



FEDERAL ELECTION COMMISSION

WASHINGTON DC 20463

THIS IS THE BEGINNING OF MUR # 2642

DATE FILMED 10/27/93 CAMERA NO. 2

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RL#2/070188



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 1, 1988

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

THROUGH: JOHN C. SURINA
STAFF DIRECTOR

FROM: ROBERT J. COSTA *PH FNR RJC - 7/1/88*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: POPULIST PARTY - MATTERS REFERABLE
TO THE OFFICE OF GENERAL COUNSEL

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
88 JUL - 6 AM 10: 39

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On June 28, 1988, the Commission voted to refer the attached matters to your office for appropriate action. Should you have any questions or require access to audit workpapers, please contact Eleanor Richards or Ray Lisi at 376-5320.

Attachment as stated

- Exhibit A - Prohibited Contributions - Sale of Assets, including Attachment 1, pps 1-3.
- Exhibit B - Prohibited Contributions - Administrative Expenses,
- Exhibit C - Prohibited Contributions - Debt Repayment
- Exhibit D - Debts and Obligations, including Attachment 1.

Prohibited Contributions - Sale of Assets

Section 441b(a) of Title 2 of the United States Code states in part that it is unlawful for any national bank or any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section.

Section 441b(b) (2) of Title 2 of the United States Code states, in part, that the term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan made by a national or State bank in the ordinary course of business) to any candidate, campaign committee, or political party or organization.

A review of the Committee's receipt records identified 3 transactions totalling \$12,656.14 which involved receipts from incorporated entities.

- On April 29, 1985, the Committee received \$5,578.50 from Liberty Lobby, Inc. for the sale of 3,719 books at the price of \$1.50, the Committee's cost;
- On August 12, 1985, the Committee received \$5,346.60 from the Government Education Foundation for the sale of office equipment and equipment rental. The sale price was determined using the cost of the equipment (\$4,994.00) at the time of its original purchase by the Committee on July 11, 1984 plus rental charge of \$434.60, less \$82.00 in legal expenses (see billing at Attachment #I);
- On August 12, 1985, the Committee received \$1,731.04 from The Spotlight ^{1/} for mailing list rental. The amount was for 21,368 Populist Party names at a rate of \$80 per thousand names. ^{2/}

^{1/} The Spotlight, a newspaper, is owned by Cordite Fidelity, Inc., a Delaware Corporation.

^{2/} This invoiced amount appears to have been calculated incorrectly. At a rate of \$80 per thousand names 21,368 names would equal \$1,709.44.

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At the exit conference a spokesman for the Committee stated that Committee officials felt these transactions were not contributions but rather normal business transactions.

In the Interim Audit Report, the Audit staff recommended that within 30 days of receipt of the report, the Committee either (1) present evidence to demonstrate that the receipts were not prohibited corporate contributions, or (2) refund the amounts received and submit photocopies (front and back) of the negotiated refund checks. If the funds are not available to make the refunds, the Audit staff recommended that these amounts be reported as debts to the corporations until funds are available.

The Audit staff received a response from the Committee on May 18, 1988. In its response, the Committee described the transactions in question and provided copies of the corresponding invoices. The response stated for each transaction that "[w]e consider this a normal business transaction and not a contribution" and offered no further evidence to demonstrate that the receipts from these transactions were not prohibited corporate contributions.

Recommendation:

The Audit staff recommends that this matter be referred to the Office of General Counsel.

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INVOICE

INVOICE

December, 1984

From: Populist Party
300 Independence Ave. S.E.
Washington, D.C. 20003

To: Committee to Defend Liberty Lobby
300 Independence Ave. S.E.
Washington, D.C. 20003

Contributions \$110.00

From: Populist Party
300 Independence Ave. S.E.
Washington, D.C. 20003

To: Government Educational Foundation
P.O. Box 1622
Washington, D.C. 20013

Equipment	\$4,994.00
Equipment Rental	434.60
	<u>5,428.60</u>
Less-Legal Expense	82.00
TOTAL	<u>\$5,346.60</u>

Exhibit A Attachments I page 1 of 6

WIP

WIP

*Pl. by check 8796
5/12/85
(1502)*

*Pd. by check
5/12/85
(150)*

Intercompany

Intercompany

Fibery Boxes
 PO BOX 38390 LOUISVILLE KY 40233

RENTAL AND/OR SALE

D-U-N-S 06-487-7606
 BHT To

LIBERTY LOBBY INC
 370 INDEPENDENCE AVE SE
 WASHINGTON DC 20003

* Terms: Net payable upon receipt

T108-0400000

06 043
 Installed At

197

X

X

V173647

Customer Order Number		Invoice Date	Invoice No.	Customer Account Number		
		07/11/84	084925	C047-3235-00-0		
Meter/Machine Rental Amount Covers Period From				Thru		
Model	Serial No.	Rental Amount	Inst./Ship	State Tax	City/County Tax	Total
Equipment Sold		Sale Amount				
Model	Machine No.					
MAIL MACHINE						
5400 150276		2,618.00				2,618.00 ✓
SCALE PROM		290.00	<i>mins - ship</i>			290.00 ✓
24105082141						
70LB SCALE		1,876.00				1,876.00 ✓
5066 007677						

If you have any questions regarding this invoice or if your name or address was changed, please contact your local Fibery Boxes Branch Office

AMOUNT DUE

CONTINUED

703-750-1200

Thank you for using Fibery Boxes
 Order to Mail Service

We certify that goods or services covered by this invoice were produced and/or performed in compliance with the Fair Labor Standards Act of 1938, as amended.
 To insure proper credit, please return Payment Stub With your check

Exhibit A Attachment I p2 of 3

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Pitney Bowes

PO BOX 38370 LOUISVILLE KY 40233

ORIGINAL INVOICE

RENTAL FOR EQUIPMENT
RENTAL AND/OR SALE

Terms: Net payable upon receipt

D-U-N-S DL-489-7606
BHTO

TI 08-0495080

DL 043
Installed At

LIBERTY LOBBY INC
300 INDEPENDENCE AVE SE
WASHINGTON DC 20003

Customer Order Number		Invoice Date	Invoice No.	Customer Account Number		
		07/11/84	084925	1047-3235-CO-0		
Meter/Machine Rental Amount Covers Period From						
Model	Serial No	Rental Amount	Inst./Ship	State Tax	City/County Tax	Thru Total
Equipment Sold Model Machine No		Sale Amount	DATE JUL 30 RECD OH			
SCALE PROM 24115022141		290.00	V# 13647			
			APPROV: <i>George Millitt</i>			
			APPROV:			
			PAID CK #			
			ANT			
			TRADE-IN AMT 80.00			
			4,994.00			

93000008

703-750-1200

We certify that goods or services covered by this invoice were produced (and/or performed) in compliance with the Fair Labor Standards Act of 1938, as amended. To insure proper credit, please return Payment Stub With Your Check

5/14 1470
6/14 1471
9/14 1471
1-14 580

4994

Prohibited Contributions - Administrative Expenses

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any national bank, or any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section.

Section 441b(b) (2) of Title 2 of the United States Code states, in part, that the term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan made by a national or State bank in the ordinary course of business) to any candidate, campaign committee, or political party or organization.

For the period covered by the audit, Liberty Lobby, Inc. and The Spotlight provided office space, personnel, office equipment, utilities, and other office related services to the Committee. The Committee was not billed by Liberty Lobby, Inc. or The Spotlight for these services.

The Committee provided the Audit staff with workpapers and supporting schedules to document the calculation and allocation of administrative expenses incurred by the Committee during 1985. Administrative expenses were not allocated to the Committee for 1986 due to the minimal amount of party activity during that year.

The administrative expenses were allocated based on a percentage of contributions received by the Committee to total monies received by the Committee and all entities affiliated with Liberty Lobby, Inc. Using this procedure, the Committee determined that it owes \$41,148.51 to Liberty Lobby, Inc. and \$17,643.92 to Cordite Fidelity, Inc. for administrative expenses incurred during 1985. The Audit staff reviewed the workpapers and schedules provided by the Committee to support the calculation and allocation of administrative expenses and made adjustments to the Committee's calculations based on findings from the fieldwork. The Audit staff's calculations result in the Committee owing \$44,462.51 to Liberty Lobby, Inc. and \$18,916.70 to Cordite Fidelity, Inc. relative to administrative expenses incurred during 1985.

In the Interim Audit Report, the Audit staff recommended that the Committee, within 30 days of receipt of the report, reimburse Liberty Lobby, Inc. and Cordite Fidelity, Inc.

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for administrative expenses incurred during 1985 and submit photocopies (front and back) of the negotiated refund checks. If the funds are not available to reimburse these entities, the Audit staff recommended that these amounts be reported as debts to Liberty Lobby, Inc. and Cordite Fidelity, Inc. until funds are available to extinguish these debts.

The Committee filed amended reports, covering the audit period, on January 20, 1988. The amended reports disclosed a debt to The Spotlight of \$17,643.92 for 1985 support services and a debt to Liberty Lobby, Inc. of \$41,148.52 for 1985 support services. As noted above, the Audit staff's calculation of the amounts owed to these entities for support services differ from those reported by the Committee.

Recommendation:

The Audit staff recommends that this matter be referred to the Office of General Counsel.

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Prohibited Contributions - Debt Repayment

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any national bank, or any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section.

Section 441b(b) (2) of Title 2 of the United States Code states, in part, that the term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan made by a national or State bank in the ordinary course of business) to any candidate, campaign committee, or political party or organization.

A review of the Committee invoice records and its 1986 April 15 Quarterly Report revealed a transaction in which the Committee decreased a debt of \$6,640.18 to an outside vendor without a corresponding disbursement. Corresponding to this debt reduction was an increase of \$7,000 in Committee debt owed to The Spotlight.

The Committee provided the Audit staff with correspondence dated January 15, 1986, and an invoice to document the payment of \$7,000 by Cordite Fidelity Corporation to the outside vendor, on behalf of the Committee in settlement of its outstanding debt plus finance charges.

In the Interim Audit Report, the Audit staff recommended that, within 30 days of receipt of the report, the Committee either (1) present evidence to demonstrate that the payment of the debt on behalf of the Committee was not a prohibited corporate contribution, or (2) refund to Cordite Fidelity Corporation the amount paid to the outside vendor on behalf of the Committee and submit a photocopy (front and back) of the negotiated refund check.

The response received from the Committee dated May 18, 1988 described the transactions related to the decrease in debt to an outside vendor and an increase in debt to Cordite Fidelity Corporation in the 1986 April 15 Quarterly Report. However, the Committee did not provide sufficient evidence to demonstrate that the payment on behalf of the Committee was not a prohibited corporate contribution.

Recommendation:

The Audit staff recommends that this matter be referred to the Office of General Counsel.

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Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states that each report shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor.

Section 102.10 of Title 11 of the Code of Federal Regulations states in part that all disbursements by a political committee, except for disbursements from the petty cash fund, shall be made by check or similar draft drawn on the accounts established at the committee's campaign depositories.

The Committee reported the reduction of six debts for which a corresponding disbursement was not reported (See Attachment #I). The Committee's bank and disbursement records did not include evidence of payment to correspond to the six debt reductions.

The Committee was given a schedule containing the names of the creditors and the amounts of the unsupported debt reductions at the exit conference. The Committee subsequently provided the Audit staff with information and documentation to support the debt reductions. The review of these documents by the Audit staff revealed that the debt reductions include contributions made directly to Liberty Lobby, Inc. on behalf of the Committee, the correction of an incorrect billing of the Committee by The Spotlight, and credit given to Liberty Lobby, Inc. for services provided to an outside vendor by the Committee, as well as a reduction in a debt which resulted from a payment made by Cordite Fidelity Corporation to an outside vendor on behalf of the Committee.^{1/}

In the Interim Audit Report the Audit staff recommended that, within 30 days of receipt of the report, the Committee amend its reports and properly disclose the six debt reductions. Such disclosures were to include itemization of each debt, reduction amount and purpose on Schedule D of the FEC Report. In addition, individual contributor information was to be provided for the contributions received which were forwarded directly to Liberty Lobby, Inc.

^{1/} The explanations provided by the Committee include the debt reduction in Exhibit C.

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In its May 18, 1988 response to the Interim Audit Report, the Committee described the aforementioned transactions. The Committee did not, however, amend its reports to properly disclose the six debt reductions.

Recommendation:

The Audit staff recommends that this matter be referred to the Office of General Counsel.

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Schedule of Debt Reductions

<u>Debtor</u>	<u>Amount</u>	<u>Report</u>
Liberty Lobby, Inc.	\$14,845.55	85Q2
Liberty Lobby, Inc.	143.59	85Q3
Liberty Lobby, Inc.	10.25	85YE
Liberty Lobby, Inc.	128.35	86Q1
Printers II, Inc.	6,640.18	86Q1
Liberty Lobby, Inc.	<u>12.30</u>	86Q2
Total	<u>\$21,780.22</u>	

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FEDERAL ELECTION COMMISSION
SECRETARIAT

FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
Washington, D.C. 20463

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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 2642
STAFF MEMBER: R. Raich

SOURCE: INTERNALLY GENERATED

RESPONDENTS: Populist Party and Blayne Hutzell,
acting as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corporation
Willis Carto
Blayne Hutzell
Government Education Foundation, Inc.

RELEVANT STATUTES: 2 U.S.C. § 441b(a)
2 U.S.C. § 434(b)
2 U.S.C. § 432(h)(1)
2 U.S.C. § 432(b)(2)

INTERNAL REPORTS CHECKED: Audit Workpapers
PPDC's Disclosure Reports
AR 85-45
AR 86-9
AR 87-30
LRA 194
MUR 2083
MUR 2211
MUR 2176
MUR 2187
MUR 2330
MUR 2463

88L-17

FEDERAL AGENCIES CHECKED: None

BACKGROUND

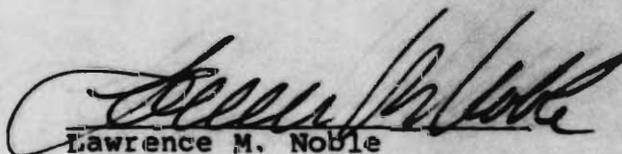
This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

This matter involves many of the same respondents and many

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of the same basic issues as MUR 2211, which is now in litigation in United States District Court. The Commission recently sent out its First Set of Discovery Requests to the defendants in connection with that litigation. There appears to be some conflicting evidence in that case, and the defendants' response to the discovery requests may affect our strategy in the prosecution of the litigation. The defendants' response could also have a direct bearing on issues in MUR 2642. For that reason, this Office will submit a General Counsel's Report with reason to believe recommendations in this MUR after receiving the defendants' response to the discovery requests.

9/26/88
Date


Lawrence M. Noble
General Counsel

Staff member: Robert Raich

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SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Populist Party and Willis Carto,)	
as treasurer)	
Liberty Lobby, Inc.)	
The Spotlight)	MUR 2642
Cordite Fidelity, Inc.)	
Cordite Fidelity Corporation)	
Willis Carto)	
Blayne Hutzel)	
Government Education Foundation,)	
Inc.)	

RECEIVED
 FEDERAL ELECTION COMMISSION
 JAN 29 1987

GENERAL COUNSEL'S REPORT

I. GENERATION OF MATTER

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986. (Attachment 1).

II. FACTUAL AND LEGAL ANALYSIS

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC. (In all previous MURs involving PPDC, the Commission's findings against it also ran against Blayne Hutzel, "acting as treasurer," but the court Consent Order and Judgment states that Willis Carto is and was acting as treasurer.)

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized

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under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986
LL Inc.	September 1985 - present. ¹

Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. (According to the court judgment, Mr. Carto controls and directs all of the organizations.)

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. According to the Audit Division, Blayne Hutzel is the individual who actually conducted

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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the transactions constituting the violations described herein. In previous reports to the Commission, this Office stated that Mr. Hutzel appeared to be a corporate officer of the various organizations. Information received subsequently, however, suggests that he is not officially an officer.

According to the District of Columbia Corporations Division, Government Education Foundation, Inc. ("GEF Inc.") is a corporation organized under the laws of the District of Columbia having Willis Carto as its Chairman and Treasurer.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

1. Books and Mailing List

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on April 29, 1985, PPDC received \$5,578.50 from LL Inc. for PPDC's sale of 3,179 books to LL Inc. at PPDC's cost for the books. The Audit Division also reports that on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of these transactions, PPDC was in debt to LL Inc. for over \$200,000, and in debt to The Spotlight for over \$79,000. Despite these large debts, LL Inc.

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and The Spotlight both paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations to them. The auditors state that it is not a normal business practice for a creditor to make direct payments of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of these transactions, a serious question is present as to whether they were market-rate transactions.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. Although the Commission has occasionally permitted isolated sales of committee assets (See, e.g., Advisory Opinion 1989-4), the facts present in this MUR suggest that these sales were not arm's length transactions conducted in a commercially reasonable manner. Accordingly, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer; LL Inc.; The Spotlight; Cordite Inc.; and Cordite Corp. violated 2 U.S.C. § 441b(a).

As previously mentioned, Willis Carto controls and directs the respondents. He is an officer and director of LL Inc., and it is apparent that he consented to the corporate contributions. Moreover, although Blayne Hutzel is apparently not officially an officer or director, as the individual who actually carried out these financial transactions, he is a "person" who knowingly accepted or received the corporate contributions on behalf of PPDC, as proscribed by Section

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441b(a). Accordingly, because of their personal involvement in the transactions, this Office recommends that the Commission find reason to believe Willis Carto and Blayne Hutzel violated 2 U.S.C. § 441b(a).

2. Equipment and Legal Expenses

The Audit Division further states that on August 12, 1985, PPDC received \$5,346.60 from GEF Inc. The payment consisted of two components: \$4,994.00 for sale of equipment and \$434.60 for equipment rental.² Willis Carto appears to have personally initialed various invoices concerning these transactions. The purpose of the transactions is not clear.

With payments in May, August, September, and October 1984, PPDC paid Pitney Bowes a total of \$4,994.00 for equipment (a mail machine and scales). The Pitney Bowes invoice for the equipment was dated July 11, 1984, and was addressed to LL Inc., not PPDC. PPDC bought the equipment new. When GEF Inc. purchased it from PPDC 13 months later, however, GEF Inc. paid PPDC the original purchase price for the equipment -- i.e., it was not depreciated. During the audit fieldwork when a Commission auditor asked Blayne Hutzel why GEF Inc. bought the equipment from PPDC, Mr. Hutzel said it was a mistake for PPDC to buy the equipment in the first place. According to the audit workpapers, the auditor then ". . . asked Mr. Hutzel why a separate corporation that had no legal liability to pay for this

2. In February of 1984 GEF Inc. apparently paid \$82.00 for incorporation fees on behalf of PPDC. PPDC credited this amount against the above figures to yield the total of \$5,346.60 paid by GEF Inc. to PPDC.

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equipment [would] pay for the Populist Party's mistake. Mr. Hutzel said, that's the way they do business."

