



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2789

DATE FILMED 10/13/89 CAMERA NO. 3

CAMERAMAN AS

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

10 May 1988

TO : LAWRENCE M. NOBLE
GENERAL COUNSEL

THROUGH : JOHN C. SURINA
STAFF DIRECTOR

FROM : JOHN D. GIBSON *JDG*
ASSISTANT STAFF DIRECTOR, RAD

SUBJECT : DEBT SETTLEMENT REFERRAL

I. DEBTOR: Hatchadorian for Congress
(C00183079)
Robert M. Torok, Treasurer^{1/}
1215 Superior Avenue, Suite 400
Cleveland, OH 44114

II. CREDITOR: J. Brian Smith
Smith & Harroff, Inc.
916 Pennsylvania Avenue, SE
Washington, DC 20003

III. DEBT INFORMATION

Attached is a debt settlement statement submitted on April 22, 1988 by Hatchadorian for Congress ("the Committee") with the above-referenced company. The following is a detailed account of the debt being referred.

- The amount of the original debt. \$129,211
- The year and report on which the committee first incurred or began to incur a debt to the creditor. 1984 30 Day Post-General Report
- The amount paid by the committee, excluding any payment for the settlement of the balance owed. \$5,350^{2/}

^{1/} The debt settlement statement states that the candidate, Matthew Hatchadorian, is the Committee's contact regarding the debt settlement.

^{2/} Schedule D of the 1986 Year End Report discloses \$250 in payments made; however, Schedule B itemizes only \$100. Subsequent reports indicate that \$100 is the correct figure.

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- The percentage of original debt paid off by the committee, excluding any payment for the settlement of the balance owed. 4%
- The amount of the outstanding balance. \$123,861
- The amount offered in settlement of the balance. \$0
- The amount of balance forgiven. \$123,861
- The percentage of balance forgiven. 100%
- The total amount paid by the committee including any settlement amount. \$5,350
- The percentage of original debt forgiven. 96%

IV. COMMITTEE'S BACKGROUND

- 1985-1986 total election cycle receipts. \$49,246
- 1985-1986 total election cycle disbursements. \$50,490
- 1987-1988 total election cycle receipts. \$0
- 1987-1988 total election cycle disbursements. \$0
- Total cash-on-hand as of 12/31/87. \$85
- Total amount of debt owed to the committee, if any. \$0
- Total amount of debts outstanding (excluding the amount of the debt(s) being settled). \$10,893
- Total number of creditors. 3
- The amount of any debt owed to the candidate by the committee. \$0
- The last new report filed. 1987 Year End Report

V. OTHER RELEVANT INFORMATION

The debt settlement statement includes \$50,000 more in debts and payments than is shown on the Committee's reports. However, it appears that the \$50,000 was part of \$217,308 in payments made to Smith & Harroff, Inc., on reports prior to the 1984 30 Day Post-General. Those payments were for then-current invoices that were not considered debts.

If you have any further questions, please contact Libby Cooperman at 376-2480.

Attachments

890407/0169

MEMORANDUM TO FILES:

DATE April 8, 1988

TELECON X
VISIT

NAME OF COMMITTEE: Hatchadorian for Congress - C00183079 - Ohio

SUBJECT: Debt Settlement

FEC REP: Libby Cooperman, Reports Analyst

COMMITTEE REP: Matt Hatchadorian, Candidate - 216-621-7091

Reports Analyst called candidate per request from Frances Glendening of Commissioner McDonald's office about debt settlement.

Candidate wanted to know about forms and procedures to be used for debt settlement. Reports Analyst told him about criteria needed to be included in debt settlement statement and that it could be done in letter form. Candidate stated that 2 of the remaining 4 debts had incorrect balances, that the balances were less than what was shown as outstanding. He said he found this out when he tried to start debt settlement proceedings on the remaining four debts from his 1984 campaign and that this was a few months ago. Reports Analyst advised him to amend debt schedule for 1987 Year End Report to accurately reflect outstanding debts and send a cover letter explaining about the new outstanding debt amounts.

Candidate was most concerned about a debt to Smith & Harroff, Inc. in the amount of \$123,860. He explained that the debt occurred because one of the partners of the company had purchased media time that was not authorized by the candidate or anyone of the candidate's staff. Also, the partner who incurred the debt has since left the firm and the remaining partner has agreed to settle this disputed debt. The candidate will detail all of this in writing for the public record including a copy of the contract which states that the candidate must authorize media expenditures.

Candidate was also concerned about possible new regulations concerning debt settlement. Reports Analyst explained that no new regulations have been approved yet, so debt settlement would be under existing regulations and if they were processed under one set of regulations that they would be completely processed under that same set of regulations. Candidate also wanted to know where debt settlement went after reports analyst received it. Reports Analyst explained that it went to Compliance Section of Reports Analysis Division, then to the Office of General Counsel and then to the Commissioners. Candidate then stated it would probably be a while before debt settlement was resolved, but was glad to know the steps that were involved.

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FEDERAL ELECTIONS COMMISSION

Debt Settlement Statement (page 1 of 12)

Vorys, Sater, Seymour and Pease

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REGULAR MAIL

April 21, 1988

Ms. Libby Cooperman
FEDERAL ELECTIONS COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

Re: Debt Settlement - 1984 Election
Hatchadorian For Congress Committee
Smith & Harroff, Inc.

110647

Dear Ms. Cooperman:

I am writing regarding debt settlement of an existing debt of \$123,860.70 owed by the Hatchadorian for Congress Committee (hereinafter "The Committee") to Smith & Harroff, Inc. (hereinafter "S & H") regarding the 1984 election.

The following is submitted as background information. In January, 1984 The Committee and S & H entered into a Consulting Agreement, a copy of which is attached and marked "Exhibit A". The Agreement provides, in pertinent part, in item number 7 that, "S & H will secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00".

Pursuant to this Agreement, The Committee paid monthly invoices to S & H beginning in February, 1984. Problems were not encountered until the end of October, 1984.

With a week to go before election day, polls showed Hatchadorian taking the lead in the race. (See newspaper article attached and marked "Exhibit B".) This development prompted our opponents to unleash a heavily financed barrage of negative commercials that turned the race around at the very end - when there was insufficient time for us to set the record straight regarding the inaccurate charges being made.

At the time the positive polling results were released, The Committee was low on funding and could not afford radio and television advertising for the last week of the campaign. Accordingly, I took out a personal loan for \$50,000.00 from a local bank. I contributed the \$50,000.00 to The Committee and The Committee wired these funds to S & H. When the election was

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Ms. Libby Cooperman
April 21, 1988
Page 2

over, I thought my primary indebtedness was the \$50,000.00 owed to the bank.

Unbeknownst to me, an individual at S & H without my approval advanced additional funds for production costs, advertising expenses and miscellaneous consulting expenses for the last 10 days of the campaign. I had no knowledge of the indebtedness to S & H until after the election. The individual who advanced the funds no longer works at S & H.

In addition to the \$50,000.00 wired to S & H on or about October 31, 1984, an additional \$5,350.00 was paid by The Committee to S & H during the period December, 1984 to April, 1988.

Accordingly, we are asking the FEC to approve payments by The Committee totalling \$55,350.00 to settle a debt of \$179,210.70.

Set out below is information provided pursuant to the guidelines in 11 CFR 114.10:

1. Extension Of Credit: Credit was extended by S & H pursuant to item numbers 7 and 8 of the Consulting Agreement.
2. Steps Taken By The Committee To Pay The Debt: In addition to the candidate taking out a \$50,000.00 personal loan from a bank, The Committee wrote to thousands of individuals and several political action committees seeking contributions. (See "Exhibit C" dated December 5, 1984, "Exhibit D" dated January 21, 1985, and "Exhibit E" dated March 1, 1985.) Our major effort to raise funds after the election was to secure a request for contributions from the Governor of California, George Deukmejian. His letter dated October 25, 1985, is attached and marked "Exhibit F". This letter was mailed to Armenian-Americans throughout the United States. Further efforts were made to hold fund raising dinners and to hold receptions with well known political personalities. However,

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Mr. Libby Cooperman
April 21, 1988
Page 3

these events were not successful. It is difficult to raise funds when a candidate loses an election and does not otherwise hold public office.

- 3. Steps Taken By S & H To Obtain Payment: S & H provided invaluable assistance regarding direct mail efforts to individuals and political action committees. S & H also supervised and coordinated the Governor Deukmejian appeal from drafting the letter and securing approval of the Governor to obtaining mailing lists and executing the mailing. S & H has monitored the indebtedness from December, 1984 through April, 1988, has made numerous demands for payment and has kept in regular contact with The Committee inquiring as to the status of fund raising efforts.

Attached and marked Exhibit "G" please find letter from Smith & Harroff, Inc., dated April 18, 1988, accepting the proposed settlement.

Thank you for your attention to this matter. If additional information is needed, I can be contacted at the above address and telephone number.

Very truly yours,
Matthew J. Hatchadorian
Matthew J. Hatchadorian

MJH/dlb
Enclosures

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2106
(202) 548-1150

January 13, 1984

CONSULTING AGREEMENT

This is an agreement between SMITH & HARROFF, INC. ("S&H"), a Washington, D.C. corporation and HATCHADORIAN FOR CONGRESS ("The Committee").

S&H and The Committee agree to the conditions and obligations herewith stated:

1. Should, during the duration of this agreement, any new committee be formed and registered as the campaign committee for the 1984 political campaign of Matthew Hatchadorian, the new committee will assume full responsibility for the conditions and obligations of this agreement with S&H.
2. S&H will provide campaign consulting services to The Committee, providing input and assistance on all aspects of the 1984 campaign and other services normally provided by a campaign consulting firm. These services will include the following: preparation of an issues briefing book for the candidate; preparation of an analysis of the record and philosophy of the candidate's opponent; preparation of a formal campaign game plan, including a fundraising plan, voter analysis and media plan; assistance with fundraising; and ongoing counsel on organization, press relations, etc. via monthly meetings in Cleveland and regular telephone consultations. Mark Harroff or Jay Smith will come to Cleveland approximately once a month unless otherwise agreed upon mutually by S&H and Matt Hatchadorian.
3. Only Matthew Hatchadorian and S&H will have responsibility for hiring and/or firing of the campaign's senior staff members.
4. For these services, The Committee agrees to the following compensation for S&H: \$1,500 per month for consulting services to begin in February and continue through October, 1984; a \$15,000 creation and producer's fee for creation and production of all advertising (one-half of which is payable May 1, 1984 and one-half payable September 1, 1984). Finally, The Committee agrees to pay S&H a victory fee of \$5,000 only if the candidate is elected to the 99th Congress of the United States.
5. S&H will serve as the authorized advertising agency for The Committee and have sole responsibility for preparing and placing all advertising materials in all media unless exceptions are mutually agreed upon, and may receive standard agency placement commissions for these services. The Committee will reimburse S&H for all media production expenses at cost; S&H will not mark up ad production costs.

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EXH A

6. Final approval of all advertising content will be given by Matt Hatchadorian only. Matt Hatchadorian and S&H reserve the right to utilize any campaign advertising prepared for The Committee as their property once the 1984 campaign has been completed.
7. The Committee will reimburse S&H for all expenses incurred in performing its consulting or advertising services, including travel, lodging, meals, telephone, mail or delivery charges, etc. S&H will secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00. These payments will be made in full within 30 (thirty) days of the date of each itemized S&H invoice (including copies of major receipts) and will in no way be considered part of or a substitute for monthly consulting fees or compensation for creative services.
8. All S&H invoices not paid within 30 (thirty) days by The Committee will be subject to a service charge of 1½% (one and one-half percent) per month or fraction thereof past due.
9. No advertising will be placed with any media unless The Committee has advanced payment for placement to S&H. Invoices from S&H for both advertising placement and production costs may be due upon receipt and will be paid in full upon reasonable notice.
10. The Committee agrees that all strategic materials, memoranda, plans, etc. prepared by S&H for the campaign shall remain confidential and proprietary and will not be shared with any third parties without the express approval of S&H.
11. The terms and conditions of this agreement become effective February 1, 1984 and continue for the period until the November 1984 election and may be terminated upon 30 (thirty) days written notice only if: (a) there has been a failure by S&H to meet the general objectives of this agreement; (b) the terms of this agreement have been violated; (c) by mutual consent of The Committee and S&H; or (d) Matt Hatchadorian ceases to become a candidate for Congress in 1984; and (e) full payment of all charges then due and payable has been made and received.

[Signature]
for Smith & Harroff, Inc.

1/16/84
Date

Virginia Gray
Witness

1/16/84
Date

Matt H. Hatchadorian
for Hatchadorian for Congress

1-19-84
Date

Linda S. Beckman
Witness

1/19/84
Date

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6/LOCAL/STATE REPORT News-Herald Tuesday, Oct. 30, 1984

Poll shows Hatchadorian in lead

By Randy Wynn
News-Herald Bureau

WASHINGTON — Setting the stage for a last frantic week of campaigning, Republican congressional candidate Matthew J. Hatchadorian has a new public opinion poll showing him slightly ahead in his race against Rep. Edward F. Feighan (D-19) of Lakewood.

A campaign source said the weekend survey of 300 voters showed 47 percent backing Hatchadorian, 42 percent for Feighan and 11 percent undecided. The margin of error in such a poll is plus or minus 4 percent.

Daniel Clark, Feighan's campaign manager, discounted the Hatchadorian poll. Clark said Feighan's pollsters show the congressman to be ahead.

Hatchadorian's previous poll, conducted by Market Opinion Research and concluded on Oct. 9, showed Feighan with a lead of about 12 percent but noted that only 52 percent of those contacted had decided how to vote.

"Any professional would look at (the new numbers) and call it dead even," said Mark Harroff, the Republican's Washington-based political consultant.

But Harroff said all the movement in public opinion is in Hatchadorian's direction. He attributed his candidate's improved standing to Hatchadorian's criticism of Feighan's voting record and to television commercials laying out the Republican candidate's "positive" positions on jobs and leadership.

Hatchadorian has assailed Feighan's voting record on issues including defense, crime and government spending, portraying the Democrat as more liberal than a majority of his constituents.

"We have said from the beginning that if we got Feighan's voting record out in front of the voters we would win," Harroff said. "That's what we're saying now. The trend has never been toward Feighan from day one."

Hatchadorian's new poll also shows a significant reduction in the number of voters who said they would support Feighan despite their plans to back President Reagan's re-election.

The new poll shows 9 percent prepared to split their vote that way, compared to 19 percent in the poll earlier this month.

Harroff said the poll asked "unbiased, straightforward" questions. The head-to-head poll results was based on a question that asked voters who they would support if the election was today, he said.

Clark, Feighan's campaign manager, said, "I'm sticking on a poll right now that has us with a 7-point lead."

In a sample of 400 voters completed Thursday, Clark said, his poll showed Feighan with a 49 percent to 42 percent lead over Hatchadorian. Nine percent of those queried were undecided.

"The polls are irrelevant at this point," Clark said. "We know we're in a tight race and we're going to win it."

EXM.
B

My heartfelt thanks for your time, support and loyalty. I cannot ever forget your commitment. Suzanne joins me in extending our best wishes to you and your family for a happy holiday season and a healthy and prosperous new year.

Best personal regards.



Matthew J. Hatchadorian

(Make checks payable to Hatchadorian for Congress.)

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Matt Hatchadorian CONGRESS '84

(page 9 of 12)

January 21, 1985

Dear :

I am writing this letter because I need the help of your Company's political action committee.

I believe strongly that there ought to be one business oriented Congressman from northeast Ohio. Instead, we have seven liberal Democrats from Youngstown to Sandusky. That's why November 6th was such a great disappointment for me. All polls showed us taking the lead in the race ten days before Election Day, but that prompted our opponents to unleash a heavy barrage of negative commercials that turned the race around at the very end - when there was insufficient time for us to set the record straight on the inaccurate charges being made.

The race in the 19th District was very expensive. My Campaign spent about \$700,000 and our opponents, even with the advantage of incumbency, spent about \$600,000. Because the race was close, we went all-out to win and incurred a substantial debt. The outstanding bills are mostly for the printing of key mailings made in the final week of the Campaign, plus some sizeable radio and television expenses.

I hate to have to ask business political action committees, which supported me so strongly, to contribute one last time, but I just have no one else to turn to. If your political action committee could send a contribution of \$250.00, or whatever the committee feels is appropriate, it would go a long way toward retiring our Campaign debt.

Thank you very much for whatever help you can provide. Your friendship and support are deeply appreciated.

Very truly yours,


Matthew J. Hatchadorian

MJH/lds

EXH D



4469 Mayfield Road, S. Euclid, Ohio 44121 Tel: 216/382-3010
Paid for by Hatchadorian for Congress

Matt Hatchadorian CONGRESS '84

March 1, 1985

Robert R. Milich
1004 Metropolitan Tower
Youngstown, Ohio 44503

Dear Bob:

I was fortunate to have had the financial support of over one thousand individuals, including yourself, in my race for Congress in 1984. I deeply appreciate your help and friendship.

November 6th was a great disappointment for me. All polls showed us taking the lead in the race ten days before Election Day, but that prompted my opponents to unleash a heavy barrage of negative commercials which turned the race around at the very end - when there was insufficient time for us to set the record straight on the inaccurate charges being made.

The race in the 19th District was very expensive because of media costs in the Cleveland market. My campaign cost about \$600,000 and our opponents, even with the advantage of incumbency, spent over \$500,000. Because the race was close, we went all-out to win and incurred a substantial debt. The outstanding bills are mostly for the printing of key mailings made in the final week of the campaign, plus some sizeable radio and television expenses.

I hate to have to ask you to contribute one more time, but I just have no one else to turn to. If you could send a contribution of \$50., it would go a long way toward helping us retire our campaign debt. If you could afford more, it would be most helpful. If not, any contribution will be important.

Thank you very much. I hope that 1985 is a happy and healthy year for you and your family.

Sincerely,



Matthew J. Hatchadorian

MJH/ljs

EXH E

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GEORGE DEUKMEJIAN
GOVERNOR

State of California
GOVERNOR'S OFFICE

October 25, 1985

Dear Fellow Armenian:

I am writing you with a personal appeal to assist a fellow Armenian-American who was a candidate for Congress last year from Ohio's 15th District.

Matt Hatchadorian was one of the nation's most outstanding candidates in last year's Congressional elections. He ran a professional and hard fought campaign in a district that includes the Cleveland suburbs. In fact, Matt accomplished what few challengers are able to do -- he pulled ahead of the incumbent a week before Election Day. But in a classic example of the problem of "peaking too soon," Matt was hit by a last minute barrage of grossly inaccurate, negative television and radio ads launched by his opponent.

Matt, however, intends to "set the record straight" and run again in 1986. The widespread support he received last year indicates that a similar venture would be a successful one. But Matt needs to retire the remaining campaign debt and begin to raise funds early for what would be another expensive race.

Matt needs -- and deserves -- our support. First, I am sure that you agree that it is important that Armenian-Americans have greater representation in all levels of government. Second, it is important for us to support fine candidates such as Matt as a sign of encouragement to him and to other Armenians who seek public office.

In recent years, more and more Armenian-Americans have been elected to public office throughout the United States. I am proud of this development and hope it continues in the future because our people have the background and the experience to make positive contributions at all levels of government. Currently, there is only one Armenian-American serving in the U.S. House of Representatives. I hope that with support from our national community Matt and others will also be elected to serve in Congress. I firmly believe Matt would be a strong voice for all of us in Washington.

Matt's race was one of the most heavily targeted campaigns last year. It is indeed unfortunate that a series of untruthful accusations made against him by his opponent cost him the election. However, with our help Matt will now be able to wage another campaign -- one that will be successful and provide the national Armenian-American community with another representative in Congress. Your contribution is urgently needed and I hope you will send whatever you can to help Matt.

I hope you will give this appeal serious consideration and join me in strong support of Matt Hatchadorian.

