FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 2925

DATE FILMED 12/26/91 CAMERA NO. 2

CAMERAMAN AS

9003401143

HALT IRS TAXPAYER ABUSE NOW!
National Political Action Committee

8050 S. Main St.
Suite 28
Houston, Texas 77025

713-867-3476

June 1, 1989

Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Request for investigation of unreported and secret $1.5 million 1984 Reagan-Bush campaign fund covered up by IRS Criminal Intelligence

Dear Sir:

As chairman of Halt IRS Taxpayer Abuse Now! Political Action Committee (FEC No. C00236315) and as an individual who is a member of the Texas and District of Columbia Bars, I wish to request the Federal Election Commission to investigate a possible violation of the Federal Election Campaign Act and other relevant laws. The violation to which I refer is a secret $1.5 million campaign fund for the Reagan-Bush 1984 campaign which was uncovered by the Internal Revenue Service Criminal Intelligence Division in early 1985.

The primary source for my knowledge about the fund is Richard Brown, president of International Intelligence Network Corporation of Houston, Texas who told me about it in early 1985. Mr. Brown and his corporation are employed under contract with the IRS, FBI and DEA to compile dossiers on selected citizens, such as public officials and known criminals, drawing upon over 3200 sources of available public information and records. A secondary and confirming source for my information about the secret fund is Clyde Wilson, president of Clyde Wilson International Investigations, a Houston private detective retained by Vice President Bush in 1986.

In May 1988 the House Government Operations Committee announced it had directed the General Accounting Office to conduct a special investigation into irregular and illegal activities by the IRS. Pursuant to the public announcement requesting such information from citizens, I wrote GAO Special Agent Leo Norton on June 2, 1988 and requested the GAO investigation look into two issues:

"(1) Did IRS Criminal Intelligence Agent Dennis Carrey improperly direct me to make a payment of $38,000 in 1982 to Mr. Richard Brown from Moody Foundation grant funds and did Agent Dennis Carrey in 1986 purposely mislead me into believing I was providing confidential information to the IRS on criminal activities within the Moody Foundation when he arranged for Mr. Richard Brown

to be given credit and financial reward from the IRS for the information I was voluntarily supplying?"

"(2) Has IRS Criminal Intelligence purposely since early 1985 covered up knowledge about the existence of an illegal Reagan-Bush campaign fund?"

In late July 1988 I telephoned GAO Special Agent Norton to ascertain the status of his investigation. He told me he was not at liberty to discuss it in detail but could indicate that the GAO investigation into the two issues I posed in my case and into other key cases called to the GAO's attention turned upon the House of Representatives passing a House Resolution allowing the GAO to examine IRS tax files in these cases. The House Resolution would in effect temporarily waive the Section 6103 restriction which prohibits all but the IRS from examining IRS tax files.

With my letter to GAO Special Agent Norton on June 2, 1988 I enclosed a number of exhibits, among which being a letter I had written to FBI Director William Sessions on May 2, 1988 detailing what I had been told about the secret $1.5 million campaign fund. On August 5, 1988 I received a response to my letter from Floyd I. Clarke, Assistant Director, FBI Criminal Investigative Division. In his letter Mr. Clarke indicated I would be contacted and interviewed by FBI agents. Subsequently, in early October 1988 I was interviewed in the Houston office of the FBI by two agents, one being Agent Richard Miller. At that meeting I supplied the agents with all information, both oral and documentary, concerning the two issues I had written GAO Special Agent Norton about.

Since October 1988 I have heard nothing further about the matter, either from the FBI or the GAO.

However, TIME Magazine of May 29, 1989 published an article titled "Delinquent Taxmen: A congressional investigation examines corruption and cover-ups at the Internal Revenue Service." The article explains, perhaps, why I have not heard anything further from the GAO or FBI. The article states that the House Commerce, Consumer and Monetary Affairs Subcommittee will in June conduct public hearings whether the IRS is using Section 6103 as a shield to prevent congressional investigators from examining key IRS tax-return information on cases being looked into by the GAO. The article further states that "Although several taxpayers have given their consent in the current investigation, the Justice Department has blocked the subcommittee from getting the information it seeks." I am one of those citizens who gave consent, doing so in my letter of June 2 to GAO Agent Norton. Now I find out that the Justice Department, of which the FBI is part, is blocking the probe.

Thus, it is quite clear that unless the subcommittee gets access to the IRS tax records by a House Resolution waiving Section 6103, the IRS coverup of the secret $1.5 million campaign fund will continue indefinitely.

Therefore, at this time I am requesting the Federal Election Commission to use its powers and resources to conduct its own investigation into the secret campaign fund. Among the many questions which need to be answered are whether the fund existed or still exists, whether any present federal elected or appointed officials knew about the fund, and whether the IRS Criminal Intelligence Division covered up knowledge about the fund.

Among those who could be contacted for more information are GAO Special Agent Norton, FBI Assistant Director Floyd I. Clarke, FBI Agent Richard Miller, Mr. Richard Brown, Mr. Clyde Wilson and former Harris County Commissioner Bob Eckels, the alleged controller of the secret campaign fund.

Enclosed are a number of documents and exhibits about the matter. I stand ready to cooperate in any way. Americans have the right to know that our election laws are being observed and that the IRS is not covering up knowledge about criminal violations of those laws.

Very truly yours,

Douglas Caddy
Chairman

I hereby swear or affirm that the foregoing contents of my Complaint are true to the best of my knowledge.

Douglas Caddy

Subscribed to and sworn or affirmed before me on this 26 day of June, 1989.

William C. Stevens
Notary Public

My commission expires _____.

WILLIAM C. STEVENS
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
FEB. 9, 1992

90040812146

LIST OF EXHIBITS ATTACHED TO JUNE 1, 1989 LETTER TO FEDERAL ELECTION COMMISSION FROM DOUGLAS CADDY. THESE EXHIBITS CAN BE EXAMINED AT THE FEC. PUBLIC COPIES OF MR. CADDY'S LETTER TO THE FEC WITH ALL ITS EXHIBITS ARE ALSO BEING PROVIDED TO MR. FRED WERTHEIMER, PRESIDENT, COMMON CAUSE AND TO CONGRESSMAN DOUG BARNARD, JR. WHOSE HOUSE SUBCOMMITTEE WILL CONDUCT PUBLIC HEARINGS INTO IRS CORRUPTION IN JUNE.

1) Letter of May 2, 1988 from D. Caddy to FBI Director William Sessions providing details about the secret fund.

2) Letter of June 2, 1988 from D. Caddy to GAO Special Agent Leo Norton concerning IRS corruption.

3) Letter of August 5, 1988 to D. Caddy from Floyd I. Clarke, Assistant Director, Criminal Investigative Division, FBI.

4) Publication titled "Confidential" concerning contractual work compiling public information for IRS, FBI and DEA performed by Richard Brown, International Intelligence Network Corporation.

5) Letter of July 3, 1986 to D. Caddy from Richard Brown regarding IRS Criminal Intelligence Agent Dennis Carrey.

6) Telephone message of July 1, 1986 to Richard Brown from his secretary about IRS Criminal Intelligence Agent Dennis Carrey.

7) Los Angeles Times article of July 8, 1988 titled "Congress Begins Probe of Reported IRS Impropieties".

8) Houston Chronicle article of July 12, 1988 titled " New IRS District Chief Pledges to Cooperate in Probe of Office."

9) Houston Chronicle article of Jan. 16, 1986 titled "Explosives Expert Accuses Shearn Moody of Bomb Plot."

10) Security Magazine article of July 1986 by Richard Brown titled "Searching the Stacks".

11) TIME Magazine article of May 29, 1989 titled "Delinquent Taxmen: A Congressional investigation examines corruption and coverups at the Internal Revenue Service."

00408121471

(1)

May 2, 1988

Hon. William Sessions
Director
Federal Bureau of Investigation
9th St. & Constitution Avenue, N.W.
Washington, D.C.

Dear Director Sessions:

I am writing you to ascertain if the following subject matter falls within the jurisdiction of the FBI. If it does, I am requesting that your agency investigate it.

In the spring of 1985, while I was attending a public dinner in Houston, Mr. Richard Brown of International Intelligence Network Corporation told me that "a secret Reagan-Bush campaign fund" had been uncovered following the 1984 presidential election. He said the secret fund had "$1.5 million in it" and that it was "controlled by Harris County (Houston) Commissioner Bob Eckels" and that "IRS Criminal Intelligence knows about it." I found this information astounding, not the least that George Bush would have a relationship with Commissioner Eckels.

In subsequent months I waited for the second shoe to drop but nothing appeared in the press. Still I put great credence in it as I knew Mr. Brown worked with the FBI and IRS (exhibit 1).

In November 1986 the subject matter arose again. This time I was in the office of Houston private investigator Clyde Wilson who had been appointed to investigate the Moody Foundation scandal in which I was the whistle-blower (exhibit 2). Our discussion was interrupted by one of his secretaries who announced that "Agent --------- from IRS Criminal Intelligence is here to pick up the Bob Eckels file." Mr. Wilson excused himself and went into the next room to give the agent the file. When he returned I decided to ask him, "Are you aware of a secret $1.5 million Reagan-Bush campaign fund controlled by Eckels?" Mr. Wilson was visably shocked by my question but then responded quietly and slowly,"Yes."

One reason I asked Mr. Wilson this question was that a few weeks earlier I had heard him telling the Houston media that he had a new client -- Vice President Bush. Again I found this astounding, that a sitting Vice President of the U.S. would employ a private detective. (Later I was to surmise that the matter involved Bob Eckels.) In any event after Mr.Wilson had responded "Yes", I told him that Mr. Brown had informed me about it 18 months earlier and had also told me that public records of real property owned by Mr. Bush in Texas were slowly being erased from existence. Mr. Wilson then resumed our discussion of the Moody Foundation case, never again mentioning the secret fund. It is my understanding that Mr. Wilson, like Mr. Brown, is a confidential informant to the IRS.

Since then Commissioner Eckels personal fortunes have declined. He has been removed from office, having been indicted and convicted of misappropriating county property.

Yet the second shoe has not dropped even though 18 months have passed since the IRS Criminal Intelligence agent picked up the Eckels file. All of this bothers me, especially since I have grown somewhat disillusioned with the role of the IRS in the Moody Foundation scandal (exhibits 3 & 4). Obvious questions arise: Does the secret fund exist? Has IRS Criminal Intelligence covered it up these past three years? Who within the IRS and Treasury Department knows about the secret fund? Who contributed to the fund and how much? Who received payments from the fund, why and how much? Were these payments reported as income by the recipients? Is the fund being used in the present Bush campaign? Etc.

What really bothers me is whether there has been a coverup. A secret political fund would not be all that unique as I wrote about organized labor's secret political funds for liberal candidates in my book The Hundred Million Dollar Payoff. But a coverup by the IRS and Treasury Department would be shocking.

Until I started thinking about all of this as an outgrowth of the IRS role in the Moody Foundation scandal, I was a strong supporter of Bush. In fact, in early 1980 I even circulated petitions to get Bush on the Texas Republican primary ballot, working with Peter Buckley, the son of Federal Judge James Buckley. And I worked with Pete Roussel, one of Bush's longtime aides, in early 1980 on a Bush biography which Roussel was writing. Yet if a secret fund does exist and has been covered up, then I along with most Bush supporters would be disillusioned.

Please advise me if this is a FBI matter.

Very truly yours,

Douglas Caddy
4037 Via Marina
Apt. H309
Marina del Rey, CA. 90292
213-301-2356

9004012149

(2)

June 2, 1988

Mr. Leo Norton
Special Agent
General Accounting Office (GAO)
Office of Special Investigations
600 E St., N.W.
Suite 1000
Washington, D.C. 20548

Dear Mr. Norton:

Mr. Richard Behar of Forbes Magazine has told me of your investigation into certain activities of the Internal Revenue Service at the direction of the House Government Operations Committee.

I am enclosing a number of documents which I wish to call to your attention as they may be relevant to your inquiry. The documents involve two subjects:

(1) Did IRS Criminal Intelligence Agent Dennis Carrey improperly direct me to make a payment of $38,000 in 1982 to Mr. Richard Brown from Moody Foundation grant funds and did Agent Dennis Carrey in 1986 purposely mislead me into believing I was providing confidential information to the IRS on criminal activity within the Moody Foundation when instead he arranged for Mr. Richard Brown to be given credit and financial reward from the IRS for the information I was voluntarily supplying?

(2) Has IRS Criminal Intelligence purposely since early 1985 covered up knowledge about the existence of an illegal Reagan-Bush campaign fund?

In regard to the first subject, it is my understanding that IRS Internal Security Inspector Jack Futch has been investigating this matter since last September. He has told me he is under no obligation to inform me of what his investigation has uncovered even though it was I who filed the initial complaint with the IRS Regional Inspector on Sept. 12, 1987. Thus, to get to the bottom of this subject you will need to speak with Inspector Futch (713-953-6690).

In regard to the second subject, you will note from the enclosed that I wrote FBI Director Sessions about this one month ago. To date I have heard nothing from the FBI. Since Mr. Brown works under contract with the FBI and IRS, it would appear your office would have authority to question him about the illegal Reagan-Bush campaign fund. I do not know how Vice President Bush

paid for his employment of Houston private investigator Clyde Wilson but if it were from government funds, it would appear your office again would have authority to question Mr. Wilson.

Please contact me if I can be of further assistance.

Very truly yours,

Douglas Caddy
4037 Via Marina
Apt. H309
Marina del Rey, CA. 90292
213-301-2356

U.S. Department of Justice

Federal Bureau of Investigation

Washington, D.C. 20535

August 5, 1988

Mr. Douglas Caddy
Apartment H309
4037 Via Marina
Marina del Rey, California 90292

Dear Mr. Caddy:

Your May 2nd communication to Director Sessions has been referred to me for response. I regret the delay in responding to your concerns.

Your communication raises several areas of possible interest to the FBI; however, it does not contain specific details to render a determination as to whether a Federal violation within the FBI's investigative jurisdiction exists. A representative of our Los Angeles Office will be in contact with you shortly to obtain additional details.

Should the information you provide establish a Federal violation within our jurisdiction, you can be assured it will be pursued vigorously.

Sincerely yours,

Floyd I. Clarke

Floyd I. Clarke
Assistant Director
Criminal Investigative Division

Bicentennial of the United States Constitution (1787-1987)

INTERNATIONAL INTELLIGENCE NETWORK

CONFIDENTIAL

9004081253

PUBLIC INFORMATION RECORDS TRACKING
(P.I.R.T.)

International Intelligence Network Corporation is proud to offer a Public Information and Records Tracking (P.I.R.T.) Seminar. This Seminar will instruct those attending on information available through a search of public records and provide the format through which such information may be compiled into a report for the benefit of law enforcement and corporate security. The course will be conducted by International Intelligence Network Corporation, which has successfully conducted previous seminars with the sponsorship of the Criminal Intelligence Division of the Houston Police Department, the Texas Department of Public Safety and the Criminal Justice Center at Sam Houston State University. International Intelligence Network's staff will instruct the three day seminar.

A systematic search of the various sources of information is the foundation required for any serious effort to identify elements of organized crime or financial crimes. Investigators involved in Organized Crime, White Collar Crime, and Major Case investigations will find the information and techniques presented in this seminar an invaluable tool for identifying a subject's financial status, business associations, and personal information. The purpose of this seminar is to teach techniques employed by experts in the field of Public Information gathering and correlation.

INTELLIGENCE INFORMATION THAT MAY BE OBTAINED FROM A COMPLETED PUBLIC RECORDS SEARCH

Full Name
Alias A.K.A. D.B.A.
Date of Birth
Place of Birth
Citizenship
Parents Name
Residence Address
Phone Number
Business
Business Address
Business Phone Number
Additional Present or Prior Addresses
Marital Status
Date and Place of Marriage
Spouses' Maiden Name
Spouses' Parents' Names
Childrens' Names
Occupation
Length of Time at Present Occupation
Prior Occupations
Spouses Occupation
Education and Civic Associations
Military Service
Social Security Number & State of Issue

Present, Past Banks, S&L's, C.D.'s, Officer's Name
Trust, Beneficiary, Donor, Trustee
Inheritances
Sale of Assets
Loans & Collateral
Mortgages
Damages from Litigation
Mortgage Receivables
Automobiles
Equipment
Real Estate
Airplanes
Boats
Loans
Assets Purchased by Financing
Business by D/B/A
Corporations
Present Corporate Address
Charter Number
Charter Date
Charter Standing
Registered Agent
Registered Address
Incorporators
Officers & Directors

Capitalization
Subsidiaries or Parent Corporations
Limited Partnerships
Tax Liens, Date and Type of Tax
Security Exchange 10K Filings
Accountants or C.P.A. Names
Attorneys That Do or Have Represented Subject
Dates, Case, Cause #, Court, Location
Number of Cases as Defendant and Brief of Cases
Number of Cases as Plaintiff and Brief of Cases
Trustees Acting For, Name and Date, Film Code #s, Location
Inventories of Estates, Probate
Wills
Liquor License
Bank Stocks Owned
Bankruptcy
Criminal Records Via Court Records
Associates
Newspaper Records
Immigration Information
Property Tax Value

Combinations of the Preceding Items and Multiples of Lead Information Germane to Your End Result Requirement.

International Intelligence Network and its predecessor, Asset Search Corporation, has been working in the field of public records for many years. Asset Search Corporation was originally formed to provide public records searches, asset location investigations and genealogy tracings for attorneys, law enforcement, and financial institutions. The procedure became so well known that International Intelligence Network was retained by several federal agencies, including the F.B.I., D.E.A., and the I.R.S. to perform background searches on a grant or contract basis. In 1982, Mr. Richard Brown, Director of International Intelligence Network, decided to make the potential of public records searches available to local law enforcement and corporate security, by training as many investigators and corporate security specialists as possible in the techniques. Mr. Brown designed a textbook which describes the basis of this system and is now offering a seminar to guide the law enforcement officer and corporate security specialist to the sources of information available in the public records.

TOPICS COVERED IN COURSE

THE P.I.R.T. SYSTEM

Public Information and Records Tracking

OUTLINE

Definitions	
General Information	
Forms	
Cursory	1.5
UCC	2.0
City/County Tax Rolls	1.0
Real Property Records	2.0
Assumed Name Records	1.0
Tax Liens	1.0
Miscellaneous Personal Records	.5
Civil Court Records (County/State/Federal)	2.0
Corporate Records (Active/Dead, Sic/Off, Sic/Corp)	2.0
State Comptroller Records	1.0
Limited Partnerships	1.0
Attorneys	.5
Criminal Court Records (County/State/Federal)	1.0
Bankruptcy Records	.5
Outside Investigations	
Boats	
Public Library	1.0
Collating & Assembly of Information	2.0

PLEASE FILL OUT AND RETURN

To reserve seats for the P.I.R.T. System Seminar conducted by International Intelligence Network Corp. February 24, 25 and 26 1987, reservations must be received by February 17, 1987. Cancellations are subject to forfeiture of $50.00 per seat if not received in writing by February 17, 1987.