In addition, it appears that GEF Inc. reimbursed PPDC \$434.60 for the rental of a typewriter and television equipment evidently used in connection with the Populist Party convention in August 1984. There is no evidence suggesting a reason for this payment.

Consequently, it appears that GEF Inc. made corporate contributions to PPDC. This Office therefore recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer, and GEF Inc. violated 2 U.S.C. § 441b(a). Because of their personal involvement in the transactions, this Office also recommends that the Commission find reason to believe Willis Carto and Blayne Hutzel violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

Each disclosure report filed by a political committee shall disclose, for each reporting period and the calendar year, inter alia, the total amount of all receipts, the total amount of contributions from persons other than political committees, the total amount of offsets to operating expenditures, the identification of each person who makes a contribution aggregating in excess of \$200 together with the date and amount of the contribution, the identification of each person who provides an offset to operating expenditures in excess of \$200 together with the date and amount of such receipt, the total amount of all disbursements, the total amount of disbursements made to meet operating expenditures, the total amount of all

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offsets to contributions, the name and address of each person to whom an expenditure in excess of \$200 is made to meet an operating expense together with the date, amount, and purpose of such operating expenditure, the name and address of each person who receives an offset to contributions together with the date and amount of such disbursement, the total sum of all contributions, the total sum of all operating expenditures, total operating expenditures less offsets to operating expenditures, and where debts and obligations are settled for less than their value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor. 2 U.S.C. § 434(b).

The Audit Division reports that during 1985 LL Inc. and The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. (During that year, The Spotlight was published by Cordite Corp. and Cordite Inc., as well as LL Inc.) Neither LL Inc. nor The Spotlight billed PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by LL Inc. during 1985 totals \$44,462.51 and the value of the services provided by The Spotlight totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to LL Inc. and The Spotlight. The amended reports, however, disclose slightly smaller amounts for the administrative expenses provided (\$41,148.52 from LL Inc. and

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\$17,643.92 from The Spotlight).³

In consideration of the foregoing, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer; LL Inc.; The Spotlight; Cordite Inc.; and Cordite Corp. violated 2 U.S.C. § 441b(a). Due to their personal involvement in these transactions, this Office also recommends that the Commission find reason to believe Willis Carto and Blayne Hutzel violated 2 U.S.C. § 441b(a). Additionally, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 434(b) by failing timely to disclose administrative expenses received, and by failing to disclose the total amounts of those expenses.

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. PPDC disclosed that debt on its reports. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.⁴

3. The disparities are the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

4. Although a year elapsed between the time the debt was incurred and paid, the vendor sent repeated dunning notices, including the threat of suit. Therefore, this Office makes no recommendations suggesting this was an extension of credit beyond normal trade and business practice by the vendor.

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Accordingly, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer; LL Inc.; The Spotlight; Cordite Corp.; and Cordite Inc. violated 2 U.S.C. § 441b(a). Because of their personal involvement in the transaction, this Office further recommends that the Commission find reason to believe Willis Carto and Blayne Hutzel violated 2 U.S.C. § 441b(a).

E. Debts and Obligations

All receipts received by a political committee must be deposited in a designated depository. No disbursement may be made (except petty cash disbursements) by a political committee except by check drawn on a designated depository. 2 U.S.C. § 432(h)(1). Every person who receives a contribution for an unauthorized political committee shall: (A) if the contribution is for \$50 or less, forward it to the treasurer within 30 days; and (B) if the contribution is in excess of \$50, forward it to the treasurer within ten days. 2 U.S.C. § 432(b)(2). Each political committee must disclose the total amount of all receipts, and the total amount of all contributions received from various sources. 2 U.S.C. § 434(b)(2). Each political committee must also disclose the amount and nature of outstanding debts and obligations owed by the committee, as well as the name and address of each person who receives any disbursement or provides any receipt in excess of \$200, together with the date and amount of such disbursement or receipt. 2 U.S.C. § 434(b)(8), (5)(B)(v), and (3)(G).

The Audit Division reports that debts totaling \$21,780.22

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were reduced by PPDC without corresponding disbursements reported. Of that total, \$6,640.18 was to Printers II, Inc., as discussed in the preceding section, and the other \$15,140.04 was to LL Inc., applied against PPDC's existing debt to LL Inc. exceeding \$200,000. The amounts credited against PPDC's debt to LL Inc. included over \$14,000 for goods and services PPDC had apparently provided to LL Inc. but for which PPDC assertedly had not billed LL Inc. The amounts credited against PPDC's debt to LL Inc. also included about \$700 for donation checks which Blayne Hutzel apparently decided were contributions to PPDC after they were deposited in LL Inc.'s bank account. PPDC did not explain these debt reductions on its reports, nor does it appear that PPDC disclosed its contributions apparently received by LL Inc.

Accordingly, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 432(h)(1) by failing to deposit receipts in its depository, and 2 U.S.C. § 434(b) by failing to disclose contributions received on its behalf and by failing to explain and itemize its debt reductions.⁵ This Office further recommends that the Commission find reason to believe LL Inc. violated 2 U.S.C. § 432(b)(2) by failing to forward contributions for a political committee in a timely manner. Additionally, because LL Inc.'s reduction of the debt owed by

5. In addition to providing full written explanations for the debt reductions on Schedule D of its reports, PPDC should have disclosed the amounts of the debt reductions as memo entries on Schedule A and Schedule B of its reports.

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PPDC constitutes a thing of value, and because there are serious questions concerning the arms-length nature of the transactions, this Office recommends that the Commission find reason to believe PPDC and Willis Carto, as treasurer, and LL Inc. violated 2 U.S.C. § 441b(a). Finally, because of their personal involvement in the transactions, this Office recommends that the Commission find reason to believe Willis Carto and Blayne Hutzel violated 2 U.S.C. § 441b(a).

F. Request for Subpoenas and Orders

Due to the respondents' unwillingness in the past to provide information voluntarily, this Office recommends that the Commission approve the attached discovery requests under compulsory process. This Office also recommends that the Commission approve that attached Subpoena for Blayne Hutzel's deposition.

III. RECOMMENDATIONS

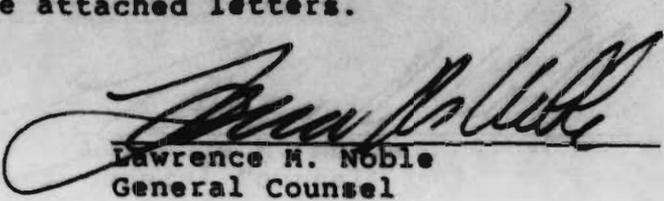
1. Find reason to believe Populist Party and Willis Carto, as treasurer, violated 2 U.S.C. §§ 441b(a), 434(b), and 432(h)(1).
2. Find reason to believe Liberty Lobby, Inc. violated 2 U.S.C. §§ 441b(a) and 432(b)(2).
3. Find reason to believe The Spotlight, Cordite Fidelity, Inc., and Cordite Fidelity Corporation violated 2 U.S.C. § 441b(a).
4. Find reason to believe Government Education Foundation, Inc. violated 2 U.S.C. § 441b(a).
5. Find reason to believe Willis Carto violated 2 U.S.C. § 441b(a).
6. Find reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).
7. Approve the attached Factual and Legal Analyses.

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8. Approve the attached Subpoenas and Orders.
9. Approve and send the attached letters.

Date

11/29/89


Lawrence M. Noble
General Counsel

Attachments

1. Audit Referral
2. Factual and Legal Analyses
3. Subpoenas and Orders
4. Letters

Staff Member: R. Raich

93040980028

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Populist Party and Willis Carto,)
as treasurer) MUR 2642
Liberty Lobby, Inc.)
The Spotlight)
Cordite Fidelity, Inc.)
Cordite Fidelity Corporation)
Willis Carto)
Blayne Hutzel)
Government Education Foundation,)
Inc.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on December 4, 1989, the Commission decided by a vote of 6-0 to take the following actions in MUR 2642:

1. Find reason to believe Populist Party and Willis Carto, as treasurer, violated 2 U.S.C. §§ 441b(a), 434(b), and 432(h)(1).
2. Find reason to believe Liberty Lobby, Inc. violated 2 U.S.C. §§ 441b(a), and 432(b)(2).
3. Find reason to believe The Spotlight, Cordite Fidelity, Inc., and Cordite Fidelity Corporation violated 2 U.S.C. § 441b(a).
4. Find reason to believe Government Education Foundation, Inc. violated 2 U.S.C. § 441b(a).
5. Find reason to believe Willis Carto violated 2 U.S.C. § 441b(a).
6. Find reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).

(continued)

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7. Approve the Factual and Legal Analyses, as recommended in the General Counsel's Report dated November 29, 1989.
8. Approve the Subpoenas and Orders, as recommended in the General Counsel's Report dated November 29, 1989.
9. Approve and send the letters, as recommended in the General Counsel's Report dated November 29, 1989.

Commissioners Aikens, Elliott, Josefiak, McDonald, McGarry and Thomas voted affirmatively for the decision.

Attest:

12/6/89

Date

Marjorie W. Emmons
for Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Wed., Nov. 29, 1989 4:13 p.m.
Circulated to the Commission: Thurs., Nov. 30, 1989 11:00 a.m.
Deadline for vote: Mon., Dec. 4, 1989 11:00 a.m.

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Willis Carto, Treasurer
Populist Party
130 Third Street, S.E.
Washington, D.C. 20003

RE: MUR 2642
Populist Party and Willis
Carto, as treasurer

Dear Mr. Carto:

On December 4, 1989, the Federal Election Commission found that there is reason to believe Populist Party ("PPDC" or "Committee") and you, as treasurer, violated 2 U.S.C. §§ 441b(a), 434(b), and 432(h)(1), provisions of the Federal Election Campaign Act of 1971, as amended (the "Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you and the Committee. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Subpoena to Produce Documents and Order to Submit Written Answers must be submitted within 15 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Subpoena and Order.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to the Subpoena and Order. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications or other communications from the Commission.

In the absence of any additional information which demonstrates that no further action should be taken against the Committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(D). Upon receipt of the request, the Office of the

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Populist Party
Page 2

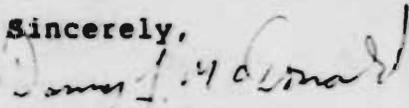
General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Subpoena and Order
Factual and Legal Analysis
Procedures
Designation of Counsel Form

93040980032

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Populist Party and Willis Carto,) MUR 2642
as treasurer)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Willis Carto, Treasurer
Populist Party
130 Third Street, S.E.
Washington, D.C. 20003

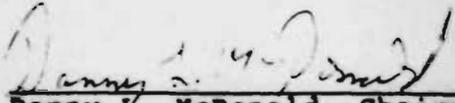
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 15 days of receipt of this Order and Subpoena.

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MUR 2642
Populist Party
Page 2

WHEREFORE, the Chairman of the Federal Election Commission
has hereunto set his hand in Washington, D.C. on this 14th day
of December, 1989.



Danny L. McDonald, Chairman
Federal Election Commission

ATTEST:


for _____
Marjorie W. Emmons
Secretary to the Commission

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INSTRUCTIONS

In answering this Subpoena and Order, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by, or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary, or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

This Subpoena and Order is continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of this Subpoena and Order, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean Populist Party, including all officers, employees, agents, volunteers, attorneys, affiliates, parents, or subsidiaries, thereof.

"The Spotlight" shall include Cordite Fidelity Corporation and Cordite Fidelity, Inc.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, deposit slips, confirmations of electronic fund transfers, bank statements, invoices, books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Identify" with respect to a natural person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, and the present occupation or position of such person. "Identify" with respect to a person who is not a natural person shall mean provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of this Order any materials which may otherwise be construed to be out of its scope.

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INTERROGATORIES

1. Explain in detail each of the following transactions:
 - a. The \$5,578.50 you received from Liberty Lobby, Inc. on April 29, 1985.
 - b. The \$1,731.04 you received from The Spotlight on August 12, 1985.
 - c. The \$5,346.60 you received from Government Education Foundation, Inc. on August 12, 1985.
 - d. The \$44,462.51 value of administrative expenses you received from Liberty Lobby, Inc. during 1985.
 - e. The \$18,916.70 value of administrative expenses you received from The Spotlight during 1985.
 - f. The \$7,000 paid on your behalf by Cordite Fidelity Corporation on January 23, 1986.
 - g. The six debts totaling \$21,780.22 that you reduced without corresponding disbursements in 1985 and 1986.
2. Produce all documents that in any way relate, pertain, or refer to the \$21,780.22 of debt reductions referenced above, including, but not limited to, checks constituting those transactions and complete ledger sheets reflecting those transactions.
3. Identify the natural person responding to these questions and identify each person who provided any information used in the preparation of the response.

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Populist Party and Willis Carto,
as treasurer

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986
LL Inc.	September 1985 - present. ¹

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

Government Education Foundation, Inc. ("GEF Inc.") is a corporation organized under the laws of the District of Columbia having Willis Carto as its Chairman and Treasurer.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

1. Books and Mailing List

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on April 29, 1985, PPDC received \$5,578.50 from LL Inc. for PPDC's sale of 3,179 books to LL Inc. at PPDC's cost for the books. The Audit Division also reports that on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist

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Party names. At the time of these transactions, PPDC was in debt to LL Inc. for over \$200,000, and in debt to The Spotlight for over \$79,000. Despite these large debts, LL Inc. and The Spotlight both paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations to them. The auditors state that it is not a normal business practice for a creditor to make direct payments of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of these transactions, a serious question is present as to whether they were market-rate transactions.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. Accordingly, it appears that PPDC knowingly received corporate contributions. Therefore, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 441b(a).

2. Equipment and Legal Expenses

The Audit Division further states that on August 12, 1985, PPDC received \$5,346.60 from GEF Inc. The payment consisted of two components: \$4,994.00 for sale of equipment and \$434.60 for equipment rental.² Willis Carto appears to have personally initialed various invoices concerning these transactions. The purpose of the transactions is not clear.

With payments in May, August, September, and October 1984,

2. In February of 1984 GEF Inc. apparently paid \$82.00 for incorporation fees on behalf of PPDC. PPDC credited this amount against the above figures to yield the total of \$5,346.60 paid by GEF Inc. to PPDC.

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PPDC paid Pitney Bowes a total of \$4,994.00 for equipment (a mail machine and scales). The Pitney Bowes invoice for the equipment was dated July 11, 1984, and was addressed to LL Inc., not PPDC. PPDC bought the equipment new. When GEF Inc. purchased it from PPDC 13 months later, however, GEF Inc. paid PPDC the original purchase price for the equipment -- i.e., it was not depreciated. During the audit fieldwork when a Commission auditor asked Blayne Hutzel why GEF Inc. bought the equipment from PPDC, Mr. Hutzel said it was a mistake for PPDC to buy the equipment in the first place. According to the Audit Division, the auditor then ". . . asked Mr. Hutzel why a separate corporation that had no legal liability to pay for this equipment [would] pay for the Populist Party's mistake. Mr. Hutzel said, that's the way they do business."

In addition, it appears that GEF Inc. reimbursed PPDC \$434.60 for the rental of a typewriter and television equipment evidently used in connection with the Populist Party convention in August 1984. There is no evidence suggesting a reason for this payment.

Consequently, it appears that PPDC knowingly accepted corporate contributions from GEF Inc. Therefore, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

Each disclosure report filed by a political committee shall disclose, for each reporting period and the calendar year, inter alia, the total amount of all receipts, the total amount of contributions from persons other than political committees, the

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total amount of offsets to operating expenditures, the identification of each person who makes a contribution aggregating in excess of \$200 together with the date and amount of the contribution, the identification of each person who provides an offset to operating expenditures in excess of \$200 together with the date and amount of such receipt, the total amount of all disbursements, the total amount of disbursements made to meet operating expenditures, the total amount of all offsets to contributions, the name and address of each person to whom an expenditure in excess of \$200 is made to meet an operating expense together with the date, amount, and purpose of such operating expenditure, the name and address of each person who receives an offset to contributions together with the date and amount of such disbursement, the total sum of all contributions, the total sum of all operating expenditures, total operating expenditures less offsets to operating expenditures, and where debts and obligations are settled for less than their value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration therefor. 2 U.S.C. § 434(b).

The Audit Division reports that during 1985 LL Inc. and The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. (During that year, The Spotlight was published by Cordite Corp. and Cordite Inc., as well as LL Inc.) Neither LL Inc. nor The Spotlight billed PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by LL Inc. during

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1985 totals \$44,462.51 and the value of the services provided by The Spotlight totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to LL Inc. and The Spotlight. The amended reports, however, disclose slightly smaller amounts for the administrative expenses provided (\$41,148.52 from LL Inc. and \$17,643.92 from The Spotlight).³

In consideration of the foregoing, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 441b(a). Additionally, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 434(b) by failing timely to disclose administrative expenses received, and by failing to disclose the total amounts of those expenses.

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. PPDC disclosed that debt on its reports. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges. Accordingly, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 441b(a).

E. Debts and Obligations

All receipts received by a political committee must be

3. The disparities are the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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deposited in a designated depository. No disbursement may be made (except petty cash disbursements) by a political committee except by check drawn on a designated depository. 2 U.S.C. § 432(h)(1). Every person who receives a contribution for an unauthorized political committee shall: (A) if the contribution is for \$50 or less, forward it to the treasurer within 30 days; and (B) if the contribution is in excess of \$50, forward it to the treasurer within ten days. 2 U.S.C. § 432(b)(2). Each political committee must disclose the total amount of all receipts, and the total amount of all contributions received from various sources. 2 U.S.C. § 434(b)(2). Each political committee must also disclose the amount and nature of outstanding debts and obligations owed by the committee, as well as the name and address of each person who receives any disbursement or provides any receipt in excess of \$200, together with the date and amount of such disbursement or receipt. 2 U.S.C. § 434(b)(8), (5)(B)(v), and (3)(G).

The Audit Division reports that debts totaling \$21,780.22 were reduced by PPDC without corresponding disbursements reported. Of that total, \$6,640.18 was to Printers II, Inc., as discussed in the preceding section, and the other \$15,140.04 was to LL Inc., applied against PPDC's existing debt to LL Inc. exceeding \$200,000. The amounts credited against PPDC's debt to LL Inc. included over \$14,000 for goods and services PPDC had apparently provided to LL Inc. but for which PPDC assertedly had not billed LL Inc. The amounts credited against PPDC's debt to LL Inc. also included about \$700 for donation checks which Blayne Hutzel apparently decided were contributions to PPDC after they were

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deposited in LL Inc.'s bank account. PPDC did not explain these debt reductions on its reports, nor does it appear that PPDC disclosed its contributions apparently received by LL Inc.

Accordingly, there is reason reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 432(h)(1) by failing to deposit receipts in its depository, and 2 U.S.C. § 434(b) by failing to disclose contributions received on its behalf and by failing to explain and itemize its debt reductions.⁴ Additionally, because LL Inc.'s reduction of the debt owed by PPDC constitutes a thing of value, and because there are serious questions concerning the arms-length nature of the transactions, there is reason to believe PPDC and Willis Carto, as treasurer, violated 2 U.S.C. § 441b(a).

