

Who is Dan Lasater?

By MICAH MORRISON

CHICAGO—Last week, the Federal Deposit Insurance Corp. issued a report criticizing Little Rock's Rose Law Firm for conflicts of interest in representing the government. It was harsh on convicted felon Webster Hubbell in one case, and in another laid much responsibility on the late Vincent Foster. But it minimized the role of a third partner, Hillary Rodham Clinton, on questions about her relationship with drug convict Dan Lasater and Rose's role in suing him on behalf of the government and First American Savings & Loan of Oak Brook, a Chicago suburb.

The FDIC didn't exactly say Mrs. Clinton had no conflict of interest, but it did say that in the First American case she billed for only two hours, reviewing some work in the absence of Mr. Foster, the lead attorney. It said Mrs. Clinton met Mr. Lasater only twice, though he had contributed \$16,000 to her husband's gubernatorial campaigns and had a close friendship with Virginia Kelley, Mr. Clinton's mother, and Roger Clinton, Mr. Clinton's half brother. It said that in the end Mr. Foster got a settlement of \$200,000 from Mr. Lasater, against a loss to the thrift of \$361,000—not at all bad by the standards of bankrupt thrifts. There seems little reason to doubt that these facts are accurate, as far as they go.

An Interesting Story

Yet some time probing the affairs of First American here in Chicago suggests that the FDIC's bland recitation conceals a much more interesting story. First American of Oak Brook—not to be confused with the First American Bank in Washington illicitly owned by the Bank of Credit and Commerce International—happened to be owned by former Illinois Gov. Dan Walker, like Mr. Lasater now an ex-con. The \$361,000 figure was established in a lawsuit by Mr. Walker against Mr. Lasater for unauthorized trading of Treasury bonds. Mr. Lasater's defense was that the trades were authorized and there was no breach of fiduciary relationship.



Dan Lasater

But in a broader sense, given Mr. Lasater's financial relations with First American and Gov. Walker, he may have had reason to believe he owned the bank. Court records relating to Mr. Lasater's curious trades with First American also suggest that he may have taken more than the disputed \$361,000 out of the thrift. And, to connect the Illinois affair with the probe of Little Rock's Madison Guaranty, the savings and loan at the heart of the Whitewater scandal being aired in congressional hearings this week, there's reason to wonder whether Mr. Lasater was doing the same thing with Madison, where he also held a trading account.

In short, who is Dan Lasater?

The FDIC is quite correct that he was not Hillary's friend; he was Bill's friend, and according to many Little Rock sources, partying companion. The FDIC's \$16,000 in campaign contributions does not appear to include donations Mr. Lasater encouraged from associates, nor such favors as the use of the Lasater plane for campaign-related events. The FDIC says that "a full report of the investigation" will be made available to the public, but so far it has not elaborated on Mr. Lasater's other favors for the Clinton family.

In a 1986 interview with the FBI, for example, Mr. Lasater said that he gave Roger Clinton a job as a stablehand at the

governor's request; later, Roger Clinton approached Mr. Lasater for help in paying off a \$20,000 cocaine debt. Mr. Lasater told the FBI that he arranged an \$8,000 "loan" to help the governor's brother. Copies of FBI interviews with Mr. Lasater and his associates were obtained by the Wall Street Journal. Mr. Lasater did not respond to interview requests.

Roger Clinton went to jail for connections to the same cocaine ring that ultimately put Mr. Lasater himself behind bars. Mr. Lasater was convicted of social distribution of cocaine and served six months; Gov. Clinton later pardoned

'Dan Lasater may have been establishing depository accounts at Madison and other financial institutions and laundering drug money through them via brokered deposits and bond issues.'

him—effecting his "relief from civil liabilities," as Senate Banking Committee Chairman Alfonse D'Amato (R., N.Y.) so delicately put it in hearings last week.

Also, Mr. Lasater for almost 10 years employed Patsy Thomasson, now a top White House aide and one of the three people to visit Mr. Foster's office the night of his death. When Sen. Lauch Faircloth (R., N.C.) sought to question Ms. Thomasson about her relations with Mr. Lasater and Madison Guaranty during her Banking Committee appearance, Sens. Paul Sarbanes and Christopher Dodd objected it was beyond the "scope" of the hearings; after several exchanges, Chairman D'Amato ultimately ruled, "I'd ask the senator to withhold at this time."

Mr. Lasater also did favors for a number of other former governors, including Dan Walker. Mr. Walker was the Democratic governor of Illinois from 1972 to 1976 and had been planning a late entry into the 1976 presidential race when a gubernatorial primary loss brought his political career to an abrupt end. Following a string of failed business ventures, Mr. Walker bought First American in 1983. The same year, Mr. Lasater sold Mr. Walker a 48-foot yacht. Mr. Lasater's partner David Collins handled the \$350,000 sale, "and money was lost in the deal," Mr. Lasater told the FBI. Mr. Lasater also told the FBI that he had loaned Mr. Walker \$200,000 and received stock in First American as collateral. (In the same FBI interview, Mr. Lasater said he delivered a \$300,000 cash loan to a former Kentucky governor in a paper bag, and through an intermediary offered a former New Mexico governor a consulting job. At the time, Mr. Lasater owned Angel Fire, a New Mexico resort and air strip.)

Initially, First American enjoyed spectacular growth, with assets zooming from \$13 million in 1983 to more than \$63 million by late 1985. News reports have attributed the growth mainly to an inflow of brokered Jumbo certificates of deposit. But in 1985, Mr. Walker sued Mr. Lasater for unauthorized T-bond trading through First American. In 1986, Mr. Walker's thrift was declared insolvent and placed in conservatorship. A year later, Mr. Walker pleaded guilty to looting the thrift of nearly \$1.4 million. A federal judge sentenced him to seven years in prison, castigating him for using the S&L as "a personal piggy bank."

Mr. Walker had accused Mr. Lasater of "front-running" trades—essentially, trading Lasater accounts "in front of" First American accounts. According to an analysis prepared by commodity trading expert Leslie Jordan for First American when it was represented by Mr. Foster, trading tickets linked to Lasater & Co. likely were doctored; "someone stuck the

loser in First American's account." Ms. Jordan said in a deposition related to the case. She added that there were other "questionable trades" not listed in the First American suit and that "there may have been illegal practices that just weren't caught at the time."

First American and another failed Illinois thrift, Home Federal Savings & Loan of Centralia, also appear to figure into the mysterious case of Dennis Patrick, a Kentucky resident who discovered millions of dollars worth of unauthorized trades being run through his Lasater & Co. account. In an interview with Mr. Patrick's lawyer,

two former Lasater traders claimed that repurchase agreements related to the Patrick account had been dumped in First American and Home Federal. In 1988 the Centralia thrift also sued Lasater & Co. for unauthorized trades. Ms. Jordan, the commodity trading expert, analyzed some of the Lasater trades done for Home Federal, noting "a lot of suspect activity." In 1989, Vincent Foster advised Home Federal's management to accept a \$250,000 out-of-court settlement with Mr. Lasater.

At both thrifts, the suspect trades occurred between March and May of 1985, intersecting the spectacular fall of Beville, Bresler & Schulman Asset Management Corp. In April, The New Jersey firm went under with \$200 million in losses in an uncollateralized repurchase-agreement scandal that sent shock waves through the securities industry. The fall of Beville is also mentioned in the interview with Lasater traders. According to bankruptcy notices filed in Chicago, both First American and Home Federal were listed as creditors of a Chicago securities firm that went under with Beville. Another firm that did not survive was Collins Inc. of Little Rock, run by Mr. Lasater's former partner David Collins, who sold Mr. Walker the Lasater yacht at a loss.

The biggest apparent loser in the Beville collapse, though, was Little Rock's Worthen Bank, which held \$52 million in repos with Beville on which it had failed to secure the collateral. The Worthen repos actually represented Arkansas state funds. Little Rock's investment giant Stephens Inc. recapitalized Worthen to cover the loss, assuming a much larger stock interest and placing a Stephens executive as CEO. Initially, this positioned Stephens as a hero, but after the Clinton presidential election it became controversial in light of the law against mixing investment banking and commercial banking. After Stephens sold its interest in Worthen last March, the Federal Reserve dropped a two-year investigation, declaring the issue "moot."

