

**VOLUME I
OVERVIEW**

TABLE OF CONTENTS

	PAGE
PREFACE.....	i
I. INTRODUCTION	2
II. SCOPE OF REPORT.....	6
III. BACKGROUND TO APPOINTMENT OF THE STATUTORY INDEPENDENT COUNSEL	8
A. United States Attorney for the Eastern District of Arkansas in Little Rock and the FBI Little Rock Field Office (through November 5, 1993)	8
1. The Borod & Huggins Report and the Opening of a Federal Criminal Investigation	8
2. The Relationship between the McDougals and the Clintons Was Subjected to Media Scrutiny.....	10
3. RTC Criminal Referral No. C-0004.....	11
4. FBI Requested Search Warrant for CMS.....	11
5. The RTC Prepared Nine Additional Referrals Involving Madison Guaranty.....	13
B. Department of Justice Criminal Division Fraud Section (November 1993 to January 1994).....	15
C. Regulatory Independent Counsel Robert B. Fiske Jr. (January 20, 1994 to August 5, 1994).....	16
IV. SUMMARY OF THE INDEPENDENT COUNSEL'S INVESTIGATION, FINDINGS, ANALYSIS AND CONCLUSIONS	21
A. The Relationship of the Clintons and the McDougals to the Whitewater Real Estate Venture, and Certain Loans by Madison Guaranty.....	24
1. Findings.....	24

2.	Evidentiary Summary	26
a.	Origins of the Clinton-McDougal Relationship.....	27
b.	Whitewater Estates -- Initial Purchase and Incorporation.....	27
c.	The McDougals Bought the Bank of Kingston, Renaming it the Madison Bank & Trust.....	28
d.	Efforts to Market Whitewater.....	29
e.	The McDougals Bought a Savings and Loan, Renaming it Madison Guaranty Savings & Loan Association.....	29
f.	Regulators Criticized McDougal's Banking Practices at Madison Bank & Trust, Including Making Whitewater Loans.....	30
g.	Governor Clinton's Knowledge of McDougal's Conduct.....	30
h.	Whitewater in the 1980s	32
i.	The End of the Whitewater Partnership.....	33
B.	An Introduction to the Activities of Madison Guaranty and its Subsidiaries During the Time McDougal Controlled the Institution.....	34
1.	Findings.....	34
2.	Evidentiary Summary	35
a.	The McDougals Used Their Institutions for Land Deals	37
b.	Madison Guaranty's Regulatory Problems; 1984 Supervisory Agreement	38
c.	McDougal's Initial Efforts to Increase Madison Guaranty's Net Worth	38
C.	Castle Grande.....	39
1.	Findings.....	39
2.	Evidentiary Summary	41

a.	The Purchase of the IDC Property	42
i.	Initial Work on IDC Purchase.....	42
ii.	The Closing on the IDC Property	44
b.	Sales of Castle Grande Parcels to McDougal Associates	45
i.	Davis Fitzhugh	46
ii.	Jim Guy Tucker.....	46
iii.	Larry Kuca	47
iv.	Senator Fulbright	47
v.	Castle Sewer & Water.....	47
c.	The Cross-Loans, the Option, and the Regulators	48
d.	The FHLBB Examination's Aftermath	52
D.	The Legal Representation of Madison Guaranty by Hillary Clinton and Rose.....	54
1.	Findings.....	54
2.	Evidentiary Summary	54
a.	The Origin of the Representation of Madison Guaranty by Mrs. Clinton	55
i.	The Dispute as to the Origin of the Representation.....	56
ii.	Rose Representation of the Bank of Kingston/Madison Bank & Trust and the Unpaid Bill for Services.....	58
b.	Mrs. Clinton and Rose Lawyers Represented Madison Guaranty before the Arkansas Securities Department in the Issuing of Preferred Stock.....	61
c.	Rose Lawyers Represented Madison Guaranty in the Purchase of the IDC Property	62
d.	Rose Did Legal Work on Development of the IDC/Castle Grande Property	64

