

Lawyers for Enron chief's wife say they are close to plea deal

BY KRISTEN HAYS
THE ASSOCIATED PRESS

HOUSTON — The legal team representing the wife of former Enron Corp. finance chief Andrew Fastow continued Saturday to negotiate a plea deal that would satisfy a federal judge and clear a path for possible cases against the failed energy giant's top executives.

"Yes, we are working," said Mike DeGeurin, Lea Fastow's lead attorney. "No, negotiations have not collapsed."

Leslie Caldwell, head of the Justice Department's Enron Task Force, and Justice Department spokesman Bryan Sierra didn't return calls for comment Saturday.

Enron crumbled in December 2001 amid revelations of hidden debt, inflated profits and accounting tricks.

Andrew Fastow was indicted on 98 counts related to his alleged masterminding of myriad partnerships and investment deals that inflated Enron profits and hid debt while enriching himself and others. He is the highest-profile ex-Enron executive charged

so far in the Justice Department's two-year investigation.

Lea Fastow, a former assistant treasurer at Enron, is charged with six counts of conspiracy and filing false tax forms for allegedly taking part in some of Fastow's deals and failing to report income.

A proposed plea bargain package for the Fastows hit a serious snag earlier in the week when the judge presiding over Lea Fastow's case agreed to accept a guilty plea if she offered it, but refused to limit himself to sentencing her to only five months in prison, as the agreement stipulated.

Lea Fastow's attorneys missed a Friday deadline to notify U.S. District Judge David Hittner of whether they would accept the plea agreement on his terms. Hittner said trial preparations would continue, with jury selection set to begin Feb. 10.

Attorneys, however, can still offer a plea agreement for the judge's consideration any time before the trial or before jurors render a verdict.

Sources close to the case said a deal in which Andrew Fastow

would go to prison for 10 years and pay at least \$20 million is contingent upon ensuring a five-month prison term for his wife so their sentences don't overlap and their young sons, ages 4 and 8, won't be left without a parent at home.

If Andrew Fastow's plea deal includes cooperation with prosecutors, he could lead them to cases against Enron's former top executives — company founder and former chairman Kenneth Lay, and former chief executive Jeffrey Skilling. Neither has been charged, and both maintain their innocence.

U.S. District Judge Kenneth Hoyt, who presides over Andrew Fastow's case, said he would consider a plea deal for him.

Deborah DeForge, one of the Enron workers who lost her job, is among those watching developments in the criminal cases.

"It was always a game of conquest to all of them," said DeForge, now a real estate agent. "Having them return a small portion of the monies they stole from everyone will probably not provide the punishment that should be levied."

9-11 memorial design faces heavy criticism

BY AMY WESTFELDT
THE ASSOCIATED PRESS

NEW YORK — Even before a winning design was picked for the World Trade Center memorial, complaints had rolled in about the eight finalists.

Family groups said none adequately conveyed the horror of the 2001 terrorist attacks that destroyed the twin towers and killed nearly 3,000 people. Architects said all eight left them cold. A public poll of 15,000 people drew more negative than positive responses.

The Lower Manhattan Development Corp., the agency in charge of rebuilding the trade center site, and the selection jury it appointed have been trying to strike a delicate balance between artistic independence and responding to public concerns.

Michael Arad, whose design for a memorial with reflecting pools was picked last Tuesday, has been refining drawings for a revised final design. He is working with Peter Walker, a landscape architect. Their final product is expect-

ed to be unveiled on Wednesday.

"It is impossible to please everyone," said historian Kenneth T. Jackson, president of the New York Historical Society. "Everybody can't weigh in on this."

However, it seems that nearly everyone has.

Families of the attack victims have said that the memorial needs to provide better access to the bedrock at the heart of the towers' foundations and that none of the designs adequately reflected the events of Sept. 11.

"If it doesn't tell us the story, you and I who lived through the event, how is it going to convey the story 100 years from now?" asked Mary Fetchet, whose 24-year-old son was killed.

Jury foreman Vartan Gregorian said Arad's "Reflecting Absence" design, with the pools in the footprints where the towers stood, effectively recalls the attacks. He said it makes "the gaping voids left by the towers' destruction the primary symbol of loss."

A group of rescue workers has

insisted that, when victims' names are listed, the rescuers among the dead be listed together.

"We want a firm commitment," said John Finucane, a retired firefighter who heads a group called Advocates for a 9-11 Fallen Heroes Memorial.

Arad's design is flexible on victims' names, saying they could be randomly listed or grouped according to their relationships with each other.

Some critics complained that Arad contradicted architect Daniel Libeskind's master plan for the 16-acre site when he changed the positions of cultural buildings surrounding the memorial. Libeskind met with Arad and Walker and said Arad agreed to reconcile his design with the master plan.

Other complained that Arad's scattering of pine trees surrounding the two reflecting pools made the site too barren.

Gregorian said the revised design will include "teeming groves of trees, traditional affirmations of life and rebirth."

Documents show Bush envoy supported Iraq loan program

BY KEN GUGGENHEIM
THE ASSOCIATED PRESS

WASHINGTON — Now assigned the task of reducing Iraq's debt, presidential envoy James A. Baker III once gave crucial support for continuing a billion-dollar loan program to Saddam Hussein's government that accounts for most of the money Iraq still owes the United States.