Please reserve__seats. P.I.R.T. System Seminar, February 24, 25 and 26, 1987.

Name:_____

Organization:_____

Address:_____

City_____ State_____ Zip_____

Check enclosed for:

$335.00 prepaid per seat_____ = $_____ *P.O.'s OK

Reduced rate for Law Enforcement Agencies:

$235.00 prepaid per seat_____ = $_____

Make your check payable to — International Intelligence Network and return to:

INTERNATIONAL INTELLIGENCE NETWORK CORP.

P.O. BOX 42999 / DEPT. 117
HOUSTON, TEXAS 77042
(713) 222-8801

Texas Commission on Law Enforcement Officer Standards and Education

"An evaluation of the submitted course material would indicate that the course would be worthwhile for specific segments of the law enforcement community (i.e., intelligence officers, narcotic officers, etc.)"

International Intelligence Network will conduct this working, "P.I.R.T." Seminar.

Date ..... Tuesday, Wednesday, and Thursday
February 24, 25 and 26, 1987

Time ..... 8:00 A.M. to 4:30 P.M. Daily

Where ..... International Intelligence Network Corporation
Suite 800, Lyric Centre
440 Louisiana
Houston, Texas 77002

Materials Recommended ..... Writing pad for notes
Tape Recorders Allowed
No Video Recorders Allowed

Cost ..... $335.00 which covers all individual materials needed, complete book and tuition. $235.00 reduced rate for Law Enforcement Agencies. Fee also covers 1 year membership with International Intelligence Network Association, which provides periodic updates.

9004031156

INTERNATIONAL INTELLIGENCE NETWORK

A NEW "POLICE SCIENCE"

(5)

CONFIDENTIAL

JULY 3, 1986

MR. DOUG CADDY

RE: MOODY FOUNDATION, ET AL

DEAR DOUG,

AS PER OUR CONVERSATION OF LAST WEEK, ON JULY 1, 1986 AT 8:15 P.M. I MET WITH MR. DENNIS CARREY, I.R.S. AGENT, CRIMINAL INTELLIGENCE DIVISION AND DISCUSSED THE CONCERNS AS TO POSSIBLE WRONG DOINGS AT THE MOODY FOUNDATION. HE STATED HE WILL CONTACT ONE OF US FOR FURTHER DISCUSSIONS.

RICHARD BROWN

NATIONAL INTELLIGENCE NETWORK CORP. P.O. Box 42969 / Dept. 117 • Houston, Texas 77242 • (713) 222-8807

(6)

PHONE MEMO

TO RB.

FROM Denis Carey

DATE 7-1 TIME 1:56

AREA CODE NUMBER 788-3084

EXTENSION

MESSAGE

Can not make it at 3:30
Is 4:30 okay
Couldn't make that time either
- will tell him tonight @ Mansfield
Party

P00408121158

L.A. Times (5)

★ Friday, July 8, 1988

IRS: Congress Begins Probe

Continued from Page 1

satisfied there is enough truth in the allegations to warrant a full-scale investigation," Barash said.

The IRS says the cases being investigated by the subcommittee already have been reviewed by the agency. "The allegations have been brought to us, and the cases have been investigated," IRS spokeswoman Ellen Murphy said Thursday. She declined to discuss specific allegations or the results of the investigations.

Rep. Doug Barnard Jr. (D-Ga.), the subcommittee chairman, met last week with IRS Commissioner Lawrence Gibbs and sought IRS cooperation for the inquiry, according to Murphy. The commissioner "told him we would cooperate in any way we could under the law," she said.

In California, the committee will investigate allegations in the district offices in Los Angeles and Laguna Niguel and the western regional office in San Francisco.

The IRS' internal investigation of its Los Angeles office began last year over allegations of improper conduct in the dispute between Guess and Jordache.

Internal Policing at Issue

Jordache, based in New York, is owned by the Nakash brothers. In July, 1983, they bought half of Guess from the Marciano brothers of Beverly Hills. The two families have been engaged in a hard-fought legal battle ever since, with the Marcianos seeking to cancel the acquisition.

The IRS has been investigating allegations that the Marcianos used their influence with the IRS Los Angeles office to avoid investigations of their own company and to promote a probe into Jordache.

Now, the House subcommittee wants to determine if the IRS did a good job of policing itself.

"If there is an investigation, Guess and the Marcianos feel very confident that any such investigation would result in a finding of no improper conduct," said Robert Shlachter, an attorney for the Marciano brothers. "If asked to cooperate with the investigation, we will. We have nothing to hide."

The House subcommittee is also investigating a variety of other allegations, including:

- An IRS inspection official became involved in an illegal tax shelter business and was allowed to retire early without any penalty.
- An IRS supervisor provided confidential tax information to a businessman who had improperly withheld from the government $400,000 in payroll taxes. When IRS investigators exposed this case, they suffered harassment and reprisals.

It is a federal crime to divulge any tax return or tax information to anyone outside the IRS.

Congress Begins Probe of Reported IRS Improprieties

By ROBERT A. ROSENBLATT,
Times Staff Writer

WASHINGTON—A congressional subcommittee has begun an investigation of alleged corruption and misconduct among senior Internal Revenue Service personnel, with specific inquiries in Los Angeles, San Francisco and Laguna Niguel, sources said Thursday.

The Los Angeles inquiry focuses on whether a senior IRS official improperly intervened in a bitter dispute between Guess and Jordache, rival manufacturers of jeans. Guess allegedly persuaded the official to open a tax investigation of Jordache and block an inquiry into Guess that originated in another IRS office.

The subcommittee, which has responsibility for oversight of IRS activities, will examine the way in which the IRS investigates complaints about misconduct by the agency's personnel. The allegations provided to the committee by private citizens involve abuses of authority and possible criminal behavior by IRS officials.

'Full-Scale' Investigation

In addition to the California locations, the probe will focus on alleged abuses in the IRS central regional office in Cincinnati, the Midwest regional office in Chicago and a district office in Newark, N.J.

The investigation, conducted by the commerce, consumer and monetary affairs subcommittee of the House Government Operations Committee, is expected to last through the summer.

"There are serious allegations of fairly widespread misconduct among senior officials in district and regional offices," Peter Barash, the subcommittee staff director, said Thursday. "Apparently, IRS dropped the ball in investigating and punishing misconduct."

"After preliminary checking, we are

Please see IRS, Page 5

BEWLEY ALLEN

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Houston Chronicle 7/12/88

New IRS district chief pledges to cooperate in probe of office

DALLAS (AP) - The district director of the Internal Revenue Service said at his swearing-in Monday that a congressional subcommittee's inquiry into alleged improprieties at his new office was "news to me," but he pledged to cooperate with investigators.

Gary O. Booth, former district director in Austin, said he had not been contacted by congressional investigators probing alleged abuses of authority that included cover-ups and lax enforcement of agency regulations at seven offices nationwide, including Dallas.

"To my knowledge, they haven't contacted anybody (in the Dallas office)," Booth said after he was sworn in by state District Judge Barefoot Sanders at the Earle Cabell Federal Building. "Whatever the case is, I'm sure the service will cooperate."

Booth said he was more concerned with taking on his new job.

"The real challenge at the moment is the sheer size of the Dallas district — to show that we are responsive."

U.S. Rep. Doug Barnard Jr., D-Ga., said Monday that a six-week preliminary inquiry by the Commerce Consumer and Monetary Affairs Subcommittee of the House Government Operations Committee uncovered evidence that warrants further investigation at the Dallas district office.

"We have not been in contact with the Dallas office, but our three investigators (from the General Accounting Office) certainly have," Barnard said.

The IRS' headquarters in Washington, D.C., and its offices in Chicago, Cincinnati, Los Angeles, Newark, N.J., and San Francisco also were targeted in the inquiry, Barnard said.

Although he declined to link specific cases to district offices, Barnard said the evidence merited an in-depth investigation.

"We've got to get a House resolution passed to look into the tax records of some of the instances that have come to our attention," Barnard said. "We hope to get that done next week."

Barnard said hearings in the investigation will probably start in mid-September.

Cases being studied include a "bogus investigation" ordered at an office and two coverups of results of legitimate inquiries, Barnard said.

An IRS employee who illegally invested in a tax shelter was lightly punished, contrary to proper disciplinary guidelines, he said.

In a third case, an IRS employee was allowed to retire rather than be punished for divulging "private information" to a taxpayer.

The IRS' criminal investigations unit and its in-house security division covered up wrongdoing in a number of instances, Barnard said.

"When you've got as many people working in the IRS as you do, there's going to be a lot of room for pointing fingers," Barnard said.

"We're always subject to congressional oversight," Booth said.

(2)

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Dave Einsel / Chronicle

Investigator Clyde Wilson, seated, and explosives expert D. Michael Hollaway look over Hollaway's sworn statement linking Shearn Moody Jr. to an alleged death plot.

Explosives expert accuses Shearn Moody of bomb plot

By DIANNA HUNT
Houston Chronicle

Galveston millionaire Shearn Moody Jr. and a convicted con man tried to hire an explosives expert to "blow the legs off" a Houston attorney after he raised allegations of impropriety with the Moody Foundation, the expert says.

In a sworn statement submitted to Houston private investigator Clyde Wilson and the FBI, D. Michael Hollaway, a former military explosives expert, said his employer, William R. Pabst, first approached him about planting explosives in the car of attorney Douglas Caddy.

A few days later, Moody asked Hollaway about planting the explosives to "blew his (Caddy's) legs off" or having Caddy shot by a sniper, the statement says.

Hollaway, 30, who also is a former policeman, declined the offer. He worked about two years as a consultant for Pabst, who is a fugitive on bond-jumping warrants stemming from his 1985 conviction for charity fraud.

"William R. Pabst just talked to me about using enough explosives to scare Caddy, but Shearn Moody wanted him either dead or his legs blown off," Hollaway said in his statement. "Shearn Moody was not kidding about this but was very serious.

"I don't think there is any question that Shearn Moody and (his administrative aide) Norman Revie would hire an assassin in a minute."

Assistant U.S. Attorney Steve Shaw said the allegations are under investigation by the FBI. The conversations could violate federal laws against obstruction of justice or tampering with a witness, or state solicitation of murder charges.

Neither Moody nor his attorney, Marian Rosen, could be reached for comment late Friday.

Hollaway said the discussions with Pabst and Moody took place shortly after Caddy met with Moody Foundation officials on Oct. 31, 1985, about the possibility that grant funds may have been used improperly.

Caddy's allegations prompted an internal Moody Foundation investigation, which led to the foundation's hiring of private investigator Wilson to probe the alleged misuse. State and federal officials also are investigating.

Moody already has been charged in two federal grand jury indictments and Pabst in one, alleging they diverted foundation grant funds to pay personal and legal expenses. Moody is one of three trustees of the charitable Moody Foundation.

In his sworn statement, Hollaway says Pabst asked him about "the possibilities of wiring up explosives to Doug Caddy's car. Pabst advised me that they did not want to blow him away, but only wanted to put enough explosives in his car to frighten him."

Hollaway said he suggested planting "auto fool-

See EXPLOSIVES on Page 10.

Explosives expert says he rejected bomb plot

Continued from Page 1.

ers," devices that make a loud, whistling noise and a bang and are easily purchased at fireworks stands.

Pabst rejected the suggestion, however, saying "he wanted Caddy to know that the next time, Caddy's death would be for real," Hollaway said.

A few days later, while delivering two envelopes to Moody at the Hotel Washington in Washington, D.C., Hollaway said he was questioned by Moody about injuring Caddy.

"Shearn Moody asked me if I was qualified enough in explosives to do this and exactly how it could be handled," Hollaway said.

Caddy

After Hollaway turned down the offer, Moody "told me that possibly I could get a sniper rifle with a silencer and just blow him away," Hollaway said.

In exchange, Moody offered to get Hollaway appointed as a deputy sheriff in Galveston County, Hollaway said.

"I feel that Shearn Moody and his associates should be considered dangerous people," Hollaway concludes in his sworn statement. It was at this meeting in Washington that Moody allegedly asked Hollaway about blowing Caddy's legs off.

Caddy said Friday he did not know about Hollaway's allegations until informed of them by the Chronicle but says he was not surprised. He says he has been threatened, followed, spied upon and had his telephones wiretapped.

"A large amount of money and strange things happen in cases where family fortunes and family dynasties are involved," Caddy said.

"One of the untold stories of this whole scandal is that for the last 2½ years I and several of my associates and their families have been subjected to total hell," Caddy said. "I could hardly ever talk to anybody about this because everybody would think I was paranoid.

"This latest information just confirms my suspicions."

Wilson said Hollaway recently came to his office voluntarily after learning of the investigation.

"I appreciate his courageous actions in coming forth and cooperating with this investigation," Wilson said.

Earlier Friday, Moody pleaded not guilty to a 30-count federal grand jury indictment accusing him, Pabst and three others of diverting about $1.5 million in foundation grants to pay personal and legal expenses.

Rosen, Moody's attorney, told reporters after the hearing that the indictment is an effort to "keep the pressure on" the embattled millionaire.

"I think the barrage of attacks on him is a sort of harassment," Rosen said.

Co-defendant Howell Willis of Dallas, described by federal officials as a "self-proclaimed tax protester" who spent a year in prison on a 1978 tax conviction, likewise pleaded not guilty to the charges before U.S. Magistrate George Kelt.

Willis is executive director of the Hamilton Law Institute, which received $500,000 in Moody Foundation grant funds that allegedly were kicked back to Moody and the others.

It also was disclosed Friday that three Moody Foundation officials — trustee Robert L. Moody, Shearn's brother, and two attorneys, Irwin "Buddy" Herz and Dan Vaughn — voluntarily took lie-detector tests this week about their knowledge of the alleged diversion of funds.

Wilson said the polygraph results indicate none of the three men knew about possible misuse of funds until the investigation was launched.

Moody is expected to be ousted from the foundation board at a special meeting set for Thursday in Galveston.

Searching the

MY ORGANIZATION, THE INTERNATIONAL Intelligence Network Corporation, based in Houston, TX, is a leading company in the field of intelligence gathering and analysis through the use of public information. Our clients include local, state, and federal agencies as well as numerous banks, law firms, and Fortune 500 companies. By public information, I mean material that is in the public record—documented facts available to anyone who chooses to examine them. There are no legal restrictions concerning levels of access to this type of information.

For you as corporate security managers, the information obtained from a public records search can give accurate profiles of individuals for hiring decisions. If you have been asked to do a background check on a company, the information in public records can reveal the company's financial stability and give details about corporate directors, including any evidence of illegal activities such as kickbacks, conspiracies, and the like.

Many people have probably been into their state or county courthouse at one time and found the records somewhat difficult to locate. Some types of public information almost preclude a novice from obtaining it. In fact, more than 3,500 categories of public information about individuals and companies are available, which makes the task of retrieving a particular fact a formidable one indeed.

Everyone eventually gets into the public record. Most of us appear in public records only a few times in our lives—we are born, we get married and perhaps divorced, we purchase automobiles, we buy property—and that is about the extent of it. But those scant records provide enough information to go backwards through an entire life and track almost everything a person has ever done. Even with a limited amount of information, you can develop a good dossier on any company or individual.

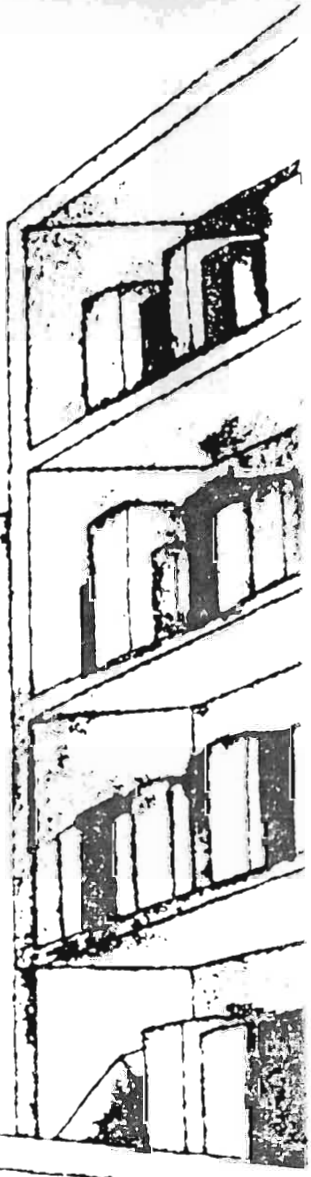
Some of the information available through public information includes the following: full name, alias, date of birth, place of birth, citizenship, parents' names, resident address, home telephone number, name of business, business address, business telephone number, additional present or prior addresses, marital status, date and place of marriage, spouse's maiden name, spouse's parents' names, children's names, occupation, length of time at present occupation, prior occupations, spouse's occupation, education, military service, social security number and state of issue, present and past bank accounts, savings and loan deposits, certificates of deposit, bank officers' names, trusts and beneficiaries, donor trustees, inheritances, sale of assets, loans and collateral, mortgages, and so on.

Our company requires at least two cross-identifiers before we undertake an investigation. If you have a name, date of birth, spouse's name, address, social security number, or any other fact about the individual, it can be used to cross-check the person's identity. Preferably, the fact should be something that has been related to the subject for some time. With just two facts you can begin your tracking.

The public library system is probably one of the greatest assets an investigator has. The best place to start in a library is with a criss-cross directory. Most libraries will have criss-cross directories for the lo-

Stacks

by Richard Brown



cal area, and perhaps others. If you have a name, telephone number, or address, you can locate the other two pieces of information. From there you can go to other reference sources. Almost anything related to public companies will be helpful—annual reports, quarterly reports, and other financial filings will reveal corporate information for publicly held companies. Copies of tax returns for tax exempt foundations and other financial information filed with the Securities and Exchange Commission are usually stored on microfiche.

Many corporate directories are available and are chock full of information about companies, their management, their stockholders, and their financial statistics. Two particularly useful ones are *Moody's Industrial Manual and News Reports* and *Standard & Poor's Register*. Corporate and industrial guides are classified by the kind of business involved—banking, insurance, accounting, law, and the like. In Texas, for example, the banking directory is called the *Banker's Red Book*, and other states have similar volumes.

WHEN SEEKING INFORMATION about individuals, explore the contents of *Who's Who* directories for various fields in which an individual has worked. An entry in *Who's Who* gives a short biographical sketch with a person's date and place of birth, marital status, academic degrees and where they were earned, and other facts that provide leads to additional information.

When tracking information, do not hesitate to ask for help from librarians. They are specially trained in research techniques and are usually very willing to assist. With the advent of computer data bases, many librarians will conduct computer searches and provide you with a printout of information and a bibliography of sources.

A second source for information is the secretary of state. In most of my examples, I will refer to the secretary for the state of Texas since I am most familiar with their procedures.

The department of the secretary of state in Texas is broken into three divisions—the corporate division, the comptroller's division, and the Uniform Commercial Code (UCC) division. The corporate division handles requests about the incorporators of a company, the date of incorporation, the registered office, the registered officer, and other miscellaneous information about the beginning of a corporation. The comptroller's division handles requests concerning the officers and directors of a corporation. The UCC division handles requests relating to matters of borrowing money and collateral. If you recall the last time you went to a bank to borrow money, other than for the purchase of a car, they handed you a mass of papers. Among these documents would be a set of five-by-seven-inch papers called a UCC—a Uniform Commercial Code filing form.