As for Mr. Lasater's relations with Madison, the thrift opened a trading account with him in 1984, but it's not known whether it was extensively used. Before Sen. Faircloth's questioning was cut off, Ms. Thomasson said her employment by Lasater involved only a short time at the bond house, and she did not know about the trading account. She did confirm, however, that Mr. Lasater was involved in Emerald Isle Resort, a Madison-financed real estate deal.

While no evidence has emerged linking drug money to Mr. Lasater's bond business, his cocaine conviction and links to troubled thrifts have raised questions about possible money laundering activi-

ties. Last month, Greg Hitt of Dow Jones News Service reported that Resolution Trust Corp. investigators had passed documents concerning Mr. Lasater and Madison Guaranty to then-Special Counsel Robert Fiske. Mr. Hitt quoted minutes from a high-level RTC meeting in June 1994: "Dan Lasater may have been establishing depository accounts at Madison and other financial institutions and laundering drug money through them via brokered deposits and bond issues."

Also last month, the American Spectator magazine reported the claim of an Arkansas state trooper, L.D. Brown, that when he told Gov. Clinton he'd seen drugs on flights from remote Mensa airport, in western Arkansas, the governor replied, "that's Lasater's deal." While there is no way to substantiate Mr. Brown's account of the conversation, the time frame, at least, seems to fit. Barry Seal, the admitted drug smuggler with whom Mr. Brown said he flew, was active in the early to mid-1980s, and Mr. Lasater admittedly was involved with cocaine during the same time. So was Roger Clinton. In 1985, Roger Clinton was offered a deal at the end of a long drug probe centering around Mr. Lasater and his associates, including former partners George Locke, a former state senator, and David Collins. Roger Clinton pleaded guilty to reduced charges, testified against the Lasater circle—most of whom were indicted—and went to jail for 15 months.

The man who cut the deal was George Proctor, a former state legislator who had been named U.S. attorney for the Eastern District of Arkansas by President Jimmy Carter in 1979. Shortly after Roger Clinton's testimony, Mr. Lasater pleaded guilty to the minor social distribution charge and went briefly to prison. Mr. Proctor now heads the Justice Department's Office of International Affairs, which deals with, among other things, aspects of the BCCI case. Oddly enough, BCCI first attempted to enter the U.S. through Arkansas in the late 1970s. In a deal initially handled by Stephens Inc., which says it has had no contact with BCCI investors since 1978.

A Tough Time

Early 1986 must have been a tough time for Bill Clinton. His brother was in jail. Mr. Lasater was on his way to jail. Federal regulators had removed James McDougal from the board of Madison Guaranty. Mr. Clinton was planning his fifth run for governor and thinking about a bid for the presidency. His GOP rival Frank White was making his association with Mr. Lasater an issue. Into this atmosphere drifted the threat of the Walker lawsuit, which had been taken over by the Federal Savings and Loan Insurance Corp.

FSLIC handed the Lasater suit to Hopkins & Sutter, a Chicago firm where former Gov. Walker had worked for 13 years prior to his political career. Hopkins & Sutter dismissed the previous Little Rock counsel, Hardin & Grace, and hired the Rose Law Firm; Vincent Foster took the case. Mr. Lasater hired Wright, Lindsey & Jennings—Gov. Clinton's old firm. In less than a year, the case was settled under a seal of confidentiality, vanishing from public view. Even the fact that a settlement had been reached was put under seal, until revealed in a Chicago Tribune story last year. While the FDIC took a different view, the Tribune suggested Mrs. Clinton's participation in the suit may have constituted a "glaring conflict of interest."

Mr. Lasater, it seems, was of great interest to the overlapping circles of law enforcement, finance and legal representation in Little Rock and beyond. If who Dan Lasater is and what he was up to remain beyond the "scope" of Congressional hearings, the hearings probably won't reveal very much.

Mr. Morrison is a Journal editorial page writer.

Lobbyist sentenced to 24 months for ECUA bribe

Bynum's sentence may be cut if he provides info on wrongdoing

By Ginny Graybiel
News Journal

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An Arkansas bond-firm lobbyist who bribed an Escambia County Utilities Authority member was sentenced to 24 months in prison Thursday but may get his sentence cut if he helps uncover more wrongdoing.

Preston Bynum, 55, of Little Rock, who has resigned as a Stephens Inc. lobbyist, pleaded guilty in March to one count of bribery.

BYNUM MADE under-the-table payments of \$31,863 to Terry Busbee, an ECUA member from 1984 to 1994, in return for his help in securing utility-bond business for the Little Rock firm.

U.S. District Judge Roger Vinson sentenced Bynum to the minimum under sentencing guidelines ranging from 24 to 30 months.

Assistant U.S. Attorney Steve Preisser told Vinson he will recommend Bynum's sentence be reduced if he provides significant assistance to a federal grand jury that is looking into further allegations revolving around the ECUA and its vendors.

PREISSER WOULDN'T elaborate later on the specific matters the grand jury is investigating or what Bynum may testify about. Federal grand-jury proceedings are closed to the public.

Vinson, however, noted at Busbee's sentencing Wednesday that lobbyists have treated other ECUA officials and people connected with the utility to expensive vacations, dinners and gifts.

Vinson said he will allow Bynum to remain free until July 20. The grand jury will meet within that period, Preisser said.

“No punishment that you could give me could be worse than what I’ve been through the past 10 or 11 months. I’m a great defender of the system. I’ve violated it.”

— Preston Bynum,
sentenced for bribery

Bynum already has met with local FBI and Internal Revenue Service agents who have been handling the ECUA investigation, Preisser said.

In addition, Preisser said, Bynum gave federal authorities information about a Southwest Florida bribery case on which indictments were returned in March.

LOBBYIST SYLVESTER Lukis of Washington, D.C., is accused of bribing former Lee County Commissioner Vicki Lopez-Wolfe with cash to steer \$483 million in county projects to companies he represented.

Lukis, a former Stephens employee, was dating Lopez-Wolfe at the time. They are now married.

Bynum, 55, was an Arkansas legislator for 12 years and chief of staff under ex-Gov. Frank White for two years.

“I accept responsibility for what I’ve done,” Bynum told Vinson

See LOBBYIST, back of section

Busbee gets 27-month term

Ex-official bribed, cheated

By Ginny Graybiel
News Journal

Former Escambia County Utilities Authority member Terry Busbee was sentenced to 27 months in prison Wednesday by a judge who lamented widespread corruption among public officials.

Busbee, 52, who served on the elected ECUA board from 1984-94, pleaded guilty in March to a bribery charge and a tax-fraud charge.

THE CHARGES arose from Busbee's dealings with the Arkansas brokerage firm Stephens Inc. and company lobbyist Preston Bynum, who solicited bond underwriting business from the ECUA.

"It troubles me that what Mr. Busbee is here for is symptomatic of a pervasive problem we have in government," U.S. District Judge Roger Vinson said.

Elected officials seem to feel entitled to special treatment and favors from lobbyists, ranging from cash payments to expensive fishing trips and lavish dinners, the judge said.

"**IT CORRUPTS** the integrity of our system," he said.

Bynum, 55, of Little Rock, who resigned from Stephens in March, also pleaded guilty in March to one count of bribery. Vinson is

scheduled to sentence him today.

Bynum arranged three loans totaling \$28,200 from Worthen National Bank of Little Rock for Busbee in 1992, according to the U.S. Attorney's Office.



Busbee and Bynum repaid the loans in full during 1992 and 1993 and gave Busbee a cashier's check for an additional \$3,500. In exchange, Busbee helped Stephens get \$36 million in underwriting contracts on two utility bond issues in 1992.

HE ALSO interceded on Stephens' behalf so that the firm received a higher fee than the ECUA's paid financial advisers recommended. Prosecutors said the loss to Escambia County was not quantifiable.

Busbee didn't report the bribes on his 1992 and 1993 personal tax returns, meaning he underpaid his taxes.

U.S. Attorney Michael Patterson said Wednesday the investigation into the ECUA's dealings

See **BUSBEE, 11A**

FROM 1A

with bond underwriters and other vendors is continuing. Busbee and Bynum are the only people charged to date.

