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TOP STORIES

OUR REGION

Sacramento mayoral candidate Kevin Johnson goes on the offensive...

Chinese melamine - the same chemical that prompted last year's massive pet-food recall...

The northeast corner of Alhambra Boulevard and S Street in Sacramento is booming...

CAPITOL & CALIFORNIA

Gov. Arnold Schwarzenegger signs a uniform message to 18 of the 27 bills he vetoes on Friday...

NATION

Nebraska lawmakers are considering revising a unique "safe-haven" law after at least 16 children, some of them teens, have been abandoned since the law took effect in July.

Sen. Edward Kennedy, who has brain cancer, returns to his Cape Cod vacation home after spending a few hours at a hospital after becoming ill due to a change in medications.

WORLD

The list of products caught in China's tainted milk scandal grows to include baby cereal in Hong Kong and snack foods in Japan...

Russia announces plans to upgrade its military capabilities within 12 years, including the mass production of nuclear submarines carrying cruise missiles...

Yves Rossy, a Swiss pilot, leaps into the record books, crossing the English Channel on a homemade jet-propelled wing in 13 minutes, averaging 125 mph.

Pirates get more than they bargained for when they hijack a Ukrainian vessel off the coast of Kenya crammed with \$30 million worth of grenade launchers...

BUSINESS

A Florida auto group that already overseas a large Hyundai dealership in Roseville agrees to take over Senator Hyundai on Florin Road.



INSIDE

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WEATHER

Sunny 92 | 58 Complete forecast Page B10



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PRESIDENTIAL DEBATE

HIGHLIGHTS

- Spending, taxes, energy and the war on Iraq are the focus; Obama paints McCain as loyal to the failed policies of President Bush; McCain hits Obama as a free-spending liberal who is big on pork-barrel projects

Rivals collide on war, economy



EMMANUEL DUNAND AFP/Getty Images

Sens. John McCain and Barack Obama meet at center stage Friday before their first presidential debate at the performing arts center at the University of Mississippi in Oxford.

NEXT PRESIDENTIAL DEBATE

When: Tuesday, Oct. 7, 6 p.m. PDT; Where: Belmont University, Nashville, Tenn.; Format: Town hall, with questions from audience members and Internet participants.

MORE COVERAGE

- Analysis: Reviews of GOP vice presidential candidate Sarah Palin's latest television interview have been less than stellar; Deal should ease pressure on the FDIC - and be a boost to JP Morgan; Excerpts from Friday night's debate.

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LEARN MORE

- The latest headlines; Where they stand: An interactive guide to the key issues; Profiles of McCain, Obama; Links to polls, campaign finance info and fact-checking Web sites

OBAMA LINKS MCCAIN TO BUSH, IS LABELED NAIVE

Bee News Services

OXFORD, Miss. - In their first debate Friday night, the two presidential candidates sparred intensely and at times heatedly over the financial crisis consuming Wall Street and the wars in Iraq and Afghanistan.

John McCain accused Barack Obama of compiling "the most liberal voting record in the United States Senate." The Democrat shot back, "Mostly that's just me opposing George Bush's wrongheaded policies."

Obama said his Republican rival has been a loyal supporter of the unpopular president. He said the current financial crisis "is a final verdict on eight years of failed economic policies, promoted by George Bush, supported by Senator McCain. A theory that basically says that we can shred regulations and consumer protections, and give more and more to the most, and somehow prosperity will trickle down."

Moderator Jim Lehrer's opening question concerned the economic crisis. While neither man committed to supporting bailout legislation taking shape in Congress, they readily agreed lawmakers must take action to prevent millions of Americans from losing their jobs and their homes.

Both also said they were pleased that law- DEBATE | Page A11

Partisans let loose at local debate fetes

BY PETER HECHT AND PHILIP REESE phecht@sacbee.com

Far away, at the University of Mississippi, presidential debate moderator Jim Lehrer implored the audience: "No cheering. No applause. And no noise of any kind."

But that rule clearly didn't apply to the political faithful for Barack Obama and John McCain who gathered at debate parties in Sacramento.

They watched intensely as the candidates grappled with deeply serious questions on the Iraq war, al-Qaida, taxes and a proposed \$700 million emergency bailout for a troubled American economy.

But when their candidate scored, they let loose.

McCain partisans, who watched the debate in the company of a life-sized cardboard cutout of the GOP nominee at the Republican's Arden headquarters, roared in approval when McCain said Obama wants to spend a billion dollars for every day he's been a senator.

At a gathering advertised by the Obama campaign at the Center Court restaurant in Natomas, backers of the Democratic nominee LOCALS | Page A12

ECONOMY IN TURMOIL | Failed banks and congressional debate

WaMu's meltdown aids local small banks

BY JON ORTIZ AND DARRELL SMITH jortiz@sacbee.com

On the surface, Washington Mutual's seizure and sale on Thursday didn't seem to hurt business at the failed thrift's 34 Sacramento-area branches.

Customers on Friday made deposits and took money from ATMs that spit out receipts bearing the failed bank's name. WaMu signs still hung on the buildings. At one Elk Grove branch, an early morning customer filled out forms for new accounts.

But local community and small regional banks and credit unions say the meltdown of Seattle-based WaMu,

INSIDE

- How sale of Washington Mutual affects customers, investors. Q&A, Page A18; Deal should ease pressure on the FDIC - and be a boost to JP Morgan. Business, D1

one of the nation's biggest mortgage lenders, has pushed more business their way. And some have seized on the crisis gripping Wall Street to sharpen their conservative, safe and service-oriented image.

"We've benefited," said Terry Halleck, president and WaMu | Back page, A18

DAILY DEVELOPMENTS IN BAILOUT TALKS

The Bush administration and Congress revived negotiations Friday on a multibillion-dollar financial bailout. Among the day's developments:

Democrats talked optimistically of a pact over the weekend. "I'm convinced that by Sunday we will have an agreement that people can understand," predicted Massachusetts Rep. Barney Frank.

Republicans were less upbeat about a quick agreement after aides met in an attempt to clear the way for week-end bargaining.

House Speaker Nancy Pelosi said Democrats have made one concession: Giving judges power to rewrite mortgages to help bankrupt homeowners avoid foreclosure won't be part of the deal.

House Republicans dispatched their second-ranking leader, Rep. Roy Blunt of Missouri, to join the talks after their objections to an emerging compromise brought negotiations to a standstill Thursday.

In an Associated Press-Knowledge Networks poll, only 30 percent expressed support for Bush's package. Forty-five percent were opposed, with 25 percent undecided. The survey, conducted Thursday, had a margin of error of plus or minus 3.8 percent. Source: Associated Press



Lauren Victoria Burke Associated Press

Reps. Roy Blunt, left, and Barney Frank in Washington.

Details of the Republicans' alternative plan, Page A18