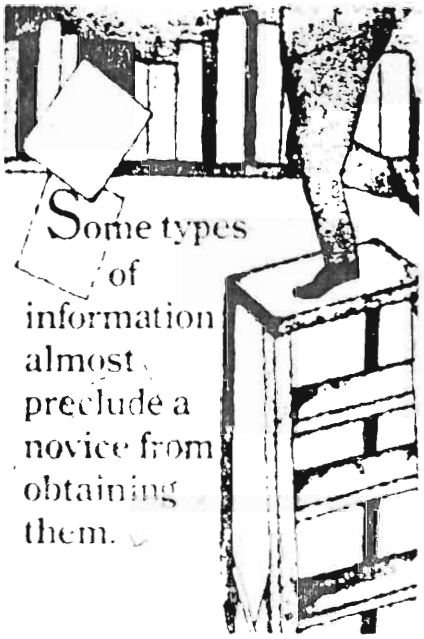
A UCC is literally a replacement for a title of an object or is a public notice of some agreement. In some cases, it is a financing statement, and in others it will be a lien itself. On that particular paper is recorded not only the secured party's name, but also the debtor's name and address, the business entity, and in most cases, the entire group of collateral the debtor has put up, the location of that collateral, and various other facts such as the name of the lending officer.

UCCs are filed in two places—with the secretary of state and with the county of domicile of the debtor. A secured party may file in either state or county records as both establish a priority of claim on the listed collateral. UCCs are filed in every state in the country with some minor variations in filing requirements.

When searching for information from the secretary of state, a separate, written request must be sent to each division—the corporate, comptroller's, and UCC—to ensure receipt of a reply. A hint to remember when writing the secretary of state, as well as anyone else, is to put a self-addressed, stamped envelope with your request. This will greatly speed up the process and almost guarantees you will receive a reply because you are saving a clerk some time and effort. Keep in mind too that some information is available over the telephone. Always call and gather what information you can before writing and also find out what fees should be included with your request and if any special forms must be completed.

A THIRD SOURCE FOR PUBLIC INFORMATION is county courthouse records. The county records are easier to start with, rather than city or state records, because there is less activity on the county level, and the indexes are better organized and more frequently updated. For example, indexes to marriage records, located at a county courthouse, will of course give the name of your subject and whom he or she married and when, but they are a source for much more.

Behind every index of public filings of any kind is a hard copy, or supporting document, that contains probably 150 to 200 percent more information. For instance, most counties require the presentation of at least two pieces of identification such as a birth certificate or a



driver's license when a marriage certificate is issued. By locating the hard copy with the document number provided in the indexes, in most cases, you will be able to learn not only the general identification of the people who were married, but also about any previous marriages. The female's surname before marriage will be listed as well as the address where the marriage certificate was mailed. Most of the time, that address will not be the resident address of the people who were married, but a more permanent address such as that of their parents or other relatives. Such an address is an excellent place to start when you are looking for someone.

Records of assumed or fictitious names are also filed at a county courthouse. Anyone over the age of twenty-one, or eighteen in some counties, can file an assumed name. An assumed name can be used, but the liability rests with the individual. A corporation using an assumed name has limited the liability to the extent of stockholders' investment. A corporation can own an assumed name company and an assumed name company can own another assumed name company. As you are examining a courthouse index, look directly across from the subject's name to find the company name or the entity name he or she is using.

What is the purpose of an assumed name certificate? They have been around for a number of years. In my particular county, Harris County, TX, for example, an assumed name certificate is required for a company to open a bank account. The bankers want to know who owns the particular entity. As with other courthouse records, you should look at the hard copy. On an assumed name certificate you will find the subject's signature and his or her permanent mailing address as well as the names and addresses of any other people involved in the business endeavor.

Miscellaneous personal records (MPR) are also filed at a county courthouse as are real property records. Almost everything you would consider nonclassifiable is filed in the miscellaneous personal record section. One example is military discharge papers which the military requests their personnel to file in the county of domicile upon discharge from service. These records often contain information regarding the dischargee's character.

Real property records, also found at a county courthouse, can help you determine your subject's assets, any financing agreements, and his or her business associates. Real property records also provide signatures, spouse's name and associates, and other bits of potentially useful lead information.

When investigating a subject, we combine all the information pulled from public records. We copy every proper name—buyer, seller, plaintiff, defense, legal counsel—and the names are alphabetized and categorized according to where that name appears in an investigatory report. These names serve as leads to develop your investigation further. If a name appears in your subject's file six times over the last three years and the rest of the names appear only one or two times during the same period, you would want to find out more about that person's involvement with your subject.

A fourth source for public information is attorneys. In many counties you can obtain what is known as an attorney's caseload. If one attorney's name dominates the records of civil litigation, real property transactions, assumed names, or corporate activities involving your subject, you can safely assume your sub-

ject is retaining this particular attorney for a reason. The odds are the attorney may be involved in business activity with the subject, or the attorney may be acting as trustee in real property transactions or other legal matters for the subject. If that is the case, it would be helpful to take a look at the attorney's caseload.

A fifth source for information is civil litigation records. If the person you are investigating for a background clearance has been sued during the past five years by six people for fraudulent representation of a product, that could be of great interest. Civil litigation records are also an ideal place to look to find what other businesses your subject is involved in. In some civil litigation cases, by looking at the original petition, you may find your subject named along with four or five codefendants who are involved in that business but might not be listed in the secretary of state's filing or in the comptroller's filing of that particular business. Those names can lead to additional areas of investigation that could prove fruitful to your search.

A sixth source for public information is due to the efforts of the American Civil Liberties Union (ACLU). The ACLU pressed for a legal procedure—pretrial screening—that has worked out to be quite informative. If an individual is held in jail, a representative from pretrial services asks him or her approximately eighteen questions. If the person gets a total score of so much, he or she may be eligible for reduced bond or a personal recognizance bond.

For our purposes, pretrial screening provides more background information on a person. A copy of the questions asked of the person in jail is kept in the case jacket, one copy is sent to the district attorney's office, and one copy is kept by pretrial services. This filing contains information such as the person's relatives, associates, employment, social security number, and arrest record. Not everyone who goes to jail is screened by pretrial services; however, in most cases, if someone has been incarcerated more than ten hours or so, a pretrial services representative will usually screen the person.

IN TRACKING PUBLIC INFORMATION, since there are so many categories from which to gather information, sometimes it is useful to put yourself in the position of the person or company you are investigating. To investigate a firm, consider the company's licensing requirements on the county, city, state, and federal levels. These licensing requirements are always public information. When investigating a person, think about the subject's profession and determine what organizations, rules, or regulatory agencies are involved in licensing. Once you start thinking like your subject, you will know what agency to go to for more information.

Bankruptcy files available from the federal bankruptcy court provide a seventh source for information. There are numerous chapters of bankruptcy, but Chapter 11, reorganization, and Chapter 7, liquidation, are the most common. When an entity files for bankruptcy everything stops—no more civil litigation, no more complaint filings. Therefore, a bankruptcy file provides, supposedly, full disclosure of an entity's assets and liabilities. Failure to note certain assets or liabilities is bankruptcy fraud.

If you are looking for angles, trying to save your company some money, or acting on behalf of the party filing for bankruptcy, be sure full disclosure is at hand. And, if something has been left out, you as a creditor can petition the court with the additional information and ask for recourse. Any assets you discover that are not in a bankruptcy filing may be added to the debtor's estate.

You may want to check and see if an individual has ever filed for bankruptcy. This information is available in bankruptcy indexes. The amount of information involved in a bankruptcy is enormous, so you may find it helpful to photocopy the entire file.

Finally, facts can be gathered from criminal records. Almost 100 percent of the information related to an arrest and conviction is available—the court transcripts themselves, the nature of the charge, the disposition of the charge, and if and where the defendant was imprisoned. Almost every criminal record will carry a docket sheet with it. The docket sheet will almost always point out where and when the case went to trial and the name of a codefendant if there was one. If the defendant was indicted, a copy of that indictment is also public information, and if it is not available in that particular case jacket, it can be obtained by case name through the court.

Searching for and gathering public information is a lot of work, but the real test begins when you must organize the material you have worked so diligently to find. One simple way to organize findings is to categorize facts—anything relating to real property goes in one section; corporations in another, assumed names in another. Then do what we call a day-date takeoff, based on any subject information you are interested in that happened at the same time. For example, look at when the person started a corporation, when he or she bought a car, when he or she filed a UCC, and when he or she took out a certificate of deposit. Take these known beginnings and trace what took place after them. Look at what was going on at a specific time and compare the subject's activity with his or her income—would the person have the wherewithal to do these things? If you see a person made large purchases and you know that he or she had an income of only $50,000 at that time, you can tell the subject's income has been supplemented. This is often the case where we suspect an individual is involved in narcotics or money laundering.

Pay very close attention to the names that appear on filings. Suppose you know the subject uses four names. You must check the records for every one of those, and you should be sensitive to any differences. If the subject signs "Dr." before his or her name one time out of many, you have another lead. Now you can go to the state licensing board and look for information about the doctor's background and education, if in fact he or she is a legitimate physician or holder of a doctoral degree.

Today, we are an information society. You can make this work for you by calling on all the resources and information available in public records. Computer technology with its ability to store and quickly retrieve masses of information has helped the tracking process, but it still can be very time consuming and frustrating. Despite appearances, however, there are no dead ends. One fact should lead to another fact, which in turn should lead to even more facts.

Experience is probably the best key to learning where to go and how to go about finding what you need to know. By sharing some of my experience with you and explaining what can be found in these public records, I hope you will feel confident in your search and better prepared for investigative success.

This article is based on a presentation Brown gave at the 41st Annual ASIS Seminar and Exhibits in Dallas, TX. The session was sponsored by the ASIS Standing Committee on Investigations.

About the Author . . . *Richard Brown is director of the International Intelligence Network Corporation, Houston, TX.*

Delinquent Taxmen

A congressional investigation examines corruption and cover-ups at the Internal Revenue Service

BY RICHARD BEHAR

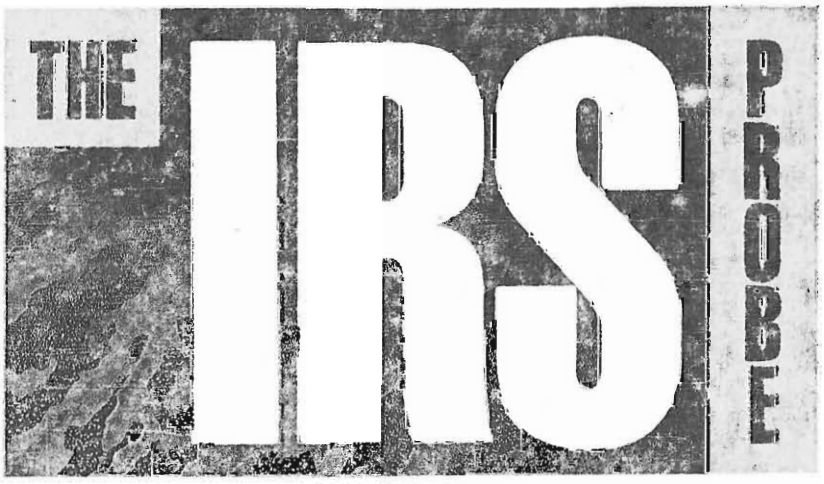
When 50 Internal Revenue Service agents swooped down on the New York City headquarters of Jordache Enterprises, spent two days rummaging through files and carted off more than a million documents, the company's executives were shaken but not surprised. They quickly concluded that their rivals at Los Angeles-based jeansmaker Guess, Inc., were involved, and they were right. The IRS raid and a subsequent grand-jury investigation of possible tax violations by Jordache were triggered by tips supplied by Guess to one of the most powerful IRS officials on the West Coast, Ronald Saranow, who then headed the Los Angeles office of the service's criminal-investigation division. Saranow later asked to take an unpaid leave from the IRS to accept a job at Guess. More than three years have passed since the raid, and no tax charge has been brought against Jordache.

The Jordache affair, among many other cases, will be aired next month by the House Commerce, Consumer and Monetary Affairs subcommittee in what could be the most extensive and embarrassing examination of the IRS since Watergate. While the subcommittee has not discovered the widespread bribes, kickbacks and blackmail that led to an overhaul of the IRS in the 1950s, its yearlong probe has unearthed evidence of disturbing misconduct, several instances of alleged wrongdoing by high-level IRS officials in the past five years and an attempted cover-up by the agency's image-conscious leaders.

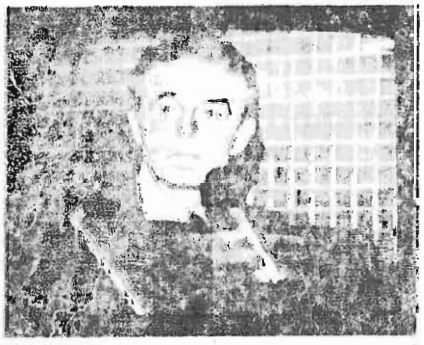
At the heart of the probe are two perplexing questions. Have post-Watergate reforms designed to shield the IRS from political abuse unintentionally allowed corruption to flourish by exempting the agency from proper oversight? And is the agency, headless since Commissioner Lawrence Gibbs resigned at the height of the tax season last March, using those reforms to prevent the subcommittee from delving into the wrongdoing?

In 1976 Congress amended the IRS code, making it a felony for the agency to provide or even discuss confidential tax-return information with most outsiders, including the FBI and the Justice Department, without a federal court order. The revised Section 6103 was designed to prevent Executive Branch officials from obtaining tax information on political enemies, Richard Nixon-style. But critics maintain that the reform has turned the IRS, which is possibly the Government's most feared civilian bureaucracy, into an agency that answers to no one.

The subcommittee's chairman, Georgia Democrat Doug Barnard Jr., says the IRS has become so consumed with preserving its reputation that it is using Section 6103's confidentiality provisions to thwart congressional scrutiny of alleged misconduct. Citing Section 6103, IRS officials have refused to turn over confidential files about the Jordache affair and



GUESS



SARANOW

In 1985 Guess, Inc., triggered a criminal investigation of rival jeansmaker Jordache Enterprises by providing information to IRS official Ronald Saranow. But when Saranow tried to take a job with Guess, the agency said no.

other cases. "We are handicapped from doing the oversight job that Congress has determined we should do," says Barnard, a conservative former banker.

There is certainly much to question in Saranow's handling of tax cases that the IRS brought against two rivals of Guess. In 1985 Saranow, acting on a tip from Guess, launched a criminal probe of Jeff Hamilton, Inc., a Los Angeles–based company that once made clothes under a license from Guess. A year later Saranow, again relying on information supplied by Guess, got IRS officials in New York City to begin a criminal case against Jordache. At the time, Jordache's founders, the Nakash brothers, were embroiled in a bitter dispute with the Marciano brothers, who founded Guess, that is still being contested in the courts.

In late 1986, after the IRS dropped a tax case against Guess that had been initiated by Jordache, top agency officials began to investigate Saranow's possible role. The probe intensified in 1987, when Saranow's office dropped charges against Jeff Hamilton only days after that firm withdrew a lawsuit it had filed against Guess. Meanwhile, the IRS rejected Saranow's request to take a leave of absence and work for Guess, as his deputy, Howard Emirhanian, had done a year earlier. Saranow was cleared of charges of wrongdoing in 1988.

Congressional investigators believe that the IRS in its investigation of Saranow not only ignored key witnesses but also kept him abreast of the case as it developed. John Rankin Jr., the retired IRS assistant commissioner for inspection who oversaw the Saranow investigation, denies a whitewash. "I think Ron made some bad judgments, but I don't think he committed a crime," he says.

Despite such assurances, the Justice Department has convened a second grand jury in New York City to re-examine the original investigation. Saranow has left the IRS to open a bicoastal private-investigation business with, among others, Anthony Fangone, until recently the IRS's assistant commissioner for criminal investigation.

Another disturbing incident involves Frank Santella, formerly an assistant regional inspector in the IRS's Chicago office. In 1984 Santella's three deputies complained to Joseph Jech, the IRS's Midwest regional inspector, that their boss had released confidential tax data to a mob-linked company in exchange for illegal gifts such as theater tickets and expensive dinners. One year later, their charges ignored, the whistle-blowers sought help from IRS officials in Washington. As a result, Santella received a twelve-day suspension without pay—whereupon a group of senior IRS officials chipped in to reimburse him.

The whistle-blowers did not fare as well. Two were demoted, and the third was pressured to transfer to another city. But all, they say, were harassed by some of the same higher-ups who had rushed to Santella's aid. Top IRS and Treasury Department officials dismissed the whistle-blowers' cries of harassment. But in 1987 an independent IRS "grievance examiner" concluded, in a report obtained by TIME, that their complaints were justified. Nothing was done, however, until Barnard's subcommittee began asking questions in early 1988. The whistle-blowers were reinstated in their former positions, and Santella was forced to resign.

One of the IRS officials involved in harassing the whistle-blowers was John McManus, who is also the subject of investigation by the subcommittee. McManus, a former deputy assistant commissioner of the IRS, was permitted to retire quietly from the agency in 1987 after a tax case against him was initiated. In April 1988, shortly after Barnard's subcommittee stumbled across his case, the IRS sent McManus a "notice of deficiency" seeking nearly $100,000 in back taxes and penalties.

"The IRS has tried to offer explanations for what has happened in these cases," says Barnard. "Some of these explanations have been very, very farcical." His efforts have been impeded by the fact that his subcommittee is not empowered to obtain confidential IRS documents without the consent of the concerned taxpayer. But although several taxpayers have given their consent in the current investigation, the Justice Department has blocked the subcommittee from getting the information it seeks.

One way around the impasse would be for the powerful House Ways and Means Committee to obtain the records, as it is empowered to do under Section 6103. But the committee's influential chairman, Illinois Democrat Dan Rostenkowski, has not cooperated, apparently out of concern that embarrassing disclosures about the IRS could damage its ability to collect taxes.

Moreover, Barnard charges, Rostenkowski has threatened to scuttle any attempt to pass a House resolution granting his subcommittee the authority to get the records on its own. The IRS insists that it has complied as fully as the law allows by turning over 12,000 pages of documents and making available 75 agency employees as witnesses. Says IRS spokeswoman Ellen Murphy: "It's unfortunate that the cooperation we have given is ignored because the law prohibits us from talking about a couple of obviously interesting cases."

Nevertheless, the IRS has warned agents who have been contacted by congressional investigators not to talk unless IRS attorneys are present. The agency's lawyers travel across the nation in tandem with congressional investigators and relay the witnesses' testimony to senior IRS officials in Washington. One key informant, a former IRS agent, claims that he has been audited repeatedly by the tax agency in retaliation for reporting corruption within its ranks. At next month's hearings, he plans to disclose how two Treasury Department attorneys visited him in December with what he interpreted as a warning that Gibbs, who was still IRS commissioner at the time, did not want to be contradicted when testifying before Congress.