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4. In addition to providing full written explanations for the debt reductions on Schedule D of its reports, PPDC should have disclosed the amounts of the debt reductions as memo entries on Schedule A and Schedule B of its reports.



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Mr. Willis Carto
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Willis Carto

Dear Mr. Carto:

On December 4, 1989, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days

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Willis Carto
Page 2

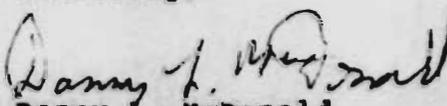
prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Willis Carto

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

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LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986 ¹
LL Inc.	September 1985 - present. ¹

Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

Government Education Foundation, Inc. ("GEF Inc.") is a corporation organized under the laws of the District of Columbia having Willis Carto as its Chairman and Treasurer.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

1. Books and Mailing List

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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According to the Audit Division, on April 29, 1985, PPDC received \$5,578.50 from LL Inc. for PPDC's sale of 3,179 books to LL Inc. at PPDC's cost for the books. The Audit Division also reports that on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of these transactions, PPDC was in debt to LL Inc. for over \$200,000, and in debt to The Spotlight for over \$79,000. Despite these large debts, LL Inc. and The Spotlight both paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations to them. The auditors state that it is not a normal business practice for a creditor to make direct payments of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of these transactions, a serious question is present as to whether they were market-rate transactions.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that PPDC knowingly received corporate contributions.

As previously mentioned, Willis Carto controls and directs the respondents. He is an officer and director of LL Inc., and it is apparent that he consented to the corporate contributions. Accordingly, because of his personal involvement in the transactions, there is reason to believe Willis Carto violated 2 U.S.C. § 441b(a).

2. Equipment and Legal Expenses

The Audit Division further states that on August 12, 1985, PPDC received \$5,346.60 from GEF Inc. The payment consisted of two components: \$4,994.00 for sale of equipment and \$434.60 for equipment rental.² Willis Carto appears to have personally initialed various invoices concerning these transactions. The purpose of the transactions is not clear.

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With payments in May, August, September, and October 1984, PPDC paid Pitney Bowes a total of \$4,994.00 for equipment (a mail machine and scales). The Pitney Bowes invoice for the equipment was dated July 11, 1984, and was addressed to LL Inc., not PPDC. PPDC bought the equipment new. When GEF Inc. purchased it from PPDC 13 months later, however, GEF Inc. paid PPDC the original purchase price for the equipment -- i.e., it was not depreciated. During the audit fieldwork when a Commission auditor asked Blayne Hutzel why GEF Inc. bought the equipment from PPDC, Mr. Hutzel said it was a mistake for PPDC to buy the equipment in the first place. According to the Audit Division, the auditor then ". . . asked Mr. Hutzel why a separate corporation that had no legal liability to pay for this equipment [would] pay for the Populist Party's mistake. Mr. Hutzel said, that's the way they do business."

In addition, it appears that GEF Inc. reimbursed PPDC \$434.60 for the rental of a typewriter and television equipment

2. In February of 1984 GEF Inc. apparently paid \$82.00 for incorporation fees on behalf of PPDC. PPDC credited this amount against the above figures to yield the total of \$5,346.60 paid by GEF Inc. to PPDC.

evidently used in connection with the Populist Party convention in August 1984. There is no evidence suggesting a reason for this payment.

Consequently, it appears that GEF Inc. made corporate contributions to PPDC. Because of his personal involvement in the transactions, there is reason to believe Willis Carto violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

The Audit Division reports that during 1985 LL Inc. and The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. (During that year, The Spotlight was published by Cordite Corp. and Cordite Inc., as well as LL Inc.) Neither LL Inc. nor The Spotlight billed PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by LL Inc. during 1985 totals \$44,462.51 and the value of the services provided by The Spotlight totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to LL Inc. and The Spotlight. The amended reports, however, disclose slightly smaller amounts for the administrative expenses provided (\$41,148.52 from LL Inc. and \$17,643.92 from The Spotlight).³

In consideration of the foregoing, it appears that the respondent corporations and PPDC respectively made and accepted

3. The disparities are the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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corporate contributions. Due to his personal involvement in these transactions, there is reason to believe Willis Carto violated 2 U.S.C. § 441b(a).

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. PPDC disclosed that debt on its reports. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, it appears that the respondent corporations and PPDC respectively made and accepted corporate contributions. Because of his personal involvement in the transaction, there is reason to believe Willis Carto violated 2 U.S.C. § 441b(a).

E. Debts and Obligations

The Audit Division reports that debts totaling \$21,780.22 were reduced by PPDC without corresponding disbursements reported. Of that total, \$6,640.18 was to Printers II, Inc., as discussed in the preceding section, and the other \$15,140.04 was to LL Inc., applied against PPDC's existing debt to LL Inc. exceeding \$200,000. The amounts credited against PPDC's debt to LL Inc. included over \$14,000 for goods and services PPDC had apparently provided to LL Inc. but for which PPDC assertedly had not billed LL Inc. The amounts credited against PPDC's debt to LL Inc. also included about \$700 for donation checks which Blayne Hutzel apparently decided were contributions to PPDC

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after they were deposited in LL Inc.'s bank account. PPDC did not explain these debt reductions on its reports, nor does it appear that PPDC disclosed its contributions apparently received by LL Inc.

Accordingly, it appears that LL Inc. and PPDC respectively made and accepted corporate contributions. Because of his personal involvement in the transactions, there is reason to believe Willis Carto violated 2 U.S.C. § 441b(a).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Mr. Mike Piper
Cordite Fidelity Corporation
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Cordite Fidelity Corporation

Dear Mr. Piper:

On December 4, 1989, the Federal Election Commission found that there is reason to believe Cordite Fidelity Corporation (the "Corporation") violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended (the "Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against the Corporation. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Subpoena to Produce Documents and Order to Submit Written Answers must be submitted within 15 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Subpoena and Order.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to the Subpoena and Order. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications or other communications from the Commission.

In the absence of any additional information which demonstrates that no further action should be taken against the Corporation, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(D). Upon receipt of the request, the Office of the

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Cordite Fidelity Corporation
Page 2

General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Subpoena and Order
Factual and Legal Analysis
Procedures
Designation of Counsel Form

93040980056

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2642
Cordite Fidelity Corporation)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Mr. Mike Piper
Cordite Fidelity Corporation
300 Independence Avenue, S.E.
Washington, D.C. 20003

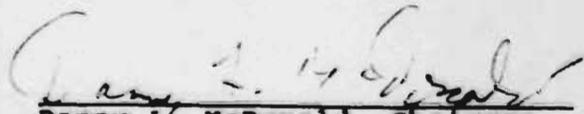
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 15 days of receipt of this Order and Subpoena.

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MUR 2642
Cordite Fidelity Corporation
Page 2

WHEREFORE, the Chairman of the Federal Election Commission
has hereunto set his hand in Washington, D.C. on this 14th day
of December, 1989.



Danny V. McDonald, Chairman
Federal Election Commission

ATTEST:



Marjorie W. Emmons
Secretary to the Commission

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INSTRUCTIONS

In answering this Subpoena and Order, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by, or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary, or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

This Subpoena and Order is continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of this Subpoena and Order, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean Cordite Fidelity Corporation, including all directors, officers, employees, agents, volunteers, attorneys, affiliates, parents, or subsidiaries, thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Identify" with respect to a natural person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, and the present occupation or position of such person. "Identify" with respect to a person who is not a natural person shall mean provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories any documents and materials which may otherwise be construed to be out of their scope.

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INTERROGATORIES

1. Produce all of your Certificates of Incorporation, Articles of Incorporation, and Bylaws.

2. Identify all of your directors, officers, financial custodians, owners, and persons who have assumed your assets and liabilities for all time periods from January 1, 1984, through the present.

3. Identify the natural person responding to these interrogatories and identify each person who provided any information used in the preparation of the response.

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Cordite Fidelity Corporation

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

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LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986 ¹
LL Inc.	September 1985 - present.

Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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this transaction, PPDC was in debt to The Spotlight for over \$79,000. Despite this large debt, The Spotlight paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations. The auditors state that it is not a normal business practice for a creditor to make a direct payment of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of this transaction, a serious question is present as to whether it was a market-rate transaction.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that Cordite Corp. made a corporate contribution to PPDC. Accordingly, there is reason to believe Cordite Corp. violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

The Audit Division reports that during 1985 The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. The Spotlight did not bill PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by The Spotlight during 1985 totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to The Spotlight. The amended reports, however, disclose a slightly smaller amount (\$17,643.92) for the administrative

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expenses provided.²

In consideration of the foregoing, there is reason to believe Cordite Corp. violated 2 U.S.C. § 441b(a).

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, there is reason to believe Cordite Corp. violated 2 U.S.C. § 441b(a).

2. The disparity is the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Willis Carto, Treasurer
Government Education Foundation, Inc.
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Government Education
Foundation, Inc.

Dear Mr. Carto:

On December 4, 1989, the Federal Election Commission found that there is reason to believe Government Education Foundation, Inc. (the "Corporation") violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended (the "Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against the Corporation. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Subpoena to Produce Documents and Order to Submit Written Answers must be submitted within 15 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Subpoena and Order.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to the Subpoena and Order. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications or other communications from the Commission.

In the absence of any additional information which demonstrates that no further action should be taken against the Corporation, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(D). Upon receipt of the request, the Office of the

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Government Education Foundation, Inc.
Page 2

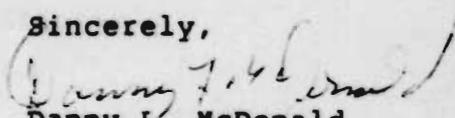
General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,



Danny L. McDonald
Chairman

Enclosures
Subpoena and Order
Factual and Legal Analysis
Procedures
Designation of Counsel Form

93040980067

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 2642
Government Education Foundation,)
Inc.)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Willis Carto, Treasurer
Government Education Foundation, Inc.
300 Independence Avenue, S.E.
Washington, D.C. 20003

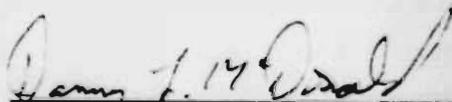
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 15 days of receipt of this Order and Subpoena.

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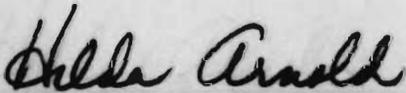
MUR 2642
Government Education Foundation, Inc.
Page 2

WHEREFORE, the Chairman of the Federal Election Commission
has hereunto set his hand in Washington, D.C. on this 14th day
of December, 1989.



Danny L. McDonald, Chairman
Federal Election Commission

ATTEST:



for Marjorie W. Emmons
Secretary to the Commission

93040980069

FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Government Education Foundation, Inc. MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Blayne Hutzel is the Controller of PPDC. He has had responsibility for the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violation described herein.

Government Education Foundation, Inc. ("GEF Inc.") is a corporation organized under the laws of the District of Columbia having Willis Carto as its Chairman and Treasurer.

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on August 12, 1985, PPDC received \$5,346.60 from GEF Inc. The payment consisted of two components: \$4,994.00 for sale of equipment and \$434.60 for

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equipment rental.¹ Willis Carto appears to have personally initialed various invoices concerning these transactions. The purpose of the transactions is not clear.

With payments in May, August, September, and October 1984, PPDC paid Pitney Bowes a total of \$4,994.00 for equipment (a mail machine and scales). The Pitney Bowes invoice for the equipment was dated July 11, 1984, and was addressed to Liberty Lobby, Inc., not PPDC. PPDC bought the equipment new. When GEF Inc. purchased it from PPDC 13 months later, however, GEF Inc. paid PPDC the original purchase price for the equipment -- i.e., it was not depreciated. During the audit fieldwork when a Commission auditor asked Blayne Hutzel why GEF Inc. bought the equipment from PPDC, Mr. Hutzel said it was a mistake for PPDC to buy the equipment in the first place. According to the Audit Division, the auditor then ". . . asked Mr. Hutzel why a separate corporation that had no legal liability to pay for this equipment [would] pay for the Populist Party's mistake. Mr. Hutzel said, that's the way they do business."

In addition, it appears that GEF Inc. reimbursed PPDC \$434.60 for the rental of a typewriter and television equipment evidently used in connection with the Populist Party convention in August 1984. There is no evidence suggesting a reason for this payment.

Consequently, it appears that GEF Inc. made corporate contributions to PPDC. Therefore, there is reason to believe GEF

1. In February of 1984 GEF Inc. apparently paid \$82.00 for incorporation fees on behalf of PPDC. PPDC credited this amount against the above figures to yield the total of \$5,346.60 paid by GEF Inc. to PPDC.

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Inc. violated 2 U.S.C. § 441b(a).

93040980072



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Mr. Mike Piper
Cordite Fidelity, Inc.
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Cordite Fidelity, Inc.

Dear Mr. Piper:

On December 4, 1989, the Federal Election Commission found that there is reason to believe Cordite Fidelity, Inc. violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against Cordite Fidelity, Inc. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against Cordite Fidelity, Inc., the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days

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Cordite Fidelity, Inc.
Page 2

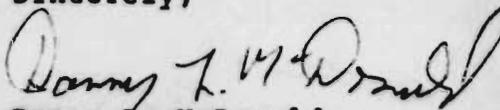
prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

93040980074

FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Cordite Fidelity, Inc.

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

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LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986 ¹
LL Inc.	September 1985 - present.

Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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this transaction, PPDC was in debt to The Spotlight for over \$79,000. Despite this large debt, The Spotlight paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations. The auditors state that it is not a normal business practice for a creditor to make a direct payment of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of this transaction, a serious question is present as to whether it was a market-rate transaction.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that Cordite Inc. made a corporate contribution to PPDC. Accordingly, there is reason to believe Cordite Inc. violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

The Audit Division reports that during 1985 The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. The Spotlight did not bill PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by The Spotlight during 1985 totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to The Spotlight. The amended reports, however, disclose a slightly smaller amount (\$17,643.92) for the administrative

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expenses provided.²

In consideration of the foregoing, there is reason to believe Cordite Inc. violated 2 U.S.C. § 441b(a).

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, there is reason to believe Cordite Inc., which assumed all debt and liabilities of Cordite Corp., violated 2 U.S.C. § 441b(a).

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2. The disparity is the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Mr. Mike Piper
The Spotlight
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
The Spotlight

Dear Mr. Piper:

On December 4, 1989, the Federal Election Commission found that there is reason to believe The Spotlight violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against The Spotlight. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against The Spotlight, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days

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The Spotlight
Page 2

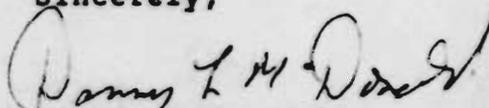
prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: The Spotlight

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986
LL Inc.	September 1985 - present. ¹

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of this transaction, PPDC was in debt to The Spotlight for over \$79,000. Despite this large debt, The Spotlight paid PPDC directly rather than reducing the amount of PPDC's outstanding obligation. The auditors state that it is not a normal business practice for a creditor to make a direct payment of money to an entity that is already deeply in debt to the creditor. In addition, in view of

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the apparent less than arms-length nature of this transaction, a serious question is present as to whether it was a market-rate transaction.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that The Spotlight made a corporate contribution to PPDC. Accordingly, there is reason to believe The Spotlight violated 2 U.S.C. § 441b(a).

B. Administrative Expenses

The Audit Division reports that during 1985 The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. The Spotlight did not bill PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by The Spotlight during 1985 totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to The Spotlight. The amended reports, however, disclose a slightly smaller amount (\$17,643.92) for the administrative expenses provided.²

In consideration of the foregoing, there is reason to believe The Spotlight violated 2 U.S.C. § 441b(a).

C. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000

2. The disparity is the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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debt to an outside vendor on behalf of PPDC, at the same time, PPDC increased by \$7,000 the amount of debt it owed to The Spotlight. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, there is reason to believe The Spotlight violated 2 U.S.C. § 441b(a).

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Willis Carto, Treasurer
Liberty Lobby, Inc.
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Liberty Lobby, Inc.

Dear Mr. Carto:

On December 4, 1989, the Federal Election Commission found that there is reason to believe Liberty Lobby, Inc. violated 2 U.S.C. §§ 441b(a) and 432(b)(2), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against Liberty Lobby, Inc. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath.

In the absence of any additional information demonstrating that no further action should be taken against Liberty Lobby, Inc., the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days

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Liberty Lobby, Inc.
Page 2

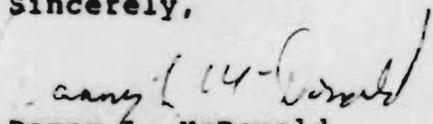
prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Liberty Lobby, Inc.

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986
LL Inc.	September 1985 - present. ¹

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

According to the Audit Division, on April 29, 1985, PPDC received \$5,578.50 from LL Inc. for PPDC's sale of 3,179 books to LL Inc. at PPDC's cost for the books. The Audit Division also reports that on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of these transactions, PPDC was in debt to LL Inc. for over \$200,000, and in debt to The Spotlight for over \$79,000. Despite these large debts, LL Inc. and The Spotlight both paid PPDC directly rather than reducing the amount

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of PPDC's outstanding obligations to them. The auditors state that it is not a normal business practice for a creditor to make direct payments of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of these transactions, a serious question is present as to whether they were market-rate transactions.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that LL Inc. made corporate contributions to PPDC. Accordingly, there is reason to believe LL Inc. violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

The Audit Division reports that during 1985 LL Inc. and The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. Neither LL Inc. nor The Spotlight billed PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by LL Inc. during 1985 totals \$44,462.51 and the value of the services provided by The Spotlight totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to LL Inc. and The Spotlight. The amended reports, however, disclose slightly smaller amounts for the administrative expenses provided (\$41,148.52 from LL Inc. and

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\$17,643.92 from The Spotlight).²

In consideration of the foregoing, there is reason to believe LL Inc. violated 2 U.S.C. § 441b(a).

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, there is reason to believe LL Inc. violated 2 U.S.C. § 441b(a).

E. Debts and Obligations

Every person who receives a contribution for an unauthorized political committee shall: (A) if the contribution is for \$50 or less, forward it to the treasurer within 30 days; and (B) if the contribution is in excess of \$50, forward it to the treasurer within ten days. 2 U.S.C. § 432(b)(2).

The Audit Division reports that debts totaling \$21,780.22 were reduced by PPDC without corresponding disbursements reported. Of that total, \$6,640.18 was to Printers II, Inc., as discussed in the preceding section, and the other \$15,140.04 was to LL Inc., applied against PPDC's existing debt to LL Inc. exceeding \$200,000. The amounts credited against PPDC's debt to LL Inc.

2. The disparities are the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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included over \$14,000 for goods and services PPDC had apparently provided to LL Inc. but for which PPDC assertedly had not billed LL Inc. The amounts credited against PPDC's debt to LL Inc. also included about \$700 for donation checks which Blayne Hutzel apparently decided were contributions to PPDC after they were deposited in LL Inc.'s bank account.