e.	Termination of the Representation.....	66
E.	Madison Guaranty and CMS	67
1.	Findings.....	67
2.	Evidentiary Summary	67
a.	The Dean Paul Loan.....	69
b.	Robert Palmer's Role	69
c.	CMS Loans to McDougal Nominees.....	70
i.	\$149,000 Loan to Larry Kuca.....	70
ii.	\$65,000 Loan to Stephen Smith.....	71
iii.	CMS Loan to Castle Sewer and Water	72
iv.	Susan McDougal's Master Marketing Loan.....	73
d.	Concealing the Loans' Fraudulent Nature.....	75
F.	Concealment of Rose's Work for Madison Guaranty -- Hubbell's Conflict of Interest	76
1.	Findings.....	76
2.	Evidentiary Summary	79
a.	The FDIC Hired Rose to Represent its Interests and Madison Guaranty in the <u>Frost</u> Litigation.....	80
b.	Initial Complaints about Rose's Conflicts of Interests -- Hubbell's Relationship with Ward	81
c.	Other Conflicts of Interest Concealed by Hubbell.....	82
i.	Rose Billing Records	82
ii.	The Borod & Huggins Report.....	83
iii.	Beverly Bassett Schaffer.....	84
d.	Hubbell Concealed His Conflicts When Subsequently Questioned by the FDIC and RTC	85

	i.	Initial Statements to Breslaw and the FDIC Legal Division.....	86	
		ii.	The FDIC and RTC Offices of Inspector General Investigations	87
		iii.	Reopening the Investigation -- Billing Records Discovered in the White House	89
G.		Other Evidence about the Knowledge of President Clinton, Mrs. Clinton, and Webb Hubbell	90	
	1.	Findings.....	90	
	2.	Evidentiary Summary	91	
		a.	Ward's Suit against Madison Guaranty.....	92
		b.	Criminal Charges against McDougal.....	93
		c.	The 1992 Campaign.....	94
		i.	The Public Arena	94
		ii.	Rose and Mrs. Clinton	95
H.		Removal of Documents from Foster's Office	100	
	1.	Findings.....	100	
	2.	Evidentiary Summary	101	
		a.	Sealing of Foster's Office.....	101
		b.	Alleged Removal of Documents the Night of July 20.....	101
		c.	Alleged Removal of Documents the Morning of July 21	102
		d.	DOJ Access to Foster Documents.....	103
		e.	Removal of Documents by Maggie Williams.....	104
		f.	The Discovery of Foster's "Note"	105
I.		Department of Justice Handling of RTC Referrals.....	105	
	1.	Findings.....	105	

2.	Evidentiary Summary	106
J.	White House Contacts with Department of Treasury	109
1.	Findings.....	109
2.	Evidentiary Summary	109
a.	Early Contacts -- Fall 1993	109
b.	Meeting on October 14	111
c.	Events Leading to a Meeting at the White House on February 2, 1994	111
i.	Statute of Limitations.....	112
ii.	Recusal	113
d.	A Second Meeting on February 3, 1994	114
e.	Congressional Testimony on February 24, 1994	114
f.	Altman's Testimony Was Reviewed	114
K.	Payments to Webster Hubbell.....	116
1.	Findings.....	116
2.	Evidentiary Summary	118
L.	Investigative Issues -- Delay of and Resistance to the Investigation.....	119
1.	The Rose Billing Records	120
a.	The Relation of the Billing Records to Investigations Examining Mrs. Clinton's and Rose's Legal Work for Madison Guaranty.....	120
i.	DOJ Investigation Sought Rose Firm Records	120
ii.	Regulatory Counsel Fiske Sought the Rose Records	121
iii.	The RTC through Pillsbury Madison Also Was Investigating Rose's Madison Guaranty Work	122

iv.	FDIC and RTC Inspector General Investigations	123
v.	Little Rock Federal Grand Jury Examinations of Rose's Madison Guaranty Work (November and December 1995).....	123
vi.	Pillsbury Madison Learned That Mrs. Clinton Created the Ward Option Agreement.....	127
vii.	Mrs. Clinton's Counsel Produced a Copy of the Billing Records -- January 5, 1996	129
b.	Findings.....	129
c.	Evidentiary Summary	132
i.	Gathering and Reviewing Records at Rose	133
ii.	Records Shipped to Washington, D.C.	135
	a) Records Sent from the Governor's Mansion to the White House.....	135
	b) Rose Records Shipped to the White House for Mrs. Clinton	135
	c) Vince Foster's Office Records Shipped to the White House	135
	d) Clinton Campaign Records.....	136
	e) Hubbell's Records Transferred to Washington, D.C.....	136
iii.	Searches of the Records	137
iv.	The Billing Records in the White House	137
	a) Renovation	138
	b) Mrs. Clinton	138
v.	Handling the Billing Records after Discovery	139
vi.	The Records in Foster's Attic.....	140