Sincerely,

George Deukmejian

George Deukmejian

Pass for by Hatchadorian for Congress

EXH F

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2104
(202) 546-1160

April 18, 1988

Ms. Libby Cooperman
Federal Elections Commission
999 E Street, NW
Washington, DC 20463

Re: Debt Settlement -- 1984 Election
Hatchadorian for Congress Committee

Dear Ms. Cooperman:

As the authorized consulting and advertising agency for the 1984 Hatchadorian for Congress Committee, it is the desire of Smith & Harroff, Inc. to accept \$55,350.00 in payment toward a total debt of \$179,210.70.

Obviously, we regret having to make this decision. However, we do so in the knowledge that Mr. Hatchadorian has made every good faith effort to retire his debt and that we have joined him to the best of our ability in raising funds to accomplish this.

Mr. Hatchadorian said it best when he noted the difficulty in raising funds for a defeated candidate who does not hold elective office. We have shared his frustration in trying to raise funds. Our collective failure is not due in any way to lack of interest or effort.

It is not possible for me at this time to describe the events that led to the accumulation of this debt. This was a very hotly contested campaign which culminated in furious last minute activity and spending on the part of both candidates for Congress. Decisions were made regarding expenditures that reflected that pressure and which no doubt required mutual trust and verbal rather than written authorization.

The task of explanation is made even more difficult due to the fact that the individual who managed the Hatchadorian account is no longer employed by Smith & Harroff and, as far as I know, is unavailable for comment.

It is my feeling that, given the time that has elapsed, the best course for all concerned is for this firm to accept the \$55,350.00 as final payment of any debt owed to us by the Hatchadorian for Congress Committee.

If the Commission requires from us any further explanation or information, please do not hesitate to contact me.

With best regards.

Sincerely,
Jay Summ
J. Brian Smith

cc: Matthew J. Hatchadorian

EX-11 G

SCHEDULE D
 (Revised 3/80)

DEBTS AND OBLIGATIONS
Excluding Loans
 1987 Year End Report

Page ___ of ___ for
 Line Number A
 Use separate schedules
 for each numbered line

Name of Committee (in Full)	Outstanding Balance Beginning This Period	Amount Incurred This Period	Payment This Period	Outstanding Balance at Close of This Period
Hatchadorian for Congress				
A Full Name, Mailing Address and Zip Code of Debtor or Creditor Cleveland Letter Service, Inc. 2150 St. Clair Avenue Cleveland, Ohio 44114	1,305.43	(-)	-0-	1,305.43
Nature of Debt (Purpose) Letterhead and Envelopes				
B Full Name, Mailing Address and Zip Code of Debtor or Creditor Market Opinion Research 550 Washington Boulevard Detroit, Michigan	5,500.00	(-)	-0-	5,500.00
Nature of Debt (Purpose) Polling - Survey Expenses				
C Full Name, Mailing Address and Zip Code of Debtor or Creditor Smith & Harroff, Inc. 916 Pennsylvania Avenue SE Washington, D.C. 20003	123,860.70	-0-	-0-	123,860.70
Nature of Debt (Purpose) Campaign media, fund raising, consulting, campaign material travel and related expenses				
D Full Name, Mailing Address and Zip Code of Debtor or Creditor Dolphin Computer Systems, Inc. 1512 Euclid Avenue Cleveland, Ohio 44115	4,088.00	-0-	-0-	4,088.00
Nature of Debt (Purpose) Labels				
E Full Name, Mailing Address and Zip Code of Debtor or Creditor				
Nature of Debt (Purpose)				
F Full Name, Mailing Address and Zip Code of Debtor or Creditor				
Nature of Debt (Purpose)				
1) SUBTOTALS This Period This Page (optional)				
2) TOTAL This Period (last page this line only)				134,754.13
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)				-0-
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)				134,754.13

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 9301310398

} LC



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 12, 1988

FEDERAL RECEIVED
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SENSITIVE

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

By: Lois G. Lerner *26 July 1988*
Associate General Counsel

SUBJECT: DSR 88-14: Debt Settlement Request of the
Hatchadorian for Congress Committee

I. Introduction

This memorandum concerns the settlement of an outstanding debt of the Hatchadorian for Congress Committee ("the Committee") and one creditor, Smith & Harroff, Inc. (Attachment I).

II. Facts

The Committee has provided documentation indicating that it has settled an outstanding debt owed to Smith & Harroff, Inc. The total amount of the debt in this matter is \$129,211.^{1/} To date, the Committee has paid a total amount of \$5,350, leaving the unpaid balance of \$123,861 and creating a forgiveness of 96%.

<u>Creditor</u>	<u>Original Debt</u>	<u>Amount Paid</u>	<u>Amount Owed</u>	<u>Amount Offered in Settlement</u>	<u>Forgiveness(%) (of original debt)</u>
Smith & Harroff, Inc.	\$129,211	\$5,350	\$123,861	\$0	96%

^{1/} Note that the debt settlement documents from the Committee and Smith & Harroff refer to a total debt of \$179,211. However, it appears that the Committee paid \$50,000 to Smith & Harroff toward this debt shortly after the debt was incurred, leaving an outstanding balance of \$129,211. The Reports Analysis Division ("RAD") reports that this \$50,000 payment is part of \$217,308 the Committee paid Smith & Harroff for then-current invoices which were disclosed on reports prior to the 1984 30 Day Post-General Report. See Attachment I, page 2. Accordingly, in its 1984 Post-General Report, the Committee reported an outstanding debt of \$129,211 to Smith & Harroff.

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III. Legal Analysis

The regulations permit a corporation to extend credit to a candidate, political committee, or other person in connection with a Federal election provided that the credit is extended in the ordinary course of the corporation's business practices and that the terms of credit are substantially similar to extensions of credit to non-political entities. 11 C.F.R. § 114.10(a).

If a corporate debt is settled in a commercially reasonable manner, the settlement will not be considered an illegal corporate contribution. However, the corporation and/or the debtor must file a statement of settlement with the Commission, including the initial terms of credit and remedies pursued by the creditor. Such statement must be filed prior to the termination of reporting status of the debtor, and the settlement is subject to Commission review. 11 C.F.R. § 114.10(c).

Accordingly, pursuant to 11 C.F.R. § 114.10(c), the debt settlement has been examined in order to determine whether:

1. the initial extension of credit was in the ordinary course of the corporation's business practices;
2. the debtor has undertaken all commercially reasonable efforts to satisfy the outstanding debt; and
3. the corporate creditor has pursued customary remedies in order to collect the debt.

A review of the settlement raises the issue of whether the initial extension of credit by Smith & Harroff was in the ordinary course of its business practices. An individual at Smith & Harroff advanced funds for reproduction costs, advertising expenses and miscellaneous consulting expenses for the last ten days of the campaign without the Committee's approval and in apparent violation of the contract between the Committee and Smith & Harroff. However, the Committee paid \$5,350 toward this debt^{2/} after the debt was incurred, and in so doing, apparently ratified the debt.^{3/} Accordingly, this Office proposes that the Commission ask questions of the Committee and

^{2/} Note that prior to this payment, the Committee paid \$50,000 to Smith & Harroff on October 31, 1984, before it had knowledge of the total amount of the outstanding debt.

^{3/} During discussions with the candidate on this matter, the RAD analyst informed the candidate of the difference between a disputed debt and debt settlement. The candidate chose to pursue debt settlement.

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Smith & Harroff directed at whether Smith & Harroff's extension of credit to the Committee under these circumstances was in the ordinary course of business.

Regarding the Committee's efforts to satisfy the outstanding debt, the candidate summarizes these efforts in a letter dated April 21, 1988. See Attachment I, page 5. Specifically, the Committee held fundraisers and solicited contributions from thousands of individuals and several political action committees in attempt to raise funds to retire the debt. Although the candidate states that these events proved unsuccessful in retiring the entire debt, this Office notes that the Committee did make payments to Smith & Harroff totaling \$5,350 in partial payment of the debt.

Regarding corporate remedies in collecting the debt, the candidate states that Smith & Harroff monitored the indebtedness from December, 1984 through April, 1988, has made numerous demands for payment and has kept in regular contact with the Committee inquiring as to the status of fundraising efforts. See Attachment I, page 6. However, the candidate further states that Smith & Harroff has assisted the Committee in its efforts after the election to solicit funds to retire the debt. Specifically, the candidate states that Smith & Harroff "provided invaluable assistance regarding direct mail efforts" and "also supervised and coordinated the Governor Deukmejian appeal from drafting the letter and securing approval of the Governor to obtaining mailing lists and executing the mailing." Id. This raises the issue of whether Smith & Harroff's activities in assisting the Committee in fundraising to retire its debts are in fact impermissible corporate contributions by Smith & Harroff to the Committee under 2 U.S.C. § 441b.

Accordingly, the Office of General Counsel recommends that the Commission deny the Committee's request to settle its debt with Smith & Harroff at this time. This Office proposes that the Commission ask questions of the Committee and Smith & Harroff specifically directed at determining the circumstances under which Smith & Harroff extended credit to the Committee, as well as the nature of Smith & Harroff's assistance to the Committee in its post-election fundraising efforts.

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IV. Recommendations

1. Deny the request of the Hatchadorian for Congress Committee to settle its debt with Smith & Harroff at this time.
2. Approve and send the attached letters (2).

Attachments

1. Referral Materials.
2. Proposed Letters (2).

Staff person: Janice Lacy

83040770187

BALLOT



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

DATE & TIME TRANSMITTED: TUESDAY, JULY 12, 1988 4:00

COMMISSIONER: AIKENS, ELLIOTT, JOSEFIAR, McDONALD, MCGARRY, THOMAS

RETURN TO COMMISSION SECRETARY BY THURSDAY, JULY 14, 1988 4:00

SUBJECT: DSR 88-14: General Counsel's Memorandum to the
Commission dated July 12, 1988

88107204000

FEDERAL ELECTION COMMISSION
88 JUL 12 PM 5:27

- () I approve the recommendation
- (X) I object to the recommendation

COMMENTS: In the record

DATE: 7/12/88 SIGNATURE: Lillian Elliott

A DEFINITE VOTE IS REQUIRED. ALL BALLOTS MUST BE SIGNED AND DATED.
PLEASE RETURN ONLY THE BALLOT TO THE COMMISSION SECRETARY.
PLEASE RETURN BALLOT NO LATER THAN DATE AND TIME SHOWN ABOVE.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Hatchadorian for Congress Committee)

DSR 88-14

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on July 14, 1988, the Commission decided by a vote of 5-1 to take the following actions in DSR 88-14:

1. Deny the request of the Hatchadorian for Congress Committee to settle its debt with Smith & Harroff at this time.
2. Approve and send the letters, as recommended in the General Counsel's memornadum to the Commission dated July 12, 1988.

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

Attest:

7-15-88
Date

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

Received in the Office of Commission Secretary:	Tues., 7-12-88,	9:57
Circulated on 48 hour tally basis:	Tues., 7-12-88,	4:00
Deadline for vote:	Thurs., 7-14-88,	4:00

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 20, 1988

Mr. Matthew Hatchadorian
Hatchadorian for Congress Committee
1215 Superior Avenue, Suite 400
Cleveland, OH 44114

RE: DSR 83-14

Dear Mr. Hatchadorian:

The Commission has reviewed the debt settlement materials submitted on behalf of Hatchadorian for Congress Committee ("the Committee") which contain information concerning the settlement of a debt owed to Smith & Harroff, Inc. Based upon this review, the Commission has directed the Office of the General Counsel to seek additional information and/or clarification to assist in its further review of the proposed settlement. The Commission requests that the Committee provide answers and/or documentation in response to the following questions:

1. The Consulting Agreement between the Committee and Smith & Harroff provides, at item 7 thereof, that "Smith & Harroff will secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00." Furthermore, the debt settlement documents submitted by both the Committee and Smith & Harroff refer to an individual at Smith & Harroff who advanced over \$100,000 in funds for campaign expenses without approval, in apparent violation of the contract. In light of these circumstances, please explain why you ratified this debt and submitted it for debt settlement instead of reporting it as a disputed debt.
2. State whether the Committee and Smith & Harroff entered into an agreement whereby Smith & Harroff would assist the Committee in fundraising activities conducted after the 1984 election in order to pay off the Committee's debts.

State whether these terms were reduced to writing. If yes, please provide a copy of the agreement.

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3. Describe the services Smith & Harroff provided to the Committee after the election.
4. State the dollar value of the services provided by Smith & Harroff to the Committee after the election. State whether Smith & Harroff received any compensation from the Committee for these services.
5. State whether Smith & Harroff assisted the Committee in raising funds to retire (a) only the debt between Smith & Harroff; or (b) other debts of the Committee.

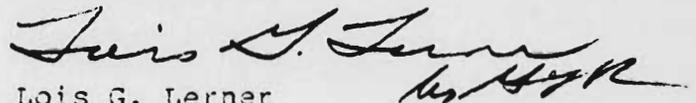
If the funds were used to retire debts other than the debt owed to Smith & Harroff, state what priority, if any, Smith & Harroff claimed to the funds it assisted the Committee in raising.

6. Describe to what extent funds raised by the Committee and Smith & Harroff were used to retire the outstanding debt between the Committee and Smith & Harroff.

Please provide your answers to the above questions to this Office within fifteen (15) days of your receipt of this letter. If you have any questions, please contact Janice Lacy, the attorney assigned to this matter at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel



By: Lois G. Lerner
Associate General Counsel

8904070192



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20543

July 20, 1988

J. Brian Smith
Smith & Harroff, Inc.
916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003

RE: DSR 88-14

Dear Mr. Smith:

The Commission has reviewed the debt settlement materials submitted on behalf of the Hatchadorian for Congress Committee ("the Committee") which contain information concerning the settlement of a debt owed to Smith & Harroff, Inc. Based upon this review, the Commission has directed the Office of the General Counsel to seek additional information and/or clarification to assist in its further review of the proposed settlement. The Commission requests that Smith & Harroff provide answers and/or documentation to the following questions:

1. The Consulting Agreement between the Committee and Smith & Harroff provides, at item 7 thereof, that "Smith & Harroff will secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00." Furthermore, the debt settlement documents submitted by both the Committee and Smith & Harroff refer to an individual at Smith & Harroff who advanced over \$100,000 in funds for campaign expenses without approval, in apparent violation of the Consulting Agreement.
 - a. Did Smith & Harroff seek any authorization from Matthew Hatchadorian, pursuant to the Consulting Agreement, before making the expenditures described above?
 - b. Please explain why these expenditures were made by Smith & Harroff in light of the clause in the Consulting Agreement which requires Smith & Harroff to obtain authorization for such expenditures.
 - c. Does Smith & Harroff routinely include a clause such as that found in item 7 of the Consulting Agreement with the Committee in its consulting agreements with other political and non-political clients?

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7/20/88

Letter to J. Brian Smith
Smith & Harroff, Inc.
Page 2

d. Does Smith & Harroff routinely extend credit of over \$100,000 to non-political clients?

2. State whether the Committee and Smith & Harroff entered into an agreement whereby Smith & Harroff would assist the Committee in fundraising activities conducted after the 1984 election in order to pay off the Committee's debts.

State whether these terms were reduced to writing. If yes, please provide a copy of the agreement.

3. Describe the services Smith & Harroff provided to the Committee after the election.
4. State the dollar value of the services provided by Smith & Harroff to the Committee after the election. State whether Smith & Harroff received any compensation from the Committee for these services.
5. State whether Smith & Harroff assisted the Committee in raising funds to retire (a) only the debt between Smith & Harroff; or (b) other debts of the Committee.

If the funds were used to retire debts other than the debt owed to Smith & Harroff, state what priority, if any, Smith & Harroff claimed to the funds it assisted the Committee in raising.

6. Describe to what extent funds raised by the Committee and Smith & Harroff were used to retire the outstanding debt between the Committee and Smith & Harroff.

Please provide your answers to the above questions to this Office within fifteen (15) days of your receipt of this letter. If you have any questions, please contact Janice Lacy, the attorney assigned to this matter at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

Lois G. Lerner
By: [Signature]

By: Lois G. Lerner
Associate General Counsel

22040770194

600# 83

RECEIVED

Vorys, Sater, Seymour and Pease

2100 One Cleveland Center • 1375 East Ninth Street • Cleveland, Ohio 44114-1724 • Telephone (216) 621-7000 • Telecopier (216) 621-8366

88 AUG 11 11 9:26

In Columbus
 42 East Gay Street
 Post Office Box 1010
 Columbus, Ohio 43201-1010
 Telephone (614) 461-1100
 Telecopier (614) 461-1101
 Telex 214345
 Cable 214345

In Washington
 Suite 1110
 225 East Pennsylvania
 Washington, D.C. 20002-4242
 Telephone (202) 462-8000
 Telecopier (202) 462-8001
 Telex 214345

In New York
 225 East Pennsylvania
 Post Office Box 1010
 New York, N.Y. 10002-4242
 Telephone (212) 462-8000
 Telecopier (212) 462-8001
 Telex 214345

August 4, 1988

Ms. Lois G. Lerner,
 Associate General Counsel
 FEDERAL ELECTION COMMISSION
 999 E Street, N.W.
 Washington, D.C. 20463

Re: DSR88-14

Dear Ms. Lerner:

This is in response to your correspondence of July 20, 1988.

Answers to your questions are provided as follows:

1. After the 1984 election, I was advised by Smith & Harroff, Inc. (hereinafter "S & H") that \$129,210.70 was due and owing by The Hatchadorian for Congress Committee (hereinafter "The Committee") to S & H. This was shocking news to me. To my knowledge at the time, the major pending debt was \$50,000.00 that The Committee owed me for a loan that I had taken out at a local bank. The \$129,210.70 was not reported as a disputed debt because I did not dispute that S & H expended the funds. However, I was not aware of the expenditures when they were made and I did not approve them.

2. S & H agreed orally to assist The Committee in fund raising activities after the 1984 election to pay off The Committee's debt to S & H. There was no written agreement.

3. After the 1984 election, S & H: (a) contacted political action committees; (b) assisted in writing fund raising letters; (c) contacted political personalities to determine if they would appear at fund raising events; (d) coordinated the Governor Deukmejian mailing by drafting the letter, assisted in securing approval of the Governor, obtained mailing lists and executed the mailing; (e) monitored the indebtedness from December, 1984, through April, 1988, made numerous demands for payment and kept in regular contact with The Committee.

4. I do not know the dollar value of the services provided by S & H to The Committee after the election. S & H did not receive compensation from The Committee for these services.

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FEDERAL ELECTION COMMISSION

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Ms. Lois G. Lerner
August 4, 1988
Page 2

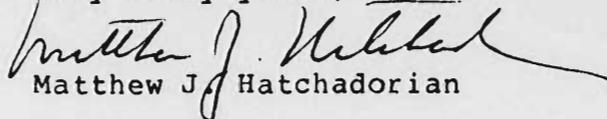
5. S & H assisted The Committee in raising funds to retire The Committee's debt to S & H. Other debts of The Committee were The Committee's responsibility.

6. \$5,350.00 was paid by The Committee to S & H during the period December, 1984, to present. All of the funds raised by The Committee and S & H were paid to S & H.

By way of summary, The Committee and I have undertaken exhaustive and concerted efforts over the last 4 years to reduce and to retire the debt. We have not been successful because it is very difficult to raise funds when a candidate loses an election and does not otherwise hold public office. There is little likelihood of raising additional funds in the future. We did not fail for lack of trying. I cannot honestly think of what other efforts could have been made that were not undertaken.

Thank you for your attention to this matter.

Very truly yours,


Matthew J. Hatchadorian

MJH/dlb

2004070105



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: *MWP* MARJORIE W. EMMONS/JOSHUA MCFADDEN *M*

DATE: OCTOBER 18, 1988

SUBJECT: DSR 88-14: GENERAL COUNSEL'S MEMORANDUM
TO THE COMMISSION DATED OCTOBER 13, 1988

Per request of the OGC Docket staff, the above-captioned report was circulated to the Commission on a 48-hour vote basis on October 13, 1988 at 4:00 p.m., although the report contained no recommendations.

