THE WHITE HOUSE

WASHINGTON

February 11, 1997

Paula Dwyer
Business Week
1200 G Street, N.W.
Washington, D.C. 20005

Dear Ms. Dwyer:

Your February 17, 1997, story on Alexis Herman is the kind of innuendo-laced piece that has no place in a publication of *Business Week's* quality and integrity. For example:

• You write in the lead paragraph that "the Senate is investigating whether Herman, who as head of the Office of Public Liaison helped arrange a controversial meeting of bankers, violated federal rules barring campaign activities in the White House." But you fail to note, until nearly the end of the piece, Ms. Herman's explanation -- solidly backed up by documents the White House delivered to Senators Jeffords, Kennedy, Lott and Daschle on Tuesday, February 4 -- that OPL arranged the meeting *only* in the belief that it was to be an official, non-political event and that Ms. Herman was unaware until the eleventh hour that DNC officials would be attending. Senator Lott, incidentally, has declared himself satisfied that the documents submitted by the White House substantiate Ms. Herman's account. (See *Washington Times*, 2-8-97)

• You write, "critics charge that she benefited from rules, which she helped to write as a Labor official, requiring federal contractors to comply with goals and timetables for hiring minorities." Critics may well charge this, but you have no obligation to treat such a charge seriously, as you plainly do here. What, after all, is the possible impropriety about advising companies on complying with affirmative action regulations that Ms. Herman may have helped to develop? There is certainly no suggestion -- nor could there be -- that she was helping companies evade those regulations. Nor do you even bother to note that the particular project you refer to -- the Ronald Reagan building -- began almost a decade after she left the Labor Department. Even if this were a case where there might be a revolving door problem -- and it clearly is not -- the passage of time would have long since mooted the issue.

• Returning to the bankers' coffee toward the end of the article, and noting that those who attended the coffee gave $558,000 toward Democratic candidates, you quote Ellen Miller of Public Campaign saying "you bet she had a conflict of interest." But what conflict did Ms. Herman have in regards to a coffee that her office organized in the belief that it would be an official, non-political event with no participation by the DNC? What set of facts was Ellen Miller being asked to comment on? I would bet that her comment was premised on the faulty notion that the Office of Public Liaison *wittingly* organized a DNC coffee for contributors. Your piece unfairly fails to make clear the context of Ms. Miller's remark.

Business Week generally maintains the highest standards of fairness and accuracy in its reporting, but your article on Alexis Herman was an unfortunate departure.

Very truly yours,

Todd Stern
Assistant to the President and Staff Secretary

cc: Owen Ullman
Senior News Editor, Washington

THE WHITE HOUSE

WASHINGTON

February 4, 1997

The Honorable James M. Jeffords
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you know, Alexis Herman met with Senator Lott on Friday, January 31. At that meeting she explained the circumstances surrounding the coffee held in the White House on Monday morning, May 13, 1996, attended by a group of bankers, DNC officials and the Comptroller of the Currency, Eugene Ludwig, among others. In particular, Ms. Herman corrected certain misinformation that had appeared in the press concerning her involvement with this coffee.

As my January 30 letter to you stated, staff in the Office of Public Liaison and Ms. Herman believed that this meeting with bankers was to be an official White House event, not a political event sponsored by the DNC. Ms. Herman did not become aware that Don Fowler and Marvin Rosen from the DNC were going to attend until the weekend before the Monday event, when she learned this from Kate Carr, a member of her staff. She further made clear in her meeting with Senator Lott that she had no role in inviting Mr. Ludwig to the coffee and was not aware that he would be attending until the weekend before the event at the earliest. And she explained that she did not attend the event.

Your office has requested documents substantiating Ms. Herman's account, as has Senator Lott. I am attaching the relevant documents to this letter. What these documents confirm is that the only list of attendees that Ms. Herman saw prior to the event mentioned neither DNC officials nor Mr. Ludwig. The lists that do include these names were dated Friday, May 10, a day after Ms. Herman had left the White House for a meeting in Williamsburg, Virginia. Those final lists also confirm that Ms. Herman did not attend the coffee herself. In fact, she did not return to the White House after her May 9 departure until after the coffee on Monday, May 13. The relevant documents are:

(A) **White House Breakfast Invitation List for May 13, 1996.** Fax information at the bottom of this list indicates it was received by the DNC on April 2, 1996. The list includes 17 bankers, with one of the names crossed out. The list does not include DNC officials, Mr. Ludwig or any other government officials. The DNC sent this list to the White House Office of Political Affairs, which subsequently passed it on to Kate Carr in the Office of Public Liaison.