Gibbs, who declined to be interviewed for this report, proclaimed in a nationally televised news show before he left the IRS that he welcomed "a full, fair and complete airing." Since his departure, however, Acting Commissioner Michael Murphy, a career IRS bureaucrat, has been actively lobbying Congressmen to prevent any hearings. He believes that the IRS, which rarely hesitates to expose the peccadilloes of private taxpayers, would be hurt by the publicity. Last month Murphy turned up in Barnard's office to discuss whether the dispute could be ironed out in private, behind closed doors. ■

Since Gibbs departed in March, the IRS has been headless. Barnard will hold hearings on agency problems next month.

JORDACHE

HALT IRS TAXPAYER ABUSE NOW!
National Political Action Committee

8050 S. Main St.
Suite 28
Houston, Texas 77025

713-867-3476

June 2, 1989

Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Amending request for investigation of unreported and secret $1.5 million 1984 Reagan-Bush campaign fund covered up by IRS Criminal Intelligence

Dear Sir:

I wish to amend my June 1, 1989 written request to include an additional exhibit -- no. 12. This new exhibit is an article from the Houston Chronicle of June 2, 1989 titled "Eckels writing book on tumultuous life."

I believe this to be a veiled threat by former Harris County Commissioner Bob Eckels to tell all -- including what he knows about the secret fund -- if Federal authorities attempt to prosecute him on more serious crimes than he has been accused of previously.

Very truly yours,

Doug Caddy

Douglas Caddy
Chairman

90040812169

Houston Chronicle

Vol. 88 No. 232 Friday, June 2, 1989 25 Cents ★★★

Eckels writing book on tumultuous life

By PETE SLOVER
Houston Chronicle

Coming to a bookstore near you. Eckels, the autobiography.

Former Harris County Commissioner Bob Eckels said Thursday he is writing a book detailing his tumultuous life in public office, which began on the Houston Independent School District board in 1960 and ended with his criminal conviction and resignation from Commissioners Court in January 1988.

"I'm trying to contribute to history, not just do a mud raking deal," Eckels said from his Austin County tree farm, where he has been in semiretirement following his misdemeanor conviction for accepting a gift — a road at that farm — from a county contractor.

The book is in rough, computerized notes to be woven into story form later, Eckels said, adding he would appreciate anybody's input. He said he has no publisher and no firm schedule. He is writing and relaxing to remedy a heart condition.

Who would buy a book about a former county commissioner's exploits in local and national Republican politics?

"Maybe I could be like Jim Wright, and make a lot of money," Eckels joked, referring to the embattled U.S. House speaker's book, *Reflections of a Public Man*, alleged to have been widely sold to lobbyists as a cash crop.

"But really, I think it will be entertaining and helpful to understand how things happen."

Like former President Richard Nixon, who resigned under fire only to slowly gain acceptance as an elder statesman, Eckels offers himself as a pundit, his accomplishments as object lessons in good government.

For instance, he said, his book will describe HISD's non-violent integration during his tenure as a board member and president with a known aversion to civil rights groups.

While not promising a kiss-and-tell book, Eckels hinted his manuscript will bare some county skeletons.

"If you've never done anything wrong, there's nothing to be afraid of," he said.

"There are a number of incidents and circumstances that could benefit the community to know, some that shouldn't have been done."

Eckels would not elaborate, but made it clear he was not referring to his own alleged misdeeds.

County Judge Jon Lindsay, often an anti-Eckels force on Commissioners Court, said he looks forward to

See ECKELS on Page 12A

Bob Eckels

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FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

July 13, 1989

Douglas Caddy, Chairman
Halt IRS Taxpayer Abuse Now! PAC
8050 S. Main Street
Suite 28
Houston, Texas 77025

RE: MUR 2925

Dear Mr. Caddy:

This letter acknowledges receipt on June 29, 1989, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"), by Angela M. Buchanan Jackson, Robert Eckels and Richard Brown. The respondents will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence. For your information, we have attached a brief description of the Commission's procedures for handling complaints. If you have any questions, please contact Retha Dixon, Docket Chief, at (202) 376-3110.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosure
Procedures

90040311171

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 13, 1989

Angela M. Buchanan Jackson,
Treasurer
Reagan - Bush '84
3622 Nutmeg Street
Irvine, California 92714

RE: MUR 2925

Dear Ms. Jackson:

The Federal Election Commission received a complaint which alleges that the Reagan - Bush '84 Committee, and you as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Reagan - Bush '84 Committee, and you as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 unless you notify the Commission in writing that you wish the matter to be made public. 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.

9 0 0 4 0 3 1 3 1 7 2

If you have any questions, please contact George Rishel, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

90040812173

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 13, 1989

Robert Eckels
16330 Clay Road
Houston, TX 77084

RE: MUR 2925

Dear Mr. Eckels:

The Federal Election Commission received a complaint which alleges that you may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 unless you notify the Commission in writing that you wish the matter to be made public. 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.

90040812174

If you have any questions, please contact George Rishel, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

2 1 0 4 0 3 1 2 1 7 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 13, 1989

Robert Eckels
4035 Trey Drive
Houston, Texas 77084

RE: MUR 2925

Dear Mr. Eckels:

The Federal Election Commission received a complaint which alleges that the you may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 unless you notify the Commission in writing that you wish the matter to be made public. 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.

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If you have any questions, please contact George Rishel, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

90040311177

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 13, 1989

Richard Brown, Director
International Intelligence Network Corp.
P.O. Box 42999/Dept. 117
Houston, Texas 77042

RE: MUR 2925

Dear Mr. Brown:

The Federal Election Commission received a complaint which alleges that the you may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with Section 437g(a)(4)(B) and Section 437g(a)(12)(A) of Title 2 unless you notify the Commission in writing that you wish the matter to be made public. 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.

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If you have any questions, please contact George Rishel, the attorney assigned to this matter, at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel

By: Lois G. Lerner
Associate General Counsel

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

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RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

89 JUL 20 PM 5:31

July 20, 1989

MUR 2925

Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Dear Sir or Madam:

Please amend your records to reflect that I have resigned as Treasurer of Reagan-Bush '84, Reagan-Bush '84 General Election Committee, and Reagan-Bush '84 Compliance Fund. Scott B. Mackenzie replaces me as the Treasurer of these three committees.

Please address any questions concerning this matter to John J. Duffy, Esq., Piper & Marbury, 1200 19th Street, N.W., Washington, D.C. 20036 (202) 861-3938.

Sincerely,

Angela M. Buchanan

Angela M. Buchanan

cc: Anne Weissenborn, Esq.

2 0 4 0 3 1 2 1 3 0

26C 3559

PIPER & MARBURY
1200 NINETEENTH STREET, N.W.
WASHINGTON, D.C. 20036
202-861-3900
TELECOPIER 202-223-2085
CABLE PIPERMAR WSH
TELEX 904246

JOHN J. DUFFY
DIRECT DIAL NUMBER
202-861-3938

1100 CHARLES CENTER SOUTH
36 SOUTH CHARLES STREET
BALTIMORE, MARYLAND 21201
301-539-2530

July 26, 1989

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

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
89 JUL 26 PM 5:01

Attn: George Rishel, Esq.

Re: MUR 2925
Reagan-Bush '84 Committee

Dear Mr. Noble:

We request on behalf of Reagan-Bush '84 Committee ("Committee") a brief ten-day extension of time to respond to the complaint in the above-referenced matter. By our calculations, our response is due now on July 31, 1989.

Good cause exists for the extension requested. Preparation of our response has been delayed by the vacation schedule of the Committee's Treasurer and Deputy Treasurer.

Therefore, we request that the time be extended up to and including August 10, 1989.

Sincerely,

John J. Duffy

JJD:dp

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 1, 1989

John J. Duffy, Esquire
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036

RE: MUR 2925
Reagan-Bush '84
Committee

Dear Mr. Duffy:

This is in response to your letter dated July 26, 1989, which we received on July 26, requesting an extension of 10 days to respond to the complaint filed by Douglas Caddy. 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 August 10, 1989.

If you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

9040211332

OGC 3734

PIPER & MARBURY
1200 NINETEENTH STREET, N.W.
WASHINGTON, D.C. 20036
202-861-3900
TELECOPIER 202-223-2085
CABLE PIPERMAR WSH
TELEX 904246

'89 AUG 10 PM 3:04

JOHN J. DUFFY
DIRECT DIAL NUMBER
202-861-3938

1100 CHARLES CENTER SOUTH
36 SOUTH CHARLES STREET
BALTIMORE, MARYLAND 21201
301-539-2530

August 10, 1989

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
89 AUG 11 AM 11:24

Lois Lerner, Esquire
Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Attn: George Rishel, Esq.

Re: MUR 2925
Reagan-Bush '84

Dear Ms. Lerner:

We submit, on behalf of the Reagan-Bush '84 Committee ("Committee") and Scott B. Mackenzie, Treasurer,[1/] this response to the complaint of Douglas Caddy, chairman of Halt IRS Taxpayer Abuse Now. We believe that Mr. Caddy's complaint should be dismissed without further consideration by the Commission. Mr. Caddy possesses no personal knowledge of the facts alleged. In addition, Scott Mackenzie, the current Treasurer (and former Deputy Treasurer) of the Committee confirms on the basis of his personal knowledge, as set forth

---

1/ Angela M. Buchanan has resigned as the Treasurer of Reagan-Bush '84, Reagan-Bush '84 General Election Committee and Reagan-Bush '84 Compliance Fund.

9004081213

in the attached Statement, that Reagan-Bush '84 reported contributions and expenditures as required by law and did not establish any "secret" 1.5 million dollar campaign fund. Mr. Mackenzie further confirms that, although he was actively involved in the entire campaign, he did not have any knowledge of any such fund. Mr. Mackenzie also states that Mr. Bob Eckels, former Harris County Commissioner, was not, to the best of his present recollection, connected with the Committee or the 1984 campaign.

Mr. Caddy's complaint rests entirely on hearsay, i.e., statements allegedly made to him by Mr. Richard Brown and Mr. Clyde Wilson. Moreover, Mr. Caddy does not provide any basis upon which the Commission could conclude that either Mr. Brown or Mr. Wilson have personal knowledge of the alleged secret campaign fund. According to Mr. Caddy's complaint, his primary evidence of the existence of a secret fund is a conversation he allegedly had with Mr. Richard Brown of Intelligence Network Corporation, wherein Mr. Brown allegedly told Mr. Caddy of the existence of a secret campaign fund controlled by Mr. Bob Eckels. Mr. Caddy does not indicate, however, the source of Mr. Brown's knowledge or supply a statement from Mr. Brown.

Mr. Caddy's only other evidence of the existence of the alleged secret fund arises from an alleged conversation with a private investigator, Clyde Wilson, who when allegedly asked by Mr. Caddy whether he was aware of a 1.5 million dollar secret fund, responded affirmatively. Again, the source of Mr. Wilson's "awareness" of the alleged fund is not identified, no evidence that Mr. Wilson has personal knowledge of the fund is presented, and Mr. Caddy fails to provide any confirming statement from Mr. Wilson.

On the other hand, Scott Mackenzie, the Committee's treasurer, who participated in the entire campaign, states that the Committee has reported all contributions and expenditures in accordance with the Commission's rules and regulations, that he has no knowledge of any secret campaign fund, and that, to the best of his present recollection, Mr. Bob Eckels, the alleged controller of the secret campaign fund, was not involved either with the Committee or the 1984 campaign. Accordingly, since the complaint has not provided any reason for the Commission to believe that a violation has occurred, the Committee requests respectfully that the Commission dismiss it.

Respectfully submitted,

John J. Duffy

JJD:dp

9 4 0 1 1 3 4

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Reagan-Bush '84	)	MUR 2925
	)	

STATEMENT OF SCOTT B. MACKENZIE

I, Scott B. Mackenzie, state that:

1. I am currently the treasurer of the Reagan-Bush '84 Committee ("Committee") and, during the 1984 campaign, I was the Deputy Treasurer of the Committee.

2. I have read a copy of the complaint and exhibits that were filed with the Federal Election Commission by Mr. Douglas Caddy.

3. The Committee reported contributions and expenditures as required by the Commission's rules and regulations, the Federal Election Campaign Act and the Presidential Election Campaign Fund Act, and did not establish any secret $1.5 million campaign fund as alleged in the complaint. Furthermore, I am not aware of the existence of any such fund.

4. Although a large number of people were employed by, or otherwise associated with the Committee and the 1984 campaign, to the best of my present recollection, Mr. Bob Eckels, who according to the complaint was a former commissioner in Harris County, Texas, had no connection with the Committee or with the 1984 campaign.

I hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Scott B. Mackenzie

August 8, 1989

9004031165

06C3742

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

89 AUG 14 PM 1:20

AUGUST 7, 1989

MR. LAWRENCE M. NOBLE
GENERAL COUNSEL
FEDERAL ELECTION COMMISSION
WASHINGTON, D. C. 20463

RE: MUR 2925
RECEIVED 07/24/89

IN RESPONSE TO YOUR ORIGINAL LETTER TO ME DATED JULY 13, 1989, REGARDING A COMPLAINT FILED BY MR. DOUGLAS CADDY, I RESPECTFULLY SUBMIT THE ENCLOSED INFORMATION FOR YOUR CONSIDERATION IN THIS MATTER.

AS TO THE BASIS OF MR. CADDY'S COMPLAINT, AN "UNREPORTED AND SECRET $1.5 MILLION 1984 REAGAN-BUSH CAMPAIGN FUND COVERED UP BY IRS CRIMINAL INTELLIGENCE," I CAN ONLY ASSUME THAT SINCE HE MENTIONS BOB ECKELS, MR. CADDY IS REFERRING TO THE NATIONAL CONFERENCE OF REPUBLICAN COUNTY OFFICIALS (NCRCO). ALTHOUGH I CAN'T RECALL SUCH A DISCUSSION, IT IS POSSIBLE THAT MR. CADDY AND I AT SOME TIME DISCUSSED THIS ORGANIZATION DURING A PERIOD IN WHICH IT WAS RECEIVING A LOT OF ATTENTION IN THE LOCAL NEWS MEDIA. I CAN SAY THAT ANY KNOWLEDGE I HAVE EVER BEEN IN POSSESSION OF REGARDING THIS MATTER CAME STRICTLY FROM PUBLISHED NEWS REPORTS. AT NO TIME WHATSOEVER HAVE I EVER BEEN INVOLVED WITH OR HAD PRIVILEGED KNOWLEDGE OF AN IRS INVESTIGATION/COVER-UP AS ALLEGED BY MR. CADDY. FURTHERMORE, I STRONGLY RESENT THAT MR. CADDY HAS SOMEHOW IMAGINED OR SURMISED THAT I AM (OR EVER HAVE BEEN) A "CONFIDENTIAL INFORMANT" TO THE IRS, YET CHOSE TO PRESENT IT AS FACT, AND INCLUDE HIS MISCONCEPTION AS PART (OR PERHAPS A BASIS) OF THIS COMPLAINT. (EXHIBIT 2 OF MUR 2925, LETTER TO WILLIAM WEBSTER DATED MAY 2, 1988.)

MR. CADDY'S REFERENCE TO IRS AGENT DENNIS CAREY, AND THE QUESTION RAISED AS TO WHETHER OR NOT HE "PURPOSELY MISLEAD ME INTO BELIEVING I WAS PROVIDING CONFIDENTIAL INFORMATION TO THE IRS ON CRIMINAL ACTIVITIES WITHIN THE MOODY FOUNDATION" IS QUITE UNSUBSTANTIATED IN MY ESTIMATION OF THE RELATIONSHIP BETWEEN AGENT CAREY AND MR. CADDY, BECAUSE AS BEST I RECALL, AGENT CAREY NEVER INTERVIEWED MR. CADDY REGARDING THE MOODY FOUNDATION. AT MR. CADDY'S REQUEST, I ASKED AGENT CAREY IF HE WOULD BE INTERESTED IN HEARING MR. CADDY'S IMPRESSION OF WHAT WAS GOING ON AT THE MOODY FOUNDATION (MOST LIKELY HEARSAY). AGENT CAREY LATER INFORMED ME AND ASKED ME TO RELAY TO MR. CADDY (WHICH I DID) THAT SUCH INFORMATION WAS NOT OF INTEREST AT THE TIME. TO THE BEST OF MY KNOWLEDGE, THAT WAS THE BEGINNING AND THE END TO ANY RELATIONSHIP WHATSOEVER BETWEEN AGENT CAREY AND MR. CADDY, I.E., IT JUST NEVER EXISTED.

CONTINUED ON NEXT PAGE...

P.O. Box 42999 / Dept. 117 • Houston, Texas 77042 • (713) 222-8801 • FAX (713) 961-2748

RELYING ON YOUR LETTER THAT THIS MATTER WILL REMAIN CONFIDENTIAL, I AM SUBMITTING A COPY OF MY AFFIDAVIT TO THE I.R.S. REGARDING THIS MATTER WHICH I RE-ASSERT TO YOU.

I HAVE ENCLOSED NEWS ARTICLES RE: "WHAT MR. CADDY REFERS TO AS A $1.5 MILLION SECRET CAMPAIGN FUND WHICH WAS KNOWN AS EARLY AS 1985.

IT WOULD APPEAR THAT MR. CADDY HAS SOMEHOW JUMBLED-UP HIS INFORMATION WITH HIS SUSPICIONS, AND HAS PRESENTED A COMPLAINT TO YOU WHICH CERTAINLY FROM MY POINT OF VIEW IS COMPLETELY UNWARRANTED, AND OF A FRIVOLOUS, IF NOT PERHAPS A SELF-SERVING NATURE.

I FIND IT EXTREMELY DISTASTEFUL THAT WHILE IDENTIFYING HIMSELF AS THE CHAIRMAN OF HALT TAXPAYER ABUSE NOW! POLITICAL ACTION COMMITTEE, (A NAME WHICH MIGHT IMPLY THAT SAID ORGANIZATION IS OPPOSED TO TAXPAYER DOLLARS BEING USED UNWISELY) THAT MR. CADDY WOULD FILE SUCH AN UNSUBSTANTIATED COMPLAINT IN HOPES THAT THE TAXPAYERS WOULD "FINANCE" AN INVESTIGATION INTO HIS ACCUSATIONS, VIA THE FEDERAL ELECTION COMMISSION AND/OR ANY OTHER GOVERNMENT AGENCY'S EXPENSE (TAXPAYER EXPENSE), THEREFORE GENERATING FREE PUBLICITY FOR HIS ORGANIZATION.

IF THERE IS ADDITIONAL INFORMATION YOU FEEL I MAY BE ABLE TO SUPPLY RELATED TO THIS COMPLAINT (MUR 2925) PLEASE DO NOT HESITATE TO CONTACT ME. I WILL BE MORE THAN HAPPY TO ASSIST YOU IN ANY WAY POSSIBLE. I CAN ONLY SURMISE THAT MR. CADDY IS STILL UPSET THAT I GAVE THE IRS HIS ADDRESS.