There have been no objections.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 13, 1988

SENSITIVE

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

By: Lois G. Lerner *LL*
Associate General Counsel

SUBJECT: DSR 88-14: Debt Settlement Request of the
Hatchadorian for Congress Committee

I. Background

This memorandum concerns the settlement of an outstanding debt of the Hatchadorian for Congress Committee ("the Committee") and one creditor, Smith & Harroff, Inc. On July 14, 1988, the Commission decided to deny the request of the Committee to settle its debt with Smith & Harroff at this time. The Commission also approved the sending of letters wherein this Office asks questions of the Committee and Smith & Harroff in order to determine the circumstances under which Smith & Harroff extended credit to the Committee, as well as the nature of Smith & Harroff's assistance to the Committee in its post-election fundraising efforts.

II. Difficulty in Obtaining Response

On July 20, 1988, this Office sent the approved letters to the Committee and to Smith & Harroff. We received a response from the Committee on August 4, 1988. After not receiving any response from Smith & Harroff, we contacted Mr. J. Brian Smith of Smith & Harroff on September 9, 1988, to inquire about his failure to respond. Mr. Smith stated that he had not received any letter from this Office. Mr. Smith further stated that his firm had moved to a new address. This Office inquired whether the letter was forwarded to him, inasmuch as we had not received the letter back as undeliverable. He responded that since he had not received any letter, the letter probably was not forwarded.

This Office resent the letter to Mr. Smith at his new address on the same day, September 9, 1988, and gave Mr. Smith fifteen days to respond to the letter. After receiving no response by October 1, 1988, the approximate due date for his

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Debt Settlement Request
Page 2

response, this Office again contacted Mr. Smith on October 4, 1988, to inquire about his failure to respond. Mr. Smith again claims that he has not received any letter from this Office. We noted that we have not received the letter back as undeliverable. We confirmed with Mr. Smith the new address to which we sent the letter, which is correct.

This Office resent the letter to Mr. Smith by certified mail on the same day, October 4, 1988. We plan to contact Mr. Smith to confirm his receipt of the letter and to discuss a date on which his response will be due to this Office. As soon as we receive a response from Mr. Smith, we will submit a memorandum to the Commission with recommendations.

Staff Person: Janice Lacy

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FEDERAL ELECTION COMMISSION

OGC 758
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FEDERAL ELECTION COMMISSION
MAIL ROOM

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SMITH &
HARROFF, INC

88 OCT 25 AM 11:12

October 21, 1988

Mr. Lawrence M. Noble
General Counsel
Federal Election Commission
Washington, DC 20463

Re: DSR 88-14

Dear Mr. Noble:

This is in response to your letter to me dated July 20, 1988, which I only received on October 13, 1988 at our current office address in Alexandria, Virginia.

By way of background to this response, the individual in this firm with account responsibilities during the 1984 campaign of Matthew Hatchadorian was Mark R. Harroff. As Mr. Harroff has not been employed by Smith & Harroff, Inc. since December 31, 1986, my ability to be thoroughly responsive to your questions is limited.

1. In answer to your first question (1a), I do not know what, if any, authorization from Matthew Hatchadorian or the Committee was sought or obtained prior to making expenditures on behalf of the Committee. Hence, I do not know why these expenditures were made (1b).

Item number 7 in the Consulting Agreement is contained in many of our contracts for political candidates (1c).

Smith & Harroff does not routinely extend credit of any significant nature to its clients, political or non-political (1d). Clauses 8 and 9 of the Consulting Agreement are an indication that this is not our standard policy.

2. I am not aware of any formal agreement entered into between Smith & Harroff and the Committee to assist the Committee in fundraising activities following the 1984 election. Our files contain no evidence that any written agreement ever existed. I am aware and recollect that efforts were made to collect our fees and reimbursable expenses and to assist the Committee in fundraising. This is an activity that we would logically want to pursue in light of our desire to be compensated for services rendered by us during the campaign.
3. To the best of my recollection, our services consisted of helping in the preparation of a direct mail solicitation letter signed by California Governor Deukmejian and implementation of that mailing. We may also have helped prepare direct mail letters signed by Mr. Hatchadorian and attempted to raise funds from political action committees.

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4. I have no way of knowing how much time was devoted to this or any other post-election activity. Hence, I cannot assign a dollar value to these services. Smith & Harroff did not receive compensation for services rendered following the campaign.
5. To my knowledge there was no understanding about which debts would be settled and in which priority.
6. To the best of my knowledge, \$5,350 was raised during the period of January 1985 - November 1986.

In conclusion, my ability to provide more specific details to some of your questions is greatly impaired by the fact that my involvement in the Hatchadorian campaign was very limited. Mr. Harroff, who was in charge of the account and had direct access to Mr. Hatchadorian, is no longer associated with this firm.

I will cooperate with the Commission further in any way possible.

With best regards.

Sincerely,



J. Brian Smith

cc: Ms. Janice Lacy

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

November 3, 1988

EXECUTIVE SESSION

NOV 15 1988

MEMORANDUM

TO: The Commission
FROM: Lawrence M. Noble
General Counsel
By: Lois G. Lerner *LL*
Associate General Counsel

SUBJECT: DSR 88-14: Debt Settlement Request of the Hatchadorian for Congress Committee

I. Background

This memorandum concerns the settlement of an outstanding debt of the Hatchadorian for Congress Committee ("the Committee") and one creditor, Smith & Harroff, Inc. On July 14, 1988, the Commission determined to deny the Committee's request to settle its debt with Smith & Harroff at this time. The Commission also approved the sending of letters wherein this Office asked questions of the Committee and Smith & Harroff in order to determine the circumstances under which Smith & Harroff extended credit to the Committee, as well as the nature of Smith & Harroff's assistance to the Committee in its post-election fundraising efforts.

This Office sent the approved letters to the Committee and to Smith & Harroff on July 20, 1988. The Committee submitted its response to us on August 4, 1988. After not receiving any response from Smith & Harroff, we contacted J. Brian Smith of Smith & Harroff on September 9, 1988, to inquire about his failure to respond. Mr. Smith indicated that he had not received any letter from this Office, and that his firm had moved to a new address. This Office informed Mr. Smith that we had not received the letter back as undeliverable, and inquired whether the letter was forwarded to him at his new address. He responded that the letter probably was not forwarded, since he did not receive any letter at the new address.

This Office resent the letter to Mr. Smith at his new address on the same day, September 9, 1988, and gave Mr. Smith fifteen days to respond to the letter. After receiving no response by October 1, 1988, the approximate due date for his response, this Office again contacted Mr. Smith on October 4,

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1988, to inquire about his failure to respond. Mr. Smith again claimed that he had not received any letter from this Office. This Office again indicated that we had not received the letter back as undeliverable. We confirmed with Mr. Smith the address to which we sent the letter, which he indicated was a correct address.

This Office resent the letter to Mr. Smith by certified mail on the same day, October 4, 1988. Mr. Smith submitted a response to this Office on October 25, 1988.

II. Facts

As stated in our previous memorandum dated July 12, 1988, the Committee has provided documentation indicating that it has settled an outstanding debt owed to Smith & Harroff in the amount of \$129,211. To date, the Committee has paid a total amount of \$5,350 to Smith & Harroff, leaving an unpaid balance of \$123,861 and creating a forgiveness of 96%.

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<u>Creditor</u>	<u>Original Debt</u>	<u>Amount Paid</u>	<u>Amount Owed</u>	<u>Amount Offered in Settlement</u>	<u>Forgiveness (%) (of original debt)</u>
Smith & Harroff, Inc.	\$129,211	\$5,350	\$123,861	\$0	96%

In a meeting with this Office on October 12, 1988, requested by Mr. Hatchadorian on behalf of the Committee, Mr. Hatchadorian indicated that the 1984 Congressional election in which this debt arose evolved into a hotly contested campaign. Mr. Hatchadorian indicated that both candidates for Congress conducted a media blitz in what he termed the "crisis atmosphere" during the last two weeks of the campaign, but that he had never authorized expenditures for this activity. Accordingly, Mr. Hatchadorian stated in his response that after losing the election, it was "shocking news" to learn that he owed Smith & Harroff not \$50,000, the amount he thought was owed, but \$129,211. Apparently, an individual at Smith & Harroff had advanced funds for reproduction costs, advertising expenses and miscellaneous consulting expenses for the last ten days of the campaign without the Committee's approval and in apparent violation of the contract between the Committee and Smith & Harroff. Mr. Hatchadorian further indicates that he did not dispute that Smith & Harroff expended the funds, so he did not report the debt as a disputed debt.

After the election, Mr. Hatchadorian and Smith & Harroff coordinated their efforts to raise funds to retire the debt. Mr. Hatchadorian stated that he sent hundreds of letters, personally paying for the printing and mailing costs of the mailing. He indicates that Smith & Harroff did, however, provide the following services: (a) contacting political action

committees; (b) assisting in writing fund-raising letters; (c) contacting political personalities for appearances at fund-raising events; and (d) coordinating a Governor Deukmejian mailing by drafting a letter, assisting in securing approval of the Governor, and obtaining mailing lists and executing the mailing. Smith & Harroff confirms that it conducted these activities. Smith & Harroff orally agreed to assist the Committee, and neither party can assess the dollar value of these services. Moreover, both parties assert that Smith & Harroff did not receive compensation for services rendered after the election.

With Smith & Harroff's assistance, the Committee raised \$5,350 after the election, which it paid to Smith & Harroff. All of the funds raised by the two parties were paid to Smith & Harroff to reduce the outstanding debt.

III. Legal Analysis

The regulations permit a corporation to extend credit to a candidate, political committee, or other person in connection with a Federal election provided that the credit is extended in the ordinary course of the corporation's business practices and that the terms of credit are substantially similar to extensions of credit to non-political entities. 11 C.F.R. § 114.10(a).

If a corporate debt is settled in a commercially reasonable manner, the settlement will not be considered an illegal corporate contribution. However, the corporation and/or the debtor must file a statement of settlement with the Commission, including the initial terms of credit and remedies pursued by the creditor. Such statement must be filed prior to the termination of reporting status of the debtor, and the settlement is subject to Commission review. 11 C.F.R. § 114.10(c).

Accordingly, pursuant to 11 C.F.R. § 114.10(c), the debt settlement has been examined in order to determine whether:

1. the initial extension of credit was in the ordinary course of the corporation's business practices;
2. the debtor has undertaken all commercially reasonable efforts to satisfy the outstanding debt; and
3. the corporate creditor has pursued customary remedies in order to collect the debt.

This debt settlement request raises the issue of whether the initial extension of credit by Smith & Harroff was in the ordinary course of its business practices. As noted above, the debt represents expenditures made by an individual at Smith &

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Harroff for reproduction costs, advertising expenses and miscellaneous consulting expenses without the authorization of Mr. Hatchadorian. Moreover, Smith & Harroff itself indicated in its response that it does not routinely extend credit of any significant nature to its clients, political or non-political. Given the circumstances under which the debt arose, as well as the apparent practice of the creditor not to extend credit, this Office concludes that the initial extension of credit by Smith & Harroff to the Committee was not in the ordinary course of business.

Regarding the Committee's efforts to satisfy its outstanding debt with Smith & Harroff, the Committee held fundraisers and solicited contributions from thousands of individuals and several political action committees after the election in attempt to raise funds to retire the debt. Although these efforts ultimately proved unsuccessful in retiring the entire debt, this Office notes that the Committee did make payments to Smith & Harroff totaling \$5,350 in partial payment of the debt.

Regarding corporate remedies in collecting the debt, Mr. Hatchadorian stated in his debt settlement request that Smith & Harroff monitored the indebtedness from December, 1984 through April, 1988, has made numerous demands for payment and has kept in regular contact with the Committee concerning the status of fundraising efforts. However, as indicated above, both parties report that Smith & Harroff performed services for the Committee such as writing direct mail, contacting political action committees, and coordinating fund-raising activities, for which it received no compensation from the Committee.

It appears that Smith & Harroff, Inc. is an incorporated entity. 2 U.S.C. § 441b prohibits corporations from making contributions to a federal election campaign. This debt settlement raises the issues of whether the initial extension of credit by Smith & Harroff and the post-election services it rendered to the Committee without compensation are impermissible corporate contributions by Smith & Harroff to the Committee. Furthermore, 2 U.S.C. § 441b prohibits the Committee from receiving contributions made by a corporation. Therefore, this Office recommends that the Commission determine that a matter under review should be opened with regard to this apparent corporate contribution.

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IV. Recommendations

The Office of General Counsel recommends that the Commission:

1. Open a Matter Under Review as to the debt settlement between the Hatchadorian for Congress Committee and Smith & Harroff, Inc.
2. Approve and send the attached letter.

Attachments

1. Responses to Questions
2. Letter

Staff Person: Janice Lacy

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BEFORE THE FEDERAL ELECTION COMMISSION

(MUR 2789)

In the Matter of)
Debt Settlement Request of the) DSR 88-14
Hatchadorian for Congress Committee)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of November 15, 1988, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions with respect to the above-captioned matter:

1. Open a Matter Under Review as to the debt settlement between the Hatchadorian for Congress Committee and Smith & Harroff, Inc.
2. Approve and send the letter attached to the General Counsel's report dated November 3, 1988.

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

Attest:

Nov. 17, 1988

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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Plan



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 28, 1988

Mr. Matthew Hatchadorian
Hatchadorian for Congress Committee
1215 Superior Avenue, Suite 400
Cleveland, OH 44114

RE: DSR 88-14

Dear Mr. Hatchadorian:

The Commission has reviewed the debt settlement materials submitted on behalf of Hatchadorian for Congress Committee with regard to Smith & Harroff, Inc. This review is limited in scope and only addresses itself to the following considerations:

(1) whether the credit was extended in the ordinary course of the creditor's business practices and the terms were substantially similar to extensions of credit to non-political debtors of similar risk and size of obligation;

(2) whether the candidate or political committee or person has undertaken all commercially reasonable efforts to satisfy the outstanding debt;

(3) whether the creditor has pursued its remedies in a manner similar in intensity to that employed by the creditor in pursuit of a non-political debtor, including lawsuits if filed in similar circumstances; and

(4) whether the committee has filed a statement of settlement with the Commission which includes the initial terms of credit, the steps the committee has taken to satisfy the debt, and the collection remedies pursued by the creditor.

Based upon this limited review, the Commission has concluded that further review of the circumstances under which the debt arose is necessary. We will contact you when the Commission reaches a determination in this review. Should you have any

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Letter to Matthew Hatchadorian
Hatchadorian for Congress Committee
Page 2

questions, please contact Janice Lacy, the attorney assigned to
this submission, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel



By: Lois G. Lerner
Associate General Counsel

39040770209

SENSITIVE

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

DATE & TIME TRANSMITTED: THURSDAY, FEBRUARY 16, 1989 4:00

COMMISSIONER: AIKENS, ELLIOTT, JOSEFIK, McDONALD, McGARRY [REDACTED]

RETURN TO COMMISSION SECRETARY BY TUESDAY, FEBRUARY 21, 1989 4:00

SUBJECT: MUR 2789 - FIRST GENERAL COUNSEL'S REPORT
SIGNED FEBRUARY 16, 1989

RECEIVED
FEDERAL ELECTION COMMISSION
89 FEB 17 PM 12:40

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- I approve the recommendation
- I object to the recommendation

COMMENTS: What if investigation reveals authorization by candidate or agents?

DATE: 2/17/89 **SIGNATURE** [Signature]

A DEFINITE VOTE IS REQUIRED. ALL BALLOTS MUST BE SIGNED AND DATED.
PLEASE RETURN ONLY THE BALLOT TO THE COMMISSION SECRETARY.
PLEASE RETURN BALLOT NO LATER THAN DATE AND TIME SHOWN ABOVE.

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

RECEIVED
FEDERAL ELECTION COMMISSION
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FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR #2789
STAFF MEMBER: Janice Lacy

SOURCE: I N T E R N A L L Y G E N E R A T E D

EXECUTIVE SESSION

RESPONDENTS: Hatchadorian for Congress
and Robert M. Torok,
as treasurer
Smith & Harroff, Inc.

FEB 28 1989

RELEVANT STATUTES: 2 U.S.C. § 441b
2 U.S.C. § 434(b)
11 C.F.R. § 104.13(a)

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

On November 15, 1988, the Commission opened a Matter Under Review as to the debt settlement between Hatchadorian for Congress (the "Committee") and Smith & Harroff, Inc. ("S&H"). This action was taken because the debt settlement raised the issues of whether the initial extension of credit by S&H and the post-election services it rendered to the Committee without compensation were impermissible corporate contributions by S&H to the Committee, and whether in receiving such credit and services, the Committee received impermissible corporate contributions.

II. FACTUAL AND LEGAL ANALYSIS

A. Background

The Committee provided documentation to the Commission that it had settled an outstanding debt owed to S&H in the amount of \$129,211. At the time of the debt settlement request, the

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Committee had paid \$5,350 to S&H, leaving an unpaid balance of \$123,861 and creating a forgiveness of ninety-six percent.

The debt arose during the 1984 election cycle, when Matthew Hatchadorian was a candidate for Congress in the 19th Congressional District of Ohio. Hatchadorian for Congress entered into a consulting agreement with S&H which gave S&H responsibility for managing Mr. Hatchadorian's campaign. This agreement required S&H to "secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00." See Consulting Agreement at Page 2, Paragraph 7 (Attachment II). Pursuant to this agreement, Mr. Hatchadorian reports, the Committee paid monthly invoices to S&H beginning in February, 1984.

Mr. Hatchadorian provides that this was a hotly-contested campaign, which in the last days took on a "crisis atmosphere." A poll conducted on October 30, 1984 showed Mr. Hatchadorian slightly ahead of his opponent, forty-seven to forty-two percent. In the waning days of the campaign, a Presidential visit on behalf of Mr. Hatchadorian ensued, and both sides implemented a "punch-for-punch" media blitz for their respective candidates.

At this time, the Committee was low on funding, so Mr. Hatchadorian obtained a personal loan for \$50,000 from a local bank to pay for radio and television advertising during the last week of the campaign. Mr. Hatchadorian contributed this money to the Committee, which in turn wired the funds to S&H.

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The election was held and Mr. Hatchadorian lost. After the election, Mr. Hatchadorian states that he learned the "shocking news" that an individual at S&H had advanced an additional \$129,211 for "production costs, advertising expenses, and miscellaneous consulting expenses"^{1/} during the last ten days of the campaign. This advance assertedly was made without the approval of Mr. Hatchadorian, in direct contravention of the consulting agreement between him and S&H. In response to questions posed to him in connection with the debt settlement, J. Brian Smith of S&H provides that the individual at his company responsible for Mr. Hatchadorian's 1984 campaign was Mark R. Harroff, who has not been employed by S&H since December 31, 1986 and who "is unavailable for comment." Mr. Smith explains that he does not know why the expenditures were made, and that S&H does not routinely extend credit "of any significant nature" to its clients.

After learning of the expenditures, Mr. Hatchadorian attempted to raise funds in an effort to pay S&H the \$129,211 assertedly owed. Specifically, Mr. Hatchadorian provides that from December, 1984 to April, 1988, the Committee wrote to thousands of individuals and several political action committees seeking contributions. The Committee secured a fundraising letter from Governor Deukmejian of California, which was mailed to Armenian-Americans throughout the United States. Furthermore, ^{1/} Mr. Hatchadorian later indicated to this Office that S&H made most of these unauthorized expenditures to pay for the Committee's media placement costs at the end of the campaign.

the Committee held fundraising dinners and receptions with political personalities. Despite these efforts, however, the Committee only raised \$5,530 toward defraying the \$129,211; all of the money raised was paid to S&H.

S&H orally agreed to assist the Committee in these efforts to raise money. Mr. Hatchadorian reports that after the 1984 election, S&H contacted political action committees, assisted in writing fundraising letters, and contacted political personalities for appearances at fundraising events. Additionally, he reports that S&H coordinated the Governor Deukmejian mailing by drafting the letter, assisting in securing the approval of the Governor, obtaining mailing lists,^{2/} and executing the mailing. Mr. Smith states that these services were rendered from January, 1985 to November, 1986.