Accordingly, there is reason to believe LL Inc. violated 2 U.S.C. § 432(b)(2) by failing to forward contributions for a political committee in a timely manner. Additionally, because LL Inc.'s reduction of the debt owed by PPDC constitutes a thing of value, and because there are serious questions concerning the arms-length nature of the transactions, there is reason to believe LL Inc. violated 2 U.S.C. § 441b(a).

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 14, 1989

BY HAND

Mr. Blayne Hutzel
300 Independence Avenue, S.E.
Washington, D.C. 20003

RE: MUR 2642
Blayne Hutzel

Dear Mr. Hutzel:

On December 4, 1989, the Federal Election Commission found that there is reason to believe you violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. The Commission has also issued the attached Subpoena which requires you to appear and give sworn testimony on March 29, 1990, at 999 E Street, N.W., Washington, D.C.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications or other communications from the Commission.

In the absence of any additional information which demonstrates that no further action should be taken against you, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time

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Mr. Blayne Hutzel
Page 2

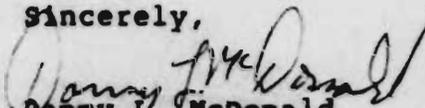
so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,


Danny L. McDonald
Chairman

Enclosures
Subpoena
Factual and Legal Analysis
Procedures
Designation of Counsel Form

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

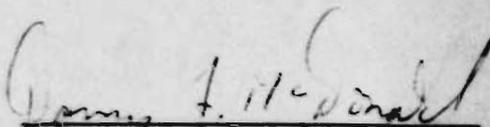
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) MUR 2642
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SUBPOENA

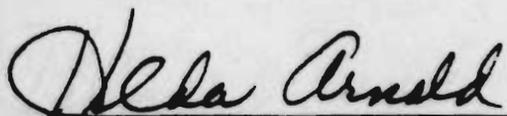
TO: Blayne Hutzel
300 Independence Avenue, S.E.
Washington, D.C. 20003

Pursuant to 2 U.S.C. § 437d(a)(3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby subpoenas you to appear for deposition with regard to this matter. Notice is hereby given that the deposition is to be taken on March 29, 1990 at 999 E Street, N.W., Washington, D.C., sixth floor, beginning at 10:00 a.m. and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 14th day of December, 1989.


Danny L. McDonald, Chairman
Federal Election Commission

ATTEST:


for Marjorie W. Emmons
Secretary to the Commission

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Blayne Hutzel

MUR: 2642

This is a matter referred to the General Counsel's Office following Commission approval of a Final Audit Report of a political committee registered as "Populist Party" ("PPDC") for the period January 1, 1985 through December 31, 1986.

A. The Parties

PPDC is a political committee registered with the Commission on July 2, 1984. Willis Carto is now the treasurer of PPDC.

Liberty Lobby, Inc. ("LL Inc.") is a corporation organized under the laws of the District of Columbia.

Cordite Fidelity Corporation ("Cordite Corp.") is also a corporation organized under the laws of the District of Columbia.

Cordite Fidelity, Inc. ("Cordite Inc.") is a corporation organized under the laws of the State of Delaware and authorized to do business in the District of Columbia.

Cordite Inc. assumed all assets and liabilities of Cordite Corp. LL Inc. owns 100 percent of Cordite Inc.

The Spotlight is a weekly tabloid newspaper published by the following corporations during the indicated time periods:

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LL Inc.	September 1975 - April 1984
Cordite Corp.	April 1984 - August 1985
Cordite Inc.	August 1985 - March 1986 ¹
LL Inc.	September 1985 - present.

Willis Carto is an officer (Treasurer) and a corporate director (one of 14) of LL Inc. Mr. Carto controls and directs all of the organizations.

Blayne Hutzel is the Controller of LL Inc., Cordite Corp., Cordite Inc., and PPDC. He has had responsibility for each of the organization's financial affairs. Blayne Hutzel is the individual who actually conducted the transactions constituting the violations described herein.

Government Education Foundation, Inc. ("GEF Inc.") is a corporation organized under the laws of the District of Columbia having Willis Carto as its Chairman and Treasurer.

The Audit Division referred this matter for several separate categories of violations:

B. Sales of Assets

1. Books and Mailing List

It is unlawful for any corporation to make any contribution or expenditure in connection with a federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any corporate contribution or expenditure. 2 U.S.C. § 441b(a).

1. Apparently Cordite Inc. and LL Inc. jointly published The Spotlight from September 1985 through March 1986. In its masthead, The Spotlight still claims it is published by Cordite Inc., although only LL Inc. has been the publisher since March 1986.

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According to the Audit Division, on April 29, 1985, PPDC received \$5,578.50 from LL Inc. for PPDC's sale of 3,179 books to LL Inc. at PPDC's cost for the books. The Audit Division also reports that on August 12, 1985, PPDC received \$1,731.04 from The Spotlight for the rental of a mailing list of 21,368 Populist Party names. At the time of these transactions, PPDC was in debt to LL Inc. for over \$200,000, and in debt to The Spotlight for over \$79,000. Despite these large debts, LL Inc. and The Spotlight both paid PPDC directly rather than reducing the amount of PPDC's outstanding obligations to them. The auditors state that it is not a normal business practice for a creditor to make direct payments of money to an entity that is already deeply in debt to the creditor. In addition, in view of the apparent less than arms-length nature of these transactions, a serious question is present as to whether they were market-rate transactions.

The Commission generally views the selling or commercial use of political committee assets as fundraising for political purposes, resulting in contributions subject to the Act. It therefore appears that PPDC knowingly received corporate contributions.

As the individual who actually carried out these financial transactions, Blayne Hutzel is a "person" who knowingly accepted or received the corporate contributions on behalf of PPDC, as proscribed by Section 441b(a). Accordingly, because of his personal involvement, there is reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).

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2. Equipment and Legal Expenses

The Audit Division further states that on August 12, 1985, PPDC received \$5,346.60 from GEF Inc. The payment consisted of two components: \$4,994.00 for sale of equipment and \$434.60 for equipment rental.² Willis Carto appears to have personally initialed various invoices concerning these transactions. The purpose of the transactions is not clear.

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With payments in May, August, September, and October 1984, PPDC paid Pitney Bowes a total of \$4,994.00 for equipment (a mail machine and scales). The Pitney Bowes invoice for the equipment was dated July 11, 1984, and was addressed to LL Inc., not PPDC. PPDC bought the equipment new. When GEF Inc. purchased it from PPDC 13 months later, however, GEF Inc. paid PPDC the original purchase price for the equipment -- i.e., it was not depreciated. During the audit fieldwork when a Commission auditor asked Blayne Hutzel why GEF Inc. bought the equipment from PPDC, Mr. Hutzel said it was a mistake for PPDC to buy the equipment in the first place. According to the Audit Division, the auditor then ". . . asked Mr. Hutzel why a separate corporation that had no legal liability to pay for this equipment [would] pay for the Populist Party's mistake. Mr. Hutzel said, that's the way they do business."

In addition, it appears that GEF Inc. reimbursed PPDC \$434.60 for the rental of a typewriter and television equipment

2. In February of 1984 GEF Inc. apparently paid \$82.00 for incorporation fees on behalf of PPDC. PPDC credited this amount against the above figures to yield the total of \$5,346.60 paid by GEF Inc. to PPDC.

evidently used in connection with the Populist Party convention in August 1984. There is no evidence suggesting a reason for this payment.

Consequently, it appears that GEF Inc. made corporate contributions to PPDC. Because of his personal involvement in the transactions, there is reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).

C. Administrative Expenses

The Audit Division reports that during 1985 LL Inc. and The Spotlight provided PPDC with office space, personnel, office equipment, utilities, and related services. (During that year, The Spotlight was published by Cordite Corp. and Cordite Inc., as well as LL Inc.) Neither LL Inc. nor The Spotlight billed PPDC for these administrative expenses. According to the Audit Division, the value of the services provided by LL Inc. during 1985 totals \$44,462.51 and the value of the services provided by The Spotlight totals \$18,916.70. On January 20, 1988, PPDC filed amended reports, disclosing the administrative expenses as debt to LL Inc. and The Spotlight. The amended reports, however, disclose slightly smaller amounts for the administrative expenses provided (\$41,148.52 from LL Inc. and \$17,643.92 from The Spotlight).³

In consideration of the foregoing, it appears that the respondent corporations and PPDC respectively made and accepted

3. The disparities are the result of differences in the methods employed by the Audit Division and the respondents for calculating administrative expenses.

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corporate contributions. Due to his personal involvement in these transactions, there is reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).

D. Debt Repayment

The Audit Division reports that Cordite Corp. paid a \$7,000 debt to an outside vendor on behalf of PPDC. On January 29, 1985, PPDC incurred a \$6,640.18 debt to Printers II, Inc. for envelopes. PPDC disclosed that debt on its reports. On January 23, 1986, pursuant to Willis Carto's instructions, Cordite Corp. paid Printers II, Inc. \$7,000 on behalf of PPDC in settlement of PPDC's outstanding debt plus finance charges.

Accordingly, it appears that the respondent corporations and PPDC respectively made and accepted corporate contributions. Because of his personal involvement in the transaction, there is reason to believe Blayne Hutzel violated 2 U.S.C. § 441b(a).

E. Debts and Obligations

The Audit Division reports that debts totaling \$21,780.22 were reduced by PPDC without corresponding disbursements reported. Of that total, \$6,640.18 was to Printers II, Inc., as discussed in the preceding section, and the other \$15,140.04 was to LL Inc., applied against PPDC's existing debt to LL Inc. exceeding \$200,000. The amounts credited against PPDC's debt to LL Inc. included over \$14,000 for goods and services PPDC had apparently provided to LL Inc. but for which PPDC assertedly had not billed LL Inc. The amounts credited against PPDC's debt to LL Inc. also included about \$700 for donation checks which Blayne Hutzel apparently decided were contributions to PPDC

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after they were deposited in LL Inc.'s bank account. PPDC did not explain these debt reductions on its reports, nor does it appear that PPDC disclosed its contributions apparently received by LL Inc.

Accordingly, it appears that LL Inc. and PPDC respectively made and accepted corporate contributions. Because of his personal involvement in the transactions, there is reason to believe Blayne Hutzler violated 2 U.S.C. § 441b(a).

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
 Populist Party and Willis Carto,)
 as treasurer)
 Liberty Lobby, Inc.)
 The Spotlight) MUR 2642
 Cordite Fidelity, Inc.)
 Cordite Fidelity Corporation)
 Willis Carto)
 Blayne Hutzel)
 Government Education Foundation,)
 Inc.)

AFFIDAVIT OF SERVICE

In Washington,)
 District of Columbia)

Sterling E. Grose, being duly sworn, makes the following
 his affidavit and states:

1. I am an administrative aide employed by the Federal
 Election Commission, but I am not a party to, nor do I have any
 interest in, this matter.

2. On the 15 day of December, 1989, at
11:15 Am., I personally delivered to Anne Cronin
 _____, at 300 Independence Avenue, S.E.,

Washington, D.C., sealed envelopes addressed to the following
 persons:

Willis Carto, Treasurer
 Populist Party

Willis Carto, Treasurer
 Liberty Lobby, Inc.

Mr. Mike Piper
 The Spotlight

Mr. Mike Piper
 Cordite Fidelity, Inc.

Mr. Mike Piper
 Cordite Fidelity Corporation

RECEIVED
 FEDERAL ELECTION COMMISSION
 OFFICE OF THE CLERK
 89 DEC 15 PM 12:27

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Mr. Willis Carto

Mr. Blayne Hutzel

Willis Carto, Treasurer
Government Education Foundation, Inc.

3. The envelopes contained letters signed by the Chairman of the Federal Election Commission, and enclosures as stated on the letters.

Sterling E. Grose

Sterling E. Grose
Administrative Aide
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Subscribed and sworn to before me this 15th day of

12/15, 1989.

John L. Halley

Notary Public
in and for

Federal Election Commission
District of Columbia 20463

My commission expires

3/31/93

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the Federal Election Commission against them. The alleged violations took place during the same time frame. (See Letter from Mark Lane to Michael A. Dymersky, Esquire, February 14, 1989, attached hereto as Exhibit A.)

On March 21, 1989, Lawrence M. Noble, Esquire, General Counsel for the FEC sent a letter to Mark Lane, Esquire notifying him that the Commission accepted the signed Final Consent Order and Judgment which had been previously submitted on behalf of the Populist Party, Blayne Hutzell, Willis Carto, Cordite Fidelity Inc., the Spotlight, and Liberty Lobby, Inc. in settlement of allegations made by the FEC against those persons and organizations for conduct alleged to have taken place during the same time frame. In his letter, Mr. Noble stated that "[f]or your information, this concludes the Commission's consideration of this matter." (Letter from Mr. Noble to Mr. Lane dated March 21, 1989 attached hereto as Exhibit B).

On March 22, 1989, the FEC filed in the United States District Court before the District of Columbia, the Final Consent Order and Judgment in that matter. (Copy of that Order is attached hereto as Exhibit C)

It was clearly the intention of the parties to enter into a settlement which resolved all outstanding questions regarding allegations of misconduct by the FEC against all of the named parties and organizations during the time frame referred to in the Final Consent Order and Judgment. The FEC seeks now to relitigate issues during the same time frame against the same

parties in violation of the principle of res judicata, collateral estoppel and in an effort to unfairly secure advantage over individuals and organizations which have in good faith settled all outstanding differences for the time frame in question.

It is clear that the FEC is now engaged in a vindictive process of harassing individuals and political organizations with which it is not in agreement for the purpose of persecuting those individuals and organizations who hold political views not shared by the members of the FEC.

It is well-settled law that valid consent judgments are generally treated as final judgments on the merits and are entitled to res judicata effect which precludes the relitigation of the same claims or causes of action covered by such judgments. I.A.M. Nat. Pension Fund Ben. Plan v. Industrial Gear Mfg. Co., 723 F.2d 944, 232 U.S. App. D.C. 418 (C.A.D.C. 1983); 91 A.L.R.3d 1170. The parties are required to examine the facts and circumstances which exist at the time that a consent judgment is entered into and a consent judgment establishes the doctrine of res judicata not only as to all questions which were determined but equally to all matters which might have been determined. The doctrine of collateral estoppel prohibits parties who have litigated one cause of action from relitigating in a second and different cause of action matters of fact which were, or necessarily must have been determined in the first litigation. Tutt v. Doby, 459 F.2d 1195 (D.C. Cir. 1972); citing Cromwell v. County of Sac, 94 U.S. 351 (1877) and Lawlor v. National Screen

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Service Corp., 349 U.S. 322; 75 S.Ct. 865 (1955). The principles of res judicata and collateral estoppel are based on the need to conserve judicial resources, Montana v. U.S., 99 S.Ct. 970, 974 (1979), and because repetitive litigation must be avoided in order to minimize judicial energy devoted to individual cases, Semler v. Psychiatric Institute of Washington, 575 F.2d 922, 927 (C.A.D.C. 1978). These principles are judicially developed restrictions invoked in the name of public policy requiring that a litigant be given only one day in court. Hooper v. U.S., 326 F.2d 982, 985 (Ct.Cl. 1964). For a litigant who has used up his cause of action in the first suit there is a policy of repose which underlies the doctrine of res judicata precluding him from splitting his cause of action and suing it piecemeal. Le John Mfg. Co. v. Webb, 91 A.2d 332 (D.C.Mun. App. 1952); Jacobson v. Mutual Ben., 73 N.D. 108; 11 N.W.2d 442 (1943).

The FEC conducted an intrusive, harassing and certainly a thorough investigation of the parties who entered into the Final Consent Order and Judgment. Indeed, during the four and one half years that this matter was under review and in litigation, approximately six different persons came to the offices of Liberty Lobby, Inc. and for approximately 18 days delved into all of the documents and records maintained by the various parties. The parties to the Final Consent Order and Judgment answered every question put to them, made all documents and records available to the FEC, opened their offices, records and books to a continuing, almost never-ending, inquiry by the FEC which

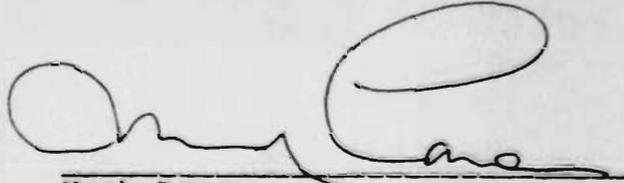
lasted over a period of four and one half years. If the matters now raised by the FEC were not discovered by that organization prior to the time that the Final Consent Order and Judgment was entered into the FEC apparently offers as its defense only the assertion of its monumental incompetence. However, even the incompetence of the FEC cannot be considered as a valid defense because it is well-settled law that those matters which might reasonably have been determined by an inquiry are deemed to have been resolved in a Final Consent Order and Judgment and that to such an order and consent judgment the doctrine of res judicata applies without question.

It is improper for the FEC to seek to inquire into areas into which they have previously delved for the purpose of conducting another investigation of the same parties for the same time frame which investigation previously resulted in a valid and binding Consent Order. It is unethical for counsel for the FEC to conduct such an inquiry for under the circumstances such counsel apparently are conceding that they deceitfully entered into a previous agreement and that their assurances that they were doing so in good faith were false.

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For the reasons set forth above, the parties above-named respectfully request that the subpoenas referred to above be quashed and that the Federal Election Commission agree to cease its unfair, discriminatory and harassing actions against the parties hereto.

December 20, 1989



Mark Lane
132 Third Street, S.E.
Washington, D.C. 20003
(202) 547-6700

93040980109

CERTIFICATE OF SERVICE

I hereby certify that three true copies of the foregoing MOTION TO QUASH SUBPOENAS PURSUANT TO FEDERAL ELECTION RULE 111.15 WHICH SUBPOENAS HAVE BEEN SERVED UPON WILLIS A. CARTO, TREASURER, LIBERTY LOBBY, WILLIS CARTO, TREASURER, POPULIST PARTY; WILLIS CARTO, TREASURER, GOVERNMENT EDUCATION FOUNDATION, INC. MIKE PIPER, CORDITE FIDELITY, CORP.; MIKE PIPER, THE SPOTLIGHT; MIKE PIPER, CORDITE FIDELITY, INC. AND BLAYNE HUTZEL, were hand-delivered to Danny McDonald, Chairman, Federal Election Commission, at 999 E Street, N.W., Washington, D.C. on this 20th day of December, 1989.



Mark Lane

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MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK

February 14, 1989

Michael A. Dymersky, Esquire
Federal Election Commission
999 E. Street, N.W.
Washington, D.C. 20463

Re: FEC v. Populist Party, et al.,
Civil Action No. 88-0127 (RCL)
FEC v. Bob Richards for
President Committee,
Washington, D.C., et al.,
Civil Action No. 88-2832 (RCL)

Dear Mr. Dymersky:

Thank you for sending to me your proposed final consent order and judgment in each of the above-entitled cases. After serious consideration and discussion, my clients have agreed to enter into the final consent order and judgment in the Populist Party case

It hardly seems worthwhile for the United States Government and my client to go through the trial process when the settlement sum separating the parties is so slight.