The five-member ECUA board oversees water, sewer and garbage services. Busbee dropped out of his re-election race last fall after the investigation into his activities was made public.

VINSON DESCRIBED the sentencing as difficult because he knows Busbee and his family. In an earlier hearing, he said he once was Busbee's Sunday school teacher but didn't think the connection was close enough to require him to withdraw from the case.

Busbee said he accepts responsibility for his actions, an admission that reduced his prison time by about three months.

"I'd like to apologize to my wife and children and family for the embarrassment and apologize to the court," Busbee said.

VINSON IMPOSED the shortest sentence possible under federal guidelines that called for a term between 27 and 33 months. Federal prisoners currently serve about 85 percent of their terms.

Defense attorney Artice McGraw argued unsuccessfully that Vinson should go below the guidelines and sentence Busbee to community service because of his previous good works.

Busbee is vice president of Busbee Tomato Co. and was formerly deputy tax collector. He was co-founder of the local Bill Bond baseball league for young people.

ASSISTANT U.S. Attorney Steve Preisser argued against reducing the sentence. He accused Busbee of misleading three state grand juries that looked into criminal allegations at the ECUA but came up empty-handed.

Vinson said Busbee can remain free until June 20. He said he will recommend confinement at either the minimum-security federal prison camp at Saufley Field in Pensacola or at Eglin Air Force Base.

Vinson waived a fine that could have ranged from \$6,000 to \$60,000, saying Busbee didn't have the money to pay. McGraw said Busbee has tentatively set up a plan to pay the IRS \$9,000 in unpaid taxes and penalties.

MCGRAW SAID a tentative settlement has been reached with the U.S. Securities and Exchange Commission, which filed a civil lawsuit seeking monetary penalties from Busbee and Bynum in January.

Bill Baker of Washington, D.C., the SEC assistant director of enforcement, refused Wednesday to comment on the proposed settlement but said he expects a decision soon on whether to accept the offer.

Stephens must pay \$5.3 million

*Pensacola
News-
Journal*

Firm penalized
in bribery cases

By Ginny Graybiel
News Journal staff writer

Stephens Inc., an investment banking firm, paid \$5.38 million and will lose five years of Florida business to settle charges that former employees bribed public officials, including former Escambia County Utilities Authority member Terry Busbee.

The Justice Department and the U.S. Securities and Exchange Commission each received \$2.25 million, U.S. Attorney Michael Patterson and SEC assistant director of enforcement Kathleen Hamm announced during a news conference Monday.

"It's one of the largest monetary penalties paid by a bond underwriting company ever in the state of Florida," Patterson said.

The payments penalize Stephens of Little Rock, Ark., for failing to adequately supervise employees who bribed Florida and Georgia officials in a variety of pay-for-play schemes to obtain municipal bond business.

Busbee, one of those officials, was elected to the ECUA board in 1984 and resigned in 1994, shortly after the investigation into his activities came to light. The following year, he was sentenced to 27 months in prison on charges of bribery and filing false income tax returns.

CRIME

"It's one of the largest monetary penalties paid by a bond underwriting company ever in the state of Florida."

- Michael Patterson,
U.S. attorney

Stephens also forfeited \$885,000 in profit and interest obtained as the result of the bribes:

■ The ECUA received a \$296,385 reimbursement.

Stephens officials bribed Busbee so the firm could underwrite contracts in 1992 and 1993.

■ The Florida Housing Finance Agency was repaid \$536,529.

Stephens officials were accused of bribing agency vice chairman William Jay Ramsey so the firm could win placement on an approved list of senior managing underwriters in 1995. The firm subsequently won bond underwriting contracts.

■ The Osceola County Commission got back \$53,756.

The officials were accused of

See FIRM, 3C

Mysterious Mena

By MICAH MORRISON

MENA, Ark.—Reporters now trolling Arkansas are pulling up many stories that may have only fleeting relation to Whitewater or the Clintons, but are worth telling simply for their baroque charm. And none is more baroque than the tale of the Mena Intermountain Regional Airport, a site connected with aircraft renovation, apparent CIA operations and a self-confessed drug runner.

There is even one public plea that Special Counsel Robert Fiske should investigate possible links between Mena and the savings-and-loan association involved in Whitewater. The plea was sounded by the Arkansas Committee, a left-leaning group of former University of Arkansas students who have carefully tracked the Mena affair for years.

While a Whitewater connection is purely speculative, Mena certainly does seem a fruitful opportunity for thorough investigation, by Mr. Fiske or any other competent authority. It's clear that at Mena Airport unusual things took place.

Outlaw's Paradise

What the Arkansas Committee calls the "complex of events" surrounding Mena is the stuff of spy novels and thrillers, potentially including smuggling, CIA and Drug Enforcement Agency covert operations, money laundering and murder. There is no reliable evidence linking any of these events to Bill Clinton, except that he was governor of Arkansas when state and federal investigations of Mena were frustrated.

Mena is a good setting for a mystery. The pine and hardwood forests of the Ouachita Mountains surrounding it have long been an outlaw's paradise, home to generations of moonshiners and red-dirt marijuana farmers. In 1981, cocaine smuggler Adler Berriman ("Barry") Seal arrived on the

scene, establishing a base of operations at Mena Airport. Mr. Seal's record is well-known to law-enforcement officials; he often claimed to have made more than \$50 million from his illegal activities.

Working out of a hangar at Rich Mountain Aviation, one of the local businesses that was turning Mena into a center for aircraft refurbishment, Mr. Seal imported as much as 1,000 pounds of cocaine a month from Colombia in the early 1980s, according to Arkansas State Police Investigator Russell Welch, who pursued the Seal case for over a decade. In 1984, Mr. Seal "rolled over" for the DEA, becoming

twin-engine airplane traffic, things like that," says former Internal Revenue Service Investigator William Duncan, who began investigating Mena in 1983. Residents of the countryside around Nella confirm reports of planes dropping loads in the mid-1980s. "But people don't talk much about that around here," said one local resident. "If you do, you might wake up one morning to find a bunch of your cattle dead."

Mr. Duncan and Mr. Welch, the Arkansas State Police investigator, pressed forward with their probes of Mr. Seal and Rich Mountain Aviation. They

While a Whitewater connection is purely speculative, it's clear that at Mena Airport unusual things took place. Mena's "complex of events" is the stuff of spy novels.

one of its most important informants. He flew to Colombia and gathered information about leaders of the Medellín cartel, including drug kingpin Carlos Lehder, and testified in other high-profile cases.

He also flew at least two drug runs to Nicaragua, one of them entangling him in the Reagan administration's anti-Sandinista effort. On a mission in mid-1984, Mr. Seal later testified, the CIA rigged a hidden camera in his C-123K cargo plane, enabling him to snap photos of several men loading cocaine aboard the aircraft—one of them allegedly an aide to Sandinista Interior Minister Tomas Borge.

Back at Mena, meanwhile, Mr. Seal's business associate, Fred Hampton, the owner of Rich Mountain Aviation, purchased a land tract near the tiny backwoods community of Nella, 10 miles north of Mena, and cut a runway into it. Local law enforcement officials believe the land was purchased at the behest of Mr. Seal.

By 1984, reports were filtering in about odd military-type activity around Nella. "We had numerous reports of automatic weapons fire, men of Latin American appearance in the area, people in camouflage moving quietly through streams with automatic weapons, aircraft drops,

suspected that Mr. Seal, despite his deal with the DEA, was continuing to import drugs and launder the money through local businesses and banks, possibly using the Nella airstrip as a base for drug drops.

In 1986, Mr. Seal's wild ride came to an end. Three Colombian hitmen armed with machine guns caught up with him as he sat behind the wheel of his white Cadillac in Baton Rouge, La., and blasted him to his eternal reward. Eight months after the murder, Mr. Seal's cargo plane was shot down over Nicaragua. Aboard was a load of ammunition and supplies for the Contras. One crew member, Eugene Hasenfus, survived. With the crash and the Iran-Contra affair surfacing, investigators started looking at the Nella airstrip in a new light. Maybe Barry Seal was not just flying drugs into the U.S. Maybe he also was flying newly trained Contras and weapons out.

