Buying of the President 2000

Right on the money: The George W. Bush profile

From <i>The Buying of the President 2000</i>

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On January 30, 1990, *Platt's Oilgram News*, a respected trade journal of the petroleum industry, reported that a subsidiary of a small, Dallas-based independent oil company, Harken Energy Corporation, had just signed an agreement with the government of Bahrain. "Harken Bahrain Oil Company signed a production sharing contract today," the article announced, "that gave the company exclusive rights to carry out exploration, development, production, transportation, and marketing of petroleum throughout most of Bahrain's Gulf offshore areas."

That the government of Bahrain, and its state-owned petroleum franchise, Bahrain National Oil Company, or Banoco, should choose tiny Harken Energy to explore for oil off its coast came as something of a surprise to industry experts. Amoco, the global oil giant, had also wanted the contract, and Chevron Corporation, another multinational, had advised the Bahraini government on choosing an American company for the venture.

Harken Energy had fewer than a thousand employees, and no experience whatsoever in international oil production. The company had confined its activities entirely to the domestic production of oil, and to expanding itself through the acquisition of troubled U.S. oil producers at bargain-basement prices. And it was so cash poor that it didn't even have enough capital to drill for oil without bringing in well-heeled partners to finance the exploration.

Even more surprising, Harken hadn't even actively sought the deal.

"It was not our intention to seek out international opportunities," Monte Swetnam, the president of Harken Exploration Company, the Bahrain-based subsidiary of Harken, told World Oil, another industry trade publication. "However, we were introduced to officials in Bahrain and were able to present our credentials to them. And from that, a relationship developed . . . that has evolved into one of mutual respect, ultimately resulting in signing the production-sharing contract."

The relationship promised Harken more than respect. The offshore fields were bordered on one side by a Saudi Arabian deposit with proven reserves of about 7 billion barrels, and a field belonging to Qatar with 2 billion barrels. The Bahraini offshore reserves had the potential to be enormous.

Harken Energy was in the right place at the right time. But it had something else – the right name. In January 1991 a global coalition led by President George Bush had mobilized an enormous military force to drive Saddam Hussein and the Iraqi army out of Kuwait. Another George Bush — the son of the President of the United States — was a director and shareholder of Harken Energy.

The few press reports about the deal questioned the motives of the government of Bahrain for making the deal with Harken Energy. Even the *Wall Street Journal*, customarily reserved on such matters, reported in a page-one analysis of the contract in December 1991 that it "raises the question of . . . an effort to cozy up to a presidential son."

Bush says that he pulled no strings to win the contract, and that he in fact opposed the deal, but his presence may have been enough. According to Swetnam, the Bahrainis knew that Bush was on the company's board of directors and "were clearly aware he was the President's son."

Alas for Harken, the Bush name wasn't magical enough to ensure a strike off the coast of Bahrain. The company drilled two dry holes. Bush himself fared better. He sold off two-thirds of his holdings in Harken for nearly a million dollars, and bought a small share of the Texas Rangers, a deal that ultimately netted him — with a helping hand from Texas taxpayers — some $15 million.

Which is all par for the course for the front-runner for the Republican presidential nomination. Whenever he's struck a dry hole, someone has always been willing to fill it with money for him. Throughout his long business career and in his six years as governor of Texas, Bush has relied on family connections, sweetheart deals, and the inside track to build a fortune. And Bush, both in private life and since he became governor of Texas, has always been willing to return the favors.

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Governor George W. Bush makes a lot of his Texas childhood. He proudly boasts of his tenure at San Jacinto Junior High School in Midland, Texas. But the first place he ever lived was next door to the president of Yale University.

Yale was like a second home for the Bushes of Greenwich. Bush's grandfather, Senator Prescott Bush, graduated from Yale. So did his uncles Prescott Jr. and

Jonathan. When Bush was born in New Haven on July 6, 1946, his father, George H.W. Bush, was finishing his college degree there.

Bush returned to Yale himself in 1964. He wasn't quite the all around scholar-athlete his father had been, but he was elected the president of his fraternity18.2 and invited to join the exclusive and secretive Skull & Bones Society.

When Bush graduated in 1968, he faced the prospect of being sent to Vietnam, but avoided combat by joining the National Guard. At the time, the Guard had 100,000 applicants on its waiting list.19.5 But Bush was sworn in as a member of the 147th unit of the Texas Air National Guard the same day he applied. Ben Barnes, who was then the Speaker of the Texas House of Representatives, recently said under oath that he secured a spot in the guard for the young Bush at the urging of Sid Adger, a Houston businessman and close friend of Bush's father, then a U.S. Representative from Houston. Bush wasn't the only son of a prominent Texan in his unit. Others included the sons of Senators Lloyd Bentsen (a Democrat) and John Tower (a Republican), and at least seven members of the Dallas Cowboys football team.

The only battle Bush fought during those years was on the home front. He says that he struggled to establish an identity separate from his famous father, who went on to become the chairman of the Republican National Committee, chief of the U.S. Liaison Office in China, and director of the Central Intelligence Agency under President Ford. Young George's identity crisis reportedly reached its climax one night in Midland when he was confronted by his father for taking his brother Marvin, then fifteen, out drinking. Bush, the story goes, challenged his father with the words, "Do you want to go mano a mano right here?"

But there was never really any doubt that Bush would hew to the family path. At that point, he was already talking to friends about running for the Texas statehouse. After being rejected from the University of Texas law school, he enrolled in Harvard Business School. Two years later, MBA in hand, he returned to Midland to find his own fortune in the oil fields,25.5 just as his father had done twenty-seven years earlier. Bush had no experience, but he had $13,000 in seed money from his parents and a network of well-heeled family friends, who became the principal financiers of his oil ventures.