(B) **Memorandum for Alexis Herman dated May 6, 1996, from Kate Smith Carr, staff person in the Office of Public Liaison.** This memo forwards the list of 14 confirmed attendees for the coffee as of May 6. The list does not include DNC officials, Mr. Ludwig or any other government officials.

(C) **Draft Memorandum for the President from Kate Smith Carr, dated May 10, 1996.** This May 10 draft memorandum adds three more bankers to the list and includes DNC officials Rosen and Fowler, as well as Mr. Ludwig and other Administration officials. However, Ms. Herman has no recollection of receiving the memo and there is no record that it was sent to her. She departed Washington on a 4:20 pm flight on May 9, 1996, en route to a meeting in Williamsburg, Virginia and did not return to the White House until Monday, May 13, well after the morning coffee. (On May 10, following her return to Washington from Williamsburg at around 5 pm, she went to Basye, Virginia to spend the weekend.) Ms. Carr's May 10 draft memo, incidentally, never went to the President. It was superseded by another memo on the event, which the President did receive.

Memorandum for the President from Robert Rubin and Laura Tyson, dated May 10, 1996, entitled "Briefing Materials for May 13 Breakfast with Bank CEOs." This is the briefing memo for the May 13 event that the President actually received. It is a three-page memo that discusses several banking issues, sets forth several Administration banking accomplishments, and ends with a brief section on the condition of the banking industry. An article from *Bankers News* entitled "The New CRA" is attached to the memo. The issues discussed in the memo are (1) the Savings Association Insurance Fund, (2) bank regulatory burden relief, (3) Glass-Steagall reform and (4) bank insurance powers. In each case, the memo briefly reviews the issue, indicates where the banking industry stands and references the status of relevant legislation in Congress. The section on Administration accomplishments mentions, among other things, interstate banking legislation, regulatory reform, and the Community Reinvestment Act. The final section reports on the profitability of the banking industry and recent bank mergers.

This memo bears the stamped notation "The President Has Seen," followed by the date "May 13, 1996." That stamp is put on documents by the Staff Secretary's Office after the documents have been returned from the Oval Office. Ms. Herman did not receive this memo before the May 13 event occurred. Because this memo involves substantive advice given to the President by his advisors, we are not attaching a copy of it to this letter, but I will make it available to you for your review and will similarly make it available to Senators Kennedy, Lott and Daschle.

(D) **Final list of attendees for the coffee.** This list was also sent to the President and bears the stamped notation "The President Has Seen," followed by the date "May 13, 1996." This list includes three bankers who were not on the original list sent to the White House by the DNC and omits two bankers who were on that original list. This list also includes DNC officials Fowler and Rosen, Mr. Ludwig, and other Administration officials. Ms. Herman has no recollection of receiving this list and there is no record that it was sent to her.

(E) **Final list of attendees printed out by the White House Social Office.** This list includes the same people referenced in the list at Tab (D), with one addition -- a staff person from the White House Office of Political Affairs. It is customary for the Social Office to prepare their own lists for events that occur, as this one did, in the Map Room or other ceremonial rooms in the White House.

I hope that these documents will help clarify the facts regarding the May 13 coffee. Ms. Herman would of course be happy to discuss that coffee or any other issue with you at your convenience.

Sincerely,

Todd Stern
Assistant to the President and Staff Secretary

cc: The Honorable Edward M. Kennedy
The Honorable Trent Lott
The Honorable Thomas A. Daschle

Up Front

ALEXIS HERMAN'S BAGGAGE GROWS HEAVIER

THE NOMINATION OF ALEXIS Herman as Labor Secretary, due for a Mar. 18 Senate hearing, is hitting even heavier weather and may be delayed. Some senators want to scrutinize two overseas trade missions for women business owners that Herman led in 1995 and 1996 for the late Commerce Secretary Ronald Brown. One ex-Commerce official says it was "definitely strange" to tap Herman, a White House aide, to lead the trips--but felt her close tie to Brown was the reason.

The senators are particularly interested in one plane guest on a trip to Mexico: Caryliss Weaver, vice-president of Alignment Strategies, a Potomac (Md.) consulting firm that bought Herman's diversity consultancy, A.M. Herman & Associates, two years earlier for between $50,000 and $100,000. Weaver and her sister, Vanessa, Alignment's owner and president, gave $50,000 to the Democratic National Committee in November. Neither sister would comment. A White House spokesman says although Herman suggested Alignment be invited, "it's ridiculous to assert that was some kind of payoff for buying her business."

Also under scrutiny: meetings her White House office hosted for policymakers, on government time, with women's groups and other special interests. Senators suspect the events were really political--and thus illegal. Clintonites say they weren't.

By Paula Dwyer
EDITED BY LARRY LIGHT