But if Mr. Seal's odyssey was over, the long and frustrating journey for Mena investigators was just beginning. Messrs. Duncan and Welch believed they had pieced together information on a significant drug smuggling operation, perhaps cloaked in the guise of a covert CIA operation, or perhaps in some way connected to

the intelligence community. Yet repeated attempts to bring the Mena affair before grand juries in Arkansas, Gov. Bill Clinton, and federal authorities all failed, meeting a wall of obfuscation and obstruction.

The "CBS Evening News," one of the few national news organizations to take a serious and discriminating look at Mena, recently broadcast an interview with Charles Black, a prosecutor for Polk County, in which Mena is located. He said he met with Gov. Clinton in 1988 and requested assistance for a state probe. "His response," Mr. Black said, "was that he would get a man on it and get back to me. I never heard back."

Asked for comment, White House spokesman John Podesta cites a state government offer of \$25,000 to aid a Polk County investigation, an offer long under dispute in Arkansas. "The governor took whatever action was available to him," Mr. Podesta says. "The failing in this case rests with the Republican Justice Department."

Following pressure from then-Arkansas Rep. Bill Alexander, the General Accounting Office opened a probe in April 1988; within four months, the inquiry was shut down by the National Security Council. Several congressional subcommittee inquiries sputtered into dead ends.

In 1991, Arkansas Attorney General Winston Bryant presented Iran-Contra prosecutor Lawrence Walsh with what Mr. Bryant called "credible evidence of gunrunning, illegal drug smuggling, money laundering and the governmental coverup and possibly a criminal conspiracy in connection with the Mena Airport." Seventeen months later, Mr. Walsh sent Mr. Bryant a letter saying without explanation that he had closed his investigation.

Mr. Duncan resigned from the IRS after repeatedly clashing with his superiors over the Mena affair. Mr. Welch was given a number of strong hints that he should devote his energies elsewhere. "I believe there was a coverup of events at Mena," Mr. Duncan says. "We don't really know what happened out there. Every time I tried to follow the money trail into central Arkansas, I ran into

trail into central Arkansas, I ran into roadblocks."

But what, if anything, does Mena have to do with Whitewater? A small conspiracy-theory industry has grown up around the mysteries of Mena. In a new book, "Compromised: Clinton, Bush and the CIA," authors Terry Reed and John Cummings claim that Gov. Clinton and his inner circle, along with Lt. Col. Oliver North and the CIA, were involved in a conspiracy that included training Contras at Nella, sending weapons to Central America, smuggling cocaine into the U.S. and laundering funds through Arkansas banks. Little hard evidence is presented to back up these startling claims, yet the book should not be dismissed out of hand. Certainly, something was going on at Mena and Nella. And the authors raise the interesting question: What happened to all of Barry Seal's cocaine money?

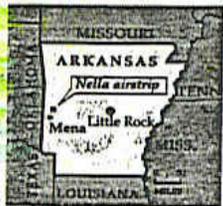
Intriguing Coincidence

In an intriguing coincidence, while running Barry Seal as an agent, the DEA also was conducting an investigation into the drug-related activities of Little Rock bond dealer and Clinton supporter Dan Lasater. In October 1986, as Mr. Lasater was being charged in Little Rock with conspiracy to distribute cocaine, the DEA confirmed that he was the target of a drug-trafficking probe involving his private plane and a small airfield at the New Mexico ski resort Angel Fire, which Mr. Lasater purchased in 1984.

Mr. Lasater's bond shop also executed a mysterious series of trades on behalf of Kentucky resident Dennis Patrick, who says he had no knowledge of the millions in trades reflected in his account in 1985 and 1986. It's unclear what these trades represent, since Mr. Patrick's confirmation slips show only paper transactions, with little money in or out. Yet it's interesting to note that the hectic activity in the account came to an abrupt halt in February 1986—the month Barry Seal was killed.

Of course, it all may be just a coincidence, and perhaps Gov. Clinton did not even know that drug smugglers, the CIA and the DEA were operating in his backyard. Perhaps he did not want to know. After all, as we have come to learn, Bill Clinton's Arkansas was a very strange place.

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



North
Arkansas
Banks
Convicted
Linked to
Roger Clinton

The Mena Coverup

By MICAH MORRISON

MENA, Ark.—What do Bill Clinton and Oliver North have in common, along with the Arkansas State Police and the Central Intelligence Agency? All probably wish they had never heard of Mena.

President Clinton was asked at his Oct. 7 press conference about Mena, a small town and airport in the wilds of Western Arkansas. Sarah McClendon, a longtime Washington curmudgeon renowned for her off-the-wall questions, wove a query around the charge that a base in Mena was "set up by Oliver North and the CIA" in the 1980s and used to "bring in plane-load after plane-load of cocaine" for sale in the U.S., with the profits then used to buy weapons for the Contras. Was he told as Arkansas governor? she asked.

"No," the president replied, "they didn't tell me anything about it." The alleged events "were primarily a matter for federal jurisdiction. The state really had next to nothing to do with it. The local prosecutor did conduct an investigation based on what was in the jurisdiction of state law. The rest of it was under the jurisdiction of the United States Attorneys who were appointed successively by previous administrations. We had nothing—zero—to do with it."

Unanswered Questions

It was Mr. Clinton's lengthiest remark on the murky affair since it surfaced nearly a decade ago. In the middle of his long tenure as governor of Arkansas. And while the president may be correct to suggest that Mena is an even bigger problem for previous Republican administrations, he was wrong on just about every other count. The state of Arkansas had plenty to do with Mena, and Mr. Clinton left many unanswered questions behind when he moved to Washington.



Anyone who thinks that Mena is not serious should speak to William Duncan, a former Internal Revenue Service investigator who, together with Arkansas State Police Investigator Russell Welch, has fought a bitter 10-year battle to bring the matter to light. They planned their hopes on nine separate state and federal probes. All failed.

"The Mena investigations were never supposed to see the light of day," says Mr. Duncan, now an investigator with the Medicaid Fraud Division of the office of Arkansas Attorney General Winston Bryant. "Investigations were interfered with and covered up, and the justice system was subverted."

The mysteries of Mena, detailed on this page on June 29, center on the activities of a drug-smuggler-turned-informant named Adler Berriman "Barry" Seal. Mr. Seal began operating at Mena Intermountain Regional Airport in 1981. At the height of his career, according to Mr. Welch, Mr. Seal was importing as much

as 1,000 pounds of cocaine a month.

By 1984, Mr. Seal was an informant for the Drug Enforcement Agency and flew at least one sting operation to Nicaragua for the CIA, a mission known to have drawn the attention of Mr. North. By 1988, Mr. Seal was dead, gunned down by Colombian hitmen in Baton Rouge, La. Eight months after Mr. Seal's murder, his cargo plane, which had been based at Mena, was shot down over Nicaragua with Eugene Hasenfus and a load of Contra supplies aboard.

According to Mr. Duncan and others, Mr. Clinton's allies in state government worked to suppress Mena investigations. In 1990, for example, when Mr. Bryant made Mena an issue in the race for attorney general, Clinton aide Betsy Wright warned the candidate "to stay away" from the issue, according to a CBS Evening News investigative report. Ms. Wright denies the report. Yet once in office, and af-

terred on Mr. Duncan. In Arkansas, Mr. Graves said, the attorney general "does not have authority" to pursue criminal cases.

From February to May 1992, Mr. Duncan was involved in a series of meetings aimed at deciding how to use a \$25,000 federal grant obtained by then-Rep. Bill Alexander for the Mena investigation. In a November 1991 letter to Arkansas State Police Commander Tommy Goodwin, Mr. Alexander urged that, at the current "critical stage" in the Mena investigation, the money be used to briefly assign Mr. Duncan to the Arkansas State Police to pursue the case full time with State Police Investigator Welch and to prepare "a steady flow of information" for Iran-Contra prosecutor Lawrence Walsh, who had received some Mena files from Mr. Bryant.

According to Mr. Duncan's notes on the meetings, Mr. Clinton's aides closely

Anyone who thinks that Mena is not serious should speak to William Duncan, who has fought a bitter 10-year battle to bring the matter to light.

ter a few feints in the direction of an investigation, Mr. Bryant stopped looking into Mena.