Before going into business, however, Bush took a quick detour into politics. In 1978, he ran for a seat in the U.S. House of Representatives from Midland after hurriedly assembling all the trappings of a candidate. In one year, he started a business, Arbusto Energy, Inc. (Arbusto is Spanish for Bush); married Laura Welch, a librarian who grew up in Midland; and bought a house in the district of retiring Representative George Mahon. Don Evans, his best friend and fellow Texas oil man, ran the campaign.

Bush lost the election, but won the confidence of relatives and family friends who agreed to gamble on Arbusto. Owing to the huge losses its limited partners sustained, Bush's wildcat operation doubled as a tax shelter.

From 1979 to 1983 some fifty individuals pumped at least $4.7 million into Arbusto and its successor, Bush Exploration. Among them were some of his father's most durable political supporters, who guaranteed that the shaky company stayed afloat. John Macomber, the chief executive officer of Celanese Corporation, invested $79,500, and William Draper III, a venture capitalist, put in $93,000. Macomber, a friend of Bush's uncle Jonathan Bush, would go on to serve as the president of the Export-Import Bank of the United States under President Bush, the same job Draper had held under President Reagan.

George Ohrstrom and his wife invested $100,000 in Arbusto. Ohrstrom had attended Greenwich Country Day in Connecticut with Bush's father. Ohrstrom was a business partner of Philip Uzielli, a wealthy investor and the owner of Executive Resources, a company based first in the Dutch West Indies and later in Panama. Uzielli put $50,000 into one of the early Arbusto partnerships. In January 1982, his company bought ten percent of Arbusto's stock for a cool $1 million. The investment made Uzielli Arbusto's largest benefactor, a privilege he paid well for. The million-dollar purchase price was at least three times more than the stock he bought was worth. Uzielli, incidentally, had another connection to the Bush clan besides Ohrstrom. He'd been a close friend of James Baker III, who was intimately involved in the elder Bush's political career, ever since the two had been classmates at Princeton University. Baker managed Bush's presidential campaign in 1980 and was Secretary of State during Bush's sole term as President.

Russell Reynolds, Jr., the founder of his own executive search firm, Russell Reynolds Associates, put up $23,250. H. Leland Getz, who co-founded the firm, invested twice as much – $46,500. "These are all the Bushes' pals," Reynolds once said of Arbusto's backers. "This is the A-Team."

Reynolds knew whereof he spoke. He'd gone to Yale with George W.'s uncle Jonathan Bush, an investment manager and New York Republican Party official who lined up most of Arbusto's backers. Many of them were already clients of his, and he charged his usual commission for recruiting them. Jonathan Bush, who tapped Reynolds for a turn with Yale's a capella group, the Wiffenpoofs, would later take a turn on the board of directors of Russell Reynolds Associates. Reynolds, a former finance chairman of the Connecticut Republican Party, also raised $4 million for Vice President Bush's 1988 presidential campaign. "In Greenwich," he told an interviewer last year, "the

Bush family are is absolute tops."

Investing in Arbusto, however, turned out to be the absolute pits. By April 1984, Arbusto had drilled ninety-five holes, with forty-seven yielding oil, three yielding natural gas, and forty-five that were dry. The company had returned only $1.5 million to its investors. "The bottom line is it didn't work out very well with Arbusto," Russell recalled. "I think we got maybe twenty cents on the dollar."

Philip Uzielli tried to shore things up by buying another ten percent stake for $150,000, but to no avail. "We lost a lot of money in the oil business," Uzielli told a reporter for the *Wall Street Journal* in 1991. "We had a lot of dry wells. . . . Things were terrible. It was dreadful."

But the A-Team was willing to take a bath to help out a Bush. "We wrote the money off the minute we invested," said Stephen Kass, a classmate of Bush's at Harvard Business School. Trying to capitalize on that sentiment, Bush changed the name of the company from Arbusto to Bush Exploration in 1982. His father had been Vice President for more than a year at the time.

But the name change didn't help. The world price of oil was collapsing, and even the savviest of the independent oil companies were hard hit. The less savvy were going bankrupt. By 1984 the only way Bush could save his business was to find yet another well-heeled partner. This time he turned to an old Yale classmate of his, William DeWitt, Jr., who owned Spectrum 7 Energy Corporation, an Ohio oil exploration company. DeWitt came from a wealthy background; his father once owned the Cincinnati Reds baseball club. DeWitt and his investment partner, Mercer Reynolds, later became donors to the elder Bush's 1988 presidential campaign and to the Republican National Committee.

The two men also took care of the son. Rather than invest in Bush Exploration, they bought it out. And they didn't just pay for the office furniture. As part of the deal, Bush became Spectrum 7's chief executive officer, at an annual salary of $75,000, and got 1.1 million shares of the company's stock. Unfortunately for DeWitt and Reynolds, Bush turned Spectrum 7 into a money-losing enterprise. Two years after the merger, in 1986, world oil prices fell even further. Bush needed another bailout, and fast. He found a willing savior in Harken Oil and Gas, an oil exploration company headquartered in Dallas, Texas.

Despite the fact that Spectrum 7 had posted losses of $400,000 just six months earlier and carried $3 million in debt, Bush and his partners received $2 million worth of Harken stock. Bush's cut was worth about $500,000. Bush also became a director, and he was paid as much as $120,000 in consulting fees plus $131,250 in stock options. even though he spent much of 1987 and 1988 working on his father's presidential campaign. That was fine with Harken; unlike DeWitt, Bush's new benefactor wasn't interested in having him run the company.

"His name was George Bush," Phil Kendrick, Harken's founder, said. "That was worth the money they paid him."

