we were requested to put in.

One of the reasons why I'm now glad we have a special counsel is that I think we will, once and for all, whenever he issues his report, know exactly what everybody did. And I can't speak for anybody else besides my husband and me.

Q Do you expect to give testimony to Congress or to the grand jury or anything on your activities in Whitewater?

MRS. CLINTON: I don't know, but we will fully cooperate as appropriate with whatever we're requested to do.

Q One of the things that Congress will looking at when it begins the hearing, and one of the first reports expected out of the special prosecutor, is the possibility of any evidence leading toward obstruction of justice. Do you have -- can you tell us what you're Chief of Staff, Margaret Williams, and your Press Secretary, Lisa Caputo, told you back in the fall? And what you told them about the meetings with federal regulators?

MRS. CLINTON: Nothing. And I don't know what their testimony is, so I can't comment on that.

Q Is there any reason for any -- is there evidence, whatsoever, to lead anyone to suspect there's any obstruction of justice involved, or that the White House said anything that would lead the people to call off their investigation or to think about it?

MRS. CLINTON: Not that I'm aware of, no.

Q Mrs. Clinton, can you tell us what you know about stories about shredding of Whitewater documents down in Arkansas?

MRS. CLINTON: Nothing.

Q Particularly at the gubernatorial mansion?

MRS. CLINTON: Oh, that didn't happen. And I know nothing about any other such stories.

Q You know nothing about documents relating to Whitewater ever shredded anywhere that you know about or authorized or didn't authorize?

MRS. CLINTON: Absolutely not.

Q Mrs. Clinton, following up on the RTC question, the memorandum reported in The New York Times from the investigator in Kansas City, says that Mr. McDougal kited checks and that the funds benefitted Whitewater partners who knew that Whitewater was not cash flowing and that notes for mortgages still were being paid.

Congressman Leach still says that he's convinced, he has no doubt whatsoever, that dollars were diverted from Madison into Whitewater and used to pay the personal loans of the then-Governor, of Mr. Clinton.

Are you convinced that no monies from Mr. McDougal or any of his related companies paid any obligations of yours or your husband's?

MRS. CLINTON: I know of nothing to support that. And I think we should wait and see what all the facts are because, you know, I just want to reiterate that we didn't even see any documents until late in the 1980s -- probably late '88 or '89. And so, I just don't have any way of telling you what went on from '78 to '88 or '89.

Now, I think we ought to wait until somebody who is a credible fact-finder, like the special counsel, look at everything and tells all of us at the same time what happened when, because we don't have any independent information to provide.

Q If I could just follow up -- the suggestion in the RTC memorandum is that the investors, presumably including you and your husband, knew or should have known that Whitewater was not cash flowing and that notes that should have been paid, whether Mr. McDougal asked you to pay them or not.

MRS. CLINTON: Well, shoulda, coulda, woulda -- we didn't. And the only thing I can say to that is when I was asked in late '88 or early '89 by the realtor who handled the sales in north Arkansas to help him, because neither Jim nor Susan McDougal were available any longer, we tried as best we could to do things like pay the taxes. And when owners of lots didn't fulfill their obligations, to try to resell the property -- things that were largely administrative at that point in time. And the fact is that by 1992, the loan was paid off. So I really don't know what that means.

Q Given what you been through, do you have any greater appreciation of what Richard Nixon might have been going through back in '74? (Laughter.) And what are your thoughts about him? How do you think history will judge him?

MRS. CLINTON: Well, I don't know that it's time to start talking like that yet. I think that -- what I think we ought to be doing is praying for President Nixon. And from my perspective, you know, it was a year ago April that my father died at the age of 81. And so, you know, I'm just mostly thinking about his daughters right now.

Q Mrs. Clinton, you have said that when you were at the Rose Law Firm, you didn't share in any of the profits that the firm earned from its representation of state agencies. When did you begin that practice? And did that also include any profits from the firm's facilitating the sale of bonds with the Arkansas Development and Finance Authority?

MRS. CLINTON: I don't remember the exact year, but I made the decision not to share in the profits around the time I became a partner from any representation of state agencies -- anything that could be considered tax money.