Documents obtained by the Journal show that as Gov. Clinton's quest for the presidency gathered steam in 1992, his Arkansas allies took increasing interest in Mena. Marie Miller, then director of the Medicaid Fraud Division, wrote in an April 1992 memo to her files that she told Mr. Duncan of the attorney general's "wish to sever any ties to the Mena matter because of the implication that the AG might be investigating the governor's connection." The memo says the instructions were pursuant to a conversation with Mr. Bryant's chief deputy, Royce Griffin. In an interview, Mr. Duncan said Mr. Griffin put him under "intense pressure" regarding Mena.

Another memo, from Mr. Duncan to several high-ranking members of the attorney general's staff in March 1992, notes that Mr. Duncan was instructed "to remove all files concerning the Mena investigation from the attorney general's office." At the time, several Arkansas newspapers were known to be preparing Freedom of Information Act requests aimed at Gov. Clinton's administration.

A spokesman for Mr. Bryant, Lawrence Graves, said yesterday that he was not aware of the missing files or of pressure

tracked the negotiations over what to do with the money. Mr. Duncan says a May 7, 1992, meeting with Col. Goodwin was interrupted by a phone call from the governor, though he does not know what was discussed. The grant, however, was never used. Col. Goodwin told CBS that the money was returned "because we didn't have anything to spend it on."

In 1988, local authorities suffered a similar setback after Charles Black, a Mena-area prosecutor, approached Gov. Clinton with a request for funds for a Mena investigation. "He said he would get on it and would get a man back to me," Mr. Black told CBS. "I never heard back."

In 1990, Mr. Duncan informed Col. Goodwin about Clinton supporter Dan Lasater, who had been convicted of drug charges. "I told Tommy Goodwin that I'd received allegations of a Lasater connection to Mena," Mr. Duncan said.

The charge, that Berry Seal had used Mr. Lasater's bond business to launder drug money, was raised by a man named Terry Reed. Mr. Reed and Journalist John Cummings recently published a book—"Compromised: Clinton, Bush and the CIA"—charging that Mr. Clinton, Mr. North and others engaged in a massive conspiracy to smuggle cocaine, export weapons and launder money. While much of the book rests on slim evidence and already published sources, the Lasater-Seal connection is new. (Thomas Mars, Mr. Lasater's attorney, said yesterday that his client "has never had a connection" with Mr. Seal.) But when Mr. Duncan tried to check out the allegations, his probe went nowhere, stalled from lack of funds and bureaucratic hostility.

Not all of the hostility came from the state level. When Messrs. Duncan and Welch built a money-laundering case in 1985 against Mr. Seal's associates, the U.S. Attorneys in the case "directly interfered

with the process," Mr. Duncan said. "Subpoenas were not issued, witnesses were discredited, interviews with witnesses were interrupted, and the wrong charges were brought before the grand jury."

One grand jury member was so outraged by the prosecutors' actions that she broke the grand-jury secrecy covenant. Not only had the case been blatantly mishandled, she later told a congressional investigator, but many jurors felt "there was some type of government intervention," according to a transcript of the statement obtained by the Journal. "Something is being covered up."

In 1987, Mr. Duncan was asked to testify before a House subcommittee on crime. Two days before his testimony, he says, IRS attorneys working with the U.S. Attorney for Western Arkansas reinterpreted Rule 6(e), the grand-jury secrecy law, forcing the exclusion of much of Mr. Duncan's planned testimony and evidence. Mr. Duncan also charges that a senior IRS attorney tried to force him to commit perjury by directing him to say he had no knowledge of a claim by Mr. Seal that a large bribe had been paid to Attorney General Edwin Meese. Mr. Duncan says he didn't make much of the drug dealer's claim, but did know about it; he refused to lie to Congress.

Career in Ruins

Mr. Duncan, distressed by the IRS's handling of Mena, resigned in 1989. Meanwhile, the affair was sputtering through four federal forums, including a General Accounting Office probe derided by the

National Security Council. At one particularly low point, Mr. Duncan, then briefly a Mena investigator for a House subcommittee, was arrested on Capitol Hill on a bogus weapons charge that was held over his head for nine months, then dismissed. His prized career in law enforcement in ruins, he found his way back to Arkansas and began to pick up the pieces.

Mr. Duncan does not consider President Clinton a political enemy. Indeed, he feels close to the president—a fellow Arkansan who shares the same birthday—and thinks Mena may turn out to be far more troublesome for GOP figures such as Mr. North than any Arkansas players.

These days, Mr. Duncan struggles to keep hope alive. "I'm just a simple Arkansan who takes patriotism very seriously," he says. "We are losing confidence in our system. But I still believe that somewhere, somehow, there is some committee or institution that can issue subpoenas, get on the money trail, find out what happened and restore a bit of faith in the system."

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



William C. Duncan

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NATION



Associated Press

Susan McDougal, right, and one of her attorneys, Jennifer Horan, walk from the Little Rock, Ark., federal courthouse Tuesday.

Ex-Whitewater partner gets 2 years in prison

Associated Press

LITTLE ROCK — Susan McDougal was sentenced to two years in prison Tuesday in a fraud case her lawyer denounced as bait to ensnare her former Whitewater business partners, President and Hillary Rodham Clinton.

A tearful McDougal pleaded for leniency like that shown to former

ing to the president or his wife.

"To my knowledge, my client does not have any incriminating information on Bill or Hillary Clinton," he said. "If she had caved in, she wouldn't be looking at any prison time."

The McDougals were partners with the Clintons from 1978 to 1992 in the Whitewater real estate development in northern Arkansas. The McDougals also

Robertson's campaign use of

Religious broadcaster 'appalled' at charges

Associated Press

WASHINGTON — The government believes Pat Robertson's 1988 presidential campaign racked up almost \$1.7 million in illegal contributions by using a plane paid for by his Christian Broadcasting Network.

But after completing their eight-year probe, election regulators decided it's too late to seek civil fines

against the religious broadcaster or the company he heads.

After members of the Federal Election Commission found reason to believe use of the plane and some other campaign activities violated the law, they closed the case in May and announced Friday that the files were public.

Robertson's lawyer, Jan Baran, said there was no wrongdoing and the agency was "smearing" his client. "Pat Robertson is appalled that the FEC after eight years would

make unsub

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Drug sales linked to Contras

Associated Press

SAN JOSE, Calif. — Throughout the 1980s, a San Francisco Bay area drug ring sold tons of cocaine to Los Angeles street gangs and funneled the profits to some of the CIA-run Contras in Nicaragua, a newspaper reported.

Repeated attempts to prosecute the ring's kingpin were thwarted by the CIA, possibly to cover up ties between the traffickers and Contra leaders, the San Jose Mercury News reported in a series of articles after a yearlong investigation.

The newspaper's report, based on recently declassified federal reports, court testimony and interviews, also alleges that the drug network was

partially responsible for the ongoing "crack" problem in Los Angeles.

The money pipeline was created after the CIA combined several armies to create 5,000-member anti-communist FDN Fuerza Democratica Nicaraguense (Nicaraguan Democratic Force) in mid-1981, the newspaper reported.

The same year, the drug ring sold almost a ton of cocaine to the Crips and Bloods, notorious Los Angeles gangs, for \$54 million, former FDN leader and government informant Oscar Danilo Blandon Reyes said.

How much of the drug ring's profits went to the FDN before it disbanded in 1988 still is unclear.

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NATION

Black Caucus to Clinton: Investigate CIA

News report accuses intelligence agency of trafficking drugs

Associated Press

WASHINGTON — The Congressional Black Caucus wants President Clinton to order a formal inquiry into allegations that the CIA was involved with drug trafficking to the Nicaraguan Contras.

Rep. Maxine Waters, D-Calif., said Friday a formal letter would be delivered to the White House seeking the inquiry.

CIA Director John Deutch, saying he has found no evidence of such wrongdoing, has already ordered an internal investigation. And Attorney General Janet Reno wrote Waters last Tuesday saying the

“At the present time, there is no evidence that supports the allegations made against the CIA.”

— Attorney General Janet Reno

Justice Department also had conducted a preliminary inquiry that turned up nothing.