Stuart Watson, who was a member of Harken's board of directors at the time of the Spectrum deal, echoed that view in a 1994 interview with a reporter for the Dallas Morning News. "George was very useful to Harken," Watson said. "He would have been more so if he had had funds, but as far as contacts were concerned, he was terrific."

Indeed, once Bush signed on, business at Harken began to pick up.

When Harken bought out Spectrum 7, the company was broke and desperately needed a cash infusion. As the talks with Spectrum 7 progressed, Harken officials were lining up a major new financial backer: Harvard Management Company, Inc. The investment firm's only client is Harvard University; it manages the school's multibillion-dollar endowment.

A month after Bush came on board, Harvard Management agreed to invest at least $20 million in Harken. It would eventually come to own some ten million shares of Harken's stock, making it one of the company's largest investors.

The Bush name may have helped seal the deal.

Michael Eisenson, a partner in Harvard Management Company who sat on Harken's board of directors, said that he and other Harvard officials picked Harken after reviewing several proposals from energy companies. "Harken management seemed capable and honest," Eisenson said.

The Bush name certainly would have made an impression on Eisenson's boss, Robert Stone, Jr., who was one of Harvard Management's directors. Stone was "the driving force" behind Harvard's Southwest oil and gas investments, according to Scott Sperling, who worked with Eisenson at Harvard. Stone himself was a player in the Texas oil and gas industry; at the time, he was the chairman of Kirby Exploration, an oil and gas transportation company based in Houston. As a longtime resident of Greenwich, Connecticut, he also knew the Bushes. His father-in-law, Godfrey Rockefeller, had invested in George Bush's oil drilling ventures in the late 1940s. Stone's brother, Galen L. Stone, was the U.S. envoy to Cyprus during the first Reagan-Bush Administration. In 1980 and 1988 he contributed to the elder Bush's presidential campaigns. And like Bush's uncle Jonathan, Stone had been on the board of directors of Russell Reynolds Associates. (Stone did not return the Center's telephone calls.)

In a recent interview, Scott Sperling told the Center that he doesn't recall Harken as "an investment that had come specifically recommended by any board member."

But according to Bing Sung, who was an investment manager at Harvard Management Company until 1986, "You just don't knock on the door of a major endowment, which Harvard certainly was, and say, 'Listen, I've got a great idea and I want to present it to the board,' . . . unless you have an in."

Harken was Harvard Management's first major investment in Texas wildcat operations, a part of the university's investment history it would rather forget. The investments in oil and gas would eventually generate nearly $200 million in losses for the endowment.

The university's commitment to Harken was surprising in view of the bad shape the company was in. "I took some time and looked at it and I went, god, I don't want to be anywhere near this," a prospective investor in Harken from the late 1980s told the Center. "This thing looks like a train wreck."

By Harken executives' own accounts, the company's financial statements were "a mess" and "a fast numbers game." But insiders insist that Harvard's money mangers wouldn't have kept pumping money into Harken if they didn't think it would become profitable.

For a time, they had reason to believe it would.

The Bahrain agreement, announced on January 30, 1990, seemed to justify Harvard's enthusiasm for Harken. While Bush said he had no role in securing the deal, and added that he had argued against it, his wealthy patrons certainly ensured that Harken could pull it off.

Bass Enterprises Production Company put up $25 million to finance the drilling. After Bass Enterprises invested in the Bahrain operation, paying for the exploration that would eventually produce two dry wells, Harvard Management upped its stake in Harken to 30 percent.

Bass Enterprises is part of the financial empire of the Bass brothers of Fort Worth, two of whom became members of Team 100, an elite club of big donors to the Republican National Committee, during the elder Bush's 1988 presidential campaign. The Bass family has been generous to the son as well; they rank No. 5 among Bush's career patrons, having contributed more than

$273,000 to him. All four Bass brothers — Sid, Robert, Edward, and Lee — attended Yale, as did their father, Perry Bass. Edward was enrolled at the Ivy League school at the same time as George W. Bush.

In August 1990, Harken posted a $23 million loss from its consolidated operations, sending its share price down from $3 to a year-end low of $2.37. Bush, however, avoided the downturn in the company's fortunes. Two months earlier, on June 22, 1990, he had unloaded 212,140 shares, or about two-thirds of his holdings, for $848,560.

As a director of the company, Bush was required to promptly report the stock sale to the Securities and Exchange Commission. He did — eight months late. Bush later claimed he had indeed reported the transaction in a timely manner, but that somehow the paperwork had been lost. Whatever the case, the eight-month delay attracted the attention of SEC investigators. The timing of the transaction seemed too good to be true.

As a member of Harken's audit committee, Bush was familiar with the company's finances and was aware that it was about to restructure its debt – a move that would depress its share price. In addition, he may have been alerted that the company was about to post a huge loss. In April 1991 the SEC launched an insider-trading investigation of Bush. The outcome of the probe raised more questions than it answered.

When the investigation began, the chairman of the SEC was Richard Breeden, who had been appointed by President Bush. Before joining the SEC, Breeden had for several years been the President's economic policy adviser. Bush even thanked Breeden by name in several speeches. Breeden's office at the SEC was adorned with so many pictures of President and Mrs. Bush that a reporter for *The New York Times* observed, "George Bush is Breeden's Mao." Before going to the White House, Breeden had been a partner in Baker & Botts, the law firm started by the grandfather of James A. Baker III, President Bush's Secretary of State.

The SEC's general counsel at the time, who would be ultimately responsible for any litigation the commission would initiate, was James Doty. Doty had also worked at Baker & Botts, where he represented the younger Bush in business related to his stake in the Texas Rangers baseball team.