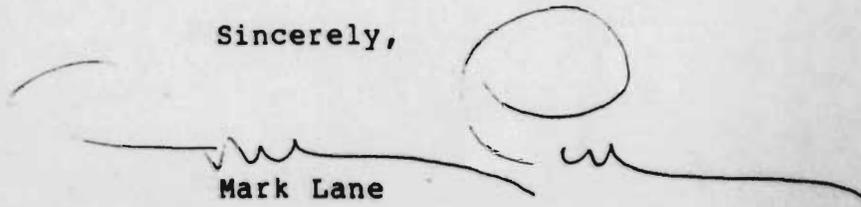
EXHIBIT A

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Michael A. Dymersky, Esquire
February 14, 1989
Page Two

In all other respects the parties are in agreement and are willing to sign consent orders and to be permanently enjoined from similar future violations of the Federal Election Campaign Act of 1971. We note that when violations involving major party candidates have been settled, even when the violations were far more serious, they were settled for substantially lower sums. In any event, my clients are now prepared to enter into settlement agreements pursuant to your proposed final consent orders and judgments with the modifications contained in this letter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark Lane', with a large circular flourish above the name.

Mark Lane

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 21, 1989

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

Re: FEC v. Populist Party, et al.,
Civil Action No. 88-0127(RCL)

Dear Mr. Lane:

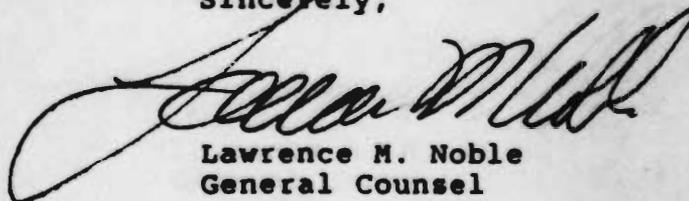
This is to notify you that on March 20, 1989, the Commission voted to accept the signed Final Consent Order and Judgment which you previously submitted on behalf of the Populist Party, Blayne E. Hutzler, Willis Carto, Cordite Fidelity, Inc., The Spotlight and Liberty Lobby, Inc., in settlement of the above-captioned matter. A copy of that document, which has now been executed on behalf of the Commission, is enclosed for your files.

For your information, this concludes the Commission's consideration of this matter. The Consent Order will now be forwarded to the clerk of the court for filing.

The Commission's permanent file in MUR 2211 will be forwarded to the Commission's Public Disclosure Division for placement on the public record. See 11 C.F.R. § 4.4. Should you wish to submit any additional legal or factual materials to be placed on the public record in connection with this matter, please do so within ten days. Such materials should be sent to the Office of the General Counsel.

Thank you again for your cooperation. Should you have any questions, please contact Michael Dymersky, the litigation attorney assigned to this matter, at (202) 376-8200.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosure

EXHIBIT B

93040980113

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FEDERAL ELECTION COMMISSION,

Plaintiff,

v.

POPULIST PARTY, et al.,

Defendants.

)
)
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Civil Action No. 88-0127(RCL)

FINAL CONSENT ORDER
AND JUDGMENT

FILED

MAR 22 1989

FINAL CONSENT ORDER AND JUDGMENT

Clerk, U.S. District Court
District of Columbia

WHEREAS, this action for declaratory, injunctive and other appropriate relief was instituted by the plaintiff Federal Election Commission (the "Commission") pursuant to the express authority granted the Commission by sections 307(a)(6) and 309(a)(6)(A) of the Federal Election Campaign Act of 1971, as amended (the "Act"), codified at 2 U.S.C. §§ 437d(a)(6) and 437g(a)(6)(A), against the defendants Populist Party, Blayne E. Hutzel, Liberty Lobby, Inc., Cordite Fidelity, Inc., the Spotlight and Willis Carto; and

WHEREAS, this Court has original jurisdiction over this suit pursuant to 28 U.S.C. § 1345 as an action brought by an agency of the United States expressly authorized to sue by an Act of Congress, and venue is properly found in the United States District Court for the District of Columbia in accord with 2 U.S.C. § 437g(a)(6)(A), as all defendants can be found, reside or transact business in this district;

EXHIBIT C

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NOW, THEREFORE, the parties agree to entry of this Court's Judgment and consent to the issuance of this Order, as evidenced by the signatures of defendants' counsel and plaintiff's counsel affixed hereto;

Accordingly, it is ORDERED, ADJUDGED AND DECREED as follows:

I. The Commission has met all of the jurisdictional prerequisites to and requirements for filing Civil Action No. 88-0127(RCL);

II. Defendant Populist Party is a political committee within the meaning of 2 U.S.C. § 431(4)(A) and is registered with the Commission;

III. Defendant Liberty Lobby, Inc., is a corporation organized under the laws of the District of Columbia on February 1, 1962;

IV. Defendant Cordite Fidelity, Inc., is a corporation organized under the laws of the State of Delaware and authorized, pursuant to the District of Columbia Business Corporation Act, to do business in the District of Columbia under Certificate of Authority issued January 27, 1986, with Mr. Mike Piper, 208 4th Street, S.E., Washington, D.C. 20003, designated as registered agent;

V. Defendant The Spotlight is a newspaper published weekly by defendant Cordite Fidelity, Inc.;

VI. Defendant Willis Carto, was and is acting as treasurer of the Populist Party, see 2 U.S.C. §§ 432(a), 432(c)

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and 434(a)(1), and was and is an officer or director of defendant Liberty Lobby, Inc., and defendant Cordite Fidelity, Inc.;

VII. Pursuant to 2 U.S.C. § 434(a)(4)(A)(iv), all political committees, other than authorized committees of a candidate, are required to file a Mid-Year Report and a Year-End Report in each calendar year during which there is no regularly scheduled general election. The Mid-Year Report must be filed no later than July 31 of that year. The Year-End Report must be filed no later than January 31 of the following year;

VIII. The Populist Party and Willis Carto, acting as treasurer, were required to file a 1985 Mid-Year Report no later than July 31, 1985; the report was filed on or about March 18, 1987, approximately 595 days late;

IX. The Populist Party and Willis Carto, acting as treasurer, were required to file a 1985 Year-End Report no later than January 31, 1986; the report was filed on or about March 18, 1987, approximately 411 days late;

X. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(a)(4)(A)(iv) by failing to file a 1985 Mid-Year Report by July 31, 1985;

XI. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(a)(4)(A)(iv) by failing to file a 1985 Year-End Report by January 31, 1986;

XII. On or about July 2, 1984, a Statement of Organization was filed with the Commission designating Clara Sandahl as treasurer of a political committee named the "Populist Party,"

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and listed a campaign depository at the National Capital Bank. That Statement of Organization was not amended until October 20, 1986, and again thereafter on December 30, 1986;

XIII. Pursuant to 2 U.S.C. § 433(b), the Statement of Organization of a political committee must include the name and address of the committee's treasurer and a listing of all banks, safety deposit boxes, or other depositories used by the committee. Pursuant to 2 U.S.C. § 433(c), any change in information previously submitted in a Statement of Organization must be reported no later than ten days after the date of the change;

XIV. On or about September 27, 1985, Clara Sandahl retired as treasurer of record of the Populist Party, and Willis Carto assumed the functions of and acted as treasurer of defendant Populist Party, being principally responsible for the financial matters of and concerning that defendant. Amended Statements of Organization filed by the defendant Populist Party on October 20, 1986, and December 30, 1986, failed to disclose that Willis Carto was and is acting as treasurer of the defendant Populist Party;

XV. On or about November 25, 1984, the Populist Party opened a new campaign depository at Security National Bank. That depository was not disclosed until the Populist Party filed an amended Statement of Organization on October 20, 1986;

XVI. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 433(c) by failing to file an amended Statement of Organization within ten days of a change

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in information, by failing to disclose the name of the person acting as treasurer, and by failing to designate and disclose all campaign depositories;

XVII. Pursuant to 2 U.S.C. § 441b(a), it is unlawful for any corporation to make a contribution in connection with any federal election, or for any political committee or other person knowingly to accept or receive any such contribution, or for any officer or director of any corporation to consent to any such contribution;

XVIII. In or about December 1984, The Spotlight, a weekly newspaper published by Cordite Fidelity, Inc., gave to the Populist Party approximately \$10,478.55;

XIX. The Spotlight and Cordite Fidelity, Inc., violated 2 U.S.C. § 441b(a) by making a corporate contribution of approximately \$10,478.55 to the Populist Party;

XX. In or about March 1984, Liberty Lobby, Inc., made a loan to the Populist Party of approximately \$7,500;

XXI. Liberty Lobby, Inc., violated 2 U.S.C. § 441b(a) by making a corporate contribution of approximately \$7,500 to the Populist Party;

XXII. Willis Carto is an officer or director of Liberty Lobby, Inc., and Cordite Fidelity, Inc., and Willis Carto controls and directs Liberty Lobby, Inc., and Cordite Fidelity, Inc., and its weekly newspaper, The Spotlight;

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XXIII. Willis Carto, as an officer or director of Liberty Lobby, Inc., and Cordite Fidelity, Inc., violated 2 U.S.C. § 441b(a) by consenting to corporate contributions to the Populist Party;

XXIV. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. 441b(a) by knowingly accepting and receiving contributions of approximately \$10,478.55 and \$7,500 from corporations;

XXV. Pursuant to 2 U.S.C. § 434(a)(4)(A)(i), political committees, like the defendant Populist Party, are required to file reports in each calendar year during which there is a regularly scheduled general election. Such reports must be filed no later than the fifteenth day after the last day of each calendar quarter, except that the report for the fourth quarter must be filed no later than January 31 of the following calendar year. Pursuant to 2 U.S.C. § 434(a)(4)(A)(iii), all such political committees are required to file a post-general election report, which must be filed no later than the 30th day after the general election;

XXVI. The Populist Party and Willis Carto, acting as treasurer, filed the 1986 April Quarterly Report on October 20, 1986, approximately 188 days after it was due on April 15, 1986;

XXVII. The Populist Party and Willis Carto, acting as treasurer, filed the 1986 July Quarterly Report on October 20, 1986, approximately 97 days after it was due on July 15, 1986;

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XXVIII. The Populist Party and Willis Carto, acting as treasurer, filed the 1986 October Quarterly Report on October 20, 1986, approximately five days after it was due on October 15, 1986;

XXIX. The Populist Party and Willis Carto, acting as treasurer, filed the 1986 30-Day Post-General Election Report on January 27, 1987, approximately 54 days after it was due on December 4, 1986;

XXX. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(a)(4)(A)(i) by failing to file the 1986 April Quarterly, 1986 July Quarterly and 1986 October Quarterly Reports on time;

XXXI. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(a)(4)(A)(iii) by failing to file the 1986 30-Day Post-General Election Report;

XXXII. Pursuant to 2 U.S.C. § 434(b)(5)(A), each report filed by a political committee must disclose the purpose of each operating expenditure in excess of \$200;

XXXIII. The Populist Party and Willis Carto, acting as treasurer, did not disclose in any report required to be filed by statute, the purpose of approximately \$8,000 in operating expenditures made to Victor Marchetti;

XXXIV. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(b)(5)(A) by failing to disclose the purpose of operating expenditures in excess of \$200 to Victor Marchetti;

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XXXV. Pursuant to 2 U.S.C. § 434(b)(3)(A), each report filed by a political committee must disclose the identification of each person who makes a contribution to the committee during the reporting period in an amount in excess of \$200, together with the date and amount of each such contribution;

XXXVI. The Populist Party and Willis Carto, acting as treasurer, filed the 1984 October Quarterly Report and failed to itemize therein receipt of a \$500 contribution from William K. Shearer. Shearer's contribution was disclosed for the first time almost two years later in an amended 1984 October Quarterly Report filed with the Commission on or about August 7, 1986;

XXXVII. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(b)(3)(A) by filing a report that did not itemize a contribution from William K. Shearer in excess of \$200;

XXXVIII. Pursuant to 2 U.S.C. § 434(b)(8), each report filed by a political committee must disclose the amount and nature of outstanding debts and obligations owed by such committee. Pursuant to 11 C.F.R. § 104.11, debts and obligations owed by a political committee must be continuously reported until extinguished. Pursuant to 11 C.F.R. § 104.11, any loan, debt, or obligation in an amount over \$500 must be reported as of the time of the transaction;

XXXIX. The Populist Party and Willis Carto, acting as treasurer, did not disclose at the time of the transaction approximately \$299,816.64 of outstanding debts and obligations

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incurred in 1984, owed to Liberty Lobby, Inc., and Cordite Fidelity, Inc., nor were these unextinguished debts and obligations continuously reported;

XL. The Populist Party and Willis Carto, acting as treasurer, violated 2 U.S.C. § 434(b)(8) by failing to disclose certain outstanding debts and obligations in reports filed with the Commission;

XLI. The Populist Party and Willis Carto, acting as treasurer, violated 11 C.F.R. § 104.11 by failing to continuously report certain unextinguished debts and obligations;

XLII. The Populist Party and Willis Carto, acting as treasurer, violated 11 C.F.R. § 104.11 by failing to report certain loans, debts, or obligations in amounts over \$500 at the time of the transaction;

XLIII. Defendants Populist Party, Liberty Lobby, Inc., Cordite Fidelity, Inc., the Spotlight and Willis Carto shall pay to the Federal Election Commission within twenty (20) days of the entry of this Final Consent Order and Judgment a civil penalty of Twenty Thousand Dollars (\$20,000), pursuant to 2 U.S.C. § 437g(a)(6)(B), for which defendants shall be jointly and severally liable;

XLIV. Defendants Populist Party, Liberty Lobby, Inc., Cordite Fidelity, Inc., the Spotlight and Willis Carto are permanently enjoined from similar future violations of the Federal Election Campaign Act of 1971, as amended; and,

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XLV. The parties shall bear their own costs and fees in this matter.

Dated: 1989
Washington, D.C.

Royce C. Lamberth
Royce C. Lamberth
United States District Judge

We hereby consent to the entry of the foregoing Consent Order and Judgment.

So Stipulated:

John L. McGann
John L. McGann, Esquire
(D.C. Bar #114561)

FOR DEFENDANTS POPULIST
PARTY, BLAYNE E. HUTZEL,
LIBERTY LOBBY, INC.,
CORDITE FIDELITY, INC.,
THE SPOTLIGHT and
WILLIS CARTO
132 Third Street, S.E.
Washington, D.C. 20003
(202) 525-7536

Lawrence M. Noble
Lawrence M. Noble
General Counsel
(D.C. Bar #244434)

Richard B. Bader
Richard B. Bader
Associate General Counsel

Ivan Rivera
Ivan Rivera
Assistant General Counsel

Michael A. Dymersky
Michael A. Dymersky
Attorney
(D.C. Bar #370593)

March
February 21, 1989

FOR THE PLAINTIFF
FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463
(202) 376-8200

93040980123

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FEDERAL ELECTION COMMISSION,

Plaintiff,

v.

POPULIST PARTY, et al.,

Defendants.

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Civil Action No. 88-0127(RCL)

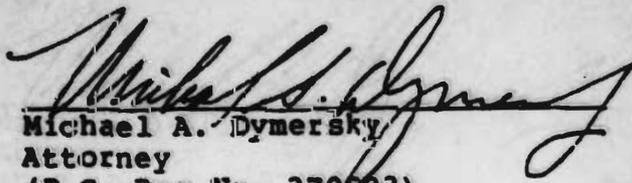
CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of March, 1989, I caused to be served, by first-class mail, postage prepaid, a copy of the Final Consent Order and Judgment in the above-captioned litigation to the following counsel for defendants:

John L. McGann
132 Third Street, S.E.
Washington, D.C. 20003

March 21, 1989


Michael A. Dymersky
Attorney
(D.C. Bar No. 370593)

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STATEMENT OF DESIGNATION OF COUNSEL

MUR 2642

NAME OF COUNSEL: Mark Lane, Esquire

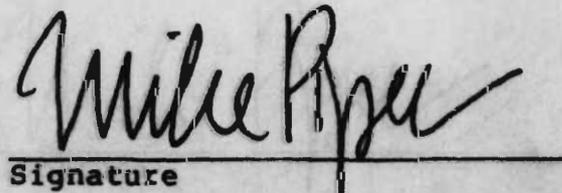
ADDRESS: 132 Third Street, S.E.

Washington, D.C. 20003

TELEPHONE: _____

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

12/19/89
Date


Signature

RESPONDENT'S NAME: Mike Piper

ADDRESS: 300 Independence Avenue, S.E.

Washington, D.C. 20003

HOME PHONE: _____

BUSINESS PHONE: (202) 546-5611

93040980125

STATEMENT OF DESIGNATION OF COUNSEL

MUR 2642

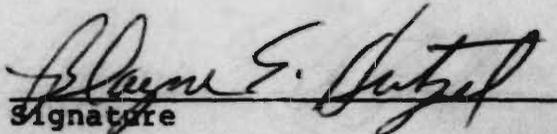
NAME OF COUNSEL: Mark Lane, Esquire

ADDRESS: 123 Third Street, S.E.
Washington, D.C. 20003

TELEPHONE: (202) 547-6700

The above-named individual is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

12/20/89
Date


Signature

RESPONDENT'S NAME: Blayne Hutzel

ADDRESS: 300 Independence Avenue, S.E.
Washington, D.C. 20003

HOME PHONE: _____

BUSINESS PHONE: (202) 546-5611

93040980126



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

January 9, 1990

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

Re: MUR 2642
Willis Carto

Dear Mr. Lane:

This is to acknowledge receipt of your Motion to Quash Subpoenas in the above-referenced matter. Although the Motion to Quash purports to be on behalf of various respondents, the Office of the General Counsel notes that pursuant to Statements of Designation of Counsel on file with the Commission, you represent only Willis Carto personally. If you wish to represent additional respondents in this matter, please file appropriate Designation of Counsel Statements within five days.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lawrence M. Noble".

Lawrence M. Noble
General Counsel

93040980127

OGC 5112
RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 JAN 16 PM 12: 15

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK
only

January 11, 1990

CERTIFIED RETURN RECEIPT REQUESTED #P 927 027 616

Lawrence M. Noble, Esquire
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2642

Dear Mr. Noble:

Thank you for your letter of January 9, 1990 in which you directed me to file appropriate Designation of Counsel Statements within five days in order that the Motion to Quash Subpoenas might be considered by the Federal Election Commission on behalf of two respondents who you claim I purport to represent.

An examination of your file will likely reveal that Designations of Counsel Statements for the other two respondents, Mr. Blayne Hutzel and Mr. Mike Piper, were served upon your office by hand on December 20, 1989 along with the service of the Motion to Quash Subpoenas. To assist you in searching your records I call to your attention the fact that Mr. Hutzel's Statement of Designation of Counsel is dated December 20, 1989 and Mr. Piper's Statement of Designation of Counsel is dated December 19, 1989. Each Statement is on the form "Statement of Designation of Counsel" provided by the FEC, sets forth the correct MUR, the name and address of counsel, the respondent's name, address and telephone number and is signed by the respondent.