In a three-part series, “Dark Alliance,” the San Jose Mercury News detailed how a San Francisco Bay Area drug ring sold tons of cocaine to the street gangs of South-Central Los Angeles and funneled millions in drug profits to a CIA-run guerrilla army.

The series traced the crack cocaine explosion to two Nicaraguan cocaine dealers, Danilo Blandon and Norwin Meneses, who were

civilian leaders of the Frente Democratica Nicaraguense (FDN), an anti-communist commando group formed and run by the CIA during the 1980s.

Blandon, who is now an undercover informant for the Drug Enforcement Administration, admitted in federal court recently that his biggest customer was a Los Angeles crack dealer named “Free-way” Rick Ross, who turned Blandon’s cocaine into crack and distributed it to the Crips and Blood street gangs.

Blandon told the DEA in 1995 that at the height of his business with Ross, he was providing 100 kilos of cocaine a week to the gangs.

Waters said Friday that the Black Caucus has heard nothing further from either Deutch or Reno since their letters earlier in the week. She said also that Speaker Newt Gingrich has not replied to a request that he form a special committee to hear the allegations and look at documents.

“I would like to see a special committee that will investigate the connection between the CIA and drugs in the inner cities based on the stories that have been written about it,” Waters said.

“I would like to identify those involved and, if it’s documented, they should be indicted and convicted.”

White House ex-employees sue first lady, FBI over files

Associated Press

WASHINGTON — A \$90 million class-action lawsuit accuses Hillary Rodham Clinton, the FBI and others of harming White House employees of previous administrations by mishandling their

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Venezuelan general indicted on drug charges

Knight-Ridder

PNS 11-24-96

MIAMI — Gen. Ramon Guillen Davila, the head of the Venezuelan National Guard for four years and once the CIA's most trusted man in Venezuela, has been indicted on drug trafficking charges by a federal grand jury in Miami.

Guillen is charged in a sealed indictment with smuggling as much as 22 tons of cocaine into the United States while he was chief of the National Guard anti-drug bureau between 1987 and 1991, sources familiar with the case told the Miami Herald.

Guillen is currently living in Venezuela, which usually does not extradite one of its citizens to the United States. Guillen did not return phone calls to his home in Caracas.

As head of the anti-drug unit, Guillen worked closely with both the CIA and the U.S. Drug Enforcement Administration. In 1993, the CBS News program "60 Minutes" reported that Guillen's officers smuggled more than a ton of cocaine into the United States with the CIA's approval as part of an undercover program aimed at catching drug smugglers.

"The CIA and the Guardia Nacional wanted to let cocaine go on

into traffic without doing anything," Annabel Grimm, the then-chief of the DEA in Caracas, told CBS. "I guess they thought they were going to get Pablo Escobar at the scene of the crime or something, which I found, personally, ludicrous."

The sealed Miami indictment describes a much larger and broader drug conspiracy than the incidents referred to by "60 Minutes." The Miami indictment does not implicate the CIA, sources said.

The CIA denied that its officers were involved in smuggling drug shipments to the United States. Yet one of its officers in Venezuela resigned and the station chief in Caracas was recalled and went into retirement.

Federal sources said that the CIA allowed the drug shipments to pass into the United States in an attempt to develop sources and bolster its intelligence-gathering activities against Colombian drug cartels.

The CIA's relationship with Guillen and the National Guard created friction between the CIA and the DEA, which opposed the idea of letting the cocaine hit U.S. streets. But the plan proceeded anyway, DEA officials said.

Under U.S. law, federal authorities cannot allow cocaine to pass into the U.S. market without the approval of the head of the DEA.

The Miami grand jury investigation of the Guillen matter began in 1993 after the DEA and the CIA conducted extensive internal probes.

The DEA found out that Guillen received a shipment of 1,530 kilograms of cocaine from members of the Cali drug cartel and then tried to send the drugs to Miami in September 1990 without the DEA's knowledge, according to documents obtained by the Herald.

But when they tried to load the crate of cocaine aboard an Aerolineas Latinas Boeing 727 at Maiquetia Airport, the crate would not fit through the plane's door.

Guillen ordered the crate taken to his headquarters. In mid-October, he finally told the DEA about its existence.

In another case that raised suspicions, the National Guard informed the DEA and U.S. Customs Service that it would send 602 kilos of cocaine to Miami as part of an undercover operation. When U.S. drug agents seized the crate in Miami, they discovered that 206 kilos were missing.

Asa and me

I've wondered for years: What does Hutchinson know about Arkansas's biggest drug smuggler? And when did he know it?

By Mara Leveritt

May 25, 2001

Asa Hutchinson and I share a passion for the subject of drugs. As a crusading member of Congress, he talks a lot about them. As a reporter focused on crime, my writing centers on them. Hutchinson wants to intensify this country's war on drugs. I think three decades of failure have proven the war a disaster.

Now President George W. Bush has nominated Hutchinson to head the DEA, the biggest drug-fighting squad in the world. But before Hutchinson assumes that post, there are some questions about high-level cocaine trafficking in Arkansas while he was a U.S. attorney here that he should be required to answer. The questions have hung about for years, but so far he has managed to dodge them.

They relate to the period from 1982 to 1985, when Hutchinson served as the federal prosecuting attorney for western Arkansas. He speaks often of that time.

"During the 1980s, our nation declared a war against drugs," he proclaimed in a 1997 speech to the House. "I was in that battle as a federal prosecutor. It was during that time that our families, our communities, and our law-enforcement officials mobilized in a united effort to fight this war."

In another speech he observed, "I have seen the drug war from all sides - as a member of Congress, as a federal prosecutor, and as a parent - and I know the importance of fighting this battle on all fronts."

But some strange things happened in Hutchinson's district while he was federal prosecutor that he doesn't mention in his speeches. Specifically, a man identified by federal agents as "a documented, major narcotics trafficker" was using facilities at an airport in Hutchinson's district for "storage, maintenance, and modification" of his drug-running aircraft, throughout most of Hutchinson's tenure.

The man was Adler Berriman "Barry" Seal. For the last four years of his life - and throughout Hutchinson's term as U.S. attorney - his base of operations was Mena, Arkansas.

In 1982, the year that Hutchinson took office as U.S. attorney and Seal moved to Mena, federal officials were already aware that he controlled "an international smuggling organization" that was "extremely well organized and extensive." Agents for the DEA, FBI, U.S. Customs, and IRS were watching him. They brought Hutchinson evidence that Seal was "involved in narcotics trafficking and the laundering of funds derived from such trafficking."

I knew none of this in the early 1980s. At the time, this was highly secret information, known only to a handful of state and federal investigators and a few politicians, including U.S. Attorney Asa Hutchinson.

My interest in the relationship between Seal and Hutchinson was piqued as I became aware of how heavily drug prosecutions fell on street- and mid-level dealers, while smugglers like Seal, who imported drugs by the ton, rarely ended up in prison. So when rumors surfaced about Seal and his organization, and how they had managed for years to avoid prison, even though the extent of their activities was well known to drug authorities, I wanted to know more.

But getting the story has not been easy. In the early 1990s, I asked Hutchinson about Barry Seal and his associates at Mena. Hutchinson provided no information, and politely dismissed the complaints that had arisen by then about his failure to prosecute Seal. He said he had already resigned as U.S. attorney by the time the matter arose.

Even then I knew better than that. Ignoring sidelong glances from some of my peers, who already equated drug smuggling at Mena with reports of life on Mars, I began collecting official accounts of what had happened there. My main thrust was an attempt to acquire, through the federal Freedom of Information laws, all the documents relating to Seal that were generated by the FBI.

I wish now that I had gone after the DEA's records on Seal, but I was working in the dark. I knew that the FBI had been involved in Seal's case, so I began with what I knew.

The battle to obtain even those documents has now taken longer than the length of time that Seal was based at Mena. At first the FBI denied that it had any records on Seal. When I produced photocopies of FBI memos relating to the Seal investigation, the agency acknowledged that a file existed. But, I was told, it probably would take years to review it, and besides, thousands of applicants for other files were already ahead of me.