In addition to collecting reams of documents, investigators for the SEC interviewed Harken's lawyer as well as the broker who'd sold Bush's stock. Then, in 1993, the agency dropped the investigation. William McLucas, the director of the SEC's enforcement division, said "there was no case there." (McLucas had been promoted to the job of being the SEC's top cop by Breeden.) But in a letter to George W. Bush announcing the agency's decision, McLucas's deputy, Bruce Hiler, wrote that the end of the probe "must in no way be construed as indicating that the party has been exonerated or that no action may ultimately result from the staff's investigation."

Bush, who by then was running for governor of Texas, gave the letter his own spin. "The SEC fully investigated the stock deal," he said in October 1994. "I was exonerated." Since 1993, Breeden, Doty, and other lawyers at Baker & Botts have given Bush $182,050, making the firm his No. 13 career patron.

One of the questions the SEC didn't answer was who bought Bush's stock.

In his statement of intent to sell, which Bush also had to file with the SEC, he said he was putting his 212,140 shares on the open market. That was nearly twenty times the daily volume of stock that traded on average during June 1990; without a buyer willing to absorb such a large block of stock, the share price would have plummeted.

Under questioning by SEC investigators, Ralph Smith, a Los Angeles broker with Sutro & Company, who handled the sale, said that he solicited the shares at the behest of an institutional investor, which he didn't name.

The available evidence suggests that the investor was Harvard. The university increased its holdings in Harken around that time. No new institutional investors appeared on the scene. At the bottom of a spreadsheet Smith used to record his calls to Bush was the name of Michael Eisenson, along with the telephone number of Harvard Management. (Eisenson did not return the Center's telephone calls.)

If Harvard was the institutional investor that bought Bush's stock, it would be the second time in his career that Bush was bailed out by his alma mater. Bush needed the money from the sale to secure his stake in the Texas Rangers baseball team, an investment he believed would propel him into politics, and that would ultimately bring him $15 million.

When Bush first embarked on the deal to buy the Texas Rangers in 1988, he already had his eye on the governor's mansion in Austin. But he knew that to have a shot at winning, he would need better credentials than a string of unsuccessful oil companies and a failed bid for a seat in the U.S. House of Representatives. In 1989 he told *Time* magazine, "My biggest liability in Texas is the question, 'What's the boy ever done?' He could be riding on Daddy's name."

But his father's connections were instrumental in helping Bush overcome that perception. Back in 1973, when his father was the chairman of the RNC, Bush befriended one of his father's assistants, Karl Rove. Rove cut his teeth alongside the senior Bush's chief political strategist, Lee Atwater. Rove would become George W.'s own Atwater, helping to run his 1978 bid for Congress and laying the groundwork for his 1994 run for governor. As the Rangers deal got underway, Rove told Bush that baseball was his ticket to the big-time. "It gives him . . . exposure and gives him something that will be easily recalled by people," Rove said.

Rove's calculation turned out to be right on the money.

It all began in fall of 1988, when William DeWitt, Jr., Bush's partner in Spectrum 7, called to let him know that Eddie Chiles, the owner of the Texas Rangers, was looking for a buyer. Chiles, a family friend who called Bush "Young Pup" when he was a kid, was eager to sell to Bush. And so Bush and DeWitt quickly assembled a team of investors. They hit a snag when Peter Ueberroth, the commissioner of Major League Baseball, told them he wouldn't approve the sale without more investors from Texas. Ueberroth believed that local owners would be less likely to relocate the team. The commissioner, a GOP donor himself, wanted the deal approved before his term expired at the end of 1989, and so he and American League president Bobby Brown took it on themselves to line up Fort Worth financier Richard E. Rainwater.

Rainwater and Bush weren't exactly strangers. Rainwater was a contributor to his father's presidential campaigns and, later, an overnight guest in the Bush White House. Until 1986 he was the chief money manager for the Bass brothers, the Fort Worth billionaires who financed Harken's drilling in Bahrain. By 1988, Rainwater was managing his own fortune. He agreed to put money in the Rangers, but only if his trusted associate, Edward "Rusty" Rose, was installed as general managing partner along with Bush.

With this arrangement in place, Bush and his partners bought the team from Chiles on April 21, 1989, for $86 million. To scrape together his $500,000 stake in the Rangers, Bush borrowed the money from a bank in Midland where he once was a director. He owned 1.8 percent of the Rangers. (He later invested an additional $106,302).

Bush made up for his minor stake by taking more than his share of credit for bringing the owners together. "I wasn't going to let this deal fail," he said last year. "I wanted to put together the group. I was tenacious."

Others close to the deal paint a different picture.

"George W. Bush deserves great credit for the development of the franchise," Ueberroth said. "However, the bringing together of the buying group was the result of Richard Rainwater, Rusty Rose, Dr. Bobby Brown, and the commissioner."

Nonetheless, Bush's partners rewarded him by upping his ownership stake in the Rangers, giving him another ten percent of the team.

"He had a well-known name, and that created interest in the franchise," Tom Schieffer, the Rangers president, said last year. "It gave us a little celebrity."

Usually parked in a front-row seat by the dugout, with his feet up and a bag of peanuts perched in his lap, Bush put a congenial face on a crooked deal, at the heart of which lay a complicated land play.

When they bought the team, the Rangers were playing in an old minor-league stadium. It didn't have the fancy sky boxes and other amenities that helped make other franchises much more profitable. As a result the team couldn't compete with other big-city teams for good players. But the new owners weren't willing to finance the construction of a new ballpark. They decided to hit up taxpayers for the money.