SINCERELY,

Richard Brown

RICHARD BROWN

ENCLOSURES

I HEREBY SWEAR OR AFFIRM THAT THE FOREGOING CONTENTS OF MY REPLY TO MUR 2925 ARE TRUE, ACCURATE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Richard Brown

RICHARD BROWN

SUBSCRIBED TO AND SWORN OR AFFIRMED BEFORE ME ON THIS 7th DAY OF AUGUST, 1989.

NOTARY PUBLIC

GERALD A. COLCA
Notary Public, State of Texas
My Commission Expires 9-24-89

DOUGLAS CADDY
Attorney-at-Law
General Homes Building
7322 Southwest Freeway
Suite 610
Houston, Texas 77074
(713) 981-4005

April 16, 1985

Mr. Edward Miller
10454 Armstrong Street
Fairfax, Virginia 22030

Dear Ed:

I am writing you about an important matter to seek your assistance and, hopefully, that of Earle Gay's also. It's somewhat complicated, so bear with me while I explain.

I have retained Washington, D.C. attorney Bruce Ennis to represent me in a suit I intend to bring against General Foods Corporation for seven million dollars. Some, but not all the grounds for the suit, are deceit, misrepresentation, mental stress, ultra vires acts and damages to my professional reputation.

The case's background is as follows:
I was hired by General Foods in 1967 in its public affairs representation. I worked in GF's corporate headquarters in White Plains, N.Y. from 1967 to 1969 when GF transferred me to Washington, D.C. to represent the corporation's Washington interests. General Foods assigned me to work out of the offices of the Robert Mullen & Co., a public relations firm General Foods had retained for a number of years to represent it in Washington. I worked, as a General Foods employee, out of the Mullen offices for over a year under the direction of General Foods' top management, including Chairman and Chief Executive Officer C. W. Cook, Vice President Richard Aszling and Vice President James Ferguson, who served on the Corporate Relations Committee which oversaw General Foods' public affairs activities. I left General Foods employment in the fall of 1970 and joined a Washington, D.C. law firm.

At no time did any members of General Foods management ever inform me that the Robert Mullen & Co. was a CIA front, the Mullen & Co. and the CIA having established that relationship shortly after Mullen & Co. was incorporated in 1959. On the contrary, General Foods management actively and purposely misrepresented to me Mullen & Co.'s true background.

When in the wake of the Watergate scandal it was disclosed publicly that Mullen & Co. was a CIA front, it was suggested that I was a CIA agent because I had worked out of the Mullen & Co.'s offices. This incorrect suggestion has hurt my career and professional reputation. However, I had no reason to suspect that General Foods knowingly had assigned me to work out of the CIA front.

In 1978, I requested under the Freedom of Information and Privacy Act all files in the CIA containing references to me. The CIA released six files (some severely censored and all of small consequence) and withheld five files. The five were withheld by the CIA on national security grounds and the Privacy Act protection of other individuals. Secret Agenda, the recently published book by Jim Hougan, reprints one of the five withheld files in its entirety. It was there I read the file for the first time. The file, which was a handwritten report by a CIA case officer prepared exclusively for CIA Director Helms, together with other material in Hougan's book, disclose that General Foods most certainly did know the Mullen & Co. was a CIA front when the corporation assigned me to work out of the Mullen & Co. offices. The file also contained the new, false and extremely damaging suggestion by Mullen & Co. President Robert Bennett that the Watergate burglary took place upon my instructions. Copies of these key pages from Secret Agenda are attached.

To put it mildly, I am outraged at the deception in my employment by General Foods which has caused me, incorrectly, to be thought of by the public as a CIA agent and involved in the Watergate burglary.

When I was hired by General Foods I thought I was working for a blue-chip corporation with a sterling reputation. It never occurred to me that General Foods would deliberately cause me to work out of a disreputable CIA front.

For these reasons, I have instructed my attorney to file suit against General Foods if pre-litigation settlement cannot be reached so that my name is cleared and I am compensated for my damages. General Foods recently has retained a Washington law firm to represent them in this matter.

The aspect with which I need your counsel is how I should approach Earle Gay concerning the report given me by our mutual friend, Richard Stoyeck, that about two years ago Earle showed Richard a file, either CIA or FBI in origin, on General Foods and its present chairman and chief executive officer, James Ferguson. Richard says that after reading this file it was crystal clear to him that General Foods has had a working relationship with the CIA for many years as have some of its key personnel.

My attorney and I believe that we already have an extremely strong case against General Foods for its deliberate actions which have damaged me so severely. However, it would be most helpful to us in bolstering the merits of our case if we had a copy of the file on General Foods which Richard was allowed to read.

My last desire is to do something which complicates needlessly the life of our friend, Earle Gay, whom we all admire for the crucial work he is doing. However, I need your counsel to ascertain if there is some way Earle could provide me with a copy of the file on General Foods without compromising his position in some detrimental way. I cannot stress how helpful the file would be in my case in redressing an unfair situation which has caused me great grief and most likely will continue to do so. Any thoughts on your part of how I could solicit Earle's assistance in this matter would be appreciated.

Cordially,

Douglas Caddy

Doug

Attachment

0004081210

of the break-in itself, and long before any of the arrested men had been identified by the police.

To be fair to Helms, Rowan's report is anything but conclusive. It may well be that the report was, as the former CIA director insists, the result of a misunderstanding. After all, had Helms been notified of McCord's arrest before McCord himself had been identified, would Helms then have made the remark that Rowan attributed to him? Of course not—unless Helms was unaware of the fact that the arrested men were using aliases. In which case, he might have.

If anyone telephoned Helms that Saturday morning to report the arrests, however, it was probably not a lowly watch officer at CIA headquarters. On the contrary, if any such call was made—and there is only Rowan's report to suggest that one was—the most likely person to have dimed the director was Helms's friend E. Howard Hunt. It was to Helms, after all, that Hunt was secretly reporting "gossip items," and the Watergate arrests were certainly one of the biggest gossip items to which Hunt was personally privy. Hunt, moreover, had ample opportunity to place a call to Helms.

After leaving Baldwin at the Howard Johnson's, Hunt had gone to his office in the old Executive Office Building. There he placed some materials in his safe and removed $10,000 in cash to be used for bail and as a legal retainer. He then telephoned Douglas Caddy to ask that Caddy represent the men who were under arrest. While not usually a practitioner of criminal law, Caddy could be trusted so far as Hunt was concerned: he had recently served as the Washington representative of the General Foods corporation, working out of an office at the Mullen Company. As such, he had been standing at an important intersection between the public and private sectors: it was General Foods' account with the Mullen Company that provided cover to CIA officers abroad.[5] Whether Caddy knew of this, or was himself a CIA "asset," is unknown. The Senate seems never to have questioned him about his work for Mullen or General Foods.[6]

In the event, it was to Caddy that Hunt turned for help, promis-

[5] Ten years earlier the Mullen Company had established an office in Stockholm, Sweden, which was staffed by two CIA officers, James Everett and Jack Kindschi. Under cover of the public relations firm, Everett and Kindschi pretended to be working on the General Foods account. In fact they were engaged in debriefing Soviet and Chinese defectors. (See Lukas, *Nightmare*, p. [illegible])

[6] With respect to a bizarre allegation that Officer Carl Shoffler is said to have made about Caddy, see Appendix II.

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is said to have made about

ing to meet him within the hour. That done, he crossed Pennsylvania Avenue to the building that housed the Mullen Company. In his office there, Hunt telephoned Clara Barker and, breaking the news of her husband's arrest, instructed her to contact Caddy and formally retain him. That Hunt's visit to the Mullen Company's offices entailed some risk, or was at least something that he wished to conceal, is clear from the fact that he used an alias when signing the security log. Why, then, did he bother to go there after leaving his offices in the EOB? Did he think that because the Mullen Company was a CIA cover, its telephones were more secure than those in his office across the street? And did he have someone more important to call than either Douglas Caddy or Bernard Barker's wife? Only two people can say for certain—Hunt and Helms—and neither is renowned for his candor.

Evidence of Hunt's own involvement in the break-in or, at least, of his involvement with the men under arrest was obtained by the police exactly twelve hours after the arrests. At 2:30 P.M. that same Saturday, police and FBI agents arrived at the Watergate Hotel, armed with search warrants to examine Rooms 214 and 314. Officer Shoffler was by then in his seventeenth hour of overtime when he entered the rooms rented to the burglars. There the police found more surgical gloves, electronic equipment, $3,200 in sequentially numbered $100 bills, an address book belonging to Bernard Barker that contained the initials "H.H.—W.H" and Hunt's telephone number at the White House. The identity of "H.H." was ascertained immediately and without reference to either telephone company or White House records because among Barker's belongings was a check for $6.36 made out by E. Howard Hunt to the Lakewood Country Club in Rockville, Maryland. Before long, that information would be leaked to the *Washington Post*, and a reporter named Bob Woodward would begin placing telephone calls to Hunt at the White House, the Mullen Company and at home.

Meanwhile FBI agents Dennis W. Fiene and Allen B. Gilbert conducted "a physical check" of the DNC's headquarters "in an effort to locate hidden electronic surveillance equipment. Results of the check were negative. . . ."[7] According to Fiene, four offices were checked initially, including the DNC's conference room and Larry

[7] FBI serial 19-166-6A, written by special agent Dennis W. Fiene, June 19, 1972, describing the events of June 17.

convince reporters for the *Washington Star*, the *Washington Post* and the *Los Angeles Times* that the CIA had not "instigated the Watergate affair" as the reporters seemed to suspect. As an example of Bennett's "achievements," Eisenstadt cited Bennett's inspiration of a *Newsweek* article entitled "Whispers about Colson" and a *Washington Post* story about Hunt's investigation of Senator Edward Kennedy.[10]

We do not know what Eisenstadt meant when he wrote that Woodward was "suitably grateful" for Bennett's help, or what the CIA official had in mind when he indicated that the reporter was "protecting" Bennett and the Mullen Company. The implication of the memo is that Woodward agreed to ignore Watergate leads that tended to incriminate the CIA in return for information that Bennett, himself a CIA agent, spoon-fed him. But is that conclusion fair? After all, it is possible that Bennett, in conversation with his CIA case officer, may have exaggerated his influence with the newspaper so as to enhance his own stature in the agency's eyes. Perhaps Bennett took credit for elisions in the *Post*'s reports with which he had little or nothing to do. Neither Woodward nor the *Post*, after all, required cajoling to pursue the theory that the Nixon White House was solely responsible for the Watergate break-in and every other dirty trick. Still, the newspaper's willingness to turn a blind eye toward the CIA's involvement is disturbing. Although leaks about the Mullen Company's relationship to the CIA had been published elsewhere in Washington only a few weeks after the Watergate arrests, nearly two years passed before the *Post* itself reported on the subject.[11] By then, of course, the information could have little or no impact on the scandal: the President's resignation was only a month away. Ten years later, in 1984, I asked Bob Woodward if he had agreed with Bennett to suppress the Mullen Company's links to Langley. Woodward said that he had not. He added that, on the contrary, "I think we were about the first to report it." Told that he was incorrect, Woodward became stubborn. "Are you sure?" he asked. "Have you read every story? *Every* story?" In fact Woodward is mistaken. However, one cannot be

[10] Ibid.

[11] The Mullen Company's ties to the CIA were a subject of speculation from the affair's inception. This was because of Hunt's employment at the firm, news of the Mullen Company's involvement with Radio Free Cuba after the Bay of Pigs invasion, and grand jury leaks of Douglas Caddy's testimony. Caddy told the grand jury that while working at the Mullen Company's offices he had [illegible] that the company provided cover to the CIA. See Dan Balz, "Hunt's Wife Recalls Effort to Recall," *Washington Star*, July 6, 1973.

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hard to believe that an individual of the Agency would become involved in something like this without some approval from higher authority within the Agency, also, that I was sure that someone had compiled the facts about the Agency's involvement with Hunt and the Watergate and that it should be available somewhere in the Agency if he had not already seen it. He seemed dismayed and bewildered that something like this could have happened and that he did not know about it. I repeated that I was sure that it was a matter of record somewhere and that it simply may not have been brought to his attention. He thanked me for reporting this information.

The following day I had a call from Mr. 23 , Dr. Schlessinger's assistant and a former colleague on the NSC staff, asking for a review of what I had reported saying that Dr. Schlessinger was very upset and had asked him to look into this right away. He wanted to know if I had any more details. I subsequently remembered another tangent to this subject and stopped in his office later that day (which was 3 May according to Mr 1 timetable) and related it to him. It was that Mrs 19 recalled that one day Hunt had come to see 22 , and they had talked behind closed doors. After the talk 22 came out and remarked to her that he was amazed, shocked and bewildered by the things that Hunt told him he was doing. He scratched and shook his head, remarked what an interesting job Hunt had, but revealed none of the details of his conversation. The only specific item he mentioned was a film that Hunt was working on for educational TV which involved one of the Nixon daughters (I confirmed with Mrs 19 this date that this is her recollection of this event.) 23 said that my report to Dr. Schlessinger was the first that the latter had heard that the Agency was in any way involved and that the Agency and Dr. Schlessinger, in particular, owed me a debt of gratitude for coming forward with this information. I remarked again that I would be surprised if the Agency had not already compiled a report on Hunt's involvement with the Agency because I knew that Mr. Helms was probably aware of some of Hunt's activities and might have authorized the use of 6 and that because of his 23 and Schlessinger's newness on the job they simply had not seen this material or had reason to ask for it. He said that he intended to find out.

23 subsequently told me that 22 had been interviewed and said that he knew nothing of Hunt's activities. I suggested that 20 be interviewed because not only had he opened at least the one Hunt— 6 envelope, but he may have additional information to report from his personal talks with Hunt.

23 told me sometime later that Schlessinger was awarding a medal to General Walters for his role in the Watergate affair and remarked again that my report had triggered the revelation of the iceberg. We joked about how the Generals always get the medals.

I do not believe that the subject has come up again until this time.

24

MEMORANDUM FOR THE RECORD BY MARTIN LUKOSKIE

Subject: Meeting with Robert Foster Bennett and his Comments Concerning E. Howard Hunt, Douglas Caddy and the "Watergate Five" Incident

The writer met with Robert Foster Bennett, President of the Robert R. Mullen Co. at noon on 10 July in the Hot Shop Cafeteria on H St., N.W. near

16th St. at his request to be brought up to date on developments resulting from the "Watergate Five" incident.

Mr. Bennett said that when E. Howard Hunt was connected with the incident, reporters from the Washington Post and he thought the Washington Star tried to establish a "Seven Days in May" scenario with the Agency attempting to establish control over both the Republican and Democratic Parties so as to be able to take over the country. Mr. Bennett said he was able to convince them that course was nonsense. He asked them why they should want to ruin himself, his Company and other innocent persons because the Company has innocently hired Hunt following his retirement from CIA.

Mr. Bennett was aware that the original plan when Hunt was hired was for Hunt to become president of the Company after a few years. Instead, General Foods stated its wish to buy the Company whereupon Robert R. Mullen revealed that he had given an option for purchase to Mr. Bennett and that General Foods would need to negotiate with Bennett. Douglas Caddy had for some time occupied space in the Mullen Company office as the representative of General Foods which is one of Mullen's principal accounts. For a time, consideration was given to a partnership arrangement with Bennett, Hunt and General Foods. Caddy, however, became so impossible in his attitude that Mr. Mullen complained to General Foods, and asked that Caddy be given new instructions concerning cooperation with the Mullen Company or removed. General Foods responded that inasmuch as Caddy had failed to comply with its instructions, he would be discharged. Bennett said Bob Mullen obtained for Caddy his job with the law firm currently employing him. According to Bennett, Caddy is extremely conservative in politics and is to the "far far right".

Howard Hunt was not able financially to become a partner. He then asked Bennett to increase his $24,000 annual salary to $37,000 which he would be earning if he had remained with CIA. Mr. Bennett refused the salary increase and suggested that he would give Hunt 10% of the profits if Hunt would buy 10% of the firm and assume responsibility for 10% of the notes which Bennett had signed when purchasing the Company from Bob Mullen. Hunt, after consulting his attorney, turned down the proposal and with Bennett's approval discussed his situation with Bob Mullen who somewhat bluntly informed Hunt that Bennett's proposal was a fair one. Hunt complained to Bennett that Mullen had practically suggested that he leave the company. Mr. Bennett believes, that as a result, Hunt is disenchanted with Bob Mullen and "has no love for Bob".

About this time, Hunt established his White House contact and with Bennett's blessing became a consultant at the White House for $100.00 per day and was placed on a consultant basis also by Bennett at $125.00. When asked by the writer whether Hunt had obtained the White House position via Charles Colson, as reported in the press, Mr. Bennett indicated there was some other intercession. (I have a feeling that Bennett may have participated in this as he said he had suggested the Mullen per diem arrangement to secure the $24,000 income with another position to enable Hunt to earn the requested $37,000). Mr. Bennett complained that Hunt had taken advantage of the Company on the arrangement. Mr. Bennett said the substitution of the consultant basis for the salary basis was fortunate as he was able to show the Grand Jury that Hunt had not worked for the Mullen Company on the same dates when with the White House.

Mr. Bennett said that the mission of the "Watergate Five" was to rejuvenate the bugging apparatus in the Democratic National Headquarters in the Water-

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gate Hunt had told Bennett that "THEY" had obtained such "great stuff" from the bug before it failed to function that McCord et al were instructed to install new batteries, mikes, et cetera, to make it work again. Hunt never identified "THEY" to Bennett who suspected that the order might have originated with Colson on a "I don't want to know about it, but get it done" basis, or the money came from a "RIGHTIST" group Caddy being "far far right" and Hunt also "conservative and to the right".