2.	Delays Due to Contumacious Conduct and Refusal to Testify or Produce Documents.....	141
a.	Susan McDougal.....	141
b.	Branscum and Hill	143
3.	Privilege Litigation	144
4.	Successor to a Regulatory Independent Counsel -- A Broad Mandate and Inherent Jurisdictional Questions.....	146
M.	Summary Analysis of the Conduct of President and Mrs. Clinton.....	149
1.	President Clinton.....	149
a.	\$27,600 Loan to Bill Clinton	149
b.	Knowledge of CMS Loan to Susan McDougal	150
c.	Retention of Rose.....	151
2.	Mrs. Clinton	152
a.	Retention of Rose.....	152
b.	Nature of Rose Work for Madison Guaranty.....	153
c.	Billing Records	154
V.	CONCLUSION.....	155
APPENDIX 1 -- HISTORICAL BACKGROUND FOR ELIMINATION OF THE DECLINATION CLAUSE		
APPENDIX 2 -- THE FAILURE OF MADISON GUARANTY AND THE SAVINGS & LOAN CRISIS OF THE 1980s AND 1990s		
APPENDIX 3 -- JURISDICTIONAL GRANTS AND REFERRALS		
A.	Investigation of Madison Guaranty under Regulatory Independent Counsel Robert Fiske.....	iii
B.	Continued Madison Guaranty Investigation under Statutory Independent Counsel Kenneth W. Starr.....	xi
1.	Original Jurisdiction.....	xi
2.	Investigations under Original Jurisdiction.....	xiii

3.	RTC Referrals Relating to Madison Guaranty Savings & Loan	xvi
a.	The Ten Original RTC Criminal Referrals to the U.S. Attorney for the Eastern District of Arkansas	xvi
i.	RTC Criminal Referral No. C-0004 (August 31, 1992)	xvii
ii.	RTC Criminal Referral No. 730CR0198 (August 4, 1993)	xvii
iii.	RTC Criminal Referral No. 730CR0190 (August 12, 1993)	xviii
iv.	RTC Criminal Referral No. 730CR0192 (August 13, 1993)	xix
v.	RTC Criminal Referral No. 730CR0195 (August 15, 1993)	xx
vi.	RTC Criminal Referral No. 730CR0196 (August 18, 1993)	xxi
vii.	RTC Criminal Referral No. 730CR0203 (August 30, 1993)	xxiv
viii.	RTC Criminal Referral No. 730CR0199 (August 30, 1993)	xxv
ix.	RTC Criminal Referral No. 730CR0210 (September 17, 1993).....	xxvi
x.	RTC Criminal Referral No. 730CR0211 (September 23, 1993).....	xxviii
b.	Additional RTC Referrals (July 1994).....	xxix
i.	RTC Investigative Memorandum about Maple Creek Sewer Improvement District (July 1, 1994)	xxix
ii.	RTC Investigative Memorandum about Castle Grande and Seth Ward (July 6, 1994).....	xxx
iii.	RTC Report of Apparent Crime RTC Log # 730 000 000 000 00072 (July 28, 1994)	xxxi

4.	Efforts to Impede the RTC's Investigation of Madison Guaranty, Whitewater Development, and CMS	xxx i
5.	Perry County Bank's Relations with the 1990 Clinton Gubernatorial Campaign.....	xxxii
6.	Landowners Management System, Inc. Bankruptcy Proceeding and William J. Marks Sr.	xxxiv
7.	Herby Branscum Jr. and Robert M. Hill and the 1990 Clinton Gubernatorial and 1992 Presidential Campaigns.....	xxxvi
8.	Purchase of Property in Lee County, Arkansas, by the Arkansas Development Finance Authority or Arkansas Department of Corrections.....	xxxviii
9.	Chris and Rosalee Wade Fraud and Bankruptcy	xl
10.	FDIC and RTC Referrals Relating to Rose Law Firm.....	xli
11.	Webster L. Hubbell's Rose Law Firm Billing and Expense Practices	xliv
12.	Matters Relating to Webster L. Hubbell's Income Received since January 1, 1994.....	xl v

APPENDIX 4 -- CHRONOLOGY

APPENDIX 5 -- PROSECUTIONS

I.	PROSECUTION OF CONSPIRACY TO DEFRAUD THE SMALL BUSINESS ADMINISTRATION THROUGH CMS	i
A.	Introduction.....	i
B.	<u>United States v. David L. Hale, Charles Matthews, and Eugene Fitzhugh</u>	i
1.	Indictment and Superseding Indictment	i
2.	Hale's Guilty Plea and Cooperation Agreement	ii
3.	Matthews and Fitzhugh Pleaded Guilty	iii
II.	PROSECUTION OF CHRISTOPHER WADE FOR BANKRUPTCY FRAUD	v
A.	Introduction.....	v