First, the new owners threatened to move the team out of Arlington, Texas, sending local officials scurrying to put together a deal they couldn't refuse. Under the resulting agreement, the taxpayers of Arlington would raise $135 million, the bulk of the cost of construction, through a hike in sales taxes. During a campaign to sell the sales tax increase to Arlington voters, Mayor Richard Greene said the team owners would put $50 million of their own money into the deal up front. It didn't quite work out that way; the owners raised a hefty portion of their down payment from fans, through a one dollar surcharge on tickets.

The city spent $150,000 on an advertising campaign to persuade voters.. Opponents of the deal couldn't compete with glossy brochures, telemarketing calls, and a "Hands Around Arlington Day." On January 19, 1991, citizens of Arlington voted two-to-one to approve a sales-tax increase dedicated to building the new park.

Between the sales tax revenue, state tax exemptions, and other financial incentives, Texas taxpayers handed the privately owned Rangers more than $200 million in public subsidies. Taxpayers didn't get a return from the stadium's surging new revenues, either. The profits went almost exclusively to the team's already wealthy owners.

The stadium's lease is a case in point. Unlike an apartment tenant, the rent that the team's owners pay is applied toward purchasing the stadium. The maximum yearly rent and maintenance fees for the Rangers are $5 million; the total purchase price for the Ballpark at Arlington is $60 million. Thus, after twelve years the owners will have bought the stadium for less than half of what taxpayers spent on it.

But Bush and his partners weren't satisfied lining their pockets with average Texans' hard-earned cash. They wanted land around the stadium to further boost its value. To that end, they orchestrated a land grab that shortchanged local landowners by several million dollars.

As part of the deal, the city created a separate corporation, the Arlington Sports Facilities Development Authority (ASFDA), to manage construction. Using authority granted to it by the city, ASFDA seized several tracts of land around the stadium site for parking and future development.

While on paper ASFDA was a public entity, in practice it was merely a puppet for Bush and his partners. According to documents obtained by the Center, the owners would identify the land they wanted to acquire. A Rangers owner, realtor Mike Reilly, would then offer to buy the parcels for prices he set, which in several cases were well below what the owners believed their property was worth. If the landowners refused to sell to the Rangers at the offered price, AFSDA could take possession of their land and leave the price to be determined in court.

Several of the landowners took ASFDA to court over the seizures and won settlements totaling $11 million. In a final insult to taxpayers, the Rangers resisted paying the settlements, trying to pass off yet another cost to Arlington residents. (In 1999 the Rangers, under new ownership, finally agreed to pay up.)

When confronted with the seamy details of the land grab, Bush professed ignorance. But Tom Schieffer, the team's president, has testified that he kept Bush aware of the land transfers. In October 1990, Bush also let slip to a reporter for the Fort Worth Star- Telegram, "The idea of making a land play, absolutely, to plunk the field down in the middle of a big piece of land, that's kind of always been the strategy."

It was a strategy that would have an enormous payoff for Bush personally.

After he became governor of Texas, Bush put his all of his assets into a blind trust, with one notable exception: his stake in the Rangers. Schieffer kept Bush apprised of the owner's efforts to sell the team to Thomas Hicks, the chairman of Hicks, Muse, Tate and Furst, Inc., a firm that specializes in leveraged buyouts and owns AMFM, Inc., the nation's largest chain of radio stations. Hicks and employees of his companies are Bush's No. 4 career patron, having given him at least $290,400.

In 1998, Hicks helped provide Bush with an even greater windfall. He bought the Texas Rangers for $250 million, three times what Bush and his partners had paid ten years earlier. The new stadium and the real estate around it greatly boosted the final sale price. And, since his partners had upped Bush's stake in the team from 1.8 to 11.8 percent, his cut from the proceeds of the sale was $14.9 million, a twenty-five-fold return on his investment of $606,302. Rainwater, who had put far more money into the team than Bush, made $25 million.

Just as important as the cash, however, was the cachet that came with the deal's success. The Ballpark at Arlington finally opened in April 1994, just as Bush was running for governor. He touted the new stadium as a win-win proposition for taxpayers and the team. "Am I going to benefit off it financially?" he asked reporters. He answered his own question: "I hope so." Four years later, everyone would know by how much.

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In his first race for political office in sixteen years, Bush showed that he had learned a lot all those years on the sidelines of his father's campaigns. He went up against Governor Ann Richards, a sharp-tongued Texas Democrat who, at the 1988 Democratic National Convention, took a shot at his father by saying, "Poor George, he can't help it, he was born with a silver foot in his mouth." She gave the younger George much the same treatment with nicknames like "shrub" (little Bush). But Bush didn't respond. Instead he stayed on four themes: frivolous lawsuits, welfare reform, juvenile justice, and education. His focus prompted Richards to comment years later, "If you said to George, 'What time is it?' he would say, 'We must teach our children to read.'" But his message reached voters, and in November they elected him with nearly 54 percent of the vote.

When Bush moved into the governor's mansion in January 1995, he arrived indebted to dozens of industries and wealthy patrons. He repaid some of his supporters with choice political appointments.

One of the most prestigious of political appointments in Texas is a seat on the University of Texas Board of Regents. The board is filled with Bush's top-dollar donors. The chair of the U.T. Regents is Donald Evans, Bush's old friend and longtime fund-raiser who, as the finance chairman for Bush's presidential bid, has overseen the campaign's record-shattering fund-raising drive.

Evans is the chief executive officer of Tom Brown, Inc., an oil and gas company based in Midland, Texas. In 1989, Bush joined the board as an outside director. He received $12,000 a year plus stock options for attending several meetings and participating in conference calls. He also sat on the compensation committee that boosted Evans's salary by $75,000 and awarded him a bonus of $35,000 before Bush left the company in 1994.

Shortly after he was elected governor of Texas, Bush sold his Tom Brown holdings for a profit of $297,550.