For a couple of years, I did share in the benefits from bond underwriting. And then I decided I shouldn't even do that, so I paid the firm back. And from that point in time I did not share in either fees from state agencies or fees generated by any kind of bond underwriting at all.

Q And did you have any part of the $2,000 a month retainer? Did you share in that, in any of that?

MRS. CLINTON: You know, I might have to a very minimal amount for whatever little bit I did on that. But at the end of about a year, I believe, we were no longer representing Madison because, as I explained, they were not going to get to issue preferred stock. They could not do it because of the conditions that Beverly Bassett Shafer (phonetic) had imposed.

So, in fact, we returned money to Madison. I remember writing and signing the letter to Jim McDougal saying we have fulfilled the work we have done for you; we are still holding some of your retainer; there doesn't appear to be any continuing work to be billed against it. So I sent him a check back.

Q Mrs. Clinton, what do you account for the decline in the support of the Clinton health plan? Do you think that the suspicions and questions which have come out of these matters has spilled over on that and affected people's ideas about just how honestly and efficiently government can deal with life or death?

MRS. CLINTON: Mary, I think that's a real important question. I do believe that some of the opponents of health care have certainly tried to use Whitewater as a proxy for their opposition to health care. I think that in the last several days, some of the leading opponents of health care have even said things which seem to suggest that.

I find that very regrettable. I mean, if someone wants to argue about the future of health care in our country, I think the debate ought to be about health care. And I have absolutely no problem with someone saying, I don't like alliances, or I think we ought to have a different benefits package. That's what I believe democratic debate ought to be about. But I do think that some have tried to use this to undermine support for health care.

On the other hand, there has been continuing concern about the health care plan, if you go back and look at the very first time it was introduced back in the fall, because this is big issue; and I think people want to be sure we get it right. But every time you ask the specific questions about what is it people want, I think you can get a pretty good idea of where they want us to go. I mean, people do want health security, and they do want guaranteed benefits.

And the big majority of Americans think the right way to do it is through the workplace, with employer-employee contributions. And I think people want Medicare preserved and improved with prescription drugs and long-term care. And they certainly want to outlaw the insurance practices that discriminate against people with preexisting conditions and impose lifetime limits. And they want to preserve choice of doctor and choice of health plan.

So if you take the elements of the President's plan, and if you look at the polling data that I have, you sometimes get these contradictory results where, if you say to people, do you support the President's plan, they think about the last ad they've seen; or maybe

they've gotten one of these incredible direct mail letters that the sky is falling. It's really just stuff that's been recycled from the fight against Medicare, just new names and new addresses. But when you get to the specifics, there are majorities of Americans for most of the specifics. And I think that's what the Congress is sorting out right now.

So I'm not surprised, and I'm not in any way concerned that we're at this point in the process. I think this is where we would likely be as we're dealing with one of the most important social issues in our country's history.

Thank you very much.

Q Can we do this again --

MRS. CLINTON: Well, you know what? Let me say, one of the things that I didn't mention that influenced me is, a friend of mine gave me a thesis the other day -- gosh, I think it was like Tuesday or Wednesday -- about Eleanor Roosevelt's press conferences. She had 340 press conferences, right -- 340 press conferences during the time.

Q You're my tenth president's First Lady.

Q Will you be doing it, Mrs. Clinton? Will you be doing it --

MRS. CLINTON: Yeah, I think it sounds like fun.

THE PRESS: Thank you.

END 4:45 P.M. EDT

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AHN Plain Talk kolm for 4/1/94

Hillary hit it rich: Excess or success?

(Italics) *Fortune favors the bold.*

. . .Virgil, Roman poet and author

(Space)

So now we know Hillary Rodham Clinton is guilty -- of trying to get rich.

When the White House this week revealed that 15 years ago Hillary turned a personal investment of $1,000 into nearly $100,000 in a couple of years in the stock market, her critics tried to make a big, bad deal of it.

Greed and excess, they called it. Success, I call it.

She gambled boldly and won. That should make her the envy of all gamblers. Including these stock market players by latest count (1990):

- 30.2 million adult males.
- 17.8 million females.