Both parties report that S&H provided these services free to the Committee.^{3/} In response to questions posed to them in connection with the debt settlement, both Mr. Hatchadorian and Mr. Smith have stated that they have not assigned a dollar value to the services provided; Mr. Smith did not do so because he had no way of knowing how much time was devoted to any post-election activity. Mr. Hatchadorian also obtained mailing lists from churches, for which he paid no fee. Otherwise, he paid the

^{2/} Mr. Hatchadorian does not provide the source of these particular lists.

^{3/} Although Mr. Smith has stated that "I am aware and recollect that efforts were made to collect our fees and reimbursable expenses....," in the same response, he goes on to say that "S&H did not receive compensation for services rendered following the campaign." See Attachment I(1-2).

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cost of fundraising activities and mailings out of his own pocket.

B. Legal Analysis

1. Unauthorized Expenditures by S&H

a. Smith & Harroff, Inc.

The Committee and S&H have requested a debt settlement for the outstanding amount of the debt generated by the \$129,211 in expenditures. However, it appears that the initial extension of credit by S&H was not made in the ordinary course of its business practices. This raises the issue of whether S&H violated 2 U.S.C. § 441b by making corporate contributions to the Committee in the form of \$129,211 in expenditures, which were not authorized by the Committee, to pay for the Committee's media campaign in the last days of the election.

2 U.S.C. § 441b provides that it is unlawful for any corporation to make a contribution or expenditure in connection "with any election at which...a...Representative in...Congress is to be voted for...." Section 441b further provides that, for purposes of this rule, "contribution or expenditure" shall include any advance to any candidate or campaign committee in connection with any election to any political office. 2 U.S.C. § 441b(b)(2).

Mr. Hatchadorian and Mr. Harroff entered into a consulting agreement whereby S&H would secure approval from Mr. Hatchadorian before purchasing items in excess of \$500.00. Furthermore, the

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agreement required that no advertising be placed with any media unless the Committee had advanced payment for the placement to S&H. (Attachment II(2), Paragraph 9). Mr. Smith of S&H claims that S&H does not routinely extend credit of any significant nature to its clients. Mr. Harroff, who signed the agreement, is no longer with S&H, and Mr. Smith does not know why the expenditures were made.

Regardless of Mr. Smith's lack of knowledge about this incident, the fact remains that S&H did not obtain authorization from Mr. Hatchadorian before making substantial expenditures on behalf of his campaign. Such authorization was required by the consulting agreement, and it apparently was the policy of the company not to extend credit to its clients. It thus appears that S&H did make an advance to the Committee in connection with the Hatchadorian campaign. Therefore, this Office recommends that the Commission find reason to believe that S&H violated 2 U.S.C. § 441b by making \$129,211 in unauthorized expenditures in connection with the election in which Hatchadorian was a candidate.

b. The Committee

The unauthorized expenditures raise another issue: Whether the Committee violated 2 U.S.C. § 441b by knowingly receiving prohibited corporate contributions from S&H in the form of the unauthorized \$129,211 in expenditures S&H made on behalf of the Committee. 2 U.S.C. § 441b provides that it is unlawful for any candidate or political committee knowingly to accept or receive

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any prohibited corporate contribution.

The Committee apparently received the benefit of the advertising and consulting services represented by the expenditures; however, Mr. Hatchadorian insists that he never authorized the expenditures and was not aware, until after the election, that the expenditures had been made. The consulting agreement between the Committee and S&H required S&H to seek the authorization of Mr. Hatchadorian for expenditures of this magnitude; Mr. Hatchadorian not only never authorized the expenditures, but apparently was never even notified that the expenditures had occurred. Furthermore, during the time the ads were running, Mr. Hatchadorian had made a \$50,000 payment to S&H for the purpose of buying additional television and radio advertising for this time period. If Mr. Hatchadorian had heard that many ads were running, it would have been reasonable for him to assume that the ads were a result of this \$50,000 payment. Additionally, Mr. Hatchadorian has stated that because the ads were running during the last week of a hotly-contested campaign, he himself was not watching television or listening to the radio, and thus was not aware of the volume of advertising.

Although Mr. Hatchadorian and his Committee did not authorize the expenditures here at issue nor have reason to know that these expenditures were being made, it remains a fact that S&H was serving as their agent at the time, albeit only for the purposes set forth in the contract. S&H may have exceeded the scope of its authority in making the expenditures at issue,

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but Mr. Hatchadorian and the Committee ratified those actions later by agreeing to treat the amount of the expenditures as debts owed to S&H, and thus accepted contributions from S&H in the form of the \$129,211 in advances made by the latter outside its normal course of business. Therefore, this Office recommends that the Commission find reason to believe that the Committee violated 2 U.S.C. § 441b by accepting as in-kind contributions the \$129,211 in expenditures made by S&H. Under the circumstances, however, this Office also recommends that the Commission take no further action against the Committee in this regard.

2. Post-Election Services

a. Smith & Harroff, Inc.

As noted above, 2 U.S.C. § 441b prohibits corporate contributions. Additionally, the definition of "contribution or expenditure" for purposes of Section 441b includes "any services...to any campaign committee." 2 U.S.C. § 441b(b)(2). S&H provided free post-election services to the Committee in an attempt to raise funds to defray the \$129,211 in unauthorized expenditures. Applying the definition stated above, it appears that such services constituted in-kind contributions to the Committee. In reaching this conclusion, it is assumed that the services were provided by S&H as a corporation, and not by any particular individual employed by S&H acting in a personal capacity as a volunteer. See 11 C.F.R. § 100.7(b)(3). The responses submitted by the parties indicate that the relationship

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during the post-election period. In its reports, the Committee showed two payments to S&H of \$374.18 for "printing" (on September 3, 1985) and \$676.43 for "postage and mailing" (on September 26, 1985). These payments appear to have been made in connection with the Governor Deukmejian mailing, which was dated October 25, 1985. The other three letters are dated December 5, 1984; January 25, 1985; and March 1, 1985; there appear to be no corresponding payments to S&H in connection with these letters.

2 U.S.C. § 434(b)(2)(B) provides that for authorized committees, each report shall disclose the total amount of all receipts which are contributions from the candidate. See also 11 C.F.R. § 104.3(a)(3)(ii). Additionally, the Regulations require that each in-kind contribution shall be reported as a contribution and also as an expenditure. See 11 C.F.R. § 104.13(a). The Committee's reports from December, 1984 through April, 1988 do not show the payments purportedly made by Mr. Hatchadorian as in-kind contributions from Mr. Hatchadorian to the Committee. Therefore, this Office recommends that the Commission find reason to believe that the Committee violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.13(a). However, given again the fact that the in-kind contributions from Mr. Hatchadorian appear to have been made in connection with the Committee's attempts to reduce the \$129,211 in unauthorized expenditures made by S&H on behalf of the Committee, this Office also recommends that the Commission take no further action against the Committee in this regard.

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III. RECOMMENDATIONS

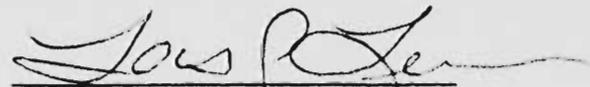
1. Find reason to believe that Smith & Harroff, Inc. violated 2 U.S.C. § 441b.
2. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 441b by accepting unauthorized corporate expenditures by Smith & Harroff, Inc. of \$129,211 and take no further action.
3. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 441b by accepting free post-election services from Smith & Harroff, Inc. and take no further action.
4. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.13(a) and take no further action.
5. Close the file as it pertains to Hatchadorian for Congress and Robert M. Torok, as treasurer.
6. Approve the attached letters (2) and Factual and Legal Analyses (2).
7. Approve the attached questions.

Lawrence M. Noble
General Counsel

Date

2/16/89

BY:



Lois G. Lerner
Associate General Counsel

Attachments:

1. Responses to questions posed in connection with debt settlement
2. Consulting Agreement
3. Proposed Letters (2) and Factual and Legal Analyses (2)
4. Questions (1)

Staff Member: Janice Lacy

90040770221

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Hatchadorian for Congress) MUR 2789
and Robert M. Torok, as treasurer)
Smith & Harroff, Inc.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of February 28, 1989, do hereby certify that the Commission decided by a vote of 5-1 to take the following actions in MUR 2789:

1. Find reason to believe that Smith & Harroff, Inc. violated 2 U.S.C. § 441b.
2. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 441b by accepting unauthorized corporate expenditures by Smith & Harroff, Inc. of \$129,211 and take no further action.
3. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 441b by accepting free post-election services from Smith & Harroff, Inc. and take no further action.
4. Find reason to believe that Hatchadorian for Congress and Robert M. Torok, as treasurer, violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.13(a) and take no further action.

(continued)

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5. Close the file as it pertains to Hatchadorian for Congress and Robert M. Torok, as treasurer.
6. Approve the two letters and the two Factual and Legal Analyses attached to the General Counsel's report dated February 16, 1989.
7. Approve the questions as recommended in the General Counsel's report dated February 16, 1989.

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

Attest:

3-1-89

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

33740770225



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 8, 1989

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. J. Brian Smith
Smith & Harroff, Inc.
11 Canal Center Plaza
Suite 104
Alexandria, VA 22314

RE: MUR 2789
Smith & Harroff, Inc.

Dear Mr. Smith:

On February 28, 1989, the Federal Election Commission found that there is reason to believe Smith & Harroff, Inc. violated 2 U.S.C. § 441b, 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 Smith & Harroff, 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 along with answers to the enclosed questions 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 Smith & Harroff, 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-

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J. Brian Smith
Page 2

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 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 Janice Lacy, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Danny L. McDonald
Chairman

Enclosures
Factual and Legal Analysis
Procedures
Designation of Counsel Form
Questions

3 2 0 4 0 7 7 0 2 2 5



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 8, 1989

Mr. Robert M. Torok
Hatchadorian for Congress
1215 Superior Avenue, Suite 400
Cleveland, Ohio 44114

RE: MUR 2789
Hatchadorian for Congress
and Robert M. Torok, as
treasurer

Dear Mr. Torok:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission considered the issue of whether Hatchadorian for Congress (the "Committee") and you, as treasurer, violated 2 U.S.C. §§ 441b and 434(b), provisions of the Federal Election Campaign Act, of 1971, as amended ("the Act"), and 11 C.F.R. § 104.13(a) of Commission regulations. On February 28, 1989, the Commission found reason to believe that the Committee and you, as treasurer, violated 2 U.S.C. § 441b as to unauthorized corporate expenditures totalling \$129,211, but determined to take no further action with regard to this apparent violation.

Additionally, on February 28, 1989, the Federal Election Commission found reason to believe that the Committee and you, as treasurer, violated 2 U.S.C. § 441b by accepting free post-election services from a corporation, and violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.13. However, after considering the circumstances of this matter, the Commission also determined to take no further action in this regard. The Commission has closed its file as it pertains to the Committee and you, as treasurer. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

The file will be made part of the public record within 30 days after this matter has been closed with respect to all other respondents involved. Should you wish to submit any materials to appear on the public record, please do so within ten days of your receipt of this letter. Such materials should be sent to the Office of the General Counsel.

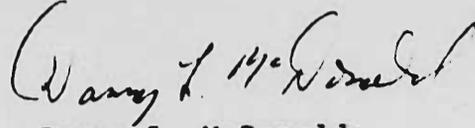
The confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter is closed. The Commission will notify you when the entire file has been closed.

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Mr. Robert M. Torok
Page 2

If you have any questions, please direct them to Janice
Lacy, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,



Danny L. McDonald
Chairman

Enclosure
Factual and Legal Analysis

220407/0227

OGC 2317

RECEIVED
FEDERAL ELECTION COMMISSION
ADMINISTRATIVE DIVISION

89 MAR 29 AM 11:10

WILEY, REIN & FIELDING

1776 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 429-7000

JAN W. BARAN
(202) 429 7330

March 28, 1989

TELECOPIER
(202) 429-7049
TELEX 248349 WYRN UR

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

Attn: Janice Lacy

Re: MUR 2789
Smith & Harroff, Inc.

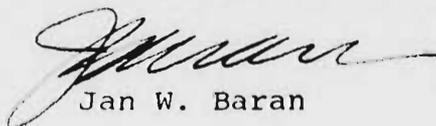
Dear Mr. Noble:

This office represents Smith & Harroff, Inc. in the above-captioned matter. Enclosed please find an executed Statement of Designation of Counsel confirming our representation.

Please be advised that our client received Chairman McDonald's letter of March 8, 1989 on March 22, 1989. In order for counsel to prepare a response and for our client to answer questions proffered by the Commission, I request an extension of twenty days within which to file up to and including April 28, 1989.

Your favorable action to this request will be appreciated.

Sincerely,



Jan W. Baran

rpb
cc: J. Brian Smith
Ely Hurwitz, Esq.

890327/0228

MAR 29 11:21

STATEMENT OF DESIGNATION OF COUNSEL

MUR 2789

NAME OF COUNSEL: Jan W. Baran

ADDRESS: Wiley, Rein & Fielding

1776 K Street, N.W.

Washington, D.C. 20006

TELEPHONE: 429-7330

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.

3/24/89
Date

[Signature]
Signature

RESPONDENT'S NAME: Smith & Harroff, Inc.

by J. Brian Smith, President

ADDRESS: Suite 104

11 Canal Center Plaza

Alexandria, VA 22314

HOME PHONE: _____

BUSINESS PHONE: (703) 683-8512

22040770229

slm



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 31, 1989

Jan W. Baran, Esq.
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington, D.C. 20006

RE: MUR 2789
Smith & Harroff, Inc.

Dear Mr. Baran:

This is in response to your letter dated March 28, 1989, which we received on March 29, 1989, requesting an extension until April 28, 1989 to respond to interrogatories posed by the Commission to your client. After considering the circumstances presented in your letter, I have granted the requested extension. Accordingly, your response is due by the close of business on April 28, 1989.

If you have any questions, please contact Janice Lacy, the attorney assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: George F. Rishel
Acting Associate General
Counsel

3304070230

OGC 2589

WILEY, REIN & FIELDING

1776 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 429-7000

JAN W. BARAN
(202) 429-7330

April 27, 1989

TELECOPIER
(202) 429-7049
TELEX 248349 WYRN UR

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

ATTN: Janice Lacy

Re: MUR 2789
Smith & Harroff, Inc.

Dear Mr. Noble:

This Response, including the attached Responses to Interrogatories and affidavits, is submitted on behalf of Smith & Harroff, Inc. ("S & H" or "Respondent") in reply to the Federal Election Commission's ("FEC" or "Commission") notification that it has found reason to believe that Respondent violated 2 U.S.C. § 441b of the Federal Election Campaign Act of 1971, as amended ("the Act") in Matter Under Review ("MUR") 2789. For the reasons set forth herein, the General Counsel at the appropriate time should recommend no probable cause to believe that Respondents have violated the Act.

I. THE COMMISSION'S "REASON TO BELIEVE" FINDING

In the course of reviewing debt settlement materials submitted on behalf of the Hatchadorian for Congress Committee ("Committee") the Commission opened this matter to

Lawrence M. Noble, Esq.
April 27, 1989
Page 2

investigate both the extension of credit given by Respondent to the Committee and the post-1984 election activity undertaken by Respondent on behalf of the Committee. The Commission's interest in this matter appears to have arisen because of the amount of debt at issue in the matter.¹

In essence, the reason to believe finding in this matter rests on paragraph 7 of a consulting agreement between Respondent and Matt Hatchadorian, and Matt Hatchadorian's version of the facts as applied to this consulting agreement which he related to the Commission in his request for debt settlement.² The agreement states that "S & H will secure approval from Matt Hatchadorian before purchasing items in excess of \$500.00."

Mr. Hatchadorian states that pursuant to the contract, he began paying monthly invoices issued by S & H beginning in February, 1984 and that no problems were encountered until the end of October, 1984. At that time Mr. Hatchadorian alleges that he took out a personal loan for \$50,000 from a

¹ Respondent makes this assumption because the Commission has approved a similar debt settlement between the Committee and Market Opinion Research.

² According to the General Counsel's Memorandum to the Commission of November 2, 1988 regarding the Debt Settlement request of Matthew Hatchadorian on file with the Commission, Matt Hatchadorian also met with the General Counsel's staff on October 12, 1988. Respondents are not privy to the substance of this discussion.

Lawrence M. Noble, Esq.
April 27, 1989
Page 3

local bank which he contributed to the Committee in order to pay S & H. Mr. Hatchadorian claims that once S & H was paid this \$50,000, S & H would be owed no more. He asserts, therefore, that the indebtedness at issue in this matter resulted because an individual at S & H advanced funds without his approval. Finally, Mr. Hatchadorian portrayed the indebtedness to S & H as being \$179,210.70 of which the Committee has paid \$55,350.³ With respect to this debt, the Commission finds that the Committee managed to raise only \$5,350 from December, 1984 to April, 1988, all of which was paid to S & H towards defraying the debt.

On the basis of these facts the Commission questions whether the initial extension of credit by S & H was made in the ordinary course of its business practices. The Commission finds that the expenditures to pay for the Committee's media campaign in the last days of the campaign, which assertedly were not authorized by Matt Hatchadorian, constituted prohibited corporate contributions under 2 U.S.C. § 441b. Additionally, the Commission found that post-

³ The Commission's Factual and Legal Analysis states that the Committee had an outstanding debt of \$129,211 of which it paid \$5,350 to Respondents, thus creating a debt forgiveness of ninety-six percent. The Commission, unlike Matt Hatchadorian, did not include Matt Hatchadorian's loan to the Committee as part of the Committee's indebtedness to S & H.

Lawrence M. Noble, Esq.
April 27, 1989
Page 4

election fundraising services provided by S & H to help the Committee retire its debt (a Deukmejian mailing in particular) constituted in-kind corporate contributions by S & H, also in violation of 2 U.S.C. § 441b.

II. DISCUSSION

A. The Factual Record

Mr. Hatchadorian's version of the facts of this matter has been incorporated in the Commission's analysis up to this point. A review of the Committee's disclosure reports on file with the Commission, in addition to the invoices itemizing the debt owed to S & H by the Committee (Attachment A), and an accurate depiction of the daily operation of the campaign provided by the affidavit of Mark Harroff, will complete the factual record and circumstances upon which this matter should be reviewed.

There is no disagreement as to the contents of the consulting agreement between Matt Hatchadorian and S & H. Furthermore, it is beyond dispute that a substantial amount of any contested campaign's expenditures occur in the days immediately prior to the election. The disagreement in this matter, therefore, is with respect to: whether the consulting agreement between S & H and Matt Hatchadorian was adhered to, thereby creating authorized debt; what expenses constitute

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the debt; and S & H's contemporaneous expectation of repayment at the time the debt was incurred and thereafter.

As a preliminary matter, we note that the Committee paid S & H \$337,588.11 from January 23 through November 2, 1984 under the consulting agreement, supplemented by an additional \$6,400.61 since the election.⁴ Viewed against this background, the debt currently outstanding consists of only 26% of the amount expended by Respondent pursuant to its contract with the Committee. Given the Committee's payment record, S & H had no reason to believe that it would not be paid in full for its work on behalf of the Committee. In fact, as seen below, S & H had every expectation that it would be paid.

Mr. Hatchadorian claims that not only was the \$129,211 in post-election debt unauthorized, but that it was all incurred in the last days of the campaign. In fact, between \$40,000 and \$50,000 of this debt was for services specified in the contract, such as consulting fees, creative fees, or for expenses incurred in October 1984 prior to the "crisis" time of the campaign. See Attachment A. Mr. Hatchadorian lumps these fees, of which he was aware and had contracted to

⁴ At no time since the 1984 election did Matt Hatchadorian or the Committee indicate that the debt owed to S & H was in any way disputed.

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April 27, 1989
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pay, into last minute expenditures, and claims for the purposes of debt settlement only that they were not authorized.