Another regent and top Bush patron is A.R. "Tony" Sanchez, the chairman and chief executive officer of Sanchez-O'Brien Oil and Gas Corporation. Sanchez started the company with his father and his father's business partner in 1974 after they discovered a major natural-gas source. Sanchez and his mother also own a controlling stake in International Bancshares Corporation, the holding company of International Bank of Commerce, a Texas banking chain founded by his father in 1966. Over Bush's career, Sanchez, members of his family, and employees of his companies have given him at least $320,150, making them his No. 2 career patron.

But Bush owed few people more than Richard E. Rainwater, the Fort Worth financier. "[Rainwater] just loves to make people rich," observed Alfred Checci, the former chairman of Northwest Airlines, who worked with Rainwater in the early 1980s. That's a passion Rainwater has had ample opportunity to indulge. When Rainwater started with the Bass brothers in 1970, they had an inheritance of $50 million. When he left in 1986, the family fortune had grown to at least $4 billion.

Rainwater provided much the same service for Bush. He was the man behind the Rangers deal that would ultimately net Bush a profit of more than $15 million. And when Bush was first elected governor, more than 60 percent of his income came from businesses in which he and Rainwater were partners, according to his 1994 financial disclosure statement.

Rainwater himself hails from modest roots. His father was a wholesale grocer and his mother worked at JC Penney to put him through school. At fifty-five, he still likes to cut million-dollar deals in faded jeans, tasseled loafers, and a baseball cap rather than a business suit.

Getting his name on a plaque wasn't going to cut it for the governor's personal rainmaker. With Bush in Austin, Rainwater soon found himself awash in potential windfalls. While some never materialized, many did.

One of Rainwater's first ventures after leaving Bass Enterprises was the creation of Columbia/HCA, Inc., which is now the nation's largest for-profit hospital chain. Columbia/HCA's operations were controversial from the start. Physicians at the hospital chain have a financial stake in the operation, which critics say carries the risk that they will put their own profits ahead of patient care. In 1997, federal agents raided Columbia/HCA facilities in Florida, Texas, and other states as part of an investigation, still ongoing, into whether the company had defrauded the federal government out of millions of dollars in Medicare reimbursements. The FBI, the Internal Revenue Service, and the Department of Health and Human Services are all involved in the probe.

In 1995, Bush vetoed a Patient Protection Act that, among other things, spelled out the obligations hospitals and health-care providers have to those who need medical care. In a written statement explaining his veto decision, the governor argued that the bill "unfairly impacts some health care providers while exempting others." He ultimately instructed his Insurance Commissioner to implement many of the bill's provisions as new state regulations. One notable exception was a provision that would have cut into the profits of Columbia/HCA.

The provision in question would have required health maintenance organizations to let patients see doctors outside their own networks. Giving patients this choice would undermine Columbia/HCA's ability to hammer out agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs).

In 1997, Bush proposed in his biannual budget that the state look into privatizing Texas's mental-health hospitals, just as Rainwater was in the midst of building a mental-health-care chain. Rainwater launched an investment company in 1994, Crescent Real Estate Equities Company. Besides Rainwater, Crescent's management team included Bush's fellow Rangers owners Gerald Haddock and John Goff and Rangers lawyer William Miller. In 1997, Crescent purchased ninety-five mental-health hospitals from Magellan Health Care Services of Atlanta and also became a fifty-fifty partner in Magellan's Charter Behavioral Health Systems. It quickly became the nation's largest provider of private mental-health-care services. The governor's proposal was never enacted. Charter Behavioral struggled for profitability, and Crescent's plan to buy out Magellan for sole ownership of the chain soon collapsed.

In 1997, Bush backed a plan to cut state property taxes that would have saved Crescent some $2.5 million in state taxes. Though the Texas House passed the proposal, the Texas Senate ended up scuttling it and passing a scaled-back version.

Later that year, however, Bush signed a bill into law that produced a $10 million windfall for Crescent, and millions more for Ross Perot, Jr., and Thomas Hicks, the leveraged buyout expert who bought the Rangers from Bush and his partners in 1998. Perot, who owns the Dallas Mavericks basketball team, and Hicks, who owns the Dallas Stars hockey team, wanted to build a new stadium to enhance the value of their teams.

Just as with the Rangers deal, Dallas taxpayers were to foot most of the bill for the new sports arena. But before city officials could negotiate with the team's owners, the state legislature had to pass a bill allowing cities to raise taxes to finance the project. While the bill wended its way through the Texas Legislature, Rainwater, through Crescent, bought a 12 percent stake in the Mavericks. Under the purchase agreement, Crescent will get the $10 million when the arena is completed in the fall of 2001. Then the legislature passed the bill allowing the sales-tax hike and Bush signed it in June 1997.

When it comes to taxpayer money, Bush has been more than willing to use it to repay the largesse he's received over the years from his patrons. The Texas Teachers Retirement System, which manages the pension fund for the state's 800,000 public school teachers, sold two office buildings and a mortgage on a third to Crescent in 1996 and 1997 at a $70.4 million loss. As first reported by R.G. Ratcliffe of the *Houston Chronicle*, two of the sales were done without public bids, and the Teachers Retirement System refused to disclose what the initial bids were on the third. At the time of at least one of the sales, Bush owned about $100,000 worth of Crescent stock.

The University of Texas Investment Management Company, which manages the state university system's $12 billion worth of assets, sank at least $8.9 million into Crescent Real Estate. The company's chairman is none other than Hicks. Under Hicks's watch, UTIMCO has steered close to $1.7 billion of its assets into private investments; a third of that money has gone into funds run either by his business partners or by Bush patrons.