Most of them are more conservative than was Hillary in her commodities trading. But all are gambling to make money.

Actually, Hillary's high-risk, high-reward adventures were more like the plunge that many millions take by playing the lottery looking for lady luck. That latest count (1990):

- 82 million men.
- 68 million women.

Political enemies and pundits are riding the wrong horse when they hound Hillary for making money. That's nearly everybody's goal.

Most Hillary–haters actually are hot over her husband putting her in charge of health care reforms. Her qualifications for that role may be arguable.

But her proven financial foresightedness clearly qualifies her for an even bigger job. If I were President, I'd name Hillary Secretary of the Treasury.

# # #

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510-6075

May 4, 1994

Mrs. Hillary Rodham Clinton
The White House
Washington, D.C. 20500

Dear Mrs. Clinton:

As members of the Senate Banking Committee, we were very impressed by your willingness to answer questions regarding Whitewater and other related issues during your recent press conference.

We, along with our staffs, have recently been looking at many of the issues raised during the press conference -- including your commodities trading. Although you undertook the commendable task of making available all of the records in your possession relating to your commodities trading, as you have noted, the records are incomplete. In order to obtain a clearer picture of the events surrounding your commodities trading activities, we requested records relating to your accounts at Refco and Stephens, Inc. from the Chicago Mercantile Exchange.

The exchange indicated that many, if not all, of these records exist. However, the exchange believes it would not be appropriate, under their confidentiality responsibilities to their customers, to release the records without a subpoena. The President of the exchange, John Sandner, has been quoted in the press as saying: "We take our responsibility very seriously to protect the privacy of our . . . customer records . . . ."

While we can appreciate the exchange's concerns about the protection of confidential trading records, these concerns could be alleviated if a customer agreed to the release of such information. Accordingly, it would be very helpful to Congressional investigative efforts if the Senate Banking Committee could obtain these records.

You expressed in your press conference an unqualified willingness to cooperate fully with hearings or testimony regarding the Whitewater matter. Accordingly, we seek your cooperation and ask that you authorize the Chicago

Mercantile Exchange to release the records of your commodities trading activities as quickly as possible.

Mrs. Clinton, your assistance is critically important to the fair and expeditious resolution of the questions which have arisen regarding your commodities trading. We believe that only with your help can the matter be resolved promptly.

Respectfully yours,

Phil Gramm

Alfonse D'Amato

Connie Mack

Christopher Bond

Robert Bennett

Lauch Faircloth

William Roth

Pete Domenici

Lawyer Placed Hillary Clinton's Commodity Trades, White House Says

By Sharon LaFraniere
and Charles R. Babcock
Washington Post Staff Writers

The White House acknowledged yesterday that Arkansas lawyer James B. Blair placed most of the orders for the trades of cattle futures that earned Hillary Rodham Clinton nearly $100,000 profit in the late 1970s.

A White House official continued to maintain that Clinton made her own decisions on how to trade. But he said she would discuss it with Blair, who would then pass an order on to the broker, even though the broker was only supposed to take orders from Clinton. Previously, the White House has described Blair simply as an important adviser but has not explained how Clinton carried out her trading.

During most of the 10 months that Clinton traded cattle futures, Blair was outside counsel for Tyson Foods Co., Arkansas' biggest employer, and she was the governor's wife. Although she made a huge profit on her initial $1,000 investment, she was not a passionate trader who kept up with every move of the market. Blair was.

According to his testimony in three lawsuits against the commodity brokerage firm of Ray E. Friedman & Co., also known as Refco, Blair kept a special computer devoted to analyzing and charting market averages over four-day, nine-day and 18-day periods. He had a "quote" machine in the back of his desk that enabled him to watch the market "tick by tick." He had phones in his car and airplane so he could call in his trades at just the right moment.

Blair also was privy to a daily 2:30 p.m. conference call, broadcast over the speaker phone at Refco's Springdale, Ark., office. On the line were key figures in the cattle business—buyers, feedlot operators, a Chicago pit trader, Refco brokers and sometimes Refco President Thomas Dittmer. Blair called them "the best cattle market group of traders that was ever put together." While he listened, they shared their predictions of what the market would do the next day, Blair testified.