After your office received the Motion to Quash Subpoenas together with the statements designating counsel signed by Mr. Hutzel and Mr. Piper, counsel for your office called my office stating that while you had received those two statements, you had not received a similar statement on behalf of Mr. Carto. I then asked Mr. Carto to sign and mail to your office his statement designating counsel.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF COUNSEL
90 JAN 16 PM 4: 02

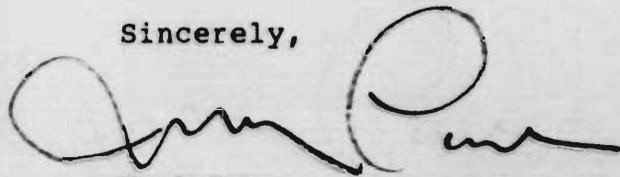
93040980128

Lawrence M. Noble, Esquire
January 11, 1990
Page Two

If for any reason you are unable to find the originals which were served upon your office on December 20, 1989, feel free to contact my office within five days and I will be happy to send copies of the statements to you.

I would request that before you pursue these matters any further, you examine the statute of limitations and the reported cases regarding their application to the issues you are reviewing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Lane', with a large, stylized initial 'M' and a long horizontal stroke at the end.

Mark Lane

93040980129

90 JAN 23 PM 5:10

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
 Populist Party and Willis Carto,)
 as treasurer)
 Liberty Lobby, Inc.)
 The Spotlight)
 Cordite Fidelity, Inc.)
 Cordite Fidelity Corporation)
 Willis Carto)
 Blayne Hutzel)
 Government Education Foundation,)
 Inc.)

SENSITIVE

MUR 2642

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On December 4, 1989 the Commission found reason to believe the respondents in this matter violated various sections of the Federal Election Campaign Act of 1971, as amended. On that date the Commission also approved Subpoenas and Orders. Counsel for the respondents has now filed a timely motion asking the Commission to quash the Subpoenas. (Attachment 1)

II. FACTUAL AND LEGAL ANALYSIS

Counsel's argument is that due to the entry of the Final Consent Order and Judgment in litigation stemming from MUR 2211, the Commission is barred from proceeding with any investigation in other MURs involving the respondents in MUR 2211. Counsel's reasoning is flawed, however, because nothing in the Consent Order precludes the Commission from proceeding with other pending matters. The only explicit statement that counsel relies upon, a March 21, 1989 letter from the General Counsel (see Attachment 1, page 10), far from supporting counsel's position, in fact indicates that the litigation concerned only

93040980130

MUR 2211. Moreover, the issues involved in the present matter are completely different from those adjudicated in the litigation spawned by MUR 2211. Furthermore, the present matter involves two respondents (Cordite Fidelity Corporation and Government Education Foundation, Inc.) that were not respondents in MUR 2211 or defendants in its subsequent litigation.

Specifically, MUR 2211 and its litigation concerned: failing to file various disclosure reports and Statements of Organization in a timely manner; a specific 1984 \$10,478.55 transfer from The Spotlight and Cordite Fidelity, Inc. to Populist Party ("PPDC"); a specific 1984 \$7500 loan from Liberty Lobby, Inc. to PPDC; failing to disclose the purpose of a specific 1984 \$8,000 disbursement by PPDC; failing to itemize a specific 1984 \$500 contribution to PPDC; and failing to report various debts and obligations incurred in 1984 by PPDC. In contrast, MUR 2642 is the result of an audit of PPDC conducted for the 1985 through 1986 period, and it involves none of the above violations.

The respondents were well aware of the audits when they assented to the Final Consent Order and Judgment.

In accordance with the foregoing discussion, the General Counsel's Office recommends that the Commission deny the motion to quash the Subpoenas.

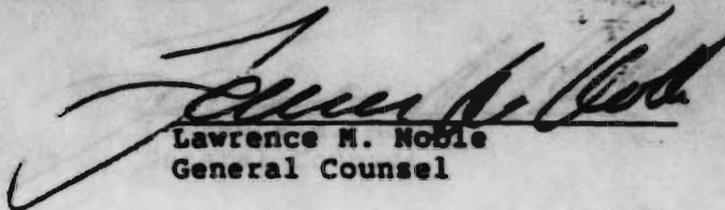
III. RECOMMENDATIONS

1. Deny the Motion to Quash Subpoenas.

93040980131

2. Approve and send the attached letter.

1/23/90
Date


Lawrence M. Noble
General Counsel

Attachments

1. Motion to Quash Subpoenas
2. Letter

Staff Member: R. Raich

93040980132

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Populist Party and Willis Carto,)	
as treasurer)	MUR 2642
Liberty Lobby, Inc.)	
The Spotlight)	
Cordite Fidelity, Inc.)	
Cordite Fidelity Corporation)	
Willis Carto)	
Blayne Hutzell)	
Government Education Foundation,)	
Inc.)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on January 26, 1990, the Commission decided by a vote of 5-0 to take the following actions in MUR 2642:

1. Deny the Motion to Quash Subpoenas, as recommended in the General Counsel's Report dated January 23, 1990.
2. Approve and send the letter, as recommended in the General Counsel's Report dated January 23, 1990.

Commissioners Aikens, Elliott, Josefiak, McDonald and Thomas voted affirmatively for the decision; Commissioner McGarry did not cast a vote.

Attest:

1-29-90

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat:	Tues., Jan. 23, 1990	5:10 p.m.
Circulated to the Commission:	Wed., Jan. 24, 1990	11:00 a.m.
Deadline for vote:	Fri., Jan. 26, 1990	11:00 a.m.

93040980133



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 30, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

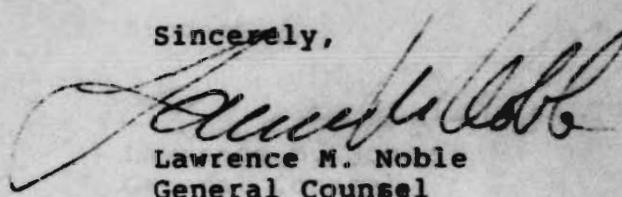
Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

Re: MUR 2642

Dear Mr. Lane:

On January 26, 1990, the Federal Election Commission denied your Motion to Quash Subpoenas in the above-referenced matter. Accordingly, responses to the outstanding Subpoenas and Orders must be received at the Commission's offices within 15 days after your receipt of this letter. If you have any questions, please contact Robert Raich, the attorney handling this matter, at (202) 376-8200.

Sincerely,



Lawrence M. Noble
General Counsel

93040980134

06C5379

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90FEB 12 PM 10

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK

February 8, 1990

RETURN RECEIPT REQUESTED #P 927 027 618

Lawrence M. Noble
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

90FEB 12 PM 2:17

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

Re: MUR 2642

Dear Mr. Noble:

Thank you for your form letter of January 30, 1990 which stated that on January 26, 1990, the Federal Election Commission denied our Motion to Quash Subpoenas. It is, of course, difficult to know how to proceed with this matter based upon the limited information which you have thus far been willing to share with us. I would appreciate it if you provided, at your earliest convenience a copy of the Opinion of the Commissioners, the basis for the denial of the motion, and information revealing the vote by the Commissioners. As you know, this basic information is generally made available by courts to litigants throughout the United States.

I am confident that the members of the Federal Election Commission are all very busy. However, since members of the United States District Courts, the Courts of Appeal, and Justices of the United States Supreme Court all manage to find time to draft opinions on questions of importance and to reveal the vote on each such matter, it would seem appropriate that the FEC hold to the same standard. Since it is possible that this matter will be reviewed by those courts, it seems appropriate, at the outset to make the record as complete as possible.

After receipt of this information requested in this letter, I will meet with my clients in order to consider the next step.

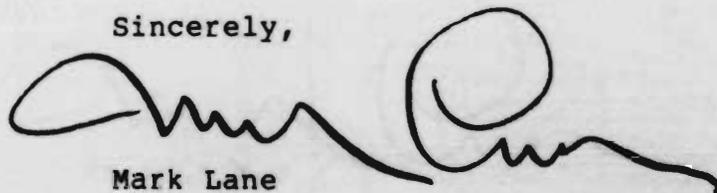
93040980135

Lawrence M. Noble, Esquire
February 8, 1990
Page Two

If the FEC has ever sought to compel either the Republican party or the Democratic party or any of their subdivisions to answer questions for a time frame representing a case which has been formally settled, as in this instance, I would appreciate it if you could send those citations to me.

In accordance with your request, a copy of this letter is being set to Robert Raich, Esquire.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark Lane', with a large, stylized initial 'M' and 'L'.

Mark Lane

ML/bww
cc: Robert Raich, Esquire

93040980136



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

DEC 9618

February 27, 1990

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

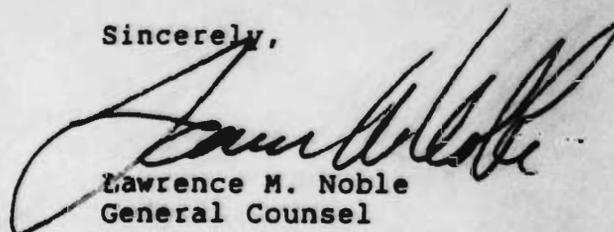
Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corporation
Willis Carto
Blayne Hutzel
Government Education Foundation, Inc.

Dear Mr. Lane:

This responds to your letter of February 8, requesting a copy of the Commissioners' "Opinion" denying your Motion to Quash Subpoenas, and information regarding the Commission's vote. Be advised that the Commission does not issue written opinions regarding its decisions on motions to quash administrative subpoenas. For your information, however, I have enclosed a copy of the General Counsel's Report to the Commission recommending denial of your motion and a copy of the Certification recording the Commission's vote.

In accordance with the Commission's decision, your clients should respond to the outstanding Subpoenas without delay. If you should have any questions, please contact Robert Raich, the attorney responsible for this matter, at 376-8200.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosures

93040980137



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 23, 1990

BY HAND

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

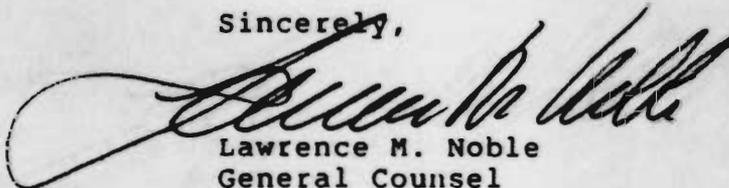
Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corporation
Willis Carto
Blayne Hutzell
Government Education
Foundation, Inc.

Dear Mr. Lane:

On December 15, 1989, your clients were served with Subpoenas to Produce Documents and Orders to Submit Written Answers requiring compliance within 15 days of receipt. Also on that date, Blayne Hutzell was served with a Subpoena for a deposition on March 29, 1990. On February 6, 1990, you received notice of the Commission's denial of your Motion to Quash, and you were notified that compliance was required within 15 days after that date. On February 27, 1990, the Commission responded to your request for additional documentation, and advised your clients to comply with the outstanding Subpoenas without delay.

We have received no communication from you indicating when your clients will comply. Be advised that in view of your clients' noncompliance, the General Counsel's Office will seek authorization to file suit in United States District Court to enforce compliance with the Subpoenas. Furthermore, due to nonreceipt of the documents and written answers requested, this Office is postponing the deposition of Blayne Hutzell until after we have received and reviewed that material. We will notify you later of the new deposition date.

Sincerely,



Lawrence M. Noble
General Counsel

93040980138

MAY 15 1990

In the Matter of)
)
Populist Party and Willis Carto,)
as treasurer)
Liberty Lobby, Inc.)
The Spotlight)
Cordite Fidelity, Inc.)
Cordite Fidelity Corporation)
Willis Carto)
Blayne Hutzel)
Government Education Foundation,)
Inc.)

MUR 2642

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT
90 MAY -9 PM 4: 12

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On December 4, 1989 the Commission found reason to believe the respondents in this matter violated various sections of the Federal Election Campaign Act of 1971, as amended. On that date the Commission also approved several Subpoenas and Orders.

(Attachment 1) Subpoenas to Produce Documents and Orders to Submit Written Answers were directed to Populist Party and Willis Carto, as treasurer; Cordite Fidelity Corporation; and Government Education Foundation, Inc. All required the production of documents and answers in writing within 15 days of receipt. The instruments were received on December 15, 1989.

(Attachment 2) The deposition Subpoena directed to Blayne Hutzel required him to appear for deposition on March 29, 1990.

The respondents filed a Motion to Quash Subpoenas, which the Commission denied on January 26, 1990. Counsel then requested a copy of the "Opinion of the Commissioners" denying the motion. (Attachment 3) As a courtesy, on February 27, 1990, this Office sent counsel copies of the General Counsel's

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Report and the relevant Certification. (Attachment 4) This Office further advised the respondents to comply with the outstanding subpoenas "without delay."

On March 23, 1990, after counsel failed to return phone calls, and upon receiving no other communication from counsel, this Office advised him that we would seek authorization to file suit to enforce compliance with the subpoenas. This Office also postponed the deposition of Blayne Hutzel because we did not want to take his deposition without first reviewing the subpoenaed documents. (Attachment 5) This Office has received no response from the respondents or their lawyer.

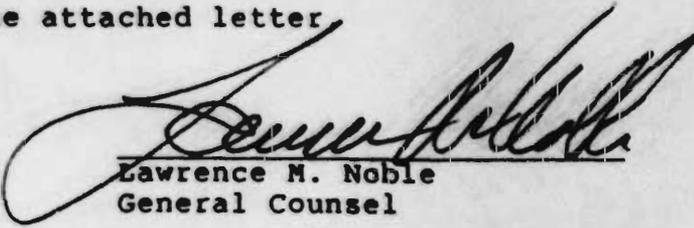
In light of the foregoing discussion, this Office requests authorization to file a civil suit for relief in United States District Court to enforce compliance with the Commission's Subpoenas to Produce Documents and Orders to Submit Written Answers. This Office further recommends that the Commission approve a new deposition subpoena to Blayne Hutzel, with a date to be filled in after receipt of the subject documents.

II. RECOMMENDATIONS

1. Authorize the Office of the General Counsel to institute a civil action for subpoena enforcement in United States District Court against Populist Party and Willis Carto, as treasurer, Cordite Fidelity Corporation, and Government Education Foundation, Inc.
2. Approve the attached Subpoena.
3. Approve and send the attached letter

Date

5/9/90


Lawrence M. Noble
General Counsel

93040980140

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Populist Party and Willis Carto, as treasurer) MUR 2642
Liberty Lobby, Inc.)
The Spotlight)
Cordite Fidelity, Inc.)
Cordite Fidelity Corporation)
Willis Carto)
Blayne Hutzel)
Government Education Foundation, Inc.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of May 15, 1990, do hereby certify that the Commission decided by a vote of 5-0 to take the following actions in MUR 2642:

1. Authorize the Office of the General Counsel to institute a civil action for subpoena enforcement in United States District Court against Populist Party and Willis Carto, as treasurer, Cordite Fidelity Corporation, and Government Education Foundation, Inc.
2. Approve the Subpoena attached to the General Counsel's report dated May 9, 1990.

(continued)

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Federal Election Commission
Certification for MUR 2642
May 15, 1990

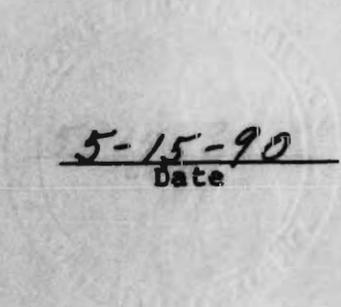
Page 2

3. Approve and send the letter attached to the General Counsel's report dated May 9, 1990.

Commissioners Elliott, Josefiak, McDonald, McGarry,
and Thomas voted affirmatively for the decision;
Commissioner Aikens was not present at the time of the vote.

Attest:

5-15-90
Date


Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

93040980142



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 17, 1990

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corporation
Willis Carto
Blayne Hutzler
Government Education
Foundation, Inc.

Dear Mr. Lane:

On December 15, 1989, Populist Party and Willis Carto, as treasurer, Cordite Fidelity Corporation, and Government Education Foundation, Inc. were served with Subpoenas to Produce Documents and Orders to Submit Written Answers requiring compliance within 15 days of receipt. On February 6, 1990, you received notice of the Commission's denial of your Motion to Quash, and you were notified that compliance was required within 15 days after that date. On February 27, 1990, the Commission responded to your request for additional documentation, and advised your clients to comply with the outstanding Subpoenas and Orders without delay. Be advised that the Commission has received no additional response to the Subpoenas and Orders.

As a result of our inability to obtain voluntary compliance with the Subpoenas and Orders, the Commission has authorized the General Counsel to institute a civil action for subpoena enforcement in United States District Court.

Should you have any questions, or should you wish to comply fully with the Subpoenas and Orders prior to suit, please contact Robert Bonham, Acting Assistant General Counsel, at 376-8200, within five days after your receipt of this letter.

Sincerely,

Lawrence M. Noble
General Counsel

93040980143

OGC 6387

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FEDERAL ELECTION COMMISSION
MAIL ROOM

90 JUN -1 AM 7:17

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK

May 31, 1990

Robert Bonham, Esquire
Acting Assistant General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corp.
Willis Carto
Blayne Hutzell
Government Education
Foundation, Inc.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 JUN -1 AM 11:42

93040980144

Dear Mr. Bonham:

This letter is written in response to a letter from Lawrence M. Noble to me dated May 17, 1990.

In the interests of judicial economy, the various organizations involved have authorized me to state that they will permit inspection of all the relevant documents which you have not previously had available to you, and will answer all relevant questions so long as the time frame regarding those documents for each organization has not been precluded by the Final Consent Orders and Judgments filed by the FEC with the United States District Court for the District of Columbia on March 22, 1989.

The organizations will fully comply with your requests to answer all questions and provide all documents so long as this discovery is not precluded by the Final Consent Orders and Judgments which orders and judgments did settle then outstanding questions for certain organizations for specified time periods.

Sincerely,

Mark Lane by bww

Mark Lane



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 12, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mark Lane, Esq.
132 Third Street, S.E.
Washington, D.C. 20003

Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corp.
Willis Carto
Blayne Hutzell
Government Education
Foundation, Inc.

Dear Mr. Lane:

This letter is to confirm your July 12, 1990 conversation with Tonda Mott of this office. It is my understanding that your clients now intend to comply fully with the Commission's Subpoenas and Orders dated December 14, 1989. You stated that your clients are currently in the process of compiling that information. I further understand that you will be out of town next week, but that upon your return all the requested information will be promptly submitted to the Commission.

In light of this conversation, it seems fair to expect to receive the submitted documents and answers by July 27, 1990. We will delay filing a subpoena enforcement action in the United States District Court for the District of Columbia until that date.

If I have misunderstood your position in this matter, or should you have any questions, please inform me immediately at 376-8200.