In July 1998, a month after Hicks purchased the Rangers from Bush and his partners, he led a meeting of UTIMCO directors hundreds of miles away from UTIMCO's office, in the boardroom of the Ballpark at Arlington. There, they approved a $96 million investment into Maverick Capital Fund of Dallas, a hedge fund run by Sam and Charles Wyly of Dallas. The Wyly brothers are ninth on Bush's list of career patrons.

Finally, nine years after its investment in Harken helped save Bush from financial ruin, Harvard Management Company got a deal on a piece of real estate it bought from the Texas Teachers Retirement System. In 1995 the TRS sold the Anatole Hotel in Dallas to a partnership that included the Crow family, which owns a controlling interest in Trammell Crow Company, one of the nation's top real estate management companies, and Harvard Management. Without taking bids, the TRS reportedly sold the hotel for $27 million less than it had spent to make improvements on the structure.

Harvard, Rainwater, and Hicks are not alone among Bush patrons who have received favors from the governor. Industries that have provided the bulk of Bush's campaign contributions have gotten his help in a variety of endeavors, from staving off pesky environmental regulations and shielding themselves from consumer lawsuits to driving off meddlesome investigators.

For three decades now, hundreds of electrical power, oil refining, and chemical plants have been pumping toxic particles into the air over Texas. These plants produce as much smog-forming nitrogen oxides as 18 million cars, making Texas the state with the largest volume of air pollution in the nation. The Texas Legislature passed the Texas Clean Air Act in 1971, but plants built before the law was passed don't have to comply with its rules.

In December 1996, staff members of the Texas Natural Resources and Conservation Commission, the state environmental agency, began meeting with representatives from eleven companies to talk about reducing the emissions of the plants that benefited from the grandfather clause. But when it looked like the commission was moving toward eliminating the exemption for those plants, energy-industry executives balked and headed straight for the governor's office.

On January 14, 1997, Bush's environmental director, John Howard, told his boss in a memo: "Industry has expressed concern that the TNRCC is moving too quickly and may rashly seek legislation this session."

In early March, Bush tapped Vic Beghini, an executive with Marathon Oil Company, and Ansel Condray, an executive with Exxon Corporation, to come up with a plan to let the industry comply voluntarily with the state's clean-air regulations.

According to documents obtained by the Sustainable Energy and Economic Development Coalition, an environmental group based in Austin, Beghini and Condray then presented the finished proposal at a June 19, 1997, meeting of about forty industry executives. In his notes of the meeting, James Kennedy of E.I. du Pont de Nemours and Company, the giant chemical manufacturer, wrote, "Amoco presented the paper to the group at the meeting as something that has been agreed to at high levels and was not subject to change."

If Kennedy felt a little left out of the process, the plan drafted by Beghini and Condray, and backed by Governor Bush, would shaft the public even more so. "The concept put forward was that the industry group and the Governor's Office would develop the program, then take it to some broad-based group, including public representatives, who would then tweak it a little bit and approve it," Kennedy noted.

Sure enough, on September 10, 1997, the TNRCC announced the formation of the Clean Air Responsibility Enterprise committee. The CARE committee's job was to come up with a voluntary program to reduce emissions from grandfathered facilities. But the CARE committee simply rubber-stamped the proposal that Exxon, Amoco, and Bush had already signed off on.

The smoke and mirrors weren't over yet. A list of incentives for companies that participated in the governor's plan sent to TNRCC commissioner Ralph Marquez from Howard suggested that "a recognition program for participants may be appropriate to encourage participation." Thus, industry would be rewarded with free publicity for complying with the new regulations that they had proposed.

On March 31, 1998, Bush appeared at a press conference flanked by executives of Exxon, Amoco, and Texas Utilities, among others, to announce that twenty-six companies – representing sixty of the 831 pollution-producing plants in the state, had pledged to reduce emissions by 15,000 tons a year. "We're committed," Bush said, "to clean air in the state of Texas."

But whether companies cut back on emissions didn't really matter to the governor or to the industry. Du Pont's Jim Kennedy had realized that way back at the June 19, 1997, meeting, where the plan was first presented. "The concept paper has no 'meat' with respect to actual emissions reductions," Kennedy wrote. "One of the leaders actually stated that emissions reductions was not a primary driver for the program."

As far as Bush was concerned, his voluntary compliance plan was already a rousing success, a model of public-private partnership good enough to take on the road to the presidential primaries. Three weeks after Bush announced that he was a candidate for President, his spokesman, Scott McClellan, boasted: "Governor Bush was the first governor in Texas to tell grandfathered industries, 'It's time to clean up.' Voluntary programs are working in Texas."

Well, not really. A study by the Environmental Defense Fund published six months after Bush's press conference found that only three of the twenty-six companies had actually scaled back their emissions. (In 1999, under increasing public pressure, Bush finally signed a bill that forces power plants to cut their emissions in half by 2003.)

The energy industry was still grateful for Bush's efforts. According to a study by Public Research Works, Bush raised $566,000 from the grandfathered polluters for his two gubernatorial campaigns. And from March 4, 1999, to March 31, 1999, Bush raised $316,300 from PACs, employees, lobbyists, and lawyers for grandfathered companies for his presidential campaign. They included: Enron (Bush's No. 1 career patron); Vinson & Elkins (Bush's No. 3

career patron), a law firm that represents Enron and Alcoa, a grandfathered polluter; and companies owned by the Bass family (Bush's No. 5 career patron). Another such company with grandfathered plants is Sterling Chemicals, Inc., a subsidiary of Sterling Group (Bush's No. 6 career patron). All told, the four patrons have given Bush at least $1.4 million over the course of his career.