The remaining expenditures (those actually incurred during the last days of the campaign) also were authorized. Mark Harroff, the individual at S & H responsible for overseeing the Committee's account "conferred with Matt Hatchadorian on a daily basis throughout the campaign, including the last days of the campaign." Affidavit of Mark Harroff in MUR 2789 (hereinafter "Harroff Aff.") at ¶¶ 1, 2. Attachment B. As a result of this constant contact, Matt Hatchadorian "was fully aware of the components of the campaign which were being undertaken by S & H on the Committee's behalf." Further, Matt Hatchadorian regularly told Mark Harroff that whatever he thought "needed to be done should be done." Id. at ¶ 3, 4.

Although Mark Harroff had the authority to make whatever expenditures he thought necessary to win the campaign, "Matt Hatchadorian was kept fully abreast of the many activities being undertaken by S & H on the Committee's behalf" during the last ten days of the campaign. Id. at ¶ 5. Clearly, what happened is that "[e]verything done by S & H on behalf of the Committee, including activities undertaken in the last ten days of the campaign, was authorized by Matt Hatchadorian

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and was consistent with the delegation of authority given by Matt Hatchadorian to [Mark Harroff] as a representative of S & H throughout the campaign." Id. at ¶ 6.

Next, Mr. Hatchadorian stated in his debt settlement request that he had taken out a personal loan which he contributed to the campaign so that it could pay S & H. Again, contrary to Matt Hatchadorian's representation, the Committee's 1984 Post-General Election Report itemizes this \$50,000 "contribution" as a loan to the Committee. Moreover, the Committee paid Mr. Hatchadorian \$20,000 toward this loan on November 26, 1984, before the Committee even began raising money to pay its debts.

The Commission also mistakenly may believe that Mr. Hatchadorian, in all of his fundraising efforts from December 1984 through early 1988, managed to raise only \$5,350, all allegedly paid to S & H toward its debt. Here again, the Committee's reports show that from December 1, 1984 through December 31, 1986 (since which time the Committee has made no payments to S & H), the Committee raised approximately \$50,000. But, contrary to an explicit promise made to S & H that it would be the first to be paid, ("I was personally assured by Matt Hatchadorian just before the 1984 general election that S & H would be paid, and that it would be the first to be made whole" Id. at ¶ 7 [emphasis added]), the

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remaining \$30,000 of Mr. Hatchadorian's loan was retired by the Committee, and virtually every other Committee creditor was paid. Mark Harroff was "unaware until after the fact that rather than paying its debt to S & H, the Committee paid Matt Hatchadorian back for the \$50,000 loan he made to the Committee." Id. at ¶ 9.

On April 13, 1989, Mr. Hatchadorian sent a letter to S & H stating that "[o]n April 11, 1989, I was notified by the Federal Elections [sic] Commission that our application for debt settlement has been approved and that The Hatchadorian for Congress Committee has been terminated." Attachment C. The attorney responsible for this matter has informed counsel that Matt Hatchadorian's debt settlement request with regard to S & H has not been approved, and that the Hatchadorian for Congress Committee has not been terminated. In addition, the public record reflects no such actions.

B. The Law

The Debt Was Extended In The Ordinary Course Of
S & H's Business

As stated above, the Commission's finding in this matter is based on the belief that S & H did not adhere to the provisions of its consulting agreement with the Committee and thus made corporate contributions to the Committee:

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Regardless of Mr. Smith's lack of knowledge about this incident, the fact remains that S & H did not obtain authorization from Mr. Hatchadorian before making substantial expenditures on behalf of his campaign. Such authorization was required by the consulting agreement, and it apparently was the policy of the company not to extend credit to its clients. It thus appears that S & H did make an advance to the Committee in connection with the Hatchadorian campaign. Therefore, there is reason to believe that S & H violated 2 U.S.C. § 441b by making \$129,211 in unauthorized expenditures in connection with the election in which Mr. Hatchadorian was a candidate.

Factual and Legal Analysis at p. 5

Contrary to the Commission's preliminary conclusions, S & H had complete authorization to make expenditures on behalf of its client, the Hatchadorian campaign. See Harroff Aff. at ¶¶ 2-6. Mark Harroff spoke with Matt Hatchadorian on a daily basis, he kept him informed about the components of the campaign and its implementation, and he was told repeatedly that whatever needed to be done should be done. Id. Responsibility was clearly delegated to Mark Harroff by Matt Hatchadorian as the representative of Smith & Harroff overseeing the Hatchadorian account.

Other Hatchadorian admissions are also relevant here. Matt Hatchadorian acknowledges that the polls taken near the end of the campaign indicated that Hatchadorian had taken the

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lead and he could win the election. Hatchadorian also states that his opponent unleashed a barrage of last minute media against him. See Factual and Legal Analysis at p. 2. Given these factors, it defies common sense to assert that at this crucial time of the campaign Matt Hatchadorian would suddenly prevent Mark Harroff from doing what needed to be done to win the election. Clearly Matt Hatchadorian intended for this delegation of authority to extend through the end of the campaign, and did not attempt to stop S & H from exercising its professional judgement in order to win the election.

Moreover, S & H had every expectation of being paid for its services to the campaign. Through November of 1984, S & H had already been paid \$337,588.11 and understood from Matt Hatchadorian that it would be made whole for all of the services and fees expended as authorized under the contract. See Harroff Aff. at ¶¶ 7-8. Matt Hatchadorian "always acknowledged the debt owed to S & H during and after the campaign." Id. at ¶ 10. As seen from the Committee's own reports, it had the resources to pay S & H almost \$70,000 of the remaining debt. Nonetheless, Matt Hatchadorian paid \$50,000 of these funds to himself, and used the additional \$20,000 to pay his other creditors contrary to his representations that S & H "would be the first to be made whole." Id. at ¶ 7.

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Furthermore, while S & H previously indicated that it was not its policy to extend credit to its clients this was in fact not the first time it had done so. Indeed, the "extension of credit by S & H to a campaign such as Hatchadorian's was not unique for S & H," nor are such extensions of credit unusual in the industry as a whole. Affidavit of J. Brian Smith in MUR 2789 (hereinafter "Smith Aff.") at ¶ 5. Attachment D. "As an example, S & H had a consulting agreement with John Sununu for his [1982] Gubernatorial contest similar to the agreement with Matt Hatchadorian. Governor Sununu's post-election debt was approximately \$115,000, virtually the same amount of debt owed to S & H by Hatchadorian. In both of these cases S & H had the expectation of being paid for its services and was assured that it would be repaid. The only difference is that John Sununu did pay S & H, and Matt Hatchadorian did not." Id. at ¶¶ 6-8.

It was within the ordinary course of business for S & H to extend this amount of credit to a campaign.⁵ Accordingly,

⁵ In addition, it is far from unique for a candidate to have a substantial amount of vendor debt at the end of a campaign. For example, the Friends of Mark Green showed a debt in excess of \$237,000 after his failed bid in 1986, of which nearly \$200,000 was vendor debt. This is only one of many such examples.

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since the premise upon which the FEC finding is based is incorrect, it becomes obvious that there was no advance issued to the Committee, but a permissible extension of credit within 11 C.F.R. § 114.10. These expenditures were authorized at all times. Thus, they were undertaken in the ordinary course of business, and do not violate the provisions of 2 U.S.C. § 441b.

Post-Election Services

The Commission also concludes that "the free post-election services S & H provided to the Committee constituted in-kind contributions to the Committee" in violation of 2 U.S.C. § 441b. Factual and Legal Analysis at p. 6. Again, however, the Commission was regrettably left with an erroneous impression regarding these services.

First, "the only reason that S & H provided any post-election services to Hatchadorian was to help the Committee raise the money it owed S & H." Smith Aff. at ¶ 10. Moreover, the Committee actually "paid for the cost of printing and mailing connected with the Deukmejian mailing," id. at ¶ 10, and reported these expenditures on its 1985 Mid-Year report. These fundraising services were, therefore, not provided for free.

Furthermore, whether or not S & H was paid for the post-election services provided to Hatchadorian in order to

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collect its debt, these expenditures are no different than if S & H hired an attorney to sue Hatchadorian to collect its debt. The Commission would obviously not consider funds expended to collect on a debt as a prohibited contribution by S & H.

Finally, in reviewing the debt settlement between the Committee and Market Opinion Research ("MOR"), the Commission concluded that even though MOR assisted in post-election fundraising activities on behalf of the Committee, there was no "apparent violation of the FECA or Commission regulations." See Certification of Nov. 4, 1988 in DSR 88-25. At that time, the Commission apparently believed that S & H had provided more substantial services to the Committee for free than had MOR. But, as seen above, S & H actually got paid for post-election services to the Committee. As a result, these post-election services were not prohibited corporate contributions to the Committee.

III. CONCLUSION

The facts of this Matter make clear that the actions of S & H on behalf of Hatchadorian were all authorized pursuant to the consulting agreement between these parties and the delegation of authority given Mark Harroff by Matt Hatchadorian. Further, the evidence establishes that this

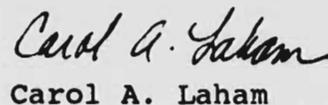
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activity was in the ordinary course of business for S & H. In addition, S & H was paid for the cost of printing and mailing services connected with the post-election fundraising activities of the Committee. Respondents, therefore, did not make any contribution to the Committee in violation of 2 U.S.C. § 441b.

Accordingly, the General Counsel should recommend no probable cause to believe that Respondent violated the Act.

Sincerely,


Jan W. Baran


Carol A. Laham

Counsel for Smith & Harroff, Inc.

cc: J. Brian Smith

RESPONSE OF SMITH & HARROFF, INC.
TO THE INTERROGATORIES OF THE
FEDERAL ELECTION COMMISSION IN MUR 2789

QUESTION 1

Mark Harroff apparently did not receive authorization from Matthew Hatchadorian before making expenditures totalling \$129,211 on behalf of Hatchadorian for Congress (the "Committee"). State whether Mr. Harroff obtained the authorization of Smith & Harroff before making the expenditures, and identify the individual who gave such authorization to Mr. Harroff.

RESPONSE TO QUESTION 1

Contrary to the assumption of this question that Mark Harroff did not receive authorization from Matt Hatchadorian before making the expenditures at issue, Mark Harroff states in his affidavit attached to this response that "[e]verything done by S & H on behalf of the Committee, including activities undertaken in the last 10 days of the campaign, was authorized by Matt Hatchadorian and was consistent with the delegation of authority given by Matt Hatchadorian to me as a representative of S & H throughout the campaign."

Affidavit of Mark Harroff in MUR 2789 at ¶ 6.

QUESTION 2

Estimate the value of each of the following post-election services Smith & Harroff provided to the Committee:

- a. assistance in writing fundraising letters;

- b. contacting political action committees;
- c. contacting political personalities to determine if they would appear at fundraising events; and
- d. coordinating the Governor Deumekjian mailing (drafting the letter; securing the approval of the Governor; obtaining mailing lists; and executing the mailing.)

RESPONSE TO QUESTION 2

Contrary to my previous representation to the Federal Election Commission that Smith & Harroff did not receive compensation for services rendered following the Hatchadorian campaign, attached find two invoices for post-election printing, postage, and mailing expenses incurred by S & H on behalf of Matt Hatchadorian. These invoices were paid in full by the Committee as indicated on its 1985 Year-End Report. Beyond this, I have no way of estimating the costs of any other services which may have been provided to the Committee because I do not know the extent of these activities.

QUESTION 3

If you are unable to provide estimates for the services listed in Question 2 above, provide the dollar amount Smith & Harroff typically charges its political clients for such services.

RESPONSE TO QUESTION 3

See Response to Question 2 above.

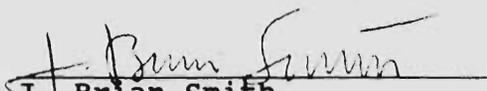
QUESTION 4

State whether any individual employed by Smith & Harroff provided post-election services to the Committee as a volunteer. If yes, provide the following:

- a. identify the individual(s); and
- b. state the amount of any compensation Smith & Harroff paid to such individual(s) for services rendered.

RESPONSE TO QUESTION 4

No individual, to my knowledge, provided post-election services to the Committee as a volunteer.



J. Brian Smith
President, Smith & Harroff, Inc.

ALEXANDRIA, VIRGINIA

Signed and sworn to before me

this 26 day of April, 1989.



Christine M. Smith
Notary Public

My Commission Expires: _____

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Smith & Harroff, Inc.

OCTOBER 1, 1985

918 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 646-1160

M*E*M*O

Hatchadorian for Congress Committee
1032 West Mill Drive
Highland Heights, Ohio 44143

INVOICE #28-0076

FOR PROFESSIONAL SERVICES

Misc. Intown Expenses:

9/24/85	Smith Graphics - 2nd printing of Deukmejian mailing packet of 800 pieces	\$ 322.23
9/27/85	Postmaster of D.C. - stamps for mailings re: Deukmejian	\$ 354.20
	TOTAL	<u>\$ 676.43</u>

PAID IN FULL 10/1/85 CHECK #1056 DATED 9/26/85

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Smith & Harroff, Inc.

July 2, 1985

818 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2188
(202) 548-1180

Hatchadorian for Congress Committee
1032 West Mill Drive
Highland Heights, Ohio 44143

INVOICE #28-0075

FOR PROFESSIONAL SERVICES

JANUARY - MAY 1985 EXPENSES

12/15/84 - 3/14/85	C&P/AT&T Itemized Telephone Service	\$ 61.60
12/21/84 - 5/20/85	TDX Systems, Inc. Itemized Telephone Service	259.24
2/1 - 4/30/85	Misc. Duplicating & Postage	23.40
3/8/85	WERE-AM Radio (Cleveland, Ohio) refund received for ads missed 10/31 - 11/6/84	(66.00)
4/15 & 4/17/85	All State Courier, bills for 2 intown deliveries	16.22
4/25/85	Mike Winn, taxi with Hatchadorian intown	6.00

NET 30 TOTAL DUE \$ 300.46

Please remit "Attention: Bookkeeping".

Service Charge 1 1/2% per month past due.

507/10/85

422 - \$ 310.26
504 - \$ 9.20

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Smith & Harroff, Inc.

August 2, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Attention: Mr. Tom Wolfe
Campaign Manager

INVOICE #28-0025

FOR PROFESSIONAL SERVICES

Second one-half creative fee, due per agreement 9/1/84 \$ 7,500.00

NET 30 TOTAL DUE \$ 7,500.00

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

330040790251

Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

October 1, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0042

FOR PROFESSIONAL SERVICES

Consulting Fee for October 1984 \$ 1,500.00

NET 30 TOTAL DUE \$ 1,500.00

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

44070252

Smith & Harroff, Inc.

October 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 548-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0047

FOR PROFESSIONAL SERVICES

10/5/84 DETROIT EVENT PRODUCTION EXPENSES

9/20 - 9/21/84 Amity Rubber Stamp Co., bills for return address rubber stamps for invitations	\$ 19.28
9/18/84 Catterton Printing Company, bill for printing event invitations	295.77*
9/20/84 Catterton Printing Company, bill for invitation and return envelopes	540.60*
9/21/84 Smith Graphics, bill for printing RSVP cards	55.97*
9/24/84 Republic Airlines, bill for air freight of above to Detroit	42.27*

TOTAL DUE NET UPON RECEIPT \$ 953.89 (1120)

ad. 7/25 1984
*Indicates Receipts Attached.
Service Charge 1½% per month past due.
Please remit "Attention: Bookkeeping".

Cal. Exp

(65000)
\$ 333.32

Smith & Harroff, Inc.

October 24, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2139
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0057

FOR PROFESSIONAL SERVICES

Additional Consulting Fee for October 1984,
due November 7, 1984 \$ 5,500.00

TOTAL \$ 5,500.00

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

October 25, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0058

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

10/30 - 11/5/84 Television advertising placements per
attached itemized list \$ 42,230.00

TOTAL DUE NET UPON RECEIPT \$ 42,230.00

Attachment.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, ect.).

40790255

Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2155
(202) 545-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0059

FOR PROFESSIONAL SERVICES

TV MARKET ANALYSIS EXPENSE

10/4/84 Multi Media Services Corporation, bill for
television AID analysis for Ohio's 19th
Congressional District \$ 708.50*

TOTAL DUE NET UPON RECEIPT \$ 708.50

*Indicates Receipt Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

3304070256

Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2191
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0060

FOR PROFESSIONAL SERVICES

WORD PROCESSING

10/18/84 Preparation of 257 2-page Marshall Wright PAC
follow-up letters (each \$1.25) \$ 321.25

TOTAL DUE NET UPON RECEIPT \$ 321.25

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0061

FOR PROFESSIONAL SERVICES

BROCHURE PRODUCTION EXPENSE

10/24/84 Fine Impressions, Inc., bill for preparation
of camera-ready copy of 8-page tabloid \$ 1,641.00*

TOTAL DUE NET UPON RECEIPT \$ 1,641.00

*Indicates Receipt Attached.
Service Charge 1½% per month past due.
Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2190
(202) 546-1150

October 31, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0062

FOR PROFESSIONAL SERVICES

NEWSPAPER AD PLACEMENT

10/26/84 placement of "Domenici" ads for 11/1/84
issues of "Sun Messenger" & "Sun Leader
Journal" (Cleveland, Ohio) \$ 621.60

TOTAL DUE NET UPON RECEIPT \$ 621.60

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

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Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue S.E.
Washington, D.C. 20003-2192
(202) 545-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0063

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

10/26 - 10/29/84 Radio ad placements for broadcasts
10/24 - 11/6/84 per attached itemized list,
including adjustment for WBBG-AM previously
billed per S&H Invoice #28-0056 \$ 4,372.00

TOTAL DUE NET UPON RECEIPT \$ 4,372.00

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

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Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2192
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0064

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

10/31/84 Radio ad placements for broadcasts 10/31-11/6/84
per attached itemized list \$ 6,331.60

TOTAL DUE NET UPON RECEIPT \$ 6,331.60

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

100 - 24000
100 - 54300

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Smith & Harroff, Inc.

November 1, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2149
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0065

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

11/1 - 11/5/84 broadcasts for television advertising
placements per attached itemized list \$ 43,041.00

TOTAL DUE NET UPON RECEIPT \$ 43,041.00

Attachment

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, ect.).

11/2 - 11/5/84

11/2 - 11/5/84

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Smith & Harroff, Inc.



November 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0066

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

11/3 - 11/6/84 Radio advertising placements per attached
itemized list (adjusted for payments made directly
to stations by the campaign) \$ 549.39

TOTAL DUE NET UPON RECEIPT \$ 549.39 (7504)

Attachment.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report all S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

11/14

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Smith & Harroff, Inc.



November 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2138
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0067

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

11/2 - 11/5/84 Additional television advertising placements
and prior period adjustments (adjusted for payments made
directly to stations by the campaign) as follows:

10/1 - 10/7/84 broadcasts, WKYC-TV (Cleveland, Ohio) additional due to rate change	\$ 100.00
10/4/84 broadcast, WEWS-TV (Cleveland, Ohio) additional spot not previously billed	1,600.00
11/5/84 broadcasts, WKYC-TV (Cleveland, Ohio) additions (\$9,000.00 less \$7,650.00 paid by campaign)	1,350.00
11/5/84 broadcasts, WEWS-TV (Cleveland, Ohio) additions (\$4,670.00 less \$3,969.50 paid by campaign) ... \$ 700.50 Less refund due for cancellations after payment <u>(500.00)</u>	200.50

TOTAL DUE NET UPON RECEIPT \$ 3,250.50

1122 - \$ 1,020.00
2134 - \$ 2,230.50

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report all S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

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Smith & Harroff

Smith & Harroff, Inc.

November 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0068

FOR PROFESSIONAL SERVICES

NEWSPAPER AD PRODUCTION EXPENSES

10/9/84	Fine Impressions, Inc., bill for preparation of artwork for ad donated by Jaycees	\$ 132.00*
10/12/84	Mr. Farhud Batmanglich, bill for preparation of "Who speaks for you?" ad artwork for 10/26/84 issue "Catholic Universe Bulletin"	415.32*
10/19/84	Mr. Farhud Batmanglich, bill for preparation of "Boschwitz" ad artwork for 10/19/84 issue "Cleveland Jewish News"	508.50*
10/24/84	Mr. Farhud Batmanglich, bill for revisions of "Catholic Universe Bulletin" ad artwork	178.32*
10/31/84	Fine Impressions, Inc., bill for preparation of "Domenici" ad artwork for 11/1/84 issues of the "Sun Messenger" and "Sun Leader Journal"	294.00*

TOTAL DUE NET UPON RECEIPT \$ 1,528.14

*Indicates Receipts Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

11/14/84

5650704079

Smith & Harroff, Inc.