Sincerely,

David M. Fitzgerald
Assistant General Counsel

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FEDERAL ELECTION COMMISSION
MAIL ROOM

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

90 AUG -1 AM 10:39

MEMBER OF THE BAR
NEW YORK

July 31, 1990

David M. Fitzgerald, Esquire
Assistant General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corp.
Willis Carto
Blayne Hutzel
Government Education
Foundation, Inc.

90 AUG -1 PM 12:22

RECEIVED
FEDERAL ELECTION COMMISSION
GENERAL COUNSEL

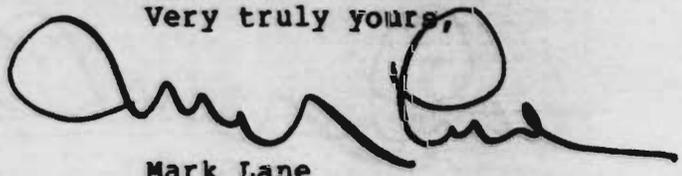
93040980146

Dear Mr. Fitzgerald:

In the Factual and Legal Analysis which was submitted by the FEC to my clients in this matter, it was asserted that the Commission had approved "a Final Audit Report." The approval of that report apparently provides the foundation, in the Commission's view for proceeding. My clients have not received a copy of the Final Audit Report. Accordingly, I request that each Final Audit Report for each of the Respondents listed above be sent to my office at your earliest convenience.

I note that an Interim Report of the Audit Division was previously submitted and was responded to. My clients inform me, however, that they have not received a Final Audit Report.

Very truly yours,



Mark Lane

ML/bww



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 2, 1990

Mark Lane, Esquire
132 Third Street, S.E.
Washington, D.C. 20003

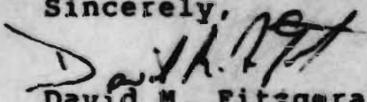
Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corp.
Willis Carto
Blayne Hutzler
Government Education
Foundation, Inc.

Dear Mr. Lane:

Per your request, enclosed please find a copy of the Final Audit Report for the above-named matter.

Please be advised that your clients have not yet complied with the Commission's Subpoenas and Orders. Thus, the Commission plans to file the enforcement proceeding of which you were initially notified on May 17, 1990, and which had been delayed for the convenience of your clients until July 2, 1990 and then again until July 27, 1990.

Sincerely,


David M. Fitzgerald
Assistant General Counsel

93040980147

OGC 7205-

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 AUG -6 AM 10:37

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK

August 3, 1990

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 AUG -6 PM 12:53

David M. Fitzgerald, Esquire
Assistant General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

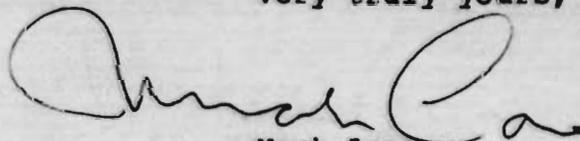
Re: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity Corp.
Willis Carto
Blayne Hutzler
Government Education
Foundation, Inc.

Dear Mr. Fitzgerald:

Your letter dated July 12, 1990 and postmarked July 17, 1990 was delivered to my office by the Post Office today. Under the circumstances there is, of course, no way in which I can respond prior to July 27, 1990.

In the interim, of course, I have sent to you a letter dated July 31, 1990. Upon receipt from you of a copy of the Final Audit Report I will immediately respond to your request.

Very truly yours,


Mark Lane

ML/bww

93040980148

ABC 8637

MARK LANE
132 THIRD STREET, S. E.
WASHINGTON, D. C. 20003
(202) 547-6700

MEMBER OF THE BAR
NEW YORK

November 14, 1990

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 2642

Dear Mr. Noble:

Since you appealed only one portion of the Order of the Court in this matter, you have effectively removed the obligation of the respondents to provide the information which you have previously requested. As your own attorney stated to me in Court, the Order must be taken as a whole, that is, the documents must be provided to you by November 15, 1990, provided that you agree to take the action which the Court directed you to take within two weeks thereafter.

Nevertheless, my clients have agreed to provide all of the relevant information pursuant to the Order of the Court. This is so in spite of the fact that you refused to honor the second portion of the Court's Order.

I enclose an affidavit from Blayne Hutzel regarding the interrogatories to the Populist Party. I enclose an affidavit from Willis Carto regarding that same matter. I enclose an affidavit from Willis Carto regarding the Government Education Foundation, Inc. I enclose an affidavit from Michael Piper regarding the Cordite Fidelity Corporation. I also enclose as exhibits to Mr. Hutzel's affidavit documents which you have requested.

You have requested the respondents to produce various documents. All the documents which you have requested are available for your inspection. All your representative need do is to call (202) 546-5611 to arrange for a mutually convenient time, any time, during normal business hours.

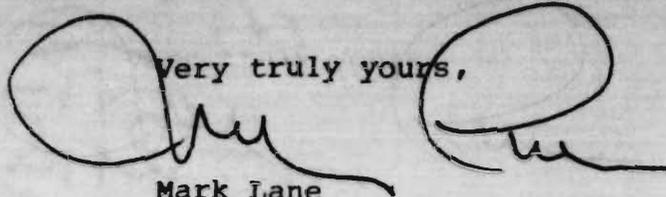
I hope that you will withdraw your ill-considered and frivolous appeal, examine the documents which we have submitted, and which we are producing for your inspection,

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
90 NOV 15 AM 10:58

93040980149

and meet your obligations to cease and desist from harassing the respondents. All we ask is a fair and immediate ruling regarding documents which have been in your possession for a very long time.

Very truly yours,

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by a cursive name.

Mark Lane

93040980150

A F F I D A V I T

WILLIS A. CARTO, being duly sworn, deposes & says:

1. I am not the Treasurer of Government Educational Foundation, Inc. and I am not the Treasurer of the Populist Party.

2. I have not been the Treasurer of Government Educational Foundation, Inc. since 1982. I have never been the Treasurer of the Populist Party.

3. Nevertheless, I am endeavoring, through contacts, to secure and provide for the Federal Election Commission the names of the directors and officers of the Government Educational Foundation, Inc. from January 1, 1984 through the present and to arrange to make available the Articles of Incorporation and the Bylaws within the next few days. As I have no such contacts in the Populist Party nor any authority, I can provide nothing for the Populist Party.

I swear that the above is true and correct to the best of my knowledge and belief.

Willis A. Carto 11/14/90
WILLIS A. CARTO

SWORN TO ME THIS 14th DAY OF NOVEMBER, 1990.

Jo Anne Klassen



LS

93040980151

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FEDERAL ELECTION COMMISSION,)
)
 Petitioner,)
)
 v.) Misc. No. 90-229
)
 POPULIST PARTY, et al.,)
)
 Respondents.)

AFFIDAVIT OF MICHAEL B. PIPER

Michael B. Piper, being duly sworn, deposes and says
that:

1. I have never been an officer or director of the
Cordite Fidelity Corporation.

2. I am not the custodian of the Certificate of
Incorporation, the Articles of Incorporation or of the Bylaws
of the Cordite Fidelity Corporation.

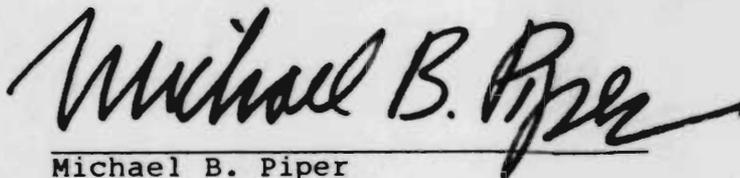
3. I do not know the names of the directors or officers
of the Cordite Fidelity Corporation from January 1, 1984,
through the present.

4. I am the only person who has provided any
information used in the preparation of the responses set
forth above.

5. In spite of the foregoing, I have made efforts so
that a representative of the Federal Election Commission may
inspect the documents referred to in paragraph 2 above and so
that such a representative may secure the names of the
directors and the officers of the Cordite Fidelity
Corporation.

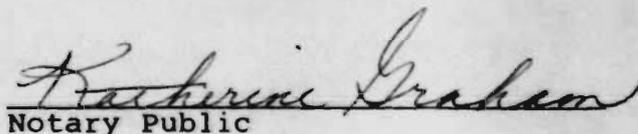
93040980152

6. If a representative of the Federal Election Commission will contact me via telephone at (202) 546-5611 within the next two weeks, I will arrange for a mutually convenient time for the documents and records referred to hereinabove to be available to that representative.


Michael B. Piper

City of Washington)
District of Columbia)

On this the 15th day of November, 1990, before me personally came Michael B. Piper, to me known and known to me to be the same person who executed the affidavit above, and he duly acknowledged to me that he executed the same, having authority to do so.


Notary Public

My Commission Expires:

My commission expires December 14, 1991

93040980153

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FEDERAL ELECTION COMMISSION,)
)
 Petitioner,)
)
 v.) Misc. No. 90-229
)
 POPULIST PARTY, et al.,)
)
 Respondents.)

AFFIDAVIT OF BLAYNE E. HUTZEL

Blayne E. Hutzel, being duly sworn, deposes and says that:

1. I am an accountant who has been asked to read the interrogatories served upon Willis Carto as treasurer of the Populist Party.

2. It is my understanding that Mr. Carto is not the treasurer of the Populist Party. I believe that Mr. Carto never has been treasurer of the Populist Party.

3. The information that I rely upon in this affidavit is found in the books and records maintained by the Populist Party including the documents which I am submitting and attaching to this affidavit.

4. If there are any other documents that the Federal Election Commission wishes to have produced, I will attempt to make those documents available to a representative of the Federal Election Commission at a mutually convenient time. To arrange for such a meeting, the representative should call me at (202) 546-5611.

93040980154

5. All of the specific information requested in Interrogatory 1a through 1g has been previously provided to the Federal Election Commission.

6. All of the information requested in Interrogatory 2 has been produced to the representatives of the Federal Election Commission on more than one occasion.

7. Nevertheless, I will respond specifically, yet again, to the interrogatories.

8. Regarding Interrogatory 1a:

On April 29, 1985, Liberty Lobby purchased books from the Populist Party.

3719 Books "The Money and the Powers" at \$1.50	\$5,578.50
-------------------------------------------------	------------

9. Regarding Interrogatory 1b:

On August 12, 1985, the Spotlight rented the mailing list from the Populist Party.

Mailing List of Populist Party 21,368 at \$80.00/thousand	\$1,731.04
--------------------------------------------------------------	------------

10. Regarding Interrogatory 1c:

On August 12, 1985, the Government Education Foundation purchased equipment and reimbursed the Populist Party for equipment rented net of incorporation fees paid by GEF.

Mailing machine and scales	\$4,994.00
Rental of typewriter, voice and video equipment	\$434.60
Less incorporation fees	-\$82.00
Total	<u>\$5,346.60</u>

11. Regarding Interrogatory 1d:

During 1985, Liberty Lobby, Inc., billed the Populist Party for support services:

Personnel	\$34,646.35
Rent	\$5,136.03
Telephone	\$1,366.14
Total	<u>\$41,148.52</u>

12. Regarding Interrogatory 1e:

During 1985, the Spotlight billed the Populist Party for support services:

Personnel	\$15,793.51
Rent	\$1,850.41
Total	<u>\$17,643.92</u>

13. Regarding Interrogatory 1f:

On January 23, 1986, the Spotlight paid for envelopes, used for a Populist Party mailing:

195,000 #9 envelopes at \$15.71/thousand	\$3,063.45
197,500 #10 envelopes at \$18.11/thousand	\$3,576.73
Service charges	\$359.82
Total	<u>\$7,000.00</u>

14. Regarding Interrogatory 1g:

The six items totaling \$21,780.22 that reduced the debt without corresponding disbursements in 1985 and 1986 are as follows:

Adjustment to reduce debt to Printers II. This was paid by the Spotlight for \$7,000.00 including finance charges.	\$6,640.18
--------------------------------------------------------------------------------------------------------------------	------------

Adjustment to reduce support services debt for the following:	\$14,845.55
---------------------------------------------------------------	-------------

-Mailing list rentals erroneously charged in 4th Quarter 1984
-\$12,417.35

-Credit due the Populist Party for mailing list rental
-\$907.20

-Computer expense erroneously charged in 1st Quarter 1985
-\$1,000.00

-Miscellaneous postage due the Populist Party
-\$2.00

93040980156

-Miscellaneous contributions due the
Populist Party ranging from \$3.00 to \$156.00
-\$519.00

Adjustment to reduce support services debt for the following: \$143.59

-Miscellaneous travel and telephone
expenses due the Populist Party
-\$118.59

-Miscellaneous contributions due the
Populist Party ranging from \$7.00 to 10.00
-\$25.00

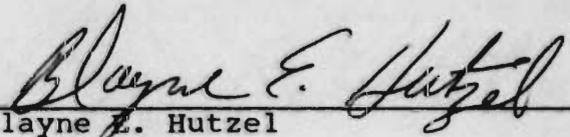
Adjustment to reduce support services debt for miscellaneous contributions due the Populist Party ranging from \$1.00 to \$50.00 \$128.35

Adjustment to reduce support services debt for miscellaneous contributions due the Populist Party ranging from \$2.00 to \$10.30 \$12.30

Adjustment to reduce support services debt for miscellaneous contributions due the Populist Party ranging from \$5.00 to \$5.25 \$10.25

Total \$21,780.22

15. I submit with this affidavit four exhibits totaling sixteen pages in response to Interrogatory 2. Each of these documents have been previously submitted to the FEC on more than one occasion.


Blayne E. Hutzel

City of Washington)
District of Columbia)

93040980157

On this the 15th day of November, 1990, before me personally came Blayne E. Hutzel, to me known and known to me to be the same person who executed the affidavit above, and he duly acknowledged to me that he executed the same, having authority to do so.

Katherine Graham
Notary Public

My Commission Expires:

My commission expires December 14, 1991

93040980158

Ballard put one of his stool pigeons--Clare Corkey--up to stealing the mail of her neighbors, Mr. and Mrs. Clifford Browne of Binghamton, New York.

IRS agent Ballard then used information found in the stolen mail to help convict Mr. and Mrs. Browne of failing to report foreign bank accounts.

Knowing he broke the law when he convinced IRS squealer Clare Corkey to steal her neighbor's mail, Ballard lied to a grand jury that he'd received the stolen mail anonymously.

And now, on top of his conviction for perjury, Ballard faces a Federal investigation on mail theft charges.

Do you know who's behind the successful conspiracy to shut down the free market in gold and silver?

Not only has The SPOTLIGHT exposed the details of the successful conspiracy to corner the gold and silver market, we've also identified --by name--the actual conspirators themselves.

You'll probably recognize the names of some of these conspirators, while others will be new to you. Here they are:

- * Harry Oppenheimer--the South African billionaire whose wealth exceeds anything you and I can imagine.
- * Armand Hammer--the fantastically wealthy U.S. industrialist whose long-time support of Soviet dictators is legend.
- * The Rothschild Family--spread all throughout Europe, this gang and it's ancestors have been up to their eyeballs in international financial manipulation for centuries.
- * Edgar Bronfman--an incredibly wealthy Canadian who's best known as owner of the Seagram Distillery.

And if you'd been reading The SPOTLIGHT you'd know how these financial manipulators managed to corner the gold and silver market.

Did you know that the international bankers have a vital financial interest in flooding the U.S. with cheap imports and throwing millions of Americans out of work?

Well, these international bankers sure do have a vested interest in swamping America with cheap foreign goods--and they don't give a hoot about the suffering it causes unemployed Americans and their families or what these imports do to our deficit and balance of trade.

That's because these bankers have loaned billions and billions of otherwise uncollectible dollars to banana republics and other second-rate countries.

And without Americans purchasing all these foreign imports,

93040989160

There's just no way these tinhorn dictators could repay the money owed to Chase Manhattan, Citicorp, and other international banks.

Did you know that the Soviet secret police-- the KGB--is dumping millions of ounces of gold on the market, depressing the price of gold?

Yes...and here's why: The top KGB bosses are fearful of a nationalist uprising in Russia, overthrowing the regime of Communist dictator Mikhail Gorbachev.

So, looking out for their own financial well-being, the KGB bosses have transferred as much as 20 million ounces of gold--valued at \$6.5 billion--to Holland and Sweden.

This way, if freedom-loving Russians do dump Gorbachev, these KGB thugs will be set for life.

Now let me ask you some questions about other topics... important issues regularly covered by The SPOTLIGHT and rarely anywhere else...

DID YOU KNOW...

That Israel regularly receives U.S. defense secrets--and then sells them to our Communist enemies in Moscow?

That inventors have developed a new car that runs on salad oil and gets 200 miles to the gallon?

That illegal immigrants are flooding into the U.S. from south of the border and by 1990, Latins will be the biggest minority in the U.S., putting millions more Americans out of work?

Each and every week The SPOTLIGHT brings you stories like these--stories you just can't get anywhere else...

...Useful, practical, informative, easy-to-read articles on taxes, health care, national defense, politics, the growing populist movement, the liberal assault on our right to keep and bear arms, crime, over-spending by big government and lots of other topics you need to know about but can't know about if you only read the liberal-controlled press.

When you join the over 150,000 Americans who read The SPOTLIGHT each week, you too can enjoy our regular features and columns, including...

"SPOTLIGHT on Finance," featuring columns by famous tax expert Dr. Martin Larson, plus lots of tips on how you can keep more of your hard-earned money from the government.

93040980161

Then there's our regular "SPOTLIGHT on Congress" which keeps you posted on what your Congressmen and Senators are really up to in Washington.

There's also our regular "SPOTLIGHT on People"-- a full page of exciting photos featuring newsmakers the liberal-controlled media don't want you to know about.

And to give you an even better idea of just how much you're missing by not getting The SPOTLIGHT I've put together the enclosed "mini-issue" for you.

After you've finished reading my letter and you've learned more about the free half ounce silver medallion and your-choice-of-a-free-book-offer, take a minute to look over this "mini-issue" of The SPOTLIGHT.

NOW YOU CAN SAVE BIG \$\$ WHILE ENJOYING THE SPOTLIGHT

If you went out to the newsstand every week and bought a copy of The SPOTLIGHT, you'd have to pay \$52 a year.

But by returning the enclosed subscription order card now, you can get 52 weekly issues of The SPOTLIGHT, the most interesting and informative newspaper in America for only \$30...just 57¢ per copy.

That's a savings of \$22--it's money in your pocket!

OR WOULD YOU LIKE TO SAVE EVEN MORE THAN \$22?

That's easy...just subscribe for 2 years and get 104 exciting issues for only \$55--only 52¢ an issue.

This is a savings to you of \$49 off the newsstand price.

HERE'S OUR NO RISK MONEY-BACK GUARANTEE

If at anytime, for any reason at all, you're unhappy with The SPOTLIGHT, just drop me a note or a postcard and I will promptly refund your money for all unmailed issues...no hard feelings, no questions asked, just your money back.

There's simply no way you can lose with a money-back guarantee like this.

