

# Hush-Money Scandal Could Speak Volumes

By Timothy W. Maier

**Last year the Clinton administration's housing secretary admitted to a payoff scheme to persuade a former mistress to hold her tongue. Did President Clinton laugh with him about it?**



**T**hat Jones woman should worry the president the most. Not Paula, but Linda, formerly known as Linda Medlar. Her claim to fame is an alleged extortion plot to ensure her silence about a broken extramarital affair with the former housing secretary, Henry Cisneros.

It is not what Linda Jones says that

**Sharing secrets?** *Investigators are pursuing allegations of presidential links to Cisneros' alleged web of lies.*

might make President Clinton cringe or, for that matter, what Jones knows. But the debacle surrounding her soured affair with Cisneros could place the president in the middle of a hush-money scandal that the White

House so far has managed to avoid.

**Insight** has learned that independent counsel David Barrett's team of prosecutors and FBI agents has evidence suggesting that Clinton knew the details of the payoffs to Jones before Cisneros allegedly committed perjury. Says a well-placed source, "The president knew everything before Cisneros testified before the Senate."

And what was Clinton's reaction to the scandal? "They laughed it up," the source says. "I can tell you that the Clinton aspect is definitely being pursued," and that includes linking the president to possible conspiracy and obstruction-of-justice charges, as well as suborning perjury. "It is a dangerous road to pursue," the source adds, "because if you go after the king you better get him."

The Cisneros escapade made headlines as yet another political heart-throb caught in a sex scandal. It had started in 1987 when Jones, a former Democratic campaign worker, had a highly publicized affair with the then-mayor of San Antonio, a rising political star considered a possible vice-presidential candidate on the ticket with Walter Mondale. A few years later Cisneros broke off the relationship, reconciled with his wife when his son became ill and began paying Jones for her silence, according to court records. In 1993, when he was nominated to the Clinton Cabinet, he threatened to stop the payments and found himself in the middle of a civil lawsuit, which he settled for \$49,000.

Jones then hit Cisneros hard by selling her story to the tabloid-news TV show *Inside Edition*, along with secretly taped recordings of conversations she had with Cisneros — conversations that contradicted statements he made to the FBI and the Senate. Cisneros announced he would step down from the Cabinet, citing financial problems.

Now the scandal again is front-page news. The ex-lovers were reunited Dec. 11 as alleged partners in crime when a federal grand jury in Washington handed down a 21-count indictment, charging them variously with conspiracy, obstruction of justice, fraud and perjury. It is the second go-round for Jones, who was charged last September in a 26-count indictment of lying to the FBI and the IRS and withholding key evidence.

If Jones is convicted, she faces 150 years in federal prison and \$4.75 million in fines. Likewise, if Cisneros is found guilty he faces 90 years in prison. Two other minor players charged in the indictment are former aides to Cisneros, Sylvia Arce-Garcia and John D.



Rosales, both of whom are expected to cut deals with prosecutors.

The case stems primarily from questions raised as a matter of course by the FBI to Cisneros: "Is there anything in your personal life that could be used by someone to coerce or blackmail you? Is there anything in your life that could cause an embarrassment to you or to the president if publicly known. If so, please provide full details."

Cisneros answered no. In hindsight he now says he didn't understand the question.

The investigation became complicated as answers seemed contradictory. Cisneros then reportedly lied to the Senate and the FBI about the amount and timing of payments he made to Jones — and suborned others to help him cover it up beginning in 1989.

He told the FBI he paid Jones \$60,000 during three years with no check exceeding \$2,500. He certainly wasn't worried about paying such hush money during his confirmation hearings, as evidenced from a secretly recorded conversation with Jones, in which he boasted to her, "The FBI loves things that have to do with sex and intimacy and so forth, but they're real bad at tracking down financial things."

But evidence including 40 hours of secretly recorded telephone calls, IRS records and canceled checks suggests to prosecutors that Cisneros committed perjury and conspired with Jones and others to lie about the hush money. Those records indicate Cisneros paid Jones about \$250,000 and continued to pay her after he came to Washington, including payments totaling some \$40,000 prior to his interview with the FBI. Concealment of the larger amounts leads to a further question: Why would he lie about the amount — unless he were trying to protect someone or hide something? But who and what?

**Insight** has learned that Barrett's investigators have been following a conspiracy trail that leads deep into the heart of Texas politics and may end up at the door of the White House. More indictments are expected as investigators pore over financial records and more witnesses begin to cooperate. Those helping the prosecution include former Gov. Ann Richards and convicted Whitewater figure Webster Hubbell, sources tell **Insight**.

But it has been a struggle for Barrett to uncover the truth. Knowledgeable sources say Attorney General Janet Reno has hampered the Cisneros probe by using the same tactics recently described by independent counsel Donald C. Smaltz before the House Government Reform and Over-

sight Committee. Smaltz, who is investigating Clinton's former agriculture secretary, Mike Espy, told the committee Reno is engaging in a "turf war" in order to "control the scope and direction of the independent counsel's investigation."

In the Cisneros probe Reno claimed to believe the lower payoff figures that

## Investigators have been following a conspiracy trail that leads deep into Texas politics and may end up at the door of the White House. More indictments are expected.



**All the richer:** Jones allegedly pocketed hush money from Cisneros totaling approximately \$290,000.

Cisneros provided did not violate the Ethics in Government Act, which deals with providing false statements. This stand angered the FBI, which insisted all background checks would be useless if Cabinet appointees were permitted to lie to agents. Reno asked Barrett's team to address only the nar-

row dispute concerning the intent of the law, but Barrett decided to expand the probe. The *Baltimore Sun* has reported that a three-judge panel agreed to do so despite objections by the Justice Department.

And now the Barrett probe has moved quietly forward, with the White House in its crosshairs. This has occurred without fanfare — partly because of gag orders placed on prosecutors and partly because of the appearance that this was a slam-dunk perjury case and nothing more. As a result of Barrett running a tight ship, his \$4 million probe has been slammed in the press as wasting taxpayers' money. But sources close to the probe say the press has missed the story.

"I am telling you this story is more than just about cheating or perjury," says a well-placed source. "There is more IRS shit in Texas. The whole thing is about the money and where the money came from."

So far only one Texas name has surfaced as a money player: According to FBI records, San Antonio financier and political benefactor Morris Jaffe helped dump \$85,000 into the hush-money account, sources say. Jaffe claims to have provided about \$9,000 to Jones after the request of San Antonio district Councilman Frank Wing. No names have yet surfaced from the president's circle, but there are hints of conspiracy charges to come.

For example, the recent grand-jury indictment notes "part of the conspiracy" included "discussing with representatives of the president-elect the possibility of making additional payments to [Jones], including a lump-sum payment" — discussions which could make these unnamed representatives a party to the crime.

But perhaps the biggest teaser in the grand-jury indictment is the mysterious unnamed "other woman" who, as the indictment reads, was paid along with Jones for "public silence." Who is she, and why are prosecutors protecting her? It may be a safe bet that Cisneros knows why her secrets should be protected.

The question is whether Cisneros will remain silent. As the probe heats up, prosecutors already are privately predicting that the popular Cisneros, whom Clinton has described as a "man of integrity and character," will plead guilty to a lesser charge. That possibility, of course, has some high-powered Texans shaking in their boots for fear that Cisneros might shatter the wall of secrecy. If the wall goes, it could mean unexpected trouble for the White House. ●