November 13, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0069

FOR PROFESSIONAL SERVICES

TOTAL \$ 6,795.79

OCTOBER 1984 EXPENSES

Misc. Intown & Office Expenses:

8/30 - 10/18/84	Federal Express Corporation, bills for 73 deliveries	\$ 1,018.81
9/15 - 10/14/84	C&P/AT&T Itemized Telephone Service, including Calling Card & Telecopier calls	1,186.04
9/21 - 10/20/84	TDX Systems, Inc. Itemized Telephone Service	761.66
9/26 - 10/23/84	All State Courier, bills for 37 intown deliveries	357.33
10/1 - 10/31/84	Duplicating (2,498 copies @10¢)	249.80
10/1 - 10/31/84	Misc. Postage & Express Mail	120.95
10/3 - 10/30/84	Misc. intown deliveries, FEC reports, parking, mileage, etc.	40.78
10/8/84	Federal Express Corporation, bill for "Zap" mail	34.00
10/9/84	Musifex, Inc., bill for dupe of taped Feighan interview .	12.00
10/10/84	Pro-Typists, Inc., bill for transcribing WJW radio interview	130.34*
10/16/84	Emery Worldwide, bill for air freight of stationery	42.00
10/21/84	United Airlines, bill for air freight of tabloid artwork	49.35
10/31/84	United Arilines, bill for air freight of TV ad tapes ...	49.35

*Indicates Receipts Attached.

(continued)

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Hatchadorian for Congress Committee
Invoice #28-0069
November 13, 1984

Smith & Harroff, Inc.

Travel Expenses:

9/22 - 9/25/84 Mark R. Harroff trip to Cleveland,
delayed charge only (balance of trip expenses
previously billed per Invoice #28-0054):

Auto Rental \$ 77.64* \$ 77.64

10/4 - 10/21/84 Mary Ellen Joyce expenses, including
Cleveland-D.C.-Cleveland 10/19-10/22/84:

Airfare \$ 238.00*
Lodging (10/14 - 10/20/84) 588.00*
Meals (with campaign staff) 40.03
Cleveland parking 13.00
D.C. Airport Taxis 19.00 898.03

10/12/84 Daniel J. Kalinge trip to Cleveland:

Airfare \$ 302.00*
Auto Rental 42.81*
D.C. Airport Parking 6.00*
Misc. Cleveland parking & telephone 2.50 353.31

10/18 - 10/19/84 Mark R. Harroff trip to Cleveland:

Airfare (only RT "coach" billed) \$ 302.00*
Lodging (telephone charges only) 26.53 328.53

10/18 - 10/19/84 Daniel J. Kalinge trip to Cleveland:

Airfare (only RT "coach" billed) \$ 302.00*
Auto Rental 95.62*
Lodging & Meals 124.15*
Misc. parking, airport taxis, etc. 12.10 533.87

10/21 - 11/3/84 Mary Ellen Joyce lodging only \$ 552.00* 552.00

NET 30 TOTAL DUE \$ 6,795.79

*Indicates Receipts Attached.
Service Charge 1½% per month over 30 days.
Please remit "Attention: Bookkeeping".

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December 5, 1984

Hatchadorian for Congress Committee
 4469 Mayfield Road
 South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0070

FOR PROFESSIONAL SERVICES

TOTAL \$ 12,783.68

TV AD PRODUCTION EXPENSES

7/25-7/26/84	The Magus Corporation, 10/25/84 bill for extra film shot for Ohio location filming	\$ 560.00*
9/21/84	Capitol Video Communications, Inc., 9/25/84 bill for dubs of "Bio":60	261.93*
9/21-9/26/84	Misc. Parking & other travel expenses for editing, etc.	25.13
9/26/84	The Magus Corporation, 11/6/84 bill for dubs of "Defense":30	125.00*
9/27/84	Capitol Video Communications, Inc., 9/28/84 bill for dubs of "Taxes":30	83.74*
9/29/84	Musifex, Inc., bill for messenger regarding "Taxes":30 and "Defense":30 recording	11.00
10/4/84	Capitol Video Communications, Inc., 10/11/84 bill for dubs of "Taxes":30 and "Defense":30	148.40*
10/10/84	Paul Anthony, Inc. narration of "Unemployment":30	309.80
10/11/84	Capitol Video Communications, Inc., 10/18/84 bill for dubs of "Taxes":30 and "Jobs":30	116.60*
10/16/84	Capitol Video Communications, Inc., 10/19/84 bill for dubs of "Unemployment":30	391.14*
10/17/84	Capitol Video Communications, Inc., 10/18/84 bill for additional dubs of "Unemployment":30	57.24*
10/22/84	Paul Anthony, Inc. narration of ten-second ads "Rescue", "Mondale", "Arms Race", "Budget" and "Death Penalty"	1,549.04

*Indicates Receipts Attached.

(continued)

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Hatchadorian for Congress Committee
Invoice #28-0070
December 5, 1984

Smith & Harroff, Inc.

Page 2 of 2

10/22/84	Soundwave, Inc., 10/23/84 bill for recording ten-second ads	\$ 53.00*
10/24/84	Capitol Video Communications, Inc., 10/26/84 bill for supervised film transfer, etc. for "Seniors":30	329.85*
10/25/84	Capitol Video Communications, Inc., 10/29/84 bill for editing, dubs, etc. for ten-second spots	2,578.62*
10/26/84	Paul Anthony, Inc. narration of "Seniors":30 (version #1) ..	309.80
10/26/84	Paul Anthony, Inc. narration of "Seniors":30 (#2 & #3)	577.61
10/26/84	Soundwave, Inc. bill bill for recording "Seniors":30	79.50*
10/29/84	Capitol Video Communications, Inc., 10/31/84 bill for dubs, etc. "Seniors":30	1,141.35*
10/31/84	Capitol Video Communications, Inc., bill for dub of "Leadership":30	26.50
11/3/84	Paul Anthony, Inc. narration of "Lies":30	309.80
11/3/84	Capitol Video Communications, Inc., 11/8/84 bill for recording, editing, dubs, etc. "Lies":30	3,588.63*
11/6/84	The Magus Corporation, bill for scene selection for "Seniors":30	150.00*

TOTAL DUE NET UPON RECEIPT \$ 12,783.68

*Indicates Receipts Attached.

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2193
(202) 546-1150

December 5, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0071

FOR PROFESSIONAL SERVICES

TOTAL \$ 2,808.79

RADIO AD PRODUCTION EXPENSES

9/7 - 10/26/84	Misc. materials, parking, taxis, etc. for editing	\$ 35.30
10/10/84	Paul Anthony, Inc. narration of "Crime":60, "Fagin":60 and "B-1 (revised)":60	435.86
10/10/84	Soundwave, Inc., 10/15/84 bill for recording "Crime":60, "Fagin":60 and "B-1 (revised)":60 (includes charges for recording "Unemployment":30 TV ad)	121.90*
10/10/84	Soundwave, Inc., 10/15/84 bill for dubs, etc. of "Crime":60, "Fagin":60 and "B-1 (revised)":60	236.73*
10/17/84	Paul Anthony, Inc. narration of "Defense":60, "Crime (revised)":60 and "Stealth":60	425.65
10/20/84	Soundwave, Inc., 10/23/84 bill for additional dubs of "Fagin":60	131.44*
10/22/84	Musifex, Inc. bill for recording and dubs of "Defense":60, "Crime (revised)":60 and "Stealth":60	249.65*
10/22/84	Soundwave, Inc., 10/23/84 bill for remixing and dubs of "Crime (revised)":60	85.86*
10/26/84	Paul Anthony, Inc. narration of "Hide & Seek":60 and "Rescue":30	290.57
10/26/84	Soundwave, Inc. bill for recording and dubs of "Hide & Seek":60 and "Rescue":30	221.54*
10/29/84	Paul Anthony, Inc. narration of "Hide & Seek (revised)":60 ..	140.18
10/31/84	Paul Anthony, Inc. narration of "Halloween":30	145.28

*Indicates Receipts Attached.

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Hatchadorian for Congress Committee
Invoice #28-0071
December 5, 1984

Smith & Harroff, Inc.

Page 2 of 2

10/31/84	Paul Anthony, Inc. narration of "Facts":60	\$ 145.28
11/1/84	Musifex, Inc. bill for recording "Halloween":30 and "Facts":60, dubs of both and dubs of "Facts":60 only	143.55*

TOTAL DUE NET UPON RECEIPT \$ 2,808.79

*Indicates Receipts Attached.

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

December 5, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 3

INVOICE #28-0072

FOR PROFESSIONAL SERVICES

TOTAL \$ 6,119.55

NOVEMBER 1984 EXPENSES

Misc. Intown & Office Expenses:

10/15 - 11/2/84	Federal Express Corporation, 48 delivery bills	\$ 695.53
10/15 - 11/14/84	C&P/AT&T Itemized Telephone Service, including Calling Card & Telecopier calls	1,070.20
10/21 - 11/20/84	TDX Systems, Inc. Itemized Telephone Service	756.83
10/25 - 11/6/84	All State Courier, 7 delivery bills	64.08
11/1 - 11-30/84	Duplicating (527 copies @10¢)	52.70
11/1 - 11/30/84	Misc. Postage	10.23
11/4/84	United Airlines air freight of "Lies":30 TV ad dubs to Ohio .	49.35

Misc. Production Expense:

11/6/84	U.A.B. Productions, 11/20/84 bill for election eve filming ..	603.32*
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Travel Expenses:

10/26 - 10/27/84	Mark R. Harroff delayed charges for trip to Cleveland:	
	Airfare	\$ 151.00* 151.00

*Indicates Receipts Attached.

(continued)

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10/27 - 11/8/84 Robert H. Bradner trip to Cleveland,
including 11/1/84 trip to Columbus:

Airfare (D.C.-Cleveland-D.C.)	\$ 302.00*	
Airfare (Cleveland-Columbus-Cleveland)	142.00*	
Lodging (for 11/6 only)	72.00*	
Misc. meals	14.00	
Parking (includes \$9.50 no receipt)	14.00*	
Cleveland Airport Taxis	20.00	
Gasoline (includes \$10.00 no receipt)	36.00*	
Telephone & office supplies (includes \$7.90 NR)	<u>18.57</u>	618.57

11/1 - 11/2/84 Daniel J. Kalinge trip to Cleveland:

Airfare	\$ 260.00*	
Auto Rental	107.19*	
Lodging	79.12*	
Meals	10.17*	
Parking - Cleveland	6.00*	
Misc. gratuities, metros, D.C. parking, etc. ..	<u>5.35</u>	467.83

11/4 - 11/7/84 Mike Winn trip to Cleveland:

Airfare	\$ 178.00*	
Auto Rental	114.75*	
Lodging	200.25*	
D.C. Airport Taxi & misc. gratuities	<u>13.00</u>	506.00

11/4 - 11/7/84 Mary Ellen Joyce Cleveland expenses:

Airfare (Cleveland-D.C.)	\$ 109.00*	
Lodging & Meals (includes \$76.00 NR 11/4-11/5)	159.26*	
Misc. Gratuities	<u>10.00</u>	278.26

11/5 - 11/7/84 Mark R. Harroff trip to Cleveland:

Airfare	\$ 302.00*	302.00
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*Indicates Receipts Attached.

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Hatchadorian for Congress Committee
Invoice #28-0072
December 5, 1984

Smith & Harroff, Inc.

Page 3 of 3

11/6 - 11/7/84 Daniel J. Kalinger trip to Cleveland:

Airfare	\$ 304.00*	
Auto Rental	44.62*	
Lodging	99.60*	
Meals (includes \$25.50 no receipt)	35.68*	
Misc. telephone, gratuities, etc.	<u>9.75</u>	493.65

NET 30 TOTAL DUE \$ 6,119.55

*Indicates Receipts Attached.
Service Charge 1½% per month over 30 days.
Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

December 5, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-G073

FOR PROFESSIONAL SERVICES

SURVEY EXPENSES

10/5/84 Market Opinion Research, bill for 300-sample survey \$ 4,800.00*
10/26/84 Market Opinion Research, bill for 300-sample survey 5,200.00*

TOTAL DUE NET UPON RECEIPT \$ 10,000.00

*Indicates Receipts Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

VOID 4/1/85 per Mark R. Harroff

on 1/15/85

(later, ...)

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BEFORE THE FEDERAL ELECTION COMMISSION

City of Washington)
District of Columbia) MUR 2789

AFFIDAVIT OF MARK HARROFF

MARK HARROFF being first duly sworn, deposes and says:

1. I am Mark Harroff. I was the individual responsible for overseeing the account which Smith & Harroff, Inc. ("S & H") has with Hatchadorian for Congress ("Committee") pursuant to a consulting agreement dated January 13, 1984.

2. As the representative of S & H responsible for the Hatchadorian campaign, I conferred with Matt Hatchadorian on a daily basis throughout the campaign, including the last days of the campaign.

3. I discussed with Matt Hatchadorian and he was fully aware of the components of the campaign which were being undertaken by S & H on the Committee's behalf.

4. Matt Hatchadorian regularly told me that whatever I thought needed to be done should be done.

5. During the last ten days of the campaign Matt Hatchadorian was kept fully abreast of the many activities

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being undertaken by S & H on the Committee's behalf. These activities included increased media and mail campaigns.

6. Everything done by S & H on behalf of the Committee, including activities undertaken in the last ten days of the campaign, was authorized by Matt Hatchadorian and was consistent with the delegation of authority given by Matt Hatchadorian to me as a representative of S & H throughout the campaign.

7. I was personally assured by Matt Hatchadorian just before the 1984 general election that S & H would be paid, and that it would be the first to be made whole.

8. Any assistance provided the Committee after the election to help raise money was undertaken because I assumed, as I had been told, that S & H would be made whole, and that the money raised would come to S & H first.

9. I was unaware until after the fact that rather than paying its debt to S & H, the Committee paid Matt Hatchadorian back for the \$50,000 loan he made to the Committee. This was contrary to my understanding.

10. Finally, to my knowledge, Matt Hatchadorian has always acknowledged the debt owed to S & H during and after the campaign, through the time of my departure from S & H on January 1, 1987. Matt Hatchadorian never once stated to me

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that the debt at issue in this matter was not authorized. To the contrary, the debt incurred in this matter was authorized.


Mark Harroff

Signed and sworn to before me
this 25th day of April, 1989.


Notary Public

My Commission Expires: ~~My Commission Expires~~ April 14, 1991

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Vorys, Sater, Seymour and Pease

2100 One Cleveland Center • 1375 East Ninth Street • Cleveland, Ohio 44114-1734 • Telephone (216) 621-7221 • Telecopier (216) 621-6366

Arthur I. Vorys
1898-1973
Lowry P. Sater
1887-1928
Augustus T. Seymour
1873-1928
Edward L. Pease
1873-1928

In Columbus
12 Pearl (Old) Street
Post Office Box 10018
Columbus, Ohio 43210-1008

Telephone 614 464-8600
Telecopier 614 464-8330
Ruplan 614 404-11477
Telex 241748
CABLE VORYSATTN

In Washington
Suite 1111
1828 L Street, NW
Washington D. C. 20036-3104

Telephone 202 822-8200
Telecopier 202 828-0689
Telex 440393

In Cincinnati
Suite 2100 • Arrium Two
221 East Fourth Street
Post Office Box 0236
Cincinnati, Ohio 45201-0236

Telephone 513 421-8777
Telecopier 513 421-0107

April 13, 1989

Mr. J. Brian Smith
SMITH & HARROFF, INC.
11 Canal Center Plaza
Suite 104
Alexandria, Virginia 22314

Dear Jay:

On April 11, 1989, I was notified by the Federal Elections Commission that our application for debt settlement has been approved and The Hatchdorian for Congress Committee has been terminated.

The next time you are in Cleveland to visit corporate clients or for any other reason, please give me a call. I would like to get together for a drink and to have a chance to talk with you. Best personal regards.

Sincerely

Matthew J. Hatchdorian

MJH/dlb

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330407/0282

D

BEFORE THE FEDERAL ELECTION COMMISSION

County of Fairfax)
)
State of Virginia) MUR 2789

AFFIDAVIT OF J. BRIAN SMITH

J. BRIAN SMITH, being first duly sworn, deposes and says:

1. I am J. Brian Smith. I am the President of Smith & Harroff, Inc. ("S & H").

2. S & H is a consulting firm and has contracted with numerous political campaigns to provide campaign consulting services to the campaign committees in all aspects of their operations. These services include preparation of an issues briefing book for the candidate; preparation of an analysis of the record and philosophy of the candidate's opponent; preparation of a formal campaign game plan, including a fundraising plan, voter analysis and media plan; production and placement of campaign advertising; assistance with fundraising; and ongoing counsel on organization, press relations, etc. via monthly meetings at the candidate's headquarters and regular telephone consultations.

3. The consultant agreements often give S & H the "sole responsibility for preparing and placing all advertising materials in all media" as did the consultant agreement between S & H and Hatchadorian for Congress at ¶ 5.

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4. I am familiar with the finding by the Federal Election Commission ("Commission") in Matter Under Review 2789 that S & H's extension of credit to Matt Hatchadorian was not in the ordinary course of business for S & H.

5. Upon receipt of this enforcement matter from the Commission I have further reviewed S & H's records with regard to similar contracts with political campaigns. Upon review, I realized that I was mistaken in informing the Commission that S & H does not generally extend credit of this nature. In fact, the extension of credit by S & H to a campaign such a Hatchadorian's was not unique for S & H.

6. As an example, S & H had a consulting agreement with John Sununu for his Gubernatorial contest similar to the agreement with Matt Hatchadorian.

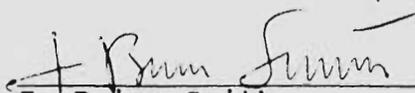
7. Governor Sununu's post-election debt was approximately \$115,000, virtually the same amount of debt owed to S & H by Hatchadorian.

8. In both of these cases S & H had the expectation of being paid for its services and was assured that it would be repaid. The only difference is that John Sununu did pay S & H, and Matt Hatchadorian did not.

9. I am also familiar with the Commission's finding that S & H provided Matt Hatchadorian with free post-election services which consisted in-kind contributions to the Committee.

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10. The only reason that S & H provided any post-election services to Hatchadorian was to help the Committee raise the money it owed S & H. In addition, upon further review of our records with regard to this account, I have discovered that S & H billed the Committee for the costs of printing and mailing in connection with the Deukmejian mailing which was aimed at raising money toward Matt Hatchadorian's debt settlement, and that the Committee paid the cost of printing and mailing connected with the Deukmejian mailing.



J. Brian Smith

Signed and sworn to before me
this 26 day of April, 1989.



Notary Public Christine M. Smith

My Commission Expires: My Commission Expires March 12, 1993

06C 3809

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

WILEY, REIN & FIELDING

89 AUG 21 AM 9:54

1776 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 429-7000

JAN W. BARAN
(202) 429-7330

August 18, 1989

TELECOPIER
(202) 429-7049
TELEX 248349 WYRN UR

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

Attn: Michael G. Marinelli, Esq.

Re: MUR 2789
Smith & Harroff, Inc.

Dear Mr. Noble:

Enclosed please find more legible copies of those invoices which comprise Exhibit A to the April 27, 1989 Response filed on behalf of Smith & Harroff, Inc. in Matter Under Review 2789. These duplicate copies of the invoices, requested by telephone on August 11, 1989 by Michael Marinelli of your office, have been provided so that the Office of General Counsel may ascertain which invoices the Hatchadorian for Congress Committee paid.