That's when I wrote to two members of Congress, asking for their help. Even though Hutchinson is not from my district, I contacted him in hopes that, having been close to the events, he would want to help clear the record. Again, he responded politely.

He told me that it was always good to hear from me, that he had contacted the FBI in my behalf, and that he would be back in touch with me when the agency responded. He included a copy of a federal guide to using the Freedom of Information and Privacy Act, in the hope that it would help in my "research efforts." He thanked me for my patience.

That was the last I heard from Asa Hutchinson until a couple of years later, when I mentioned the incident in a column. At that point, an aide to Hutchinson hastened to apologize for the lack of followup. But still, there was no help on the Mena front coming from the Hutchinson camp.

Fortunately, Rep. Vic Snyder was more responsive. In fact, Snyder and his staff made repeated attempts to persuade the FBI to release the records I had requested. Finally, after a personal visit from Snyder, the agency agreed to start releasing some of its files on Mena. As a result, during the past two years, I have received several hundred pages of reports relating to Barry Seal. I have posted many of these pages on my website, maraleveritt.com, and a new batch will be posted soon. The pages reflect the intensity of activity surrounding Seal, even if, in true wartime fashion, most of the details have been blacked out.

Many of the documents have been so heavily censored that they have been rendered worthless. And hundreds more were withheld altogether. Some of the redactions were made, according to agency notations, to protect the privacy of named individuals. Many others, however, are said to have been made under laws to protect "national security."

In an effort that my children predict I'll still be waging from beyond the grave, I am appealing the national security exclusions. What, I ask, is the connection between Seal and national security?

I have seen the rug of "national security" grow larger by the year, and it concerns me that so many aspects of this war on drugs are piously being swept under it. Too often "national security" means "don't tell the American people."

I believe that if this country is going to fight a long and costly war, the war's leaders have an obligation to report faithfully on its battles. The incidents that surrounded Seal constituted a major battle. But the faithful report has been missing. For more than 15 years, U.S. government officials, including Hutchinson, who were close to the events have maintained a stony silence.

Yet, despite the former prosecutor's unhelpfulness, chunks of the story have emerged. And scoffs about Mena aside, it is a remarkable one. The stakes with Seal were about as high as they can get in a war. The story is replete with intrigue and layers of betrayal. The losses it reflects were enormous.

Here's a gram of what happened:

Early in 1984, after years of painstaking investigation, law enforcement agencies, including the DEA, were ready to prosecute Seal. But Seal called upon political connections, and they let him become an informant rather than go to prison. The price of Seal's last-minute deal with the U.S. government was that he was to betray his Colombian allies, toppling the leadership of the Medellin cartel.

But the government lost on the deal. The plan to use Seal to rout the cartel ended in murder and failure. Not only was Seal exposed, and then assassinated, but members of his "extensive" organized crime operation evaded prosecution.

The fiasco left many law enforcement officers who'd worked on the Seal case feeling that they'd been betrayed. I've interviewed some of them, and their disillusionment is heartbreaking.

In 1992, I spoke with Jack Crittendon, a sergeant with the Louisiana State Police. He told me that 10 years earlier, in early 1982, he and his partner were building a case against Seal when they were notified that DEA officials in Miami were on the verge of indicting Seal. Armed with that information, Crittendon and his partner confronted Seal at a steak house in Baton Rouge.

"We told him we'd like for him to turn around and cooperate with us and with the DEA and with the U.S. attorney in Baton Rouge," Crittendon recalled. "We were looking across the table at him. Now, the man had a mind for business. With his mind, he could have been the head of a Fortune 500 company. It just so happened that his business was smuggling. We told him we wanted the cartel. He said he'd have to give it some thought."

Ultimately, Seal rejected the Louisiana proposal. Crittendon recalled, "We said, 'That's fine with us, but wherever you go, they're going to be after you.' And, in fact, it was shortly after that, he turned up in Mena, Arkansas."

Seal was being watched so closely that state and federal officials in Arkansas, including Asa Hutchinson, knew of his move to Arkansas, almost from the moment his first aircraft arrived. They also knew that Seal had formed a business relationship with Rich Mountain Aviation, an aircraft modification company headquartered at the Mena airport.

Soon after Seal's move to Mena, U.S. Attorney Hutchinson called a meeting at his Fort Smith office to coordinate local surveillance. Among those attending were an Arkansas DEA agent, a U.S. Customs official, and U.S. Treasury agent William C. Duncan.

Duncan's job was to investigate money laundering by the Seal organization. By the end of 1982, he had gathered what he believed to be substantial evidence of the crime.

Duncan and an Arkansas State Police investigator, who was also monitoring Seal's enterprise, took their evidence to Hutchinson. They asked that the U.S. attorney subpoena 20 witnesses they'd identified to testify before a federal grand jury. To Duncan's surprise, however, Hutchinson seemed reluctant. Ultimately, Hutchinson called only three of the 20 witnesses the investigators had requested.

The three appeared before the grand jury, but afterwards, two of them also expressed surprise at how their questioning was handled. One, a secretary at Rich Mountain Aviation, had given Duncan sworn statements about money laundering at the company, transcripts of which Duncan had provided to Hutchinson. But when the woman left the jury room, she complained that Hutchinson had asked her nothing about the crime or the sworn statements she'd given to Duncan. As Duncan later testified, "She basically said that she was allowed to give her name, address, position, and not much else."

The other angry witness was a banker who had, in Duncan's words, "provided a significant amount of evidence relating to the money-laundering operation." According to Duncan, he, too, emerged from the jury room complaining "that

he was not allowed to provide the evidence that he wanted to provide to the grand jury."

Hutchinson left the U.S. attorney's office in October 1985, to make what turned out to be an unsuccessful bid for the U.S. Senate. His successor, J. Michael Fitzhugh, appeared no more zealous than Hutchinson to pursue information regarding Seal. As a result, neither Seal nor his associates in Arkansas were indicted.

(As late as 1989, according to records I've received, FBI agents in Little Rock were still expecting that some of Seal's associates would be indicted. Only after Sen. Dale Bumpers inquired into the status of the case, and calls were made to Fitzhugh's office, did the agents learn that the grand jury had disbanded the previous summer without issuing the expected indictments.)

In 1991, Treasury agent Duncan was questioned under oath about the Seal investigation. Asked what conclusions he and his superiors at the IRS had drawn, Duncan answered matter-of-factly, "There was a cover-up."

"I had found Asa Hutchinson to be a very aggressive U.S. attorney in connection with my cases," Duncan said. "Then, all of a sudden, with respect to Mena, it was just like the information was going in, but nothing was happening, over a long period of time. But, just like with the 20 witnesses and the complaints, I didn't know what to make of that. Alarms were going off...

"We were astonished that we couldn't get subpoenas. We were astonished that Barry Seal was never brought to the grand jury, because he was on the subpoena list for a long time. And there were just a lot of investigative developments that made no sense to us."

Asked to elaborate, Duncan explained, "One of the most revealing things was that we had discussed specifically with Asa Hutchinson the rumors about National Security [Administration] involvement in the Mena operation. And Mr. Hutchinson told me personally that he had checked with a variety of law enforcement agencies and people in Miami, and that Barry Seal would be prosecuted for any crimes in Arkansas. So we were comfortable that there was not going to be National Security interference."

Duncan also said he found it "very strange" that he saw so few signs of the DEA at Mena while Seal was headquartered there. "We were dealing with allegations of narcotics smuggling [and] massive amounts of money laundering," Duncan said in his deposition. "And it was my perception that the Drug Enforcement Administration would have been very actively involved at that stage, along with the Arkansas State Police. But DEA was conspicuously absent during most of that time."

Duncan did not know while he was investigating Seal that, about a year and a half after Seal's move to Arkansas - and about midway through Hutchinson's term as U.S. attorney - the smuggler had changed his mind about becoming a federal informant. In March 1984, with charges filed against him in Florida and others pending in Louisiana, Seal was desperate to make a deal. But the

U.S. attorney in Fort Lauderdale was more inclined to prosecute than to let Seal roll and become an informant. The talks had reached an impasse.

Not everyone charged with drug crimes can bargain effectively with the U.S. government. But Seal had some advantages. For one, he had financial resources. According to his own account, by 1984 he had already earned between \$60 and \$100 million smuggling cocaine into the U.S. He could hire his own lawyers.