Bennett said the White House did a complete investigation of Colson's association with Hunt and had to be satisfied that he was not involved with Hunt's escapade with the Watergate Five Of course, said Bennett, Colson could be lying Bennett said he knew from an absolutely reliable source that President Johnson in 1968 had instructed the FBI to "bug" Nixon Headquarters and other prominent Republicans and surmised that the Republicans were retaliating without the knowledge of President Nixon

Bennett recalled that Hunt had a private phone in his Mullen Company office in the name of "E Warren" which was one of his pen names Hunt had instructed initially that none but he was to touch the phone He later asked that Mr Bennett's secretary answer if Hunt was away from his desk. She commented to Bennett that a news story revealed that one of Hunt's pen names was E Warren, the name used for the private phone Mr Bennett said that the D C police believe that nine persons were involved in the Watergate incident The four men, besides McCord, who were arrested had registered at the Watergate in May as well as on the date of the abortive bugging attempt. Actually nine men ate dinner together that night Bennett suspects that Hunt was among them and mentioned in this regard the trip taken to Miami by Hunt

Mr Bennett stated that Hunt's wife was aware of Hunt's association with the group involved in the Watergate incident She said she can understand why Mr Bennett fired Hunt and why the Mullen Company clients would refuse to have any future association with Hunt Bennett claimed that he doesn't know Hunt's whereabouts

Mr Bennett related that he has now established a "back door entry" to the Edward Bennett Williams law firm which is representing the Democratic Party in its suit for damages resulting from the Watergate incident Mr. Bennett is prepared to go this route to kill off any revelation by Ed Williams of Agency association with the Mullen firm if such a development seems likely He said that he would, of course, check with CIA before contacting Mr Williams for this purpose

Mr Bennett presently believes there is little likelihood of exposure of our current cover arrangements He did not even mention [deleted] and said only that [deleted] was shocked by Hunt's alleged participation in the Watergate plot If the Republicans are established as part of the conspiracy, [deleted] said he would not vote for Nixon"

Bennett will be in Miami at the Democratic Convention from Monday evening, July 10, to Friday July 14 Bob Mullen will return from the Far East on Tuesday, July 11 I made no reference to any concern on our part beyond the effect of the Watergate incident or that we plan to meet with Mullen and Bennett to discuss termination of the covers I told Bennett that I would suggest to Ed Nacher, (Mullen cleared accountant) that if necessary Mullen should call me or I would telephone Mullen at this residence Bennett stated that to this knowledge unwitting company employees knew me only as "a friend of Mr Mullen's"

12-8-85 HP 1A + 2-1

County resource utilized by Eckels to boost the GOP

DA's office reopens probe

By JOHN MECKLIN
and MARY FLOOD
Post Reporters
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Harris County Commissioner [redacted] county employees, county [redacted] and county computer [redacted] to help build a 9,000-member national organization that regularly corresponds with and lobbies for the White House [redacted]

Several members of the National Conference of Republican County Officials contended in recent interviews that the organization has rendered favors to the Reagan administration largely through Eckels, who is NCRCO's president.

Fred Anderson, treasurer for Roanoke County, Va., and NCRCO's vice president, said last week: "He (Eckels) has done a super job with the National Conference of Republican County Officials.

"He made it a working arm for the White House and the national (Republican) party."

But The Houston Post learned last week that the Harris County district attorney's office has reopened a 1983 [redacted] alleged misuse of county [redacted] political purposes.

And an official with the Federal Election Commission said federal election law may have been violated if more than $200 was spent on behalf of President Reagan's re-election campaign [redacted] contributed.

In interviews last week, Eckels indicated he spent at least $20,000 of his personal funds in 1984 to send "a world" of national mailings through NCRCO in support of Reagan's re-election.

ECKELS: GOP booster

[redacted] for NCRCO [redacted] money on [redacted] support [redacted] NCRCO.

Harris County District Attorney John B. Holmes [redacted] at the [redacted]

See Eckels/page 2A

Continued from page 1A

[redacted] investigation now in its sixth month, that the organization's activities were [redacted] that long.

The investigation involves several allegations of misconduct concerning Eckels.

In an interview Thursday, Eckels [redacted] acknowledged that a county [redacted] county employees and county phone lines have been used for NCRCO business. The commissioner's explanations of NCRCO's financing, however, seemed contradictory. He said he used some county resources on NCRCO, but also said he used private funds because he wanted no questions of conflict. And Eckels said he used campaign funds but his office-holder filings show he did not [redacted]

But he said his work for NCRCO has helped Harris County get federal revenue sharing and community development funds, and obtain control over its own flood insurance maps.

Eckels also said NCRCO mailed a large amount of political information last year in support of the Reagan campaign [redacted] Eckels' [redacted] the commissioner contended that county resources were not used in NCRCO's campaign efforts on Reagan's behalf.

Eckels said he pays about $20,000 a year of his own money — not campaign or county funds — to finance the mailing and printing of an NCRCO newsletter. "When I feel something is political I want to pay for it," he said.

While NCRCO members contacted last week seemed delighted with their organization's connection to the administration, it is unclear how important NCRCO is in the White House scheme of things.

Pete Roussel, deputy White House press secretary, said Wednesday he could not remember dealing with NCRCO. "There are a lot of those organizations around," he said.

Still, it is clear NCRCO has a White House link.

[redacted] The organization was active in the Reagan re-election campaign, sending political "care packages" to NCRCO members.

[redacted] At least 50 NCRCO members [redacted] House staff on national budget and tax matters and on the administration's policies in Central America. Among others, Mitch Daniels, assistant to the president for intergovernmental and political affairs, other White House representatives and spokesmen [redacted] Office of Management and Budget spoke at that briefing.

[redacted] Harris County records show Eckels and his staff have made more than 120 phone calls at county expense to the White House and the Republican National Committee [redacted] of the calls to the White House went to its intergovernmental affairs department.

At least 16 of those calls were placed to [redacted]

Eckels used Harris County resources to boost GOP

It also is clear that Harris County government resources have been used on NCRCO matters.

The organization uses a mailing list that has been kept on a Harris County computer.

County employees have acknowledged using county time to work for NCRCO.

And, besides the White House and Republican National Committee telephone calls, county records show Eckels and his staff have phoned active NCRCO members from California to New York — while Harris County government paid the bill.

Eckels said he has allowed employees to make long-distance calls on the county lines and on county time for NCRCO because it ultimately helps Harris County.

"(NCRCO) activities have been expensive to me in terms of personal money and time. But the county has received millions of dollars we would not have received had we not participated," he said.

Eckels said county resources [redacted] in his re-election. [redacted] NCRCO [redacted] mailing list that [redacted] in [redacted] probably ran [redacted] for campaign-related mailings on his own computer.

Eckels confirmed that he did [redacted] through NCRCO. He said he didn't feel it was necessary, contending that sometimes there were other issues covered in his mailings.

[redacted] said Eckels' contention [redacted] is something the FEC board might consider should a complaint be made about the matter by a citizen or should an FEC commission [redacted]

While Eckels claimed he does not use his campaign funds on NCRCO matters, his campaign reports say otherwise. The commissioner's sworn statement of campaign expenditures for the first half of 1985 shows he paid at least $4,200 in NCRCO-related expenses from his campaign accounts.

Ron Alvarado, [redacted] said Wednesday he had no idea Harris County resources had been used on NCRCO. He also said he did not know Eckels was under grand jury investigation here.

Alvarado said [redacted] CO "really [redacted] But he also acknowledged that "what we do through this office (in working with NCRCO) is coordinate the administration's policies with Republican county officials across the country."

After being told of the use of Harris County resources in connection with NCRCO, Alvarado declined further comment. He declined to say whether he thought it proper for county resources to be used for NCRCO.

Frank O'Keeffe, a former employee of Eckels' precinct, said one of his duties as a county employee was to put together a newsletter for NCRCO called the County Constituent.

Seven of nine articles in the October issue of the County Constituent are notably partisan in nature. Drawings of GOP elephants, Reagan and Eckels illustrate the newsletter.

O'Keeffe, who worked for Eckels from February to Oct. 1, said he wrote and edited publications relating to county government in addition to his work for NCRCO.

He contended that the cost of printing and mailing the NCRCO newsletter was borne by the Republican National Committee. The information he put into the newsletter also was [redacted]

There was no way of estimating how much county time he spent on NCRCO, O'Keeffe said. "My activity was fairly straight-down-the-line. He (Eckels) asked me to write something, and I did," O'Keeffe said.

Asked whether he thought it was wrong to use county time and equipment to perform work for NCRCO, O'Keeffe said: "I believed in what I was doing . . . It seems out in left field perhaps, but I think for a county and its people to have a relationship with an administration is really helpful."

O'Keeffe, who was paid $3,000 a month, said he left county employment because Eckels had showed him a "lack of professional courtesy."

[redacted] said he gave up control of NCRCO in 1981 when it became clear to him that some of its operations were questionable.

On one occasion, Craig remembers, Eckels gave him $3,000 cash to purchase stamps for a mass mailing by NCRCO. He said county employees were used on county time to assemble the mailings.

Craig now works as parks superintendent for Harris County Commissioner E.A. "Squatty" Lyons, an acknowledged detractor of Eckels. [redacted]

Craig was paid more than $26,000 in the last year he worked for Eckels.

[redacted] last week in their praise for the job Eckels has done with NCRCO. [redacted] seemed to have a firm grasp on how Eckels had [redacted]

Sonia Johannsen, chairman of the Board of County Supervisors in

BOB ECKELS: Misconduct alleged

Black Hawk County, Iowa, said Eckels has made NCRCO "go" — almost single-handedly.

As guided by Eckels, the organization has been effective in lobbying off national issues, Johannsen said. When proposals first were made on eliminating federal revenue sharing, she said, NCRCO used "telephone trees," and within a few hours thousands of telegrams had been sent to Washington on the matter.

And the White House has made extensive use of the organization, she indicated. "We had more cooperation from the White House than the official Republican Party at first," Johannsen said.

But NCRCO is not formally [redacted]

Sandy Smoley, a county supervisor for Sacramento County, Calif., said Eckels has done a terrific job of making NCRCO "much more visible."

"It provides a network for getting the president's issues out across the country," Smoley said.

All the executive work of NCRCO "was done out of Bob (Eckels') office," and the organization did not raise funds nationwide, Smoley said. "It organizes, but has no dues," she said.

Smoley said NCRCO was involved in Reagan's 1984 reelection campaign through a group called Presmet, she said. Presmet members incorporated the president's [redacted]

That was possible because Eckels mailed Presmet members transcripts of Reagan's weekly radio addresses, and copies of other presidential speeches, Smoley said.

When asked how she thought NCRCO's employees, computer work, mailings and other office costs were funded, however, Smoley said, "I don't know. I never even thought of that."

Presmet has been disbanded and a similar [redacted] NCRCO [redacted]

Another NCRCO link to the White House involves Smoley's former chief of staff in Sacramento County government, Alvarado. He now is special assistant to the president for intergovernmental affairs.

In that post, he acts as White House liaison to local governments — and to NCRCO.

Dennis Goggin, a Chautauqua County (Buffalo, N.Y.) legislator, said that during Reagan's 1984 reelection campaign he got "care packages" with information on the campaign through NCRCO.

Last week, assistant Harris County District Attorney Bill Taylor said [redacted]

[redacted]

"If this stuff (county resources) was used for the purpose of reelecting Ronald Reagan, I think [redacted] Taylor said. He noted that it probably would be difficult to prove that allegations about NCRCO's use of county resources constituted a crime under the law [redacted]

That law prohibits county officials from misappropriating governmental resources to benefit themselves or harm others. "As I recall, the (1983) investigation [redacted]

Taylor's boss, Holmes, said NCRCO would not be a focus of an [redacted] under way concerning Eckels, but could be made [redacted] inquiry.

Eckels was honored in July as one of "five county officials of the year" by NCRCO, according to The County Line, a newsletter published by the Republican National Committee. The newsletter said the award was sponsored by the committee, the White House and [redacted]

Eckels was under criminal investigation in Harris County when that award was announced, but the probe had not been made public at that time.

The inquiry began early in June, the day after The Post reported that two people said they had seen county employees working on land Eckels owned in the Champions Racquet Club subdivision in northwest Harris County.

Eckels bought the land in 1980 for a reported $17,000. After about $285,000 of county flood control work was done adjacent to the land, and a county road was planned to run near it, Eckels sold the 8.4 acres in 1984 for at least $344,000.

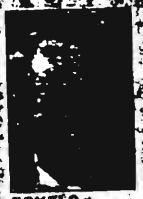
Area officials targets of IRS probe

Allegations of criminal corruption under investigation

[redacted]

The Internal Revenue Service is conducting a multicounty criminal investigation into allegations of corruption among public officials throughout the Houston area, The Houston Post has learned.

[redacted]



ECKELS: Probe widened

The two investigations — one involving the Harris County office-holders and a second into other public officials — are separate but related, sources said.

The sources, who requested anonymity, said the [illegible] corruption [illegible] concerned municipal, county and state officials as well as members of the state judiciary.

The inquiry involves activities in several counties, the Houston [illegible] deals with apparent connections between the banking industry and public officials.

The Eckels investigation, sources said, is an attempt to determine if the federal RICO law has been violated. RICO is an acronym for racketeer-influenced [illegible]

[illegible] chief of the U.S. Attorney's Office in Houston, [illegible] the Justice Department in Washington, D.C., [illegible] federal judge in Nevada — one of only two such officials in the United States.

U.S. Attorney Henry Oncken on Wednesday declined to confirm or deny existence of the IRS

See Public/page 12A

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Bob Eckels

Public officials targets of IRS criminal corruption probe

Continued from page 1A

investigations. Shaw and a spokesman for the IRS criminal investigation division in Houston declined comment.

Eckels could not be reached for comment.

The federal investigations are in preliminary stages, sources said. If the investigations warrant indictments, they are not expected to be returned until late this year at the earliest.

Sources said IRS special agents, during their investigation of Eckels, became concerned with how Harris County awards millions of dollars in engineering contracts.

The Commissioners Court generally awards engineering contracts without soliciting formal proposals and with little public discussion.

Other areas of concern to federal investigators include the ties that Eckels and other county officials have with influential land developers and engineering firms, the sources said.

Land transactions involving some elected county officials also have drawn attention from investigators, the sources said.

In February, The Post revealed that a federal grand jury and the IRS were investigating [redacted]

[redacted]

The federal probe of Eckels' activities is not limited to NCRCO, sources said. One source suggested that NCRCO matters comprised about one-fifth of the federal investigation involving Eckels.

Eckels has been indicted by state grand juries on four criminal charges this year. Those charges are pending.

Local ACLU branch got Moody grant after nationwide group filed a brief

By DIANNA HUNT
Houston Chronicle

A local branch of the American Civil Liberties Union received a $200,000 grant from the Moody Foundation just a few months after the national ACLU wrote a "friend of the court" brief on behalf of foundation trustee Shearn Moody Jr.

The Clark Read Foundation, a non-profit arm of the ACLU's Houston chapter, received the grant in 1983, according to Moody Foundation records.

Just months earlier, the ACLU in New York submitted a brief to the U.S. Supreme Court on a constitutional issue in a lawsuit over the court-ordered supervision of Moody's now-defunct Empire Life Insurance Co.

The disclosure brings to seven the number of nonprofit foundations that received sizable Moody Foundation grants at about the same time they or affiliated organizations wrote comprehensive legal papers supporting Moody's appeals.

State, federal and private investigators are probing allegations that Moody improperly used Moody Foundation grants to fund his entangled bankruptcy case. The handling of nearly $3 million in foundation grants is under investigation.

National ACLU Executive Director Ira Glasser said Friday the ACLU decided to write the amicus curiae brief because an Alabama state court had denied Moody the right to have constitutional issues addressed in a federal court.

Glasser said officials were unaware of any connection between the grant and the writing of the brief.

"It's entirely possible that he (Moody) was grateful," Glasser said. "There was no exchange of conversation about that."

Glasser said he met with Moody in New York about five years ago in hopes of obtaining a Moody Foundation grant for the national ACLU. Moody told him that foundation rules prevent the awarding of grants to non-Texas organizations, then asked the ACLU to support his Alabama lawsuit, Glasser said.

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Moody figure claims he received threats, office phone wiretapped

By BONNIE BRITT
Houston Chronicle

Houston attorney Douglas Caddy says in affidavits submitted to the assistant U.S. attorney investigating the Moody Foundation that his life was threatened and his office phone was illegally wiretapped for two years.

Caddy's allegations came after private investigator Clyde Wilson revealed the existence of affidavits alleging that Galveston insurance heir Shearn Moody Jr. and convicted con man William R. Pabst attempted to wiretap the U.S. Supreme Court building in Washington in an effort to eavesdrop on the justices.

Caddy

Moody's attorney Marian Rosen denied that allegation, and Pabst is a fugitive wanted on bond-jumping charges.

Litigation surrounding Moody's bankrupt insurance firm, Empire Life Insurance Co. of Alabama, was the subject of many appeals before the Supreme Court.

In the affidavits given to Assistant U.S. Attorney Steve Shaw, Caddy said he received several telephone bomb threats.

He also said he and an associate witnessed Pabst running out of their office building during the period when Caddy's office was allegedly wiretapped.

Although Caddy refused to identify the source of the wiretaps "for reasons of libel and slander," he said the wiretapping began after it was revealed that he was approached by an FBI agent in 1983 to bribe Alabama insurance commissioners to document official corruption.

Caddy, who is reportedly also a target of a federal probe into the misuse of Moody Foundation grants, served as legal counsel for the Investigative Research Foundation and other organizations that received more than $1 million in grants from the Moody Foundation.

In 1984, "At the behest of the FBI, I represented myself to a criminal liaison (allegedly known to Alabama insurance officials) as being a lawyer for Shearn Moody but I was not," Caddy said in an interview.

"I did it because the government asked me to, and I perceived it as a public service and as an attempt to assist Shearn Moody in his attempt to prove that his insurance company was stolen from him," Caddy said.

"If any of the insurance commissioners took the bribe, that would show corruption and that would assist Moody in having his insurance company returned to him," Caddy said.

Caddy said a condition of his cooperation with the FBI and officials at the U.S. Justice Department, with whom he said he negotiated, was an attempt to remove an order requiring Moody to take out a $12 million life insurance policy.

Caddy said his FBI cover "was blown out of the water" when one of Moody's attorneys revealed in bankruptcy court in North Carolina that Caddy was trying to bribe insurance officials allegedly at the request of the FBI.

"Shearn Moody messed it up himself when he allowed his lawyer to reveal what I was doing," Caddy said. "The FBI was forced to withdraw, and they decided they didn't want anything more to do with Shearn Moody."

Moody and an aide have been indicted on charges of misusing funds from the charitable foundation to help pay for Moody's continuing bankruptcy battle.

12-10-86 HC 5,1,23

10-24-86 HC S1, P21

Lawyer says Moody ordered grant funds paid to publicist

By DIANNA HUNT
Houston Chronicle

About $16,000 of a Moody Foundation grant was paid — at foundation Trustee Shearn Moody Jr.'s request — to a Houston publicist who is Moody's close friend, a Houston attorney said

In other action Thursday, a prosecutor asked a federal judge to sanction Moody's attorney, Marian Rosen, for allegedly filing frivolous appeals that served only to delay a contempt of court charge against Moody for failing to testify before a federal grand jury.

Caddy

Lawyer Douglas Caddy said Thursday that Moody told him to pay Marta Karpan, owner of a Houston public relations firm, from a $250,000 grant awarded by the Moody Foundation to Investigative Research Foundation

Caddy, himself under investigation for his handling of Moody Foundation grants, served as legal counsel for IRF and several other organizations that received more than $1 million in grants.

The IRF grants are among nearly $3 million being investigated by state, federal and private investigators for possible mishandling Investigators are probing where the funds went, and if Moody benefited from them

Caddy said Karpan received seven checks from IRF between April and September 1983, at Moody's instructions, ostensibly for public relations work done in preparation for a conference on international terrorism.

"I retained Marta Karpan at the direction of Shearn Moody to do public relations for us," Caddy said

Caddy said Karpan provided a comprehensive list of media people to be notified about the conference, but did nothing else for the fees "She did very little work for us," Caddy said "She didn't even attend the conference It may have been as much our fault as hers, for not giving her more work to do."