As is evident, with the exception of a small payment in July, 1985, the only payment made by the Hatchadorian for Congress Committee was for \$20,846.00 on November 2, 1984 in relation to invoice #28-0058 for television advertisements placed between October 30, 1984 and November 5, 1985, the so-called "crisis" period of the campaign. This is precisely the type of expenditure which Mr. Hatchadorian now claims was unauthorized. All other notations on these invoices are accounting codes used by Smith & Harroff which have no bearing on the amount of the debt in this matter. Additionally, please note that invoice #28-0073 was voided on April 1, 1985 as noted on that invoice because Mr. Hatchadorian was to pay Market Opinion Research, the vendor identified on that invoice, directly. The transaction which is the subject of that invoice is the very same transaction upon which the Commission has already approved debt settlement between Hatchadorian and Market Opinion Research.

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
89 AUG 21 PM 3:55

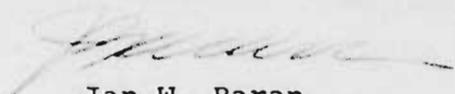
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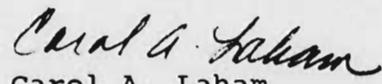
WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.
August 18, 1989
Page 2

Finally, Mr. Marinelli questioned the statement found at page 5 of the April 27, 1989 Response that "between \$40,000 and \$50,000 of this debt [\$129,211] was for services specified in the contract, such as consulting fees, creative fees, or for expenses incurred in October 1984 prior to the crisis time of the campaign." To clarify, Mr. Hatchadorian identified the "crisis" time of the campaign as the last 10 days of the campaign. It is transactions in these 10 days, from October 28 through November 6 which Mr. Hatchadorian claims were unauthorized. Mr. Hatchadorian concedes that transactions of less than \$500 were authorized by him upon signing the contract. The invoices reflect that consulting fees, creative fees, transactions under \$500, and transactions which took place prior to October 28 accounted for between \$40,000 and \$50,000 of the outstanding debt in this matter. It is within these parameters that Mr. Hatchadorian has failed to pay for between \$40,000 and \$50,000 of debt that Hatchadorian himself acknowledges were approved. Of course, as shown in our April 27, 1989 Response, all of the actions of Smith & Harroff on behalf of Hatchadorian were authorized pursuant to the consulting agreement between these parties and the delegation of authority given Mark Harroff by Matt Hatchadorian.

Sincerely,


Jan W. Baran


Carol A. Laham
Counsel for Smith & Harroff, Inc.

rpb
Encls.
cc: Mr. J. Brian Smith

82040710237

Smith & Harloff, Inc.



August 2, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Attention: Mr. Tom Wolfe
Campaign Manager

INVOICE #28-0025

FOR PROFESSIONAL SERVICES

Second one-half creative fee, due per agreement 9/1/84 \$ 7,500.00

NET 30 TOTAL DUE \$ 7,500.00

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

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October 1, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0042

FOR PROFESSIONAL SERVICES

Consulting Fee for October 1984 \$ 1,500.00

NET 30 TOTAL DUE \$ 1,500.00

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

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October 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2196
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0047

FOR PROFESSIONAL SERVICES

10/5/84 DETROIT EVENT PRODUCTION EXPENSES

9/20 - 9/21/84	Amity Rubber Stamp Co., bills for return address rubber stamps for invitations.....	\$ 19.28
9/18/84	Catterton Printing Company, bill for printing event invitations	295.77*
9/20/84	Catterton Printing Company, bill for invitation and return envelopes	540.60*
9/21/84	Smith Graphics, bill for printing RSVP cards	55.97*
9/24/84	Republic Airlines, bill for air freight of above to Detroit	42.27*

TOTAL DUE NET UPON RECEIPT \$ 953.89 (1122)

*Pa. 7/2/85 per Chk # 1053 +
credit inv. # 28-0073*

(620.57)

*Indicates Receipts Attached.
Service Charge 1 1/2% per month past due.
Please remit "Attention: Bookkeeping".

Bal. Due \$ 333.32

33040710290

Smith & Haroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

October 24, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0057

FOR PROFESSIONAL SERVICES

Additional Consulting Fee for October 1984,
due November 7, 1984 \$ 5,500.00

TOTAL \$ 5,500.00

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

per mt

23040770201

Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

October 25, 1984

Location

Cleveland, Ohio

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0058

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

10/30 - 11/5/84 Television advertising placements per
attached itemized list \$ 42,230.00

TOTAL DUE NET UPON RECEIPT \$ 42,230.00

(1122) Pd. by pt. wire rec'd. 11/2/84 (20,846.00)

bal. due \$ 21,384.00

Attachment.

1122- \$ 15,049.50 , 3504- \$ 6,334.50

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, ect.).

3 2 0 4 0 7 0 2 9 2

Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2196
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0059

FOR PROFESSIONAL SERVICES

TV MARKET ANALYSIS EXPENSE

10/4/84 Multi Media Services Corporation, bill for
television AID analysis for Ohio's 19th
Congressional District \$ 708.50*

TOTAL DUE NET UPON RECEIPT \$ 708.50

*Indicates Receipt Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

3 3 0 4 0 7 7 0 2 9 3

Smith & Harroff, Inc.

October 31, 1984

818 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2188
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0060

FOR PROFESSIONAL SERVICES

WORD PROCESSING

10/18/84 Preparation of 257 2-page Marshall Wright PAC
follow-up letters (each \$1.25) \$ 321.25

TOTAL DUE NET UPON RECEIPT \$ 321.25 (354)

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

8 9 0 4 0 7 7 0 2 9 4

October 31, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0061

FOR PROFESSIONAL SERVICES

BROCHURE PRODUCTION EXPENSE

10/24/84 Fine Impressions, Inc., bill for preparation
of camera-ready copy of 8-page tabloid \$ 1,641.00*

TOTAL DUE NET UPON RECEIPT \$ 1,641.00

*Indicates Receipt Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

3 9 7 4 0 7 7 0 2 9 5

Smith & Harroff, Inc.

816 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

October 31, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0062

FOR PROFESSIONAL SERVICES

NEWSPAPER AD PLACEMENT

10/26/84 placement of "Domenici" ads for 11/1/84
issues of "Sun Messenger" & "Sun Leader
Journal" (Cleveland, Ohio) \$ 621.60

TOTAL DUE NET UPON RECEIPT \$ 621.60

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

1122 - \$ 528.36
3504 - \$ 93.24

37040770296

Smith & Harroff, Inc.

October 31, 1984

818 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Vendor / Location	Invoice #	Amount
NATIONALITY BROADCASTING radio (Cleveland, OH)	10/21-11/6/84	\$ 270.00
FRANKYSEA, TONY [WELW-AM] radio (Cleveland, OH)	10/21-11/6/84	\$ 210.00
Hatchadorian for Congress Committee 4469 Mayfield Road South Euclid, Ohio 44121		
		INVOICE #28-0063

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

10/26 - 10/29/84 Radio ad placements for broadcasts
 10/24 - 11/6/84 per attached itemized list,
 including adjustment for WBBG-AM previously
 billed per S&H Invoice #28-0056 \$ 4,372.00

TOTAL DUE NET UPON RECEIPT \$ 4,372.00

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

1122 - \$ 3,716.20
 3504 - \$ 655.80

89040770297

Smith & Harroff, Inc.

October 31, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0064

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

10/31/84 Radio ad placements for broadcasts 10/31-11/6/84
per attached itemized list \$ 6,331.60

TOTAL DUE NET UPON RECEIPT \$ 6,331.60

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

1122 - \$ 5,381.86
3504 - \$ 949.74

89040770298

Smith & Harroff, Inc.

November 1, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0065

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

11/1 - 11/5/84 broadcasts for television advertising
placements per attached itemized list \$ 43,041.00

TOTAL DUE NET UPON RECEIPT \$ 43,041.00

Attachment

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, ect.).

1122 - \$ 36,584.85

3504 - \$ 6,456.15

33040770299

Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

November 8, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0066

FOR PROFESSIONAL SERVICES

RADIO AD PLACEMENTS

11/3 - 11/6/84 Radio advertising placements per attached
itemized list (adjusted for payments made directly
to stations by the campaign) \$ 549.39

TOTAL DUE NET UPON RECEIPT \$ 549.39 (3504)

Attachment.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report all S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

mailed 11/14

9 2 0 4 0 7 7 0 3 0 0

Smith & Harroff, Inc.

November 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0067

FOR PROFESSIONAL SERVICES

TV AD PLACEMENTS

11/2 - 11/5/84 Additional television advertising placements
and prior period adjustments (adjusted for payments made
directly to stations by the campaign) as follows:

10/1 - 10/7/84 broadcasts, WKYC-TV (Cleveland, Ohio) additional due to rate change	\$ 100.00
10/4/84 broadcast, WEWS-TV (Cleveland, Ohio) additional spot not previously billed	1,600.00
11/5/84 broadcasts, WKYC-TV (Cleveland, Ohio) additions (\$9,000.00 less \$7,650.00 paid by campaign)	1,350.00
11/5/84 broadcasts, WEWS-TV (Cleveland, Ohio) additions (\$4,670.00 less \$3,969.50 paid by campaign) ... \$ 700.50 Less refund due for cancellations after payment (500.00)	200.50

TOTAL DUE NET UPON RECEIPT \$ 3,250.50

1122 - \$ 1,020.00
3504 - \$ 2,230.50

Service Charge 1 1/2% per month past due.

Please remit "Attention: Bookkeeping".

Note: Please be sure to report all S&H ad placement bills as "advertising placement" in expenditure filings (rather than combined with other payments to S&H for consulting expenses, etc.).

8 3 0 4 0 7 7 0 3 0 1

mailed 11/14

DATE	FILE
TIME	PERIOD
BY	STATUS
REMARKS	NO. PAGES

Smith & Harroff, Inc.

November 8, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0068

FOR PROFESSIONAL SERVICES

NEWSPAPER AD PRODUCTION EXPENSES

10/9/84	Fine Impressions, Inc., bill for preparation of artwork for ad donated by Jaycees	\$ 132.00*
10/12/84	Mr. Farhud Batmanglich, bill for preparation of "Who speaks for you?" ad artwork for 10/26/84 issue "Catholic Universe Bulletin"	415.32*
10/19/84	Mr. Farhud Batmanglich, bill for preparation of "Boschwitz" ad artwork for 10/19/84 issue "Cleveland Jewish News"	508.50*
10/24/84	Mr. Farhud Batmanglich, bill for revisions of "Catholic Universe Bulletin" ad artwork	178.32*
10/31/84	Fine Impressions, Inc., bill for preparation of "Domenici" ad artwork for 11/1/84 issues of the "Sun Messenger" and "Sun Leader Journal"	294.00*

TOTAL DUE NET UPON RECEIPT \$ 1,528.14

*Indicates Receipts Attached.

Service Charge 1½% per month past due.

Please remit "Attention: Bookkeeping".

39040770302

2000-11-14

November 13, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0069

FOR PROFESSIONAL SERVICES

TOTAL \$ 6,795.79

OCTOBER 1984 EXPENSES

Misc. Intown & Office Expenses:

8/30 - 10/18/84 Federal Express Corporation, bills for 73 deliveries	\$ 1,018.81
9/15 - 10/14/84 C&P/AT&T Itemized Telephone Service, including Calling Card & Telecopier calls	1,186.04
9/21 - 10/20/84 TDX Systems, Inc. Itemized Telephone Service	761.66
9/26 - 10/23/84 All State Courier, bills for 37 intown deliveries	357.33
10/1 - 10/31/84 Duplicating (2,498 copies @10¢)	249.80
10/1 - 10/31/84 Misc. Postage & Express Mail	120.95
10/3 - 10/30/84 Misc. intown deliveries, FEC reports, parking, mileage, etc.	40.78
10/8/84 Federal Express Corporation, bill for "Zap" mail	34.00
10/9/84 Musifex, Inc., bill for dupe of taped Feighan interview .	12.00
10/10/84 Pro-Typists, Inc., bill for transcribing WJW radio interview	130.34*
10/16/84 Emery Worldwide, bill for air freight of stationery	42.00
10/21/84 United Airlines, bill for air freight of tabloid artwork	49.35
10/31/84 United Airlines, bill for air freight of TV ad tapes ...	49.35

*Indicates Receipts Attached.

(continued)

39040770303

Hatchadorian for Congress Committee
Invoice #28-0069
November 13, 1984

Smith & Harroff, Inc.

Travel Expenses:

9/22 - 9/25/84 Mark R. Harroff trip to Cleveland,
delayed charge only (balance of trip expenses
previously billed per Invoice #28-0054):

Auto Rental \$ 77.64* 77.64

10/4 - 10/21/84 Mary Ellen Joyce expenses, including
Cleveland-D.C.-Cleveland 10/19-10/22/84:

Airfare \$ 238.00*
Lodging (10/14 - 10/20/84) 588.00*
Meals (with campaign staff) 40.03
Cleveland parking 13.00
D.C. Airport Taxis 19.00 898.03

10/12/84 Daniel J. Kalinger trip to Cleveland:

Airfare \$ 302.00*
Auto Rental 42.81*
D.C. Airport Parking 6.00*
Misc. Cleveland parking & telephone 2.50 353.31

10/18 - 10/19/84 Mark R. Harroff trip to Cleveland:

Airfare (only RT "coach" billed) \$ 302.00*
Lodging (telephone charges only) 26.53 328.53

10/18 - 10/19/84 Daniel J. Kalinger trip to Cleveland:

Airfare (only RT "coach" billed) \$ 302.00*
Auto Rental 95.62*
Lodging & Meals 124.15*
Misc. parking, airport taxis, etc. 12.10 533.87

10/21 - 11/3/84 Mary Ellen Joyce lodging only \$ 552.00* 552.00

NET 30 TOTAL DUE \$ 6,795.79

*Indicates Receipts Attached.
Service Charge 1½% per month over 30 days.
Please remit "Attention: Bookkeeping".

33040770304

December 5, 1984

Hatchadorian for Congress Committee
 4469 Mayfield Road
 South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0070

FOR PROFESSIONAL SERVICES

TOTAL \$ 12,783.68

TV AD PRODUCTION EXPENSES

7/25-7/26/84	The Magus Corporation, 10/25/84 bill for extra film shot for Ohio location filming	\$ 560.00*
9/21/84	Capitol Video Communications, Inc., 9/25/84 bill for dubs of "Bio":60	261.93*
9/21-9/26/84	Misc. Parking & other travel expenses for editing, etc.	25.13
9/26/84	The Magus Corporation, 11/6/84 bill for dubs of "Defense":30	125.00*
9/27/84	Capitol Video Communications, Inc., 9/28/84 bill for dubs of "Taxes":30	83.74*
9/29/84	Musifex, Inc., bill for messenger regarding "Taxes":30 and "Defense":30 recording	11.00
10/4/84	Capitol Video Communications, Inc., 10/11/84 bill for dubs of "Taxes":30 and "Defense":30	148.40*
10/10/84	Paul Anthony, Inc. narration of "Unemployment":30	309.80
10/11/84	Capitol Video Communications, Inc., 10/18/84 bill for dubs of "Taxes":30 and "Jobs":30	116.60*
10/16/84	Capitol Video Communications, Inc., 10/19/84 bill for dubs of "Unemployment":30	391.14*
10/17/84	Capitol Video Communications, Inc., 10/18/84 bill for additional dubs of "Unemployment":30	57.24*
10/22/84	Paul Anthony, Inc. narration of ten-second ads "Rescue", "Mondale", "Arms Race", "Budget" and "Death Penalty"	1,549.04

*Indicates Receipts Attached.

(continued)

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Hatchadorian for Congress Committee
Invoice #28-0070
December 5, 1984

Smith & Harroff, Inc.

Page 2 of 2

10/22/84	Soundwave, Inc., 10/23/84 bill for recording ten-second ads	\$ 53.00*
10/24/84	Capitol Video Communications, Inc., 10/26/84 bill for supervised film transfer, etc. for "Seniors":30	329.85*
10/25/84	Capitol Video Communications, Inc., 10/29/84 bill for editing, dubs, etc. for ten-second spots	2,578.62*
10/26/84	Paul Anthony, Inc. narration of "Seniors":30 (version #1) ..	309.80
10/26/84	Paul Anthony, Inc. narration of "Seniors":30 (#2 & #3)	577.61
10/26/84	Soundwave, Inc. bill bill for recording "Seniors":30	79.50*
10/29/84	Capitol Video Communications, Inc., 10/31/84 bill for dubs, etc. "Seniors":30	1,141.35*
10/31/84	Capitol Video Communications, Inc., bill for dub of "Leadership":30	26.50
11/3/84	Paul Anthony, Inc. narration of "Lies":30	309.80
11/3/84	Capitol Video Communications, Inc., 11/8/84 bill for recording, editing, dubs, etc. "Lies":30	3,588.63*
11/6/84	The Magus Corporation, bill for scene selection for "Seniors":30	150.00*
		TOTAL DUE NET UPON RECEIPT \$ 12,783.68

*Indicates Receipts Attached.

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

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Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

December 5, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 2

INVOICE #28-0071

FOR PROFESSIONAL SERVICES

TOTAL \$ 2,808.79

RADIO AD PRODUCTION EXPENSES

9/7 - 10/26/84	Misc. materials, parking, taxis, etc. for editing	\$ 35.30
10/10/84	Paul Anthony, Inc. narration of "Crime":60, "Fagin":60 and "B-1 (revised)":60	435.86
10/10/84	Soundwave, Inc., 10/15/84 bill for recording "Crime":60, "Fagin":60 and "B-1 (revised)":60 (includes charges for recording "Unemployment":30 TV ad)	121.90*
10/10/84	Soundwave, Inc., 10/15/84 bill for dubs, etc. of "Crime":60, "Fagin":60 and "B-1 (revised)":60	236.73*
10/17/84	Paul Anthony, Inc. narration of "Defense":60, "Crime (revised)":60 and "Stealth":60	425.65
10/20/84	Soundwave, Inc., 10/23/84 bill for additional dubs of "Fagin":60	131.44*
10/22/84	Musifex, Inc. bill for recording and dubs of "Defense":60, "Crime (revised)":60 and "Stealth":60	249.65*
10/22/84	Soundwave, Inc., 10/23/84 bill for remixing and dubs of "Crime (revised)":60	85.86*
10/26/84	Paul Anthony, Inc. narration of "Hide & Seek":60 and "Rescue":30	290.57
10/26/84	Soundwave, Inc. bill for recording and dubs of "Hide & Seek":60 and "Rescue":30	221.54*
10/29/84	Paul Anthony, Inc. narration of "Hide & Seek (revised)":60 ..	140.18
10/31/84	Paul Anthony, Inc. narration of "Halloween":30	145.28

*Indicates Receipts Attached.

(continued)

22040770307

Hatchadorian for Congress Committee
Invoice #28-0071
December 5, 1984

Smith & Harroff, Inc.

Page 2 of 2

10/31/84	Paul Anthony, Inc. narration of "Facts":60	\$ 145.28
11/1/84	Musifex, Inc. bill for recording "Halloween":30 and "Facts":60, dubs of both and dubs of "Facts":60 only	143.55*

TOTAL DUE NET UPON RECEIPT \$ 2,808.79

*Indicates Receipts Attached.

Service Charge 1½% per month over 30 days.

Please remit "Attention: Bookkeeping".

80040770308

Smith & Harroff, Inc.

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

December 5, 1984

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

Page 1 of 3

INVOICE #28-0072

FOR PROFESSIONAL SERVICES

TOTAL \$ 6,119.55

NOVEMBER 1984 EXPENSES

Misc. Intown & Office Expenses:

10/15 - 11/2/84 Federal Express Corporation, 48 delivery bills \$ 695.53
10/15 - 11/14/84 C&P/AT&T Itemized Telephone Service, including
Calling Card & Telecopier calls 1,070.20
10/21 - 11/20/84 TDX Systems, Inc. Itemized Telephone Service 756.83
10/25 - 11/6/84 All State Courier, 7 delivery bills 64.08
11/1 - 11-30/84 Duplicating (527 copies @10¢) 52.70
11/1 - 11/30/84 Misc. Postage 10.23
11/4/84 United Airlines air freight of "Lies":30 TV ad dubs to Ohio . 49.35

Misc. Production Expense:

11/6/84 U.A.B. Productions, 11/20/84 bill for election eve filming .. 603.32*

Travel Expenses:

10/26 - 10/27/84 Mark R. Harroff delayed charges
for trip to Cleveland:

Airfare \$ 151.00* 151.00

*Indicates Receipts Attached.