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Calling Texas "litigious heaven," Bush promised during his first campaign for governor that, if elected, he would push legislation to limit frivolous lawsuits. He argued that fewer lawsuits would lead to lower insurance rates for average Texans. Of course, limiting the right to sue would also benefit insurers with deep pockets who end up footing the bill for many multimillion-dollar settlements.

Bush has raised millions from companies that have pushed "tort reform." Farmers Insurance Group, Inc., based in Los Angeles, is Bush's No. 8 career patron. During his two gubernatorial races, Bush also collected $4.5 million from officers and board members of Texans for Lawsuit Reform and the Texas Civil Justice League.

In June 1995, Bush followed through on his campaign promise and signed a series of bills that limit the access of victims to the court system and the amount of damage awards they can receive. Bush also signed into law measures that make it harder for consumers to sue real estate agents and that make it more difficult for them to collect damages when they're injured by more than one party.

Limiting personal-injury lawsuits did produce savings for insurance companies, but that money went straight to the industry. From 1996 to 1998 insurance companies made a $3 billion profit while the average Texan's auto insurance rates continued to climb.

Texans have paid the price in other ways, too. When a jury in San Antonio found that an oil company's lax safety measures had caused the death of a refinery worker, it wanted to send a message by ordering the company to pay $42.5 million in damages to the worker's widow. But thanks to the laws Bush signed, the company walked away paying only $200,000. "Two hundred thousand dollars is just pocket change," Wilda Hosch, a juror in the case told the *New York Times*. "They'll just write it off."

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On May 18, 1998, Eliza May, the executive director of the Texas Funeral

Service Commission, was summoned to the office of Joe Allbaugh, Governor Bush's chief of staff. Waiting for her were Allbaugh, Margaret Wilson, the governor's general counsel, and State Senator John Whitmire of Houston. Whitmire pressed May for details of her agency's investigation into the embalming practices of Service Corporation International, the world's largest "death care" company, which is based in Whitmire's district. The only trouble was that Robert Waltrip, the founder and chairman of SCI, and Johnnie B. Rogers, Jr., the company's lawyer, were also in the room.

May said later that the meeting was "clearly designed to intimidate me."

The meeting was prompted by a six-page complaint that Waltrip wrote and hand-delivered a month earlier to May and Governor Bush.

Waltrip is not in the habit of delivering his own mail, but he had a lot at stake in the investigation. He is SCI's largest individual shareholder, and his mother and children are on the company's board of directors.

In recent years, Waltrip and his company have given more money to Bush than to any other politician. Waltrip is also a longtime supporter of Bush's father. He contributed to the elder Bush's congressional campaigns in the 1960s, donated more than $100,000 to the Bush Presidential Library, and paid the former President to speak before a funeral directors association.

The day Waltrip dropped off his complaint to Allbaugh, Bush reportedly spotted him and said, "Hey Bobby, are those people still messing with you?" Waltrip replied yes.

May alleges that during the funeral agency's investigation, Governor Bush allowed two men who work for SCI to serve on the Texas Funeral Service Commission, even though state law prohibits a single funeral company from having more than one seat on the commission. The two commissioners, Leo Metcalf and Robert Duncan, made several attempts to slow the agency's investigation.

"SCI poured money in all the right places and kicked our butts," Kenneth Hughes, a member of the Texas Funeral Service Commission, said. "They told us, 'We'll go to the governor and get this thing thrown out.' I didn't think they were that strong."

Despite the mounting political pressure, May and her staff pressed on, and in August 1998 the commission's complaint review committee fined SCI $450,000. The company appealed the fine. But the agency's actions did not go unpunished.

In January 1999 the Texas Funeral Service Commissioners put May on administrative leave.In March, the House Appropriations Committee of the Texas Legislature voted to eliminate the agency's budget. In the end, the agency survived, but May did not. The commissioners fired her on February 8, 1999. May filed a wrongful termination suit against the agency and SCI, which is still pending. Bush has refused to testify in her case.

Since then, the company's embalming practices have become the subject of a lawsuit filed by the family of North Texas TV anchor Frank "Tres" Hood. After the thirty-one-year-old died of colon cancer in July 1998, his family took his body to an SCI-owned funeral home in Wichita Falls, Texas, which in turn sent it to an SCI-owned funeral home in Dallas — one of the facilities that May and her staff had investigated — without the family's knowledge. After Hood's body was entombed in the family crypt, it leaked so much fluid that his wooden casket broke, and his relatives had to foot the bill to clean it up. The case is still pending.

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Bush denies pulling strings for anyone.

"Any insinuation that I have used my office to help my friends is simply not true," Bush told a reporter for the *Houston Chronicle* in August 1998. "I don't talk to my business associates about doing business with state government one way or another."

But Bush's own words and actions prove that he mastered the art of greasing the wheels of politics with favors long ago.

After his father was elected in 1988, Bush was tapped to head what was known around the White House as the Silent Committee, an informal group of about fifteen hard-core Bush supporters. Bush's assignment: to see that members of the Silent Committee landed jobs in the administration. Long after his father was sworn in and he returned to Texas, Bush continued to intervene on behalf of his father's backers. According to Chase Untermeyer, a former director of personnel in the Bush Administration, the President's son would "call to say someone on the Silent Committee list was being jerked around by a Cabinet officer. I'd frequently get calls asking that I see someone or not forget someone." In 1994, Bush lobbied on behalf of catalog baron Roger Horchow, who unsuccessfully sought the chairmanship of the National Endowment of the Arts. Asked by reporters why he pushed so hard for Horchow, Bush replied, "He gave money to my father."

If Bush is elected, he already has a long list of contenders for his own Silent Committee. The only question left would be who gets to be chairman.

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