Another grant ultimately handled by Karpan is also under investigation. The $50,000 grant to Operation Raleigh, a worldwide project founded by Prince Charles of England, was handled exclusively by Karpan for her fund-raising and publicity efforts. A project spokesman has said the funds were never fully accounted for.

Karpan did not return a telephone call.

Assistant U.S. Attorney Steve Shaw asked U.S. District Judge Carl O. Bue to order Rosen to pay attorney's fees and other costs stemming from her appeal of an order requiring Moody to sign releases to foreign bank records.

Shaw filed court papers accusing Rosen of multiplying the court proceedings unnecessarily, and termed her arguments "vague, incomprehensible and without merit."

Rosen, however, said her written complaints prompted Shaw to rewrite portions of the release form to meet guidelines set by the 5th U.S. Circuit Court of Appeals

"What Mr. Shaw is complaining about, I cannot understand, because our motion to quash the subpoena was filed based upon the fact that Mr. Shaw did not comply with the requirements of the 5th Circuit opinion," Rosen said "We still submit even at this time that there is a non-compliance with the 5th Circuit opinion."

Moody is facing contempt charges today for failing to appear before the grand jury Wednesday as ordered Rosen said he was hospitalized Tuesday for hypertension heart problems and depression

In an order released Thursday, Bue voiced skepticism of Moody's illness, which Shaw suggested was feigned "This is not the first time such a development has occurred," Bue's order states "In the past, the spectre of serious illness has materialized when Moody is confronted with impending court proceedings and possible incarceration"

The grand jury, investigating Moody for possible perjury and fraud, is seeking access to foreign bank records and business documents

Moody was jailed for about a week last month for failing to cooperate, but was released after the appeals court overturned his contempt citation because the release form was faulty Moody was ordered to return to the grand jury Wednesday to sign the revised release form.

1-15-87 HP 6B

Mattox covered up wrongdoing in Moody case, attorney says

By PETE BREWTON
Post Reporter

Houston attorney Doug Caddy, involved in the investigation of the Moody Foundation, on Wednesday accused Texas Attorney General Jim Mattox of covering up wrongdoing at the foundation because of his "secret relationship" with trustee Shearn Moody.

In a related matter, Moody filed a lawsuit in federal court on Wednesday against Mattox, Assistant Attorney General John Vasquez and Assistant U.S. Attorney Steve Shaw to stop them from interfering with his position as foundation trustee, according to Marian Rosen, Moody's attorney.

Shaw filed a suit last week asking that Moody be barred from acting as a Moody trustee for allegedly defrauding the foundation of more than $3 million.

Mattox's office and private investigator Clyde Wilson also have been looking into allegations of fraud in the foundation.

The foundation board meets today in Galveston to consider grant applications and possible removal of Shearn Moody. The two other trustees are Moody's brother, Robert, and his mother, Frances Moody Newman.

A federal grand jury last month issued two indictments charging Shearn Moody with 43 counts of fraud in an alleged scheme to cheat the Moody Foundation.

Caddy said he had no direct evidence that Mattox and Moody have a business relationship or that Mattox has personally benefited from his relationship with Moody.

Mattox spokeswoman Elna Christopher said her office would have no comment on Caddy's remarks. "We don't want to encourage him," she said.

Rosen said Caddy's remarks were "politically motivated." She said Caddy is on the other side of Mattox's politics. "Mr. Caddy is using this as a political football," she said.

Caddy said that officials in the attorney general's office have indicated that their investigation is coming to a close.

Caddy apparently was the first to question whether some other foundations misspent Mooody Foudnation grants. He has served as attorney for several foundations that have received Moody grants. Some of these foundations are also under investigation.

Caddy wrote to Moody officials last year saying he would drop his threat of a lawsuit if it made certain cash and grant payments to one of his foundations. Mattox said this "amounted to extortion" and advised the foundation not to do so.

Caddy praised private investigator Clyde Wilson, hired by the Moody Foundation at the urging of the attorney general's office. "I do believe Clyde Wilson is attempting to get to the bottom of this case."

04-26-86 HC 1607

Lawyer claims he's victimized by smear tactics

Denies alleged extortion

By OLIVE TALLEY
Post Reporter

A Houston lawyer who claims to be a victim of a "smear attack" by the [redacted] for questioning certain Moody grants on Thursday leveled a new round of charges against the foundation and its trustees.

Attorney Douglas Caddy himself is a target of the state's investigation of Moody Foundation grants and the private investigator pursuing the case said he planned to question Caddy in the matter today.

Triggered probe

Caddy has your complaint of Moody officials that some compelling grant recipients had attempted Moody funds.

Officials concede Caddy's allegations triggered an in-house audit by the Moody Foundation that has since snowballed into a broad investigation by the state attorney general's office and Houston private detective Clyde Wilson.

Investigators want to determine if any Moody Foundation grants were improperly used to benefit trustees Shearn Moody Jr. and Robert L. Moody or anyone else in a position of trust within the $[illegible] million Galveston charity.

Among the 14 [illegible] under review are two organized by Shearn Moody Jr., at least four associated with Caddy and at least three which funneled grant money to William R. Pabst, a Houston man convicted in a 1983 charity fraud.

Moody's groups received $564,000 in grants in 1985, while the Pabst-related groups received about $1.4 million and those [illegible] CADDY. [illegible] and only Caddy received $1.[illegible] million between 1983 and 1984, records show. The Moody Foundation has refused to release its list of grants in 1985.

Attorney [illegible] said it appears that Caddy and the Investigative Research Foundation attempted to extort money from the Moody Foundation after trustees denied a $[illegible] grant application by the IRF, a tax-exempt foundation formed in 1983 to study [illegible] terrorism.

And Wilson has said he is looking into charges that Caddy used foundation grant money to buy expensive Steuben glassware for a congressman.

Caddy, during a wide-ranging, two-hour meeting with reporters Thursday, denied spending Moody Foundation grant money on any congressman. He explained that he had purchased a piece of Steuben glass as a gift for an individual from Washington who took part in a conference sponsored with a Moody grant. The individual was not named.

Wilson said he wanted to know how any money could be spent on anyone out of the state since Moody Foundation grants are restricted for use in Texas and for the benefit of Texans.

Caddy also denied [illegible] that he asked to extort grants from the Moody foundation.

Instead, Caddy claimed he is the victim of a "smear attack" by Moody officials and Marion for being a whistle blower.

"I think the attack upon me is to shut me up," Caddy told reporters.

Caddy alleged Marion has a close relationship with both Moody brothers and Shearn Moody Jr.'s female publicist and because of those relationships has "an interest in keeping the Moody Foundation in the hands of the Moodys." Marion has rejected such suggestions, saying they are "absurd."

Caddy claims the publicist has also come under scrutiny by the Moody Foundation for allegedly misspending Moody grant money. The publicist could not be reached for comment.

Caddy also alleged that a Moody Foundation official in January 1985 hand-carried a duffel bag stuffed with $[illegible] in cash to Shearn Moody Jr., while he was staying at the Hotel Washington, owned by a corporation in which the Moody Foundation has an interest.

Allege 'Secret agenda'

Caddy also claimed that Shearn Moody and Pabst had a "secret agenda" to use Moody Foundation grant money to benefit Shearn Moody's legal efforts in his bankruptcy case.

Moody could not be reached for comment, but his attorney, Marion Rosen, said Caddy's claims are without merit.

Shearn Moody filed for bankruptcy in 1981 in North Carolina, saying he needed to protect his assets after the U.S. Supreme Court upheld a $4 million judgment against his insurance company, Empire Life Insurance Co. of America.

The receivership case occurred in Alabama, and Caddy claims that in late 1983 and early 1984, he acted as an undercover informant for the FBI in a criminal investigation of Alabama state insurance officials. Caddy said he performed the role, in part, to help Shearn Moody in his legal battles.

But Caddy said the FBI operation was discarded as a result of Moody's failing to make certain disclosures in a pending bankruptcy case.

Caddy, who once defended Howard Hunt and G. Gordon Liddy in Watergate trials, said his life was threatened in connection with the criminal investigation and that he felt "let down" by Moody's actions.

"To put it simply, I felt that perhaps my life was less than a dollar bill in one of his (Shearn Moody's) secret bank accounts," Caddy said.

Wilson, who has been on the case only two days, said he has not had enough time to determine whether Caddy's claims can be substantiated, but he said he planned to talk with Caddy and ask him for any and all documents that would support his allegations.

"If he has facts to support them, I'll accept them," Wilson said.

Mattox warns Moody board against move

Group sought cash, grants to drop threat of lawsuit

By OLIVE TALLEY
Post Reporter

Texas Attorney General Jim Mattox threatened legal action against the Moody Foundation if it submitted to demands from a Houston organization that sought up to $4.3 million in return for its silence on alleged wrongdoing by the foundation officials, officials said Wednesday.

The Investigative Research Foundation and its attorney, Douglas Caddy, wrote Moody officials twice in May and June of this year saying it would drop its threat of a lawsuit against the Moody Foundation if it made certain cash and grant payments, parties on both sides of the dispute have acknowledged.

Moody Foundation attorney Irwin Hurley Hirsch said foundation officials had rebuffed the group's demands long before Mattox entered the picture, but that Mattox's advice reinforced their position.

Mattox said Wednesday he believed the action "ill-advised to exercise" and that he advised Moody Foundation officials they would face action by his office if they succumbed to such demands.

"It appeared that Doug Caddy indicated to them that claims they feared a great for the group that he would attempt to file a lawsuit and make allegations about the foundation," Mattox said.

"It was my statement to them (Moody officials) that if they paid that money that I would feel it necessary to take action against them for violations of their trustee duties," Mattox said.

Caddy could not be reached for comment Wednesday and he previously has said his group was "unfairly discriminated against" by the foundation when it denied IRI's application for a $[illegible] grant last year.

Investigative Research Foundation is a non-profit tax-exempt foundation organized in 1982 to study international affairs. It received Moody grants totaling $[illegible] between 1983 and 1986.

Caddy claims Moody trustees Shearn Moody Jr. and his brother, Robert L. Moody, denied the grant in retaliation for his raising questions about how some competing foundations had spent their grant money.

Caddy apparently was the first to question whether some other foundations had misused Moody Foundation grants. He first brought his charges to Moody officials in October and later, about two weeks before the group's grant was denied.

The state attorney general's department currently is looking into charges that more than $3 million in Moody grants were misappropriated by their recipients. The foundations Tuesday hired private investigator Clyde Wilson of Houston to pursue the case.

Among the 14 foundations organized in the group are organizations associated with Caddy.

Hirsch said Caddy had received "substantial legal fees" from some of these foundations.

Caddy said his group still is considering filing legal action against the Moody Foundation, but foundation attorney Hirsch said there are no grounds for such a suit.

In fact, Hirsch said, Caddy and his organization group initially offered to drop all talk of a lawsuit if it were paid certain monies.

"Mr. Caddy and Investigative Research Foundation have been threatening lawsuits against the foundation for a number of months, but said they would withdraw, drop, all of their so-called 'charges' if the Moody Foundation was willing to pay Investigative Research Foundation a one-time cash settlement of $[illegible] or a grant from the foundation of $3 million to be payable in $600,000 installments for each of the next five years; and a one-time cash payment to Mr. Caddy of $[illegible] or a grant of $2.8 million to the Texas A&M University Development Foundation for the preparation of three books in 1986, 1987 and 1988 with the requirement that Douglas Caddy will be designated project manager and author of the books," Hirsch said.

Hirsch said the foundation would not buckle under to such demands by any grant applicant.

Caddy said his group was simply trying to settle a dispute so it won't come battle. Caddy has called a 10 a.m. news conference today to further outline his charges in the Moody case.

Meanwhile, on Wednesday, investigator Wilson spent five hours meeting with Moody Foundation officials and Assistant Attorney General John Vasquez.

"We discussed the scope of the investigation and it was agreed that we would first begin our investigation by looking at grants to 14 foundations which Mr. Vasquez had already raised questions about," Wilson said.

"We've been given complete authority to pursue the case," Wilson stressed. "If any evidence of criminal wrongdoing is discovered, we have the authority to take that evidence to the district attorney's office for prosecution."

Wilson said he is looking into the allegation that some Moody Foundation grant money awarded to a foundation associated with Caddy had been used to purchase expensive Steuben glassware for a congressman.

Also included in the investigation are two foundations organized by trustee Shearn Moody Jr. and several foundations associated with William R. Pabst, a Houston man convicted in a 1982 charity scam.

Investigators say more than $3 million in Moody Foundation grants were misspent by recipients. They want to know how the money was used, who spent it and whether any of the funds were used for the benefit of anyone in a position of trust within the Moody Foundation.

9 0 0 4 0 8 1 2 2 0 7

09-28-86 HP 22A

The instigator

Attorney, first to level allegations about Moody grants, now target of probe himself

Who is Douglas Caddy, a Houston attorney who has emerged as a key figure in the current Moody Foundation investigation? Books, articles and interviews with Caddy and others reveal the following portrait.

By OLIVE TALLEY
Staff Reporter

It was 3:05 a.m. on June 17, 1972, when the phone awakened attorney Douglas Caddy at his Washington apartment.

Howard Hunt, his friend, needed urgent legal advice. The break-in at the Democratic National Committee offices at The Watergate condominiums had occurred only 15 minutes before. Hunt and co-worker Gordon Liddy needed Caddy's help.

For the next two years, Caddy played a role in the historic Watergate case — first as an attorney for the Watergate Seven and eventually as a reluctant witness forced to testify about the circumstances under which his clients retained him.

Now Caddy, who moved to Houston in 1979, finds himself in the middle of the Moody Foundation investigation. And again, he finds himself in conflicting roles.

The 48-year-old California native was the first to bring allegations of wrongdoing about Moody grants to Moody Foundation officials last October.

Caddy has since become a target himself. The state attorney general's office and the foundation's hired detectives, Clyde Wilson, are reviewing Caddy's involvement with four organizations which received $1.48 million in Moody grants between 1981-1984.

Texas Attorney General Jim Mattox has said Caddy attempted to extort money from the Moody Foundation to refrain from silence about the allegations, but Caddy counters that he's being attacked in retaliation for going public with his allegations of improprieties.

Controversy — particularly that associated with conservative Republican politics — is nothing new to Caddy.

Soft-spoken and articulate, Caddy for years has been suspected of being an agent for the Central Intelligence Agency.

While working as a lobbyist for the General Foods Corporation between 1969 and 1971, Caddy shared an office with Howard Hunt at the Mullen Company, a Washington public relations firm long suspected of providing cover for the CIA.

Caddy once told a grand jury that he had "intimations" that the firm provided cover to the CIA, but he denies ever working for the agency.

But Caddy has brushed with others linked to CIA activities, namely Korean rice dealer Tongsun Park.

While attending Georgetown University, Caddy roomed with Park, who later became the central figure in an investigation of Korean influence peddling aimed at U.S. congressmen.

Park and Caddy served as class officers together and worked together on a student newspaper.

In later years, the two were incorporators of a non-profit, anti-communist organization called the International Youth Federation for Freedom.

Throughout college, Caddy was involved in Young Republican politics and helped muster youth support for Sen. Barry Goldwater at the Republican Party Convention in 1960 — efforts which Caddy said he helped mold into the Young Americans for Freedom organization.

Caddy served in the non-paid position as administrative officer of YAF between 1960-1963, while working as an administrative aide to Charles Edison, the former governor of New Jersey.

Following a six-month Army stint, Caddy worked briefly in the New York gubernatorial campaign of Nelson Rockefeller before landing a job as assistant to his lieutenant governor, Malcolm Wilson.

Caddy negotiated that job with night school at New York University, where he earned his law degree.

Caddy then joined General Foods Corp. for a "government relations" job that eventually took him back to Washington in 1969.

When Watergate broke, Caddy was practicing law.

At the conclusion of the Watergate trials, Caddy turned his attention to writing a book, *The Hunt of Million Dollar Payoff*, about campaign financing, particularly organized labor's hand-raising tactics.

Caddy had a solo law practice in Washington when the Tongsun Park scandal broke in the mid-1970s.

Caddy said he was given an opportunity to testify to a congressional committee investigating the Park scandal, but he declined because "my knowledge of Tongsun Park had been in the early years and I had no involvement in that."

DOUGLAS CADDY
Role in Watergate case

Caddy said he never talked to Park about the scandal and has not seen him in years.

Caddy focused his attention on his conservative politics, writing yet another book about campaign finance.

In 1979, Caddy returned to Houston, where he once lived as a child. Houston was one of many stops in his father's oil company career.

Caddy worked as director of elections for Texas Secretary of State George Strake in 1980 during the critical year that Reagan was elected," Caddy said.

It was in 1981 that Caddy claims he first got involved with organizations seeking grants from the Moody Foundation.

Caddy claims Fort Worth millionaire T. Cullen Davis "got religion and started meeting these national conservatives who would come to Dallas for meetings.

"They started asking for help in fund-raising in Texas and Davis suggested the Moody Foundation," Caddy said, emphasizing that these groups' lifeblood comes from contributions and grants.

Caddy said the Virginia-based Conservative Caucus, a group described as a right-wing version of Common Cause, formed an organization in Texas called the Texas Policy Institute for the purpose of trying to raise money in Texas.

Caddy said that Conservative Caucus chairman Howard Phillips called him and asked him to serve as legal counsel for the group, as he had done for the caucus in its Washington office.

The Texas Policy Institute received $425,000 in grants from the Moody Foundation in 1981 and 1983. Caddy said most of the money was used to sponsor a national conference on national defense focusing on Reagan's strategic defense initiative.

The conference was held in Galveston in 1983 and attended by noted national defense experts.

"Shearn Moody Jr. attended the Star Wars conference in Galveston and he was very pleased and asked if there were any other public interest organizations that would be interested in receiving Moody Foundation grants because he was interested in public affairs," Caddy said.

Caddy said he informed Moody he was aware of an inactive group called Project Open International Foundation which could sponsor a seminar on Hispanic issues.

Caddy said the group originally was formed in 1980 to protest the Olympics being held in the Soviet Union, but when Carter boycotted the Olympics, the group went dormant.

"It was reactivated by me for this grant," said Caddy, referring to a $[illegible] Moody grant of $[illegible].

Caddy said the money was used to underwrite the cost of various brochures, newsletters and books on campaign laws. He said it also was spent on a 1983 conference in San Antonio focusing on the emerging role of Hispanics.

By then, though, Caddy had also joined another group, the Gulf & Great Plains Legal Foundation, as Texas legal counsel to help secure Moody Foundation grants. Although the group received a 1983 grant of $100,000, Caddy said he was involved only with a $25,000 grant the group got in 1984. He said the group used the money in Texas for public interest litigation.

Caddy also helped incorporate a Houston-based foundation in 1982 to study international terrorism. The Investigative Research Foundation received Moody grants totaling $[illegible] between 1983-1984.

Caddy said the group used its Moody money to sponsor a 1983 Houston conference on terrorism and to publish studies on the subject.

Since 1986, when the Moody grant money ran out, Caddy said he has been concentrating on his law practice and writing books. He has written two books on the Texas naval history for Texas A&M University Press, which were paid for with Moody Foundation grants.