Perhaps more important, it appears, he had cultivated some important connections. Stymied in his negotiations in Florida, Seal flew his personal Lear jet to Washington, D.C., where he met with members of a White House task force on crime headed by the elder George Bush. At the time, the current president's father was vice president under President Ronald Reagan.

There is no indication that then Vice President George Bush was present at the meeting with Seal. But the meeting was important, nonetheless. Where Seal had failed in Florida, he now succeeded in Washington, as members of the task force backed his offer to become a federal informant.

Days later, in the presence of Justice Department officials, Seal signed an agreement to cooperate with the DEA. The problem for Duncan and other investigators working in Louisiana and Arkansas was that the deal was kept a secret. Contrary to law enforcement protocols, they were not informed of the change in Seal's status.

Seal lived for 23 months after he cut that deal. They are months shrouded in mystery. Questions that have festered for years remain to this day unanswered.

Why were Duncan and other investigators assigned to follow Seal not notified that he was now a confidential government informant? And what was the DEA's role with regard to Seal? How close was the supervision of this high-level criminal turned critically-important informant? After Seal became an informant, did he continue to smuggle drugs - and keep the money he made from them - as he later testified in court that he did?

By Seal's own account, his gross income in the year and a half after he became an informant - while he was based at Mena and while Asa Hutchinson was the federal prosecutor in Fort Smith, 82 miles away - was three-quarters of a million dollars. Seal reported that \$575,000 of that income had been derived from a single cocaine shipment, which the DEA had allowed him to keep. Pressed further, he testified that, since going to work for the DEA, he had imported 1,500 pounds of cocaine into the U.S.

Of course, Duncan and other investigators knew nothing of all this. They had no idea in 1984, as they monitored Seal's occasional appearances at Mena, that the smuggler was also flying between meetings with high-level U.S. officials and the cocaine lords of Central America. Between March 1984 and February 1986, records indicate that Seal flew repeatedly to Colombia, Guatemala, and Panama, where he met with Jorge Ochoa, Fabio Ochoa, Pablo Escobar, and Carlos Lehder - leaders of the cartel that at the time controlled an estimated 80 percent of the cocaine entering the United States.

Compounding the mystery around Seal are questions that arose during this period about his relationship with the CIA. Were the connections extensive, permeating his career? Or were they limited to one event, as the CIA maintains? I know that some of the records in Seal's FBI file - ones I've been denied on grounds of national security - originated with the CIA. So the questions remain.

What we do know is that, in June 1984, CIA technicians installed hidden cameras in Seal's C-123K at Florida's Homestead Air Force Base. The next day, Seal flew to Nicaragua, where the CIA-installed cameras captured images of cocaine being loaded onboard the plane. Two months later, at the height of the Reagan administration's effort to get congressional funding for the Nicaraguan Contras, those photos were leaked to the media. Administration sources identified the blurry figures as leaders of the Sandinista government, who were opposed by the Contra rebels.

The leak exploded Seal's cover, revealing to his associates in the Medellín cartel that he was now cooperating with the U.S. government. It ruined Seal as an informant just three months after he'd made the deal. And it set him up for retaliation.

How much of this Hutchinson knew at the time, he has never said. What is known is that at the end of 1984, Seal was indicted in Louisiana, and in January 1985, he pled guilty to drug charges there. His usefulness now limited to courtrooms, for most of 1985, Seal made appearances at federal drug trials, where he testified as a government witness against others in his trade. He helped in several prosecutions, though none in Arkansas.

Seal's most important court appearance was to come in 1986, when he was scheduled to testify at the trial of Jorge Ochoa Vasquez. But in February of that year, shortly before the trial was to begin, Seal was ambushed in Baton Rouge and killed in a hail of bullets. Upon hearing of Seal's murder, one stunned DEA agent lamented, "There was a contract out on him, and everyone knew it. He was to have been a crucial witness in the biggest case in DEA history."

Why was Seal not protected? There are no good explanations. Seal's status as an informant was destroyed by the decision to leak his photos. And he was gunned down, ending his ability to testify, when he showed up for an appointment that a federal judge had ordered him to keep.

After Seal's murder, the attorney general of Louisiana wrote to U.S. Attorney Edwin Meese, requesting answers to some of the bigger questions about the government's relationship with Barry Seal. William J. Guste Jr. asked Meese why "such an important witness" had not been given protection. Guste also wanted to know how Seal had been "supervised, regulated and controlled" after agreeing to work with the DEA.

The Louisiana attorney general asked, "Was Seal allowed to work in an undercover capacity in Arkansas and Louisiana without notification to Louisiana and Arkansas officials?" And, "How were the contraband drugs he brought into the United States while cooperating with the DEA regulated and controlled?"

"Was Seal's drug smuggling organization allowed to remain intact during and after the time of his cooperation with the government? If so, why?"

"Was he permitted to keep hundreds of thousands of dollars which he made while working for the DEA by actually smuggling drugs into the United States? How was such money accounted for?"

Guste wrote, "All of these questions and others that will undoubtedly develop cry for investigation. And law enforcement agencies and the public have a right to know the answers." In 1994, Guste told me that Meese never responded to the letter. If Asa Hutchinson, who worked under Meese, made any similar inquiries, they have never come to light.

Fifteen years have now passed since Barry Seal's murder, and the still unanswered questions remain as haunting as ever. Bill Clinton, who was governor of Arkansas during Seal's tenure here, dismissed the questions during his campaign for the presidency as entirely a federal matter. Once he gained the White House, a spokesman ridiculed questions about Seal and Mena, calling them "the darkest backwater of conspiracy theories."

But these questions do not deserve such a brush-off. They deserve answers. Yet, even at this late date, instead of providing them, President Bush plans to install Hutchinson, the tight-lipped and loyal drug warrior, as head of the DEA.

While Hutchinson (and others) have remained mum about the deals and questions, politics and bungles that surrounded Barry Seal, the peculiarities that marked Seal's case have not escaped mention entirely. In 1988, the Senate Committee on Foreign Relations issued a report prepared by its Subcommittee on Terrorism, Narcotics and International Operations that exposed the seriousness of the Seal disaster. That report read in part: "Law enforcement officials were furious that their undercover operation was revealed and agents' lives jeopardized because one individual in the U.S. government - Lt. Col. Oliver North - decided to play politics with the issue."

The report continued: "Associates of Seal, who operated aircraft service businesses at the Mena, Arkansas airport, were also targets of grand jury probes into narcotics trafficking. Despite the availability of evidence sufficient for an indictment on money laundering charges and over the strong protests of state and federal law enforcement officials, the cases were dropped. The apparent reason was that the prosecution might have revealed national security information, even though all of the crimes which were the focus of the investigation occurred before Seal became a federal informant."

When I wrote to Hutchinson in 1995, he might have referred me that report. But he didn't. Now that Hutchinson is in line to head the DEA, I think he should be required to address the long waiting questions about Seal. And a few more questions to boot. Among them:

What are the limits on secrecy when it comes to fighting this war?

What should be the DEA's relationship with the CIA?

How heavily should narcotics investigators be allowed to rely on drug-criminals-turned-snitches - people like Barry Seal - for activities that are kept from public review and for testimony resulting from deals?

What explanation is owed to law enforcement officers, many of whom risk their lives, only to see their efforts wasted - not purposefully undermined - as they were in the case of Seal?

What about all the inmates who are serving time in prisons for drug law violations that were insignificant compared to Seal's? What does Hutchinson say to them? And to the American people?

Like most drug warriors, Hutchinson speaks often about "messages." He resists changing even marijuana laws, saying that to do so would send the "wrong message." He opposes calling the war on drugs anything but a war, arguing that to change the terminology sends "the wrong message."

I share his respect for messages. So I'd like to hear how he interprets this one: In 1994, when I asked the head of the DEA's office in Little Rock what had actually transpired with Seal, the agent answered obliquely that "no conclusion was determined." When I asked what in the world that meant, he explained, "Sometimes that is the conclusion: that there can be no conclusion."

I'd like to know: Would that answer satisfy Hutchinson? It does not satisfy me.

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