B.	<u>United States v. Wade</u>	vii
III.	PROSECUTION OF FRAUDULENT SCHEME CONCERNING \$825,000 MADISON GUARANTY LOAN AND RELATED CMS LOANS	viii
A.	Factual Overview of the Fraudulent Scheme.....	viii
1.	Introduction.....	viii
2.	The \$825,000 Dean Paul Nominee Loan.....	xi
3.	James McDougal, CMS, and Larry Kuca	xv
4.	The Fraudulent CMS Loan to Steve Smith.....	xviii
5.	The Fraudulent CMS Loan to Castle Sewer & Water	xxiii
6.	The Fraudulent \$300,000 Loan to Susan McDougal	xxv
a.	The Loan	xxv
b.	Actual Use of the Master Marketing Loan	xxviii
c.	Susan McDougal's Misrepresentation after the Loan	xxix
d.	Evidence That Governor Clinton Had Knowledge of the Susan McDougal Loan.....	xxxi
B.	Prosecutions Related to the Scheme Involving the \$825,000 Fraudulent Loan.....	xxxv
1.	Fraudulent Appraisals by Robert Palmer.....	xxxv
a.	Facts	xxxv
b.	<u>United States v. Robert Palmer</u>	xxxvi
2.	<u>United States v. Larry Kuca</u>	xxxvii
3.	<u>United States v. Stephen A. Smith</u>	xxxvii
4.	<u>United States v. James B. McDougal, Jim Guy Tucker, and Susan H. McDougal</u>	xxxix
a.	Indictment	xxxix
b.	Pre-Trial Litigation	xli

	c.	Trial and Guilty Verdicts	xliv
	d.	Post-Trial Motions, Sentences, and Appeals	xlvi
IV.		WEBSTER HUBBELL'S ROSE LAW FIRM BILLING PRACTICES	xlvi
	A.	Introduction.....	xlvi
	B.	<u>United States v. Webster Hubbell</u>	xlv
V.		SCHEME TO CONCEAL ROSE LAW FIRM'S CONFLICTS OF INTEREST FROM FEDERAL AGENCIES	1
	A.	Introduction.....	1
	B.	The Cover-Up Alleged in the Indictment	li
	C.	Hubbell Pleaded Guilty.....	liii
VI.		TUCKER, MARKS, AND HALEY TAX CONSPIRACY	liv
	A.	Introduction.....	liv
	B.	<u>United States v. Jim Guy Tucker, John Haley & William Marks</u>	lv
	1.	Indictment, Dismissal, and Reversal on Appeal	lv
	2.	Marks's Guilty Plea and Sentence.....	lxvi
	3.	Haley's Guilty Plea and Sentence	lxvii
	4.	Tucker's Guilty Plea and Sentence.....	lxviii
	5.	Reversal on Appeal.....	lxix
VII.		PROSECUTIONS INVOLVING THE PERRY COUNTY BANK.....	lxx
	A.	Introduction.....	lxxi
	B.	Alleged Failure to File Currency Transaction Reports	lxxii
	1.	Multiple Checks Were Used Allegedly to Avoid the Reporting Requirements of 31 U.S. C. § 5324(a)(1) in May 1990.....	lxxii
	2.	PCB Failed to Report the November 1990 Currency Transaction.....	lxxiv
	3.	Ainley's Admissions and Prosecution.....	lxxvi

C.	Evidence That Individuals Made Contributions to the Clinton for Governor Campaign in Violation of Campaign Contribution Regulations	lxxix
1.	Branscum Gave Money to Others Who Then Made Campaign Contributions to Clinton's Campaigns.....	lxxix
2.	Hill Gave Money to Others Who Then Made Campaign Contributions to Clinton's Campaigns	lxxxix
3.	Evidence That Branscum, Hill, and Ainley Unlawfully Received Bank Funds to Reimburse Their Campaign Contributions to Clinton's Gubernatorial Campaign	lxxxiii
D.	Indictment and Trial of Branscum and Hill	lxxxvii
VIII.	PROSECUTION OF SUSAN McDOUGAL FOR CRIMINAL CONTEMPT OF COURT FOR REFUSAL TO ANSWER GRAND JURY QUESTIONS	lxxxix
A.	Introduction.....	lxxxix
B.	The Criminal Contempt and Obstruction of Justice Prosecution.....	xcii
1.	Pre-Trial Proceedings.....	xcii
2.	Trial.....	xcii
IX.	EXECUTIVE GRANTS OF CLEMENCY	xcv
	TABLE A -- INDICTMENTS, PROSECUTIONS, AND CONVICTIONS	cii
	TABLE B -- OTHER MATTERS NOT RESULTING IN CONVICTION.....	cvii
	TABLE C -- EXECUTIVE GRANTS OF CLEMENCY.....	cix
	MAPS	