(continued)

30040770309

10/27 - 11/8/84 Robert H. Bradner trip to Cleveland, including 11/1/84 trip to Columbus:

Airfare (D.C.-Cleveland-D.C.)	\$ 302.00*	
Airfare (Cleveland-Columbus-Cleveland)	42.00*	
Lodging (for 11/6 only)	72.00*	
Misc. meals	14.00	
Parking (includes \$9.50 no receipt)	14.00*	
Cleveland Airport Taxes	20.00	
Gasoline (includes \$10.00 no receipt)	36.00*	
Telephone & office supplies (includes \$7.90 NR)	18.57	618.57

11/1 - 11/2/84 Daniel J. Kalinge trip to Cleveland:

Airfare	\$ 260.00*	
Auto Rental	107.19*	
Lodging	79.12*	
Meals	10.17*	
Parking - Cleveland	6.00*	
Misc. gratuities, metros, D.C. parking, etc. ..	5.35	467.83

11/4 - 11/7/84 Mike Winn trip to Cleveland:

Airfare	\$ 178.00*	
Auto Rental	114.75*	
Lodging	200.25*	
D.C. Airport Taxi & misc. gratuities	13.00	506.00

11/4 - 11/7/84 Mary Ellen Joyce Cleveland expenses:

Airfare (Cleveland-D.C.)	\$ 109.00*	
Lodging & Meals (includes \$76.00 NR 11/4-11/5)	159.26*	
Misc. Gratuities	10.00	278.26

11/5 - 11/7/84 Mark R. Harroff trip to Cleveland:

Airfare	\$ 302.00*	302.00
---------------	------------	--------

*Indicates Receipts Attached.

(continued)

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Hatchadorian for Congress Committee

Invoice #28-0072

December 5, 1984

Smith & Harroff, Inc.

Page 3 of 3

11/6 - 11/7/84 Daniel J. Kalinge trip to Cleveland:

Airfare	\$ 304.00*	
Auto Rental	44.62*	
Lodging	39.60*	
Meals (includes \$25.50 no receipt)	35.68*	
Misc. telephone, gratuities, etc.	9.75	493.65

NET 30 TOTAL DUE \$ 6,119.55

*Indicates Receipts Attached.
Service Charge 1½% per month over 30 days.
Please remit "Attention: Bookkeeping".

2 2 0 4 0 7 0 3 1 1

Smith & Harroff, Inc.

MARKET OPINION RESEARCH

December 5, 1984

916 Pennsylvania Avenue, S.E.
Washington, D.C. 20003-2198
(202) 546-1150

Hatchadorian for Congress Committee
4469 Mayfield Road
South Euclid, Ohio 44121

INVOICE #28-0073

FOR PROFESSIONAL SERVICES

SURVEY EXPENSES

10/5/84	Market Opinion Research, bill for 300-sample survey	\$ 4,800.00*
10/26/84	Market Opinion Research, bill for 300-sample survey	5,200.00*

TOTAL DUE NET UPON RECEIPT \$ 10,000.00

*Indicates Receipts Attached.

Service Charge 1 1/2% per month past due.

Please remit "Attention: Bookkeeping".

VOID 4/1/85 per Mark R. Harroff

(Hatch. to pay MOR directly)

cc: Hatch. 9/2/85

2
1
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89 SEP 13 AM 10:32

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Smith & Harroff, Inc.) MUR 2789

GENERAL COUNSEL'S REPORT

I. BACKGROUND

This matter arose out of a debt settlement proposal with Smith & Harroff, Inc. ("Respondent") submitted to the Commission on April 21, 1988, by the Hatchadorian for Congress Committee (the "Committee"). The debt was incurred when, in apparent violation of a consulting contract with the Committee and without the candidate's authorization, Smith and Harroff made expenditures totaling \$129,000 in connection with the 1984 general election in which Matthew Hatchadorian was a candidate.¹ The expenditures were an extension of credit which apparently was not within the firm's ordinary course of business. On July 14, 1988, the Commission, in the context of considering the debt settlement request, determined to seek more information concerning the manner in which the debt was incurred. This Office received more information from Mr. Hatchadorian on August 4, 1988 and October 12, 1989; and from the Respondent on October 21, 1988.

After further examination, the Commission decided on

1. Matthew Hatchadorian, Ohio State Representative, challenged Congressman Edward Feighan for the Ohio 19th Congressional District seat during the 1984 general election. Congressman Feighan won re-election with 55% of the vote to Mr. Hatchadorian's 43%.

204070313

November 15, 1988, to open a Matter under Review and on February 28, 1989, the Commission found reason to believe that Smith & Harroff had violated 2 U.S.C. § 441b when it made the expenditures. The Commission also found reason to believe that apparently uncompensated services supplied by Smith & Harroff, Inc. to help retire the \$129,000 debt created by these expenditures also violated 2 U.S.C. § 441b.²

A letter and questions were sent to Smith & Harroff on March 8, 1989. Following the grant of an extension of time on March 28, this Office received a response on April 27, 1989.

II. ANALYSIS

A. Position taken by the Committee

In order to place Smith & Harroff's reply to the reason to believe finding in its proper context, it is necessary to review the positions taken by the Committee, the candidate and Respondent during the debt settlement review process.

In an April 21, 1988 letter to the Commission presenting the proposed debt settlement agreement, Mr. Hatchadorian described the manner in which his committee incurred the \$129,000 debt:

Unbeknowst to me, an individual at S[mith] & H[arroff] without my approval advanced additional funds for production costs, advertising expenses and miscellaneous consulting expenses for the last 10 days of the campaign. I had no knowledge of the indebtedness to S[mith] & H[arroff] until after the election. The individual who advanced the funds

2. On the same day the Commission found that the Committee had violated 2 U.S.C. §§ 434(b) and 441b and 11 C.F.R. § 104.13, but took no further action and closed the file as to the Committee.

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no longer works at S[mith] & H[arroff].³
See Attachment 1 at 2.

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In a meeting with this Office on October 12, 1988, Mr. Hatchadorian stated that the 1984 Congressional election in which this debt arose was a hotly contested campaign. Mr. Hatchadorian indicated that both candidates for Congress conducted a media blitz in what he termed became a "crisis atmosphere" during the last two weeks of the campaign. The October 30, 1984 publication of the results of a poll favorable to Hatchadorian increased the intensity of the campaign still further. Following this poll, however, he declared that his Committee authorized expenditures by Respondent of only \$50,000.⁴ These expenditures were funded by a loan he made to the campaign. The additional \$129,000 in expenses was "shocking news" to him. Because of constant, non-stop campaigning during the closing days of the race, Mr. Hatchadorian stated he was unable to watch television to gauge the true extent of the media advertising time purchased by Smith & Harroff. Once having discovered the debt, however, Mr. Hatchadorian stated that he decided not to dispute it and came to an arrangement as to the fundraising assistance he might receive from Smith & Harroff toward retiring the debt.

3. Article seven of the January 13, 1984 agreement signed by the candidate and Smith & Harroff specified that Respondent would "secure approval from Matt Hatchadorian before purchasing items in excess of \$500."

4. Although Mr. Hatchadorian and Respondent have discussed the crisis point as being the last 10 days of the race, all sides seem to use the date of publication of the poll, a week before the election, as the dividing point for the alleged unauthorized expenditures.

After the November 6, 1984 election, Mr. Hatchadorian stated that he sent out hundreds of letters, personally paying for the printing and mailing costs of the mailing. He indicated that Smith & Harroff did, however, provide without compensation various services including contacting political action committees, assisting in writing fundraising letters and contacting various political personalities for appearances at fundraising events. In particular, Mr. Hatchadorian stated that Smith & Harroff coordinated an October 25, 1985 mailing done on the candidate's behalf by Governor Deukmejian by drafting the letter, assisting in securing the approval of the Governor, obtaining mailing lists, and executing the mailing.⁵

B. Positions taken by Smith & Harroff

1. Respondent's October 21, 1988 response

As stated above, in the context of considering the debt settlement request the Commission directed a series of questions to Smith & Harroff regarding the factual circumstances behind the debt owed by the Committee. In the October 21, 1988 response, J. Brian Smith replied on behalf of Smith & Harroff. Mr. Smith explained that the individual who had worked on the Hatchadorian campaign was Mark R. Harroff who was no longer with the firm. Mr. Smith stated that his own exposure to the Hatchadorian campaign was minimal, and that it was Mr. Harroff alone who had the best knowledge regarding the expenditures made for the

5. Mr. Hatchadorian gave essentially the same presentation of the factual situation in the August 4, 1988 response to the Commission request for further information regarding the \$129,000 debt. See Attachment 2 at 4.

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campaign. He could not, therefore, answer whether the \$129,000 debt was authorized by Mr. Hatchadorian.

Mr. Smith did make some statements regarding the services provided to the Committee. For example, he admitted that his firm did not routinely extend credit of a significant nature to any of its clients. However, he stated that his firm provided the services regarding the Deukmejian mailing and might have provided assistance with other mailings, but he could not be precise on this issue. Mr. Smith stated, "Smith & Harroff did not receive compensation for services rendered following the campaign." See Attachment 3 at 7.

2. April 27, 1989 Response to Commission Questions.

The latest response submitted by Smith & Harroff includes affidavits from both Mr. Smith and Mr. Harroff challenging Mr. Hatchadorian's version of the facts as well as significantly departing from Respondent's own earlier positions.

The April 27, 1989 response maintains that, contrary to Mr. Hatchadorian's assertions, the \$129,000 debt was authorized by the Committee. Mr. Harroff states in his affidavit:

2. ...I conferred with Matt Hatchadorian on a daily basis throughout the campaign, including the last days of the campaign.

3. I discussed with Matt Hatchadorian and he was fully aware of the components of the campaign which were being undertaken by S[mith] & H[arroff] on the Committee's behalf.

4. Matt Hatchadorian regularly told me that whatever I thought needed to be done should be done.

5. During the last ten days of the campaign Matt Hatchadorian was kept fully abreast of the many activities being undertaken by S[mith] & H[arroff] on the Committee's behalf. These activities included increased media and mail campaign. See Attachment 4 at 55.

Mr. Harroff concludes his statements on these expenditures by

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asserting that "[e]verything done by S[mith] & H[arroff] on behalf of the Committee, including activities undertaken in the last ten days of the campaign, was authorized by Matt Hatchadorian and was consistent with the delegation of authority given by Matt Hatchadorian to me as a representative of S[mith] & H[arroff]." Id.

Just as Mr. Hatchadorian has done, Respondent cites the pressures of the last days of the campaign. Smith & Harroff argues in the response that:

[I]t defies common sense to assert that at this crucial time of the campaign Matt Hatchadorian would suddenly prevent Mark Harroff from doing what needed to be done to win the election. Clearly Matt Hatchadorian intended for this delegation of authority to extend through to the end of the campaign, and did not attempt to stop S[mith] & H[arroff] from exercising its professional judgment to order to win the election. Id. at 16.

The April 27, 1989 response claims that, again contrary to Mr. Hatchadorian's presentation, a significant part of the \$129,000 debt consisted of charges billed after the October 30 1985 poll, but incurred before that date. To substantiate this claim, the response includes several invoices dated during the last week of the campaign and puts the amount of the pre-October 30, 1989 billing at between \$40,000 and \$50,000.⁶ The response also attempts to impeach Mr. Hatchadorian's credibility by accusing him of having reneged on a promise to use Committee

6. The response includes invoices dating from August 2, 1984 to October 1, 1985 which total \$158,566.68 in services. The invoices dated after October 30, 1984, total \$100,872. According to calculations done by this Office \$33,284 of this amount seems to constitute billing for services performed before the October 30, 1984 date and another \$8,499.96 consists of services provided both before and after that date.

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resources to repay Smith & Harroff first before any other expenditures were made. The response notes that the candidate first had the Committee repay the \$50,000 candidate loan. The reply also encloses an April 13, 1989 letter from the candidate to the firm allegedly wrongly informing Respondent that the debt settlement had been approved.⁷

This latest response retreats from Respondent's earlier position as to whether the initial granting of credit in the \$129,000 debt was in the ordinary course of business. Mr. Smith now states:

Upon receipt of this enforcement matter from the Commission I have further reviewed S[mith] & H[arroff]'s records with regard to similar contracts with political campaigns. Upon review, I realize that I was mistaken in informing the Commission that S[mith] & H[arroff] does not generally extend credit of this nature. In fact, the extension of credit by S[mith] & H[arroff] to a campaign such a[s] Hatchadorian's was not unique for S[mith] & H[arroff]. See Attachment 4 at 56.

In his affidavit, Mr. Smith cites one example of an extension of credit, that of the agreement between Smith & Harroff and the John Sununu's gubernatorial campaign. Mr. Smith states that the consulting agreement with Governor Sununu's campaign was similar to the one signed with Hatchadorian, and that "Governor Sununu's post-election debt was approximately \$115,000, virtually the same amount of debt owed to S[mith] & H[arroff] by Hatchadorian." Id. "In both of these cases,"

7. On August 18, 1989, staff from this Office contacted Mr. Hatchadorian to ascertain the circumstances behind the April 13, 1989 letter. Mr. Hatchadorian explained that he had misinterpreted the Commission's determination to take no further action against the Committee in this matter as an approval of the debt settlement.

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Mr. Smith asserts, his firm "had the expectation of being paid for its services and was assured that it would be repaid." He notes that "[t]he only difference is that John Sununu did pay S[mith] & H[arroff], and Matt Hatchadorian did not." Id.

Finally, as to the post election support given to the Committee, the response now takes the position that these services were paid for. Mr. Smith declares:

[U]pon further review of our record with regard to this account, I have discovered that S[mith] & H[arroff] billed the Committee for the costs of printing and mailing in connection with the Deukmejian mailing which was aimed at raising money toward Matt Hatchadorian's debt settlement, and that the Committee paid the cost of printing and mailing connected with the Deukmejian mailing. Id.

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The response provides two invoices dated July 2, 1985 and October 1, 1985 totaling together \$976.89 which appear to relate to the Deukmejian mailing and other post election services.⁸ The Respondent leaves open the possibility, however, that there are other, unrecorded post election expenses that were uncompensated. In the formal answer to the Commission request to estimate the value of all post election services provided beyond the Deukmejian letter, Smith & Harroff replies that, beyond the invoices mentioned above, it has "no way of estimating the costs of any other services which may have been provided to the Committee." Id. at 22. This is because, Respondent admits, it

8. The response states that these "invoices were paid in full by the Committee as indicated on its 1985 Year-End Report." The Committee's 1985 Year-End Report indicates that the Committee paid Respondents \$4,550.61. Of this amount \$3,500 appears to be repayment toward the \$129,000 debt leaving \$1,050.61 in new expenditures. One entry, a September 26, 1985 payment for \$676.43 in postage and mailing, matches exactly the amount billed for the October 1, 1985 invoice.

does "not know the extent of these activities." Id.

C. Analysis of responses and recommendations

The conflicting nature of the testimony record makes it difficult to draw any firm conclusions. On the issue of authorization of the debt Mr. Hatchadorian and Smith & Harroff present plausible, but clashing versions. Further, there are credibility questions which the written record alone cannot resolve.

While this Office has already interviewed Mr. Hatchadorian, in order to carry the investigation further it would be necessary to depose Mr. Harroff, the individual who would seem to have had the most knowledge regarding the work done for the campaign and the firm's contacts with the Committee. Unfortunately, this Office has received information that Mr. Harroff died on June 19, 1989, not long after his affidavit was prepared.⁹ This Office believes that Mr. Harroff's unavailability renders a final resolution of what was said or not said during the campaign impossible and thus greatly cripples the investigatory process. Therefore, this Office recommends that the Commission take no further action against Smith and Harroff and close the file.

Because of the recommendation to close the file in this matter, this Office is also recommending the Commission determine that Hatchadorian for Congress is no longer required to report the debt with Smith & Harroff.

9. Counsel for Respondent informed staff from this Office of this fact during an August 13, 1989 phone conversation.

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IV. RECOMMENDATIONS

1. Take no further action with respect to Smith & Harroff, Inc.
2. Close the file.
3. Determine that Hatchadorian for Congress is no longer required to report the debt with Smith & Harroff.
4. Approve the attached letters (2).

Lawrence M. Noble
General Counsel

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9/12/89
Date


BY: Lois G. Lerner
Associate General Counsel

Attachments

1. April 21, 1988 debt settlement proposal by Mr. Hatchadorian.
2. August 4, 1989 response by Mr. Hatchadorian to the Commission's request for information.
3. October 21, 1989 response by Smith & Harroff to the Commission's request for information.
4. April 27, 1989 response by Smith & Harroff to Commission questions.
5. Letters (2).

Staff assigned: Michael Marinelli

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Smith & Harroff, Inc.) MUR 2789

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on September 18, 1989, the Commission decided by a vote of 5-0 to take the following actions in MUR 2789:

1. Take no further action with respect to Smith & Harroff, Inc., as recommended in the General Counsel's Report dated September 12, 1989.
2. Close the file.
3. Determine that Hatchadorian for Congress is no longer required to report the debt with Smith & Harroff, as recommended in the General Counsel's Report dated September 12, 1989.
4. Approve the letters (2), as recommended in the General Counsel's Report dated September 12, 1989.

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

Attest:

9-18-89
Date

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

Received in the Secretariat: Wednesday, September 13, 1989 10:32 a.m.
Circulated to the Commission: Wednesday, September 13, 1989 4:00 p.m.
Deadline for vote: Friday, September 15, 1989 4:00 p.m.
At the time of deadline 4 affirmative votes had not been received.
Final vote received: Monday, September 18, 1989 2:05 p.m.

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

September 21, 1989

Jan W. Baran, Esquire
Carol A. Laham, Esquire
Wiley, Rein & Fielding
1776 K Street, N.W.
Washington D.C. 20006

RE: MUR 2789
Smith & Harroff, Inc.

Dear Mr. Baran and Ms. Laham:

On March 8, 1989, your client, Smith & Harroff, Inc., was notified that the Federal Election Commission found reason to believe that it had violated 2 U.S.C. § 441b. On April 27, 1989, you submitted a response on behalf of Smith & Harroff, Inc. to the Commission's reason to believe finding in this matter.

After considering the circumstances of the matter, the Commission determined on September 18, 1989, to take no further action against Smith & Harroff, Inc. and closed the file. The file will be made part of the public record within 30 days. Should you wish to submit any factual or legal materials to appear on the public record, please do so within ten days of your receipt of this letter. Such materials should be sent to the Office of the General Counsel. Because of the Commission's determination to close the file in this matter, the Commission has determined that Hatchdorian for Congress is no longer required to report the debt with Smith & Harroff.

The Commission reminds you that the extension of credit to the Hatchdorian for Congress Committee appears to have been a violation of 2 U.S.C. § 441b. Your client should take immediate steps to insure that this activity does not occur in the future.

If you have any questions, please contact Michael Marinelli, the attorney assigned to this matter, at (202) 376-8200.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CLOSED

September 21, 1989.

Mr. Robert M. Torok
Hatchadorian for Congress
1215 Superior Avenue, Suite 400
Cleveland, Ohio 44114

RE: MUR 2789
Hatchadorian for Congress
and Robert M. Torok, as
treasurer

Dear Mr. Torok:

This is to advise you that the entire file in this matter has now been closed and will become part of the public record within 30 days. Because of the Commission's determination to close the file in this matter, the Commission has determined that Hatchadorian for Congress is no longer required to report the debt with Smith & Harroff. Should you wish to submit any 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.

Should you have any questions, contact Michael Marinelli, the attorney assigned to this matter, at (202) 376-8200,

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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THIS IS THE END OF MUR # 2789

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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