Blair had good reason to keep up. He risked huge sums, making as much as $515,000 in one day and hoping to clear $2 million the next, he testified. He claimed in a lawsuit against Refco that his family ultimately lost $15 million. Like other customers, Blair claimed that Refco's Dittmer tricked his brokers into making trades that manipulated cattle prices for his own benefit, allegations that Dittmer denied.

According to the White House official, Blair passed on trade orders for about a dozen other people besides Clinton, including members of his family. The fact that he was allowed to do so reflects the loose attitude of the Springdale office and its head broker, Robert L. "Red" Bone, toward adhering to trading rules.

Bone was disciplined for violations three times—in 1977, 1979 and 1981—by the Chicago Mercantile Exchange and the Commodity Futures Trading Commission. In December 1979, about two months after Clinton closed her account, the CME suspended him for three years for violating rules on how records should be kept, how orders should be placed and how much money customers had to keep on deposit—called margin requirements—to make certain trades.

Because Clinton was the only one authorized to trade her account, Bone technically violated trading regulations by taking her orders from Blair, according to Leo Melamed, the former chairman of the Chicago Mercantile Exchange. Melamed reviewed Clinton's trading records at the request of the White House.

In one lawsuit against Refco, Blair testified that Bone and the other Springdale brokers cared little who had the actual authority to trade an account. Although Blair was the only one authorized to trade his account, he said, Bone "sometimes did it without consulting me." One Arkansas banker testified he found out Bone had purchased 200 cattle future contracts on his behalf only when Refco mailed him a statement.

Bone also apparently allowed Clinton to get by without as much money in her account as the rules required for the value of the contracts she was trading. But that was a common practice in the office, according to testimony in lawsuits against Refco. Stephen Johns, a broker in the office, testified, "At the time, we let everybody exceed the margins." Another broker testified that he was allowed to keep his own account open even though he was short hundreds of thousands of dollars.

At the end of June 1979, Clinton held 65 cattle contracts, representing $1.8 million worth of cattle. According to officials with the Chicago Mercantile Exchange, she should have had $63,000 in her account at the time as a deposit. She had but $56,466, and her records do not show she put in any cash to increase her account balance.

By July 12, prices had moved against her and she should have been asked to come up with more than $20,000 to keep control of her contracts, records show. That same day, Refco liquidated the account of another customer whose account fell below the required amount, court records show. A week later, prices turned again, and Clinton was able to liquidate her contracts at a profit.

Whether she could have done as well as she did without Blair's help is a matter of debate. Johns, the former Refco broker, said in an interview, "A lot of people started with very small amounts of money and turned it into large sums. Taxi cab drivers. Shoe clerks."

But another former broker in that office, who asked not to be identified, said that if Clinton had been armed with just the Wall Street Journal, she "wouldn't have made a dime." John Damgard, president of the Futures Industry Association, said: "The average Joe who puts up $1,000 has no business in our markets, because he's at such a big disadvantage."

When Blair encouraged his friend Clinton to open an account in October 1978, he was convinced that he was onto a good thing. He had opened his own account seven months earlier after meeting Bone, who he said, "convinced me they knew more about the cattle market than anybody alive and that they had inside information about the cattle market and there was a great fortune to be made in the cattle."

By that October, Blair was a major trader, paying about $50,000 a month to his brokers in commissions. Blair said Refco sent a Lear jet to fly him to Las Vegas for the firm's annual meeting, where Dittmer announced that the firm had made more than $80 million in the previous year for its customers and brokers.

The Springdale office was no exception. Johns, a college student who used to clean Refco's office before Bone made him a broker at the age of 21, within two years had acquired at least four Corvettes, a Ferrari, a Mercedes-Benz, a boat and more than $100,000 worth of jewelry, according to court records. Some brokers said they made between $10,000 and $100,000 a month in commissions.

By October 1979, about nine weeks after Clinton had stopped trading, things had changed dramatically. The market crashed. Johns and others went bankrupt. And three dozen brokers and customers, including Blair, sued Refco, Dittmer and Bone.

Staff researcher Lucy Shackelford contributed to this report.

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