GET YOUR CHOICE OF VALUABLE GIFTS--TOTALLY FREE--WHEN YOU SUBSCRIBE TO THE SPOTLIGHT FOR ONE YEAR

On top of all this, when you subscribe for one year, I want to send you a medallion of one-half ounce of .999 fine silver honoring

93040980162

President Andrew Jackson.

But that's not all...I'll also send you your choice of "The Money and the Power"—a 150 page blockbuster that exposes the Federal Reserve System, or "Dr. Larson's Best"—a collection of the most popular and useful columns ever written by SPOTLIGHT financial and tax columnist, Dr. Martin Larson.

WANT TO GET ALL 3 OF THESE
VALUABLE GIFTS FREE?

That's easy, too. Just subscribe to The SPOTLIGHT for 2 years. Then I'll be able to rush you both of these useful books and the Andrew Jackson medallion made of one-half ounce of .999 fine silver.

BUT YOU MUST ACT NOW

Frankly, I don't know how long I can hold the line on the special low subscription prices I'm offering you and continue to give away free silver medallions and free financial books.

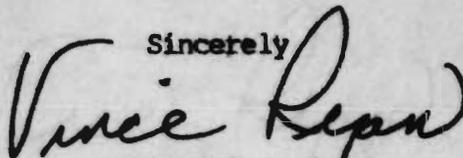
Since this offer can be withdrawn at any time, I strongly urge you to act today.

So what are you waiting for? Right now, while it's here in front of you, fill out the enclosed subscription order card...

...Tell me how much money you want to save on your subscription and which—or all—of the free gifts I've reserved for you.

Then sit back and start enjoying the liveliest, most informative and enjoyable newspaper in America--The SPOTLIGHT.

Sincerely



Vincent J. Ryan
Editor

P.S. I wasn't kidding about the challenge at the top of this letter.

If your favorite financial letter covered all of the exciting SPOTLIGHT stories and exposes I just told you about, send me the issues and I'll enter your subscription to The SPOTLIGHT—FREE for one year!

I don't think you can do it because, like I said, 9 times out of 10, it's only The SPOTLIGHT that covers stories like these.

P.P.S. --If you want, you can charge your subscription to your VISA or MASTERCARD.

Just fill in the credit card information on the enclosed order card or, better yet, call toll-free 800-528-6600 (In Arizona call toll-free 800-352-0458).

93040980163

BEAT THE IRS? I DID!

Includes NEW 20-Page Update!

studies have brought me to two conclusions about the income tax. First, it would be a violation of Christian principles to fail to file a tax return and pay the resultant tax, if you are required or obligated to file. Second, I am convinced that most individuals are not required to file or pay any income tax. As a result of these conclusions, most of this book is devoted to informing the reader why I came to these conclusions and why the reader may also be a person not required to file or pay.

—Floyd Wright, author



Only \$11.50

(Includes update)

If you wish to charge orders to your Visa or MasterCard, call toll free (800) 528-6600 and place your order by phone. In Arizona, (800) 352-0458.

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Please send me _____ copy/copies of **Beat the IRS? I Did!** and new update (\$11.50 each). I enclose _____ \$ _____

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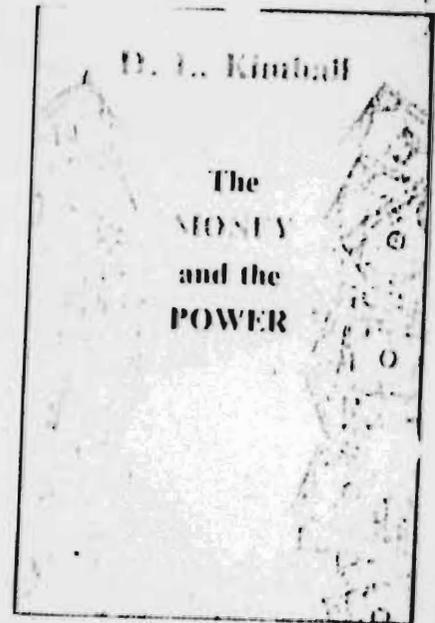
NAME _____

ADDRESS _____

CITY, STATE, ZIP _____

The MONEY and the POWER

An excellent new book. **The Money and the Power** explains clearly the machinations of the privately owned, un-Constitutional Federal Reserve System. By Populist Party National Secretary Donald Kimball.



QUANTITY DISCOUNTS!

1 copy, \$6

3 copies, \$15

10 or more, \$3 each

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ADDRESS _____

CITY, STATE, ZIP _____

THE SPOTLIGHT

FOR
CONSUMERS
TAXPAYERS
AND
VOTERS



TO: Mr. Vincent J. Ryan, Editor, The SPOTLIGHT

YES, please enter my subscription to The SPOTLIGHT for one year at \$30—a savings of \$22 off the newsstand price. Send me FREE the Andrew Jackson medallion made of one-half ounce of .999 silver plus my choice of these books: (choose one only):

- "The Money and the Power" "Martin Larson's Best"

I want to save even more and get the silver medallion plus both of the financial books. Enter my SPOTLIGHT subscription for 2 years at \$55—a huge savings of \$49 off the newsstand price.

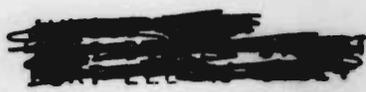
I want to take advantage of the ultimate savings on my SPOTLIGHT subscription plus get all 3 free gifts. Enter my 5 year subscription for \$120. In addition to a whopping 20% discount, my 5 year subscription protects me against all possible price increases for 5 full years.

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85HM9

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toll free (800) 528-6600. In Arizona, (602) 352-0458.



SPECIAL OFFER REPLY
*May Be Withdrawn
at Any Time*

93040980165

INVOICE

November, 1984

From: Populist Party
300 Independence Ave. S.E.
Washington, D.C. 20003

To: Government Educational Foundation
P.O. Box 1622
Washington, D.C. 20013

Equipment	\$4,994.00
Equipment Rental	<u>434.60</u>
	\$5,428.60
Less-Legal Expense	<u>82.00</u>
TOTAL	<u>\$5,346.60</u>

Handwritten signature

*Pd. by check #2470 - #67
8/12/85
(1502.)*

Intercompany

93040980166



PO BOX 38390 LOUISVILLE KY 40233

ORIGINAL INVOICE

INVOICE FOR EQUIPMENT RENTAL AND/OR SALE

Terms: Net payable upon receipt

D-U-N-S 06-487-7606
Bill To

T1 06-0495050

06 043
Installed At

(Same as Billing Address Unless Specified)

LIBERTY LOBBY INC
300 INDEPENDENCE AVE SE
WASHINGTON DC 20003

Customer Order Number		Invoice Date	Invoice No.	Customer Account Number		
		07/11/84	084925	0047-3235-00-0		
Meter/Machine Rental Amount Covers Period From						Thru
Model	Serial No.	Rental Amount	Incl./Ship	State Tax	City/County Tax	Total
Equipment Sold		Sale Amount				
Model	Machine No.					
SCALE PROM	24115082141	290.00 *		290.00 ✓		
		* micro - clip				
TRADE-IN AMT				80.00		
If you have any questions regarding this billing or if your name or address has changed, please contact your local Pitney Bowes Branch Office.				AMOUNT PAYABLE	4,994.00 ✓	

DATE JUL 30
 REC'D BY
 V# 13647
 FOR
 APPROV
 APPROV
 PAID BY #
 DATE

George Millett

93040980167

27645-MAR 84

703-750-1200
Circle 1 on Reader Service

We certify that goods or services covered by this invoice were produced and/or performed in compliance with the Fair Labor Standards Act of 1938, as amended. To insure proper credit, please return payment stub with your check.

5/84 1472.00
 8/84 1471.00
 9/84 1471.00
 10/84 580.00

 4994.00

EXHIBIT 2

Pitney Bowes

PO BOX 38390 LOUISVILLE KY 40233

ORIGINAL INVOICE

INVOICE FOR EQUIPMENT RENTAL AND/OR SALE

* Terms: Net payable upon receipt

D-U-N-S 06-489-7606
Bill To

T1 06-0495050

177

06 043
Installed At

|x
|x

LIBERTY LOBBY INC
370 INDEPENDENCE AVE SE
WASHINGTON DC 20003

V#73647

Customer Order Number		Invoice Date	Invoice No.	Customer Account Number		
		07/11/84	084925	0047-3235-00-0		
Meter / Machine Rental Amount Covers Period From				Thru		
Model	Serial No.	Rental Amount	Inst./Ship	State Tax	City/County Tax	Total
Equipment Sold		Sale Amount				
Model	Machine No.					
MAIL MACHINE						
5600 150276		2,618.00				2,618.00 ✓
SCALE PROM						
24105082141		290.00	<i>minus - ship</i>			290.00 ✓
70LB SCALE						
5066 009697		1,876.00				1,876.00 ✓

If you have any questions regarding this billing or if your name or address has changed, please contact your local Pitney Bowes Branch Office

AMOUNT PAID

CONTINUED

703-750-1200
Thank you for using Pitney Bowes Products and Services

We certify that goods or services covered by this invoice were produced and/or performed in compliance with the Fair Labor Standards Act of 1938, as amended.
To Insure Proper Credit, Please Return Payment Stub With Your Check

93040980168

WASHINGTON, D.C. February 29,

19 84

A 166970

CUSTOMER COPY

15-5540

PAY TO THE ORDER OF

State Corporation Commission

\$ 70.00

THE NATIONAL CAPITAL BANK 70 and 00/100ths

DOLLARS

VICE-PRESIDENT

ASSISTANT CASHIER

~~CASHIERS' CHECK~~

NON NEGOTIABLE

9304090169

WASHINGTON, D.C. February 29,

19 84

A 166971

CUSTOMER COPY

15-5540

PAY TO THE ORDER OF

Clerk of Court - Alexandria

\$ 12.00

THE NATIONAL CAPITAL BANK 12 and 00/100ths

DOLLARS

VICE-PRESIDENT

ASSISTANT CASHIER

~~CASHIERS' CHECK~~

NON NEGOTIABLE

Outreach Operation
 8160 Palm St.
 Lemon Grove, Ca. 92045

September 15, 1984

\$ 4,677.92 (7417)
 217.24 (5538)
 432.07 (1318)
 78.57 (5821)
 45.00 (6972)
 434.60 (2444)
 764.53 (7211)

12.40 (7621)

Mr. Willis A. Carto
 300 Independence Ave.
 Washington, D. C. 20003

Dear Willis:

By this letter, I am submitting for reimbursement my expenses to date on behalf of the Populist Party. This statement includes all bills received since my transmittal of August 12, 1984 to date. Receipts are attached in every instance.

Postage and shipping	\$ 217.24	5538
Telephone	432.07	1318
Printing	67.97	5821
Secretarial Services	420.53	7219
- preparation of convention documents and delegate lists		
Photographs (candidates)	10.60	
Notary services	45.00	6972
Typewriter rental	159.00	(2444) - 6537
Office expenses	12.40	7621
Charles Ulmschneider - campaign work	344.00	
Charles Ulmschneider - expenses, (gasoline)	54.81	7111
		1763.62 ✓

Expenses - Nashville Convention

8/16 - 2/84	\$ 2,377.19	✓ 7417
- airline travel - Shearer \$ 1,018.00		
- other transportation charges	76.00	
- hotel - Shearer	642.13	
- hotel - Salaman	267.30	
- other suite expenses and delegate entertainment	373.76	

Expenses - Sacramento Convention

8/24 - 27/84	\$ 1,023.98	✓ 7417
- airline travel - Salaman \$ 408.00		
- other transportation charges	244.13	
- Hotel - Shearer	269.10	
- Hotel - Shaw	102.75	

93040980170

Mr. Willis N. Carto

Page 2.
Sept. 15, 1984

Expenses - Los Angeles meeting			
9/8-9/84			\$ 332.36 ✓ 7417
- hotel	\$ 316.16		
- transportation	16.20		
TV Production expenses			1,165.18 ✓
- air travel - N. Shearer	178.00 7417		
- air travel - G. Caudel	482.00 7117		
- Voice and Video - equipment	275.60 (2644)-6528		
- Hotel accommodations	229.58 7417		
TOTAL			\$ 6,662.33

idid

Please make the reimbursement check payable to Operation Outreach and send the check to me for processing.

Sincerely yours,

Eileen M. Shearer
Eileen M. Shearer

*Pd by ch. 1712
9/24/84*

*159.00
275.60

434.60*

93040980171

EMS:eot

EXHIBIT 2

POPULIST PARTY

NATIONAL COMMITTEE

P.O. BOX 76737

WASHINGTON, D.C. 20013

(202) 546-5530

[Handwritten scribbles]

INVOICE

August 9th, 1985

Customer Name and Address

SPOTLIGHT
c/o Liberty Lobby
300 Independence Ave., S.E.
Washington, D.C. 20003

<u>Description</u>	<u>Quantity</u>	<u>Price</u>	<u>Cost</u>
Populist Party Names	21,368	\$80/M	\$1731.04

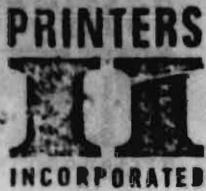
93040980172

[Handwritten signature]

*Pd. by ch. 3417
8/12/85
(1867)*

EXHIBIT 3

POWER TO THE PEOPLE



5141 FROLICH LANE / TUXEDO, MARYLAND 20781 / TELEPHONE (301) 341-3440

January 21, 1986

Cordite Fidelity Corporation
Attn: Vic Adams
300 Independence Avenue, S.E.
Washington, D.C. 20003

*PAY \$7,000.00 ASAD
per WAC
12-15-85
1/23/86
CBA*

Dear Mr. Adams:

I am enclosing these documents:

1. Your purchase order number 196
2. Our invoice #12373 dated January 29, 1985 for \$6,640.18 which fulfills the circled part of the PO.
3. Our signed delivery receipt for the above order showing delivery per instructions.
4. A copy of each of the envelopes which were produced and shipped per your purchase order.

As you can see the invoice is almost one year old, consequently finance charges have increased the amount due to \$8,265.79. I have been given the "run around" each time I made an effort to collect this and quite frankly, I am tired of it. We received your purchase order; produced and delivered a quality product; and now we expect to be paid.

If I do not receive your check for the full amount due us, I shall seek every legal remedy available to effect collection.

Sincerely,

PRINTERS II, INC.

Carey B. Alper
Vice President - Finance

CBA:br
Encl.

93040980173

*Paid by ac # 3260
1/23/86
\$7,000.00 (1502)*

inc PP

Exhibit 4



5133 FROLICH LANE, TUXEDO, MD 20781 • (301) 341-3440

INVOICE NUMBER: 12373

DATE: JANUARY 29, 1985

LIBERTY LOBBY
c/o CORDITE FIDELITY CORPORATION
300 INDEPENDENCE AVENUE, S.E.
WASHINGTON, D.C. 20003

Account Number	Salesperson Number	Product Code	Job Number	Customer Order Number	
394000	7	01	22644	00196	
Quantity Delivered	Description			Unit Price	Amount
195,000	#9 ENVELOPES 24LB 1/0			15.71/M	\$ 3,063.45
197,500	#10 ENVELOPES, 24LB 1/0 GUMMED FOR LIVE STAMP			18.11/M	3,576.73

93040980174

PLEASE NOTE OUR PAYMENT TERMS:

A 2% Discount will be offered if invoice is paid within 15 days of invoice date.
Net Due and Payable within 30 days of invoice date.

A Service Charge of 1.5% per month (18% per annum) will be assessed on each invoice not paid within 30 days of invoice date.

Total Amount Due \$ 6,640.18

We appreciate your business!



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 4, 1991

Mark Lane, Esquire
132 Third Street, S.E.
Washington D.C. 20003

RE: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity, Corp.
Willis Carto
Blayne Hutzel
Government Education
Foundation, Inc.

Dear Mr. Lane:

Per your invitation of November 14, 1990, this Office would like to arrange for a mutually convenient time to inspect those documents responsive to our December 14, 1989, subpoena directed at your clients Populist Party and Willis Carto, as treasurer, Government Education Foundation, Inc., and Cordite Fidelity Corporation.

To arrange a time, or if you have any questions, please contact Jose M. Rodriguez, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

93040980175

MUR # 2642

ADDITIONAL DOCUMENTS WILL BE ADDED TO THIS FILE AS THEY
BECOME AVAILABLE. PLEASE CHECK FOR ADDITIONAL MICROFILM
LOCATIONS.

93040980176



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

THIS IS THE END OF MUR # 2642
DATE FILMED 10/27/93 CAMERA NO. 2
CAMERAMAN MC

93040980177



FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

Microfilm
 Public Rcds
 Press

THE FOLLOWING DOCUMENTATION IS ADDED TO
THE PUBLIC RECORD IN CLOSED MUR 2642.

12/10/93

93043541991

**THE READER IS REFERRED TO ADDITIONAL MICROFILM LOCATIONS
FOR THE FOLLOWING DOCUMENTS PERTINENT TO THIS CASE**

1. Memo, General Counsel to the Commission, dated September 22, 1992, Subject: Priority System Report.
See Reel 354, pages 1590-94.
2. Memo, General Counsel to the Commission, dated April 14, 1993, Subject: Enforcement Priority System.
See Reel 354, pages 1595-1620.
3. Certification of Commission vote, dated April 28, 1993.
See Reel 354, pages 1621-22.
4. General Counsel's Report, In the Matter of Enforcement Priority, dated December 3, 1993.
See Reel 354, pages 1623-1740.
5. Certification of Commission vote, dated December 9, 1993.
See Reel 354, pages 1741-1746.

93043541992



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

DEC 10 1989

Mark Lane, Esquire
132 Third Street, S.E.
Washington, DC 20003

RE: MUR 2642
Populist Party and Willis
Carto, as treasurer
Liberty Lobby, Inc.
The Spotlight
Cordite Fidelity, Inc.
Cordite Fidelity, Corp.
Willis Carto
Blayne Hutzel
Government Education
Foundation, Inc.

Dear Mr. Lane:

On December 15, 1989, your clients were notified that the Federal Election Commission had found reason to believe The Spotlight, Cordite Fidelity, Inc., Cordite Fidelity, Corp., the Government Education Foundation, Inc., Willis Carto, and Blayne Hutzel violated 2 U.S.C. § 441b(a); Liberty Lobby, Inc., violated 2 U.S.C. §§ 441b(a) and 432(b)(2), and the Populist Party and Willis Carto, as treasurer, violated 2 U.S.C. §§ 441b(a), 434(b), and 432(h)(1). On December 20, 1989, you submitted a response on behalf of your clients (in the form of a Motion to Quash the Commission issued subpoenas) to the Commission's reason to believe findings.

After considering the circumstances of this matter, the Commission has determined to exercise its prosecutorial discretion and to take no further action against your clients. Accordingly, the Commission closed its file in this matter.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receipt of your additional materials, any permissible submissions will be added to the public record when they are received.

93043541993

If you have any questions, please contact me at (202)
219-3690.

Sincerely,



Jose M. Rodriguez
Attorney

Date the Commission voted to close the file: DEC 09 1993

93043541994