As secretary of state in 1989, Baker urged the Agriculture Department to offer \$1 billion in loan guarantees for Iraq to buy U.S. farm products after Iraq said it would reject a smaller deal.

"Documents indicate he intervened personally to make sure that Iraq continued to receive high levels of funding," said Joyce Battle, Middle East analyst for the National Security Archives, a foreign policy research center with a vast collection of declassified documents from the era.

Only half the guarantees were provided before the program was suspended amid allegations of improprieties and deterioration of relations with Iraq in the months before the August 1990 invasion of Kuwait.

The guarantees were an important part of the first President Bush's effort to improve relations with Iraq in hopes of boosting commercial ties and gaining leverage with a powerful and strategically important nation.

U.S. officials were well aware at the time that Saddam had used chemical weapons against Iran and Iraqi Kurds. Iraq also was believed to have biological and nuclear weapons programs and to be harboring terrorists — reasons the current Bush administration

has used to justify toppling the Iraqi leader.

But in 1989, Baker and other officials hoped incentives might change Saddam.

"That turned out to be unsuccessful, but I don't think it was necessarily a bad approach to try," said John H. Kelly, who led the State Department's Near Eastern Affairs bureau under Baker.

After invading Kuwait, Iraq defaulted on its debt to the United States. The debt has grown to more than \$4 billion. That includes \$1.9 billion in principal and \$1.1 billion in interest on Agriculture Department-guaranteed loans.

"The Iraq loss was certainly a shock to the system because of the magnitude," Clayton Yeutter, agriculture secretary at the time, said in an interview. He said the Iraq experience taught officials to be careful about guaranteeing too much debt for a single nation.

The U.S. debt is a small part of Iraq's overall \$120 billion debt. Baker is now traveling the world as Bush's envoy, seeking relief for Iraq.

The United States began providing loan guarantees to Iraq in the 1980s. Iraq was at war with Iran and the United States wanted to prevent advances by Iran's clerical government.

When the first President Bush took office in 1989, the Iraq-Iran war was over and Iraq was not a U.S. priority, Baker wrote in his 1995 memoirs, "The Politics of Diplomacy."

To the extent it was considered, however, there were reasons to seek better relations.

Iraq was a major oil supplier. It

was the ninth largest customer of U.S. agricultural goods, with most purchases backed by U.S. loan guarantees. U.S. companies were competing with foreign rivals for postwar business opportunities. Iraq was then the most powerful Arab country, and the United States hoped it might help Middle East peace efforts.

Some U.S. officials and members of Congress opposed attempts to improve relations, given Iraq's record of human rights violations. The State Department's human rights bureau described Iraq's record as abysmal, and its director, Richard Schifter, argued against any assistance.

But some U.S. officials saw signs of change. Iraq appeared willing to discuss chemical weapons and human rights issues. Also, Iraq agreed in March 1989 to pay \$27 million to the families of 37 sailors killed by a 1987 Iraqi missile attack on the USS Stark.

Bush spelled out his policy in a national security directive from Oct. 2, 1989: "The United States government should propose economic and political incentives for Iraq to moderate its behavior and to increase our influence with Iraq." The policy left open the possibility of punitive measures if incentives failed.

"We were under no illusions about Saddam's brutality toward his own people or his capacity for escalating tensions with his neighbors," Baker wrote. "We fully recognized at the time that it was entirely possible any carrots we offered him would fail to produce the desired result."

Baker tried to improve relations. In March 1989, he assured an Iraqi diplomat that he would take a personal interest in Iraq's request for expanded loan guarantees from the Export-Import Bank. Later, when Congress barred Iraq from participating in bank programs, the State Department drafted a waiver to override the sanctions. Bush signed the waiver in January 1990.

The big issue, however, was the agricultural loan guarantees, which provide producers and lenders with assurances that loans will be repaid.

By 1989, Iraq had been receiving about \$1 billion a year in guarantees. The Agriculture Department proposed reducing that to \$400 million for 1990, with the possibility of more money later. Officials were concerned about Iraq's creditworthiness, corruption in the Iraq loan program and a brewing scandal involving unauthorized loans to Iraq by the Atlanta branch of Italy's Banca Nazionale del Lavoro.

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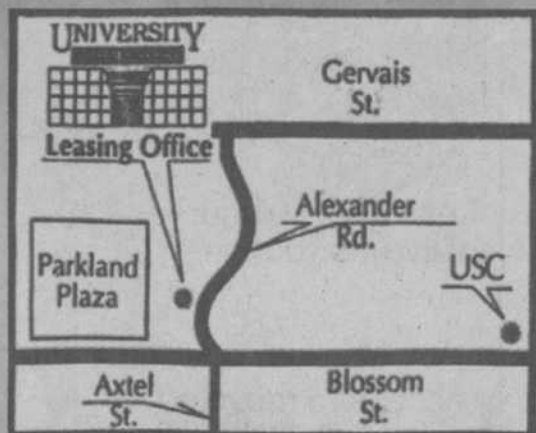


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