He regrets, he said, that the Moody Foundation investigation has evolved to the point of him being on the opposite side of the Moody class.

What keeps him going, though, is his fundamental belief in freedom and his desire to prevent American society from being overwhelmed by communism.

And it is activities like the Moody-sponsored foundation activities that he believes are necessary, he said.

Caddy said before he met with Moody Foundation officials to explain his allegations of wrongdoing, he first met with Shearn Moody Jr., his former friend, to try to get him to fix the problem from within.

Caddy said he was accompanied by James McClellan, who runs a nationally known conservative think tank out of his Chamberlain, Va. farmhouse. McClellan's group, the Center for Judicial Studies, which allegedly has strong support from U.S. Attorney General Edwin Meese, has been waging an attack on the federal court system as a means of furthering the conservative viewpoint.

The Center for Judicial Studies received $[illegible] in Moody grants between 1983-1986 and it, too, is under scrutiny by the current investigating body.

Caddy said that when he and McClellan met with Shearn Moody, they tried to convince him to steer away from William R. Pabst, a Houston man convicted in a 1983 charity scam. Pabst also is under investigation in the case. At least three foundations which received $1.6 million in Moody grants in 1984 and 1985 allegedly funneled money to Pabst for his right-wing political causes.

© The Houston Post/Sun, September 28, 1986/21A

Third World refugees rush to W. Germany to beat crackdown

9004081220 8

Attorney alleges frame-up

Complaint names Mattox, 2 others

By Patricia Manson
and Ken Lanterman
OF THE HOUSTON POST

Texas Attorney General Jim Mattox and two other lawyers tried to "frame" a former Houston lawyer on a false extortion charge after he triggered a probe into misuse of Moody Foundation grants, the lawyer claims in a complaint apparently filed with the State Bar of Texas.

Douglas Caddy claimed he was harassed after his allegations led to investigations by both the Moody Foundation and the attorney general's office.

Information turned over to federal prosecutors led to Shearn Moody Jr.'s conviction last year on charges of defrauding his family's foundation of $1.27 million while he was a trustee. Moody has not been sentenced.

Caddy said the harassment was carried out by Mattox and others he said were guilty of wrongdoing in connection with the Galveston-based Moody Foundation.

Caddy claimed Mattox was linked to the Moody Foundation through a former law partner who he said was paid $2,500 in foundation money to get Mattox involved in an effort to remove the judge who was presiding over the criminal case of a Moody associate.

Caddy claimed Mattox retaliated against him for revealing misuse of Moody Foundation funds by falsely claiming Caddy tried to extort money from the foundation after it denied a grant application to an organization linked to Caddy.

Caddy's allegations were contained in a written complaint against Mattox, Assistant Attorney General John Vasquez and Moody Foundation lawyer Irwin "Buddy" Herz.

The three men denied the allegations.

Caddy said he filed his complaint, signed April 2, with the State Bar of Texas' District 5-B Grievance Committee in Galveston.

Galveston attorney James R. Watkins, the committee's chairman, said bar rules prohibited him from confirming or denying a grievance had been filed.

Herz and a spokesman for the attorney general's office said they had not seen Caddy's complaint, but they denied the allegations.

"In representing the Moody Foundation during their investigation the last two years, some of the characters I've had to deal with have been like the cast of *Looney Tunes*," Herz said. "I'm not even going to dignify it with a comment since it must be a joke."

Ron Dusek, a spokesman for the attorney general's office, echoed Herz's sentiments.

"We really don't think there's any need to respond to Mr. Caddy," Dusek said.

04-20-88

Hou Post

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 21, 1989

AIRBORNE EXPRESS MAIL

Robert Eckels
4035 Trey Drive
Houston, Texas 77084

RE: MUR 2925

Dear Mr. Eckels:

On July 13, 1989, you were notified of a complaint which alleges that you may have violated the Federal Election Campaign Act of 1971, as amended. To date, you have not responded to that notification. Unless we receive a response within 5 days of your receipt of this letter, this matter will proceed forward for Commission consideration. For your convenience the Commission's FAX number is (202) 376-5280.

Should you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

00040812210

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 15, 1989

POSTMASTER
Houston, TX 77084

RE: MUR 2925

Dear Sir or Madam:

Pursuant to 39 C.F.R. § 265(d)(1), we request that you provide us with the present address of Robert Eckels. According to our records, the address of Robert Eckels was 4035 Trey Drive \ Houston, TX 77084 as of 8/1/89.

Under 39 C.F.R. § 265.8e(8)(iii), we request a waiver of fees. In this connection I hereby certify that the Federal Election Commission, an agency of the U.S. Government, requires the information requested above in the performance of its official duties, and that all other known sources for obtaining it have been exhausted.

A return envelope is enclosed. Should you have any questions or require any further information, please call Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Thank you for your assistance.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
Envelope

FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

December 19, 1989

Robert Y. Eckels
712 Bartlett
Sealy, Texas 77474

RE: MUR 2925

Dear Mr. Eckels:

The Federal Election Commission received a complaint that alleges that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). On July 13, 1989, the Commission mailed copies of the complaint to your addresses at 16330 Clay Road and 4035 Trey Drive in Houston, Texas. Subsequently, the Commission sent a notification to you at the Trey Drive address. You have not responded to the complaint. After obtaining your telephone number, we contacted your wife, who provided us your address in Sealy. Another copy of the complaint is enclosed. We have numbered this matter MUR 2925. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

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 matter to be made public. 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.

2 1 0 4 0 3 1 3 2 1 2

If you have any questions, please contact Daniel J. Blessington, the attorney assigned to this matter at (202) 376-5690. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

9004031221 3

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARIAT

90 MAY -8 PM 12: 36

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

SENSITIVE

FIRST GENERAL COUNSEL'S REPORT

MUR 2925
DATE COMPLAINT RECEIVED
BY OGC: 6/29/89
DATE OF NOTIFICATION TO
RESPONDENT: 7/13/89; 12/19/89
STAFF MEMBER: Daniel J. Blessington

COMPLAINANTS: Douglas Caddy
Halt Taxpayer Abuse Now!
Political Action Committee

RESPONDENTS: Robert Y. Eckels
Reagan-Bush '84
Richard Brown

RELEVANT STATUTES: 2 U.S.C. § 431(17)
2 U.S.C. § 434(c)
11 C.F.R. § 105.4
11 C.F.R. § 109.2

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

This matter was initiated by a complaint filed by Douglas Caddy, Chairman of Halt IRS Taxpayer Abuse Now! Political Action Committee. The complaint alleges the existence of a secret $1.5 million campaign fund for the 1984 Reagan-Bush campaign that was controlled by former Harris County (Texas) Commissioner Robert Y. Eckels. The complaint further alleges that the Internal Revenue Service Criminal Intelligence Division was aware of the fund in early 1985, but has since engaged in a cover-up. The complainant cites Richard Brown as the primary source of his knowledge about

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the fund. Mr. Brown is the president of International Intelligence Network Corporation of Houston, Texas, a firm that apparently performs contract work for law enforcement agencies.

Among the attachments to the complaint are a number of materials dealing with the alleged misconduct of the Internal Revenue Service, and improprieties of individuals with respect to a non-profit foundation. Indeed, much of the information included with the complaint may not be germane to the charge involving the secret campaign fund. Nonetheless, the complaint and the response of Mr. Brown indicate that there may have been violations of law within the Commission's jurisdiction that involve Mr. Eckels' efforts in behalf of the 1984 Reagan-Bush campaign.

II. NOTIFICATIONS AND RESPONSES

The Office of the General Counsel sent notifications of the complaint to the Reagan-Bush Committee, Richard Brown and Robert Eckels. Counsel for Reagan-Bush responded by denying the allegations, casting doubt on their substance, and requesting that the Commission dismiss the complaint. Mr. Brown responded that he does not specifically recall any discussion with Mr. Caddy concerning the alleged fund, but did note that at one point the news media had given quite a bit of attention to the activities of Robert Eckels and an organization called the National Conference of Republican County Officials ("National Conference"). He indicated that he may have spoken to the complainant about the matter, but that any knowledge he may have had came from the news media. He included with his response news articles indicating that Mr. Eckels may have used Harris County facilities and

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employees in undertaking political activities, including Reagan-Bush campaign activities, in behalf of the National Conference.

This Office sent notifications to Mr. Eckels at two different addresses in Houston, but received no response. Attempts at confirming receipt with the Postal Service and Airborne Express failed. Finally, a representative of this Office was able to contact Mrs. Eckels by telephone at a third address in Sealy, Texas. A third notification was mailed on December 19, 1989. Mr. Eckels has not responded.

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III. FACTUAL AND LEGAL ANALYSIS

A. Robert Eckels

The complainant alleges that Richard Brown of the International Intelligence Network Corporation of Houston, Texas is his primary source concerning the existence of the alleged secret campaign fund for the Reagan-Bush re-election campaign. Mr. Brown is alleged to have told the complainant in the spring of 1985 that a secret fund for Reagan-Bush had been uncovered, that it contained $1.5 million, that it was controlled by Harris County Commissioner Robert Eckels, and that its existence was known to the Internal Revenue Service. Complainant claims that his secondary and confirming source for the information is Clyde Wilson, identified in the complaint as a Houston private detective. Mr. Wilson allegedly confirmed the fund's existence at a meeting with the complainant in 1986. In his response to the notification, Mr. Brown states his assumption that the complaint's reference to the secret campaign fund was to the alleged

activities of Robert Eckels and the National Conference in behalf of President Reagan's 1984 re-election campaign. The press clippings accompanying the response support this view.

According to news reports in the **Houston Post**, Robert Eckels stated that he had spent at least $20,000 of his own funds in 1984 to send national mailings in support of Ronald Reagan's re-election. These mailings are reported to have been sent through the National Conference of Republican County Officials, a group with which then Harris County Commissioner Robert Eckels was associated. The December 12, 1985, edition of the **Houston Post** indicates that Mr. Eckels stated in interviews with the newspaper that he did not report the payments for these mailings to the Commission. A review of Commission filings confirms that Mr. Eckels made no reports to the Commission of expenditures in support of the 1984 Reagan-Bush re-election effort.

Under the Federal Election Campaign Act of 1971, as amended (the"Act") and Commission regulations, an individual who makes independent expenditures totaling more than $250 must file a statement with the Commission. 2 U.S.C. § 434(c); 11 C.F.R. §§ 109.2 and 105.4. An "independent expenditure" is an expenditure that expressly advocates the election or defeat of a candidate, and which is made independently of any candidate, and any candidate's authorized committees and agents. According to a published news report, Robert Y. Eckels acknowledged spending at least $20,000 of his personal funds in 1984 to send out "a world" of national mailings in support of Ronald Reagan's re-election.

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Although there are some indications that other individuals and entities may have been involved in the alleged mailings, there is at present insufficient evidence to connect these to the Reagan-Bush campaign.

Based on the foregoing, the Office of the General Counsel recommends that the Commission find reason to believe that Robert Y. Eckels violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2 by failing to file a statement with the Commission reporting his independent expenditures in behalf of the re-election of Ronald Reagan and George Bush.

B. Other Respondents

The complaint, responses, and attachments thereto present a jumble of facts, allegations and charges involving numerous individuals and entities, and concerning matters both within and outside the Commission's jurisdiction. As indicated, the most plausible explanation for the alleged Reagan-Bush secret campaign fund is Robert Eckels' purported admission that he expended his own funds on national mailings in support of Ronald Reagan's re-election. Until this avenue is explored, the Office of the General Counsel recommends that no action be taken with respect to the other named respondents, or any other individual or entity mentioned in the various materials that we have reviewed.

C. Investigation

Mr. Eckels would appear to be in a position to repudiate, confirm, or otherwise shed light upon the charges contained in the complaint. As indicated, however, Mr. Eckels has not responded to several notices by this Office that a complaint had

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been filed. It is doubtful that Mr. Eckels will ever voluntarily respond to a Commission request for information. Therefore, we recommend that the Commission approve the issuance of a subpoena to produce documents and order to answer written questions to Mr. Eckels concerning his alleged expenditures in behalf of the Reagan-Bush campaign.

IV. RECOMMENDATIONS

1. Find reason to believe that Robert Y. Eckels violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2.

2. Approve the attached Factual and Legal Analysis.

3. Approve the attached letter, subpoena and order.

Lawrence M. Noble
General Counsel

Date 5/7/90

BY: Lois G. Lerner
Associate General Counsel

Attachments
I. Complaint
II. Responses to Complaint
III. Proposed Factual and Legal Analysis
IV. Proposed Letter and Discovery Request

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Robert Y. Eckels	)	MUR 2925
Reagan-Bush '84	)	
Richard Brown	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on May 10, 1990, the Commission decided by a vote of 5-0 to take the following actions in MUR 2925:

1. Find reason to believe that Robert Y. Eckels violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2.

2. Approve the Factual and Legal Analysis, as recommended in the General Counsel's report dated May 7, 1990.

3. Approve the letter, subpoena and order, as recommended in the General Counsel's Report dated May 7, 1990.

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

Attest:

5-11-90
Date

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

Received in the Secretariat: Tuesday, May 8, 1990 12:36 p.m.
Circulated to the Commission: Tuesday, May 8, 1990 4:00 p.m.
Deadline for vote: Thursday, May 10, 1990 4:00 p.m.
At the time of deadline 4 affirmative votes had not been received.
Final vote received: Thursday, May 10, 1990 at 5:38 p.m.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 14, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert Y. Eckels
712 Bartlett
Sealy, Texas 77474

RE: MUR 2925

Dear Mr. Eckels:

On July 13, 1989, the Federal Election Commission sent you notifications of a complaint at two different addresses in Houston, Texas. The complaint alleged violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). Copies of the complaint were enclosed with the notifications. The Commission never received your response to the complaint. The Office of the General Counsel ultimately obtained your address in Sealy, Texas. A subsequent telephone conversation with your wife confirmed the fact that this was a proper address. On December 19, 1989, a third notification was mailed. Another copy of the complaint was enclosed. The Commission has still not received your response.

Upon further review of the allegations contained in the complaint, and information supplied by others, the Commission, on May 10, 1990, found that there is reason to believe you violated 2 U.S.C. § 434(c), a provision of the Act, and 11 C.F.R. § 109.2 of the Commission's regulations. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

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

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

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

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

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

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

If you have any questions, please contact Daniel J. Blessington of the Office of the General Counsel at (202) 376-5690.

Sincerely,

Lee Ann Elliott

Lee Ann Elliott
Chairman

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

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
) MUR 2925
)

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Robert Y. Eckels
712 Bartlett
Sealy, Texas 77474

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

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

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C. on this 14th day of May, 1990.

Lee Ann Elliott

Lee Ann Elliott, Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions
Definitions
Document Request and Questions (2 pages)

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INSTRUCTIONS

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

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

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

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

Unless otherwise indicated, the discovery request shall refer to the time period from January 1, 1984 to the present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

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DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed.

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

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

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

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

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Document Requests

1. Produce and identify all documents and materials that relate, refer or pertain to any financial support made by you that related in any way to the 1984 re-election campaign of Ronald Reagan and George Bush.

2. Produce and identify all documents and materials that relate, refer or pertain to any financial support made by persons associated with the National Conference of Republican County Officials that related in any way to the 1984 re-election campaign of Ronald Reagan and George Bush.

3. Produce and identify all documents and materials that relate, refer or pertain to any financial support made by officials or employees of Harris County, Texas that related in any way to the 1984 re-election campaign of Ronald Reagan and George Bush.

4. Produce and identify all documents and materials that relate, refer or pertain to mailings originating in Harris County, Texas that contained any reference to either Ronald Reagan or George Bush.

5. Produce and identify all documents and materials that relate, refer or pertain to mailings made to individuals associated with the National Conference of Republican County Officials that contained any reference to either Ronald Reagan or George Bush.

6. Produce and identify all documents and materials that relate, refer or pertain to mailings made by you that contained any reference to either Ronald Reagan or George Bush.

7. Produce all documents and materials written by you that relate, refer or pertain to the 1984 Presidential Campaign.

Questions

A. What is the National Conference of Republican County Officials?

B. Were you ever associated with the National Conference of Republican County Officials? Indicate offices held.

C. Describe any mailings made to individuals associated with the National Conference of Republican County Officials that contained any reference to Ronald Reagan or George Bush.

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D. Describe any efforts undertaken by individuals associated with the National Conference of Republican County Officials that in any way related to the 1984 Presidential Campaign.

E. Describe any efforts undertaken by officials or employees of Harris County, Texas that in any related to the 1984 Presidential campaign of Ronald Reagan and George Bush.

F. Describe in detail any costs you incurred that related in any way to the 1984 Presidential Campaign.

G. Describe in detail any costs incurred in any mailings made by you or known to you that related in any way to the 1984 Presidential Campaign.

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Robert Y. Eckels MUR: 2925

This matter was initiated by a complaint filed by Douglas Caddy, Chairman of Halt IRS Taxpayer Abuse Now! Political Action Committee. The complaint alleges the existence of a secret $1.5 million campaign fund for the 1984 Reagan-Bush campaign that was controlled by former Harris County (Texas) Commissioner Robert Y. Eckels. The complaint further alleges that the Internal Revenue Service Criminal Intelligence Division was aware of the fund in early 1985, but has since engaged in a cover-up. The complainant cites Richard Brown as the primary source of his knowledge about the fund. Mr. Brown is the president of International Intelligence Network Corporation of Houston, Texas, a firm that apparently performs contract work for law enforcement agencies.

Among the attachments to the complaint are a number of materials dealing with the alleged misconduct of the Internal Revenue Service, and improprieties of individuals with respect to a non-profit foundation. Indeed, much of the information included with the complaint may not be germane to the charge involving the secret campaign fund. Nonetheless, it appears that there may have been violations of law within the Commission's jurisdiction that involve Mr. Eckels' efforts in behalf of the 1984 Reagan-Bush campaign.

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Mr. Brown is alleged to have told the complainant in the spring of 1985 that a secret fund for Reagan-Bush had been uncovered, that it contained $1.5 million, that it was controlled by Harris County Commissioner Robert Eckels, and that its existence was known to the Internal Revenue Service. Complainant claims that his secondary and confirming source for the information is Clyde Wilson, identified in the complaint as a Houston private detective. Mr. Wilson allegedly confirmed the fund's existence at a meeting with the complainant in 1986. Although the complainant's version of events is open to question, it appears that his reference to a secret campaign fund may have been to the alleged activities of Robert Eckels and the National Conference of Republican County Officials in behalf of President Reagan's 1984 re-election campaign.

According to news reports in the **Houston Post**, Robert Eckels stated that he had spent at least $20,000 of his own funds in 1984 to send national mailings in support of Ronald Reagan's re-election. These mailings are reported to have been sent through the National Conference of Republican County Officials, a group with which then Harris County Commissioner Robert Eckels was associated. The December 12, 1985, edition of the **Houston Post** indicates that Mr. Eckels stated in interviews with the newspaper that he did not report the payments for these mailings to the Commission. A review of Commission filings confirms that Mr. Eckels made no reports to the Commission of expenditures in support of the 1984 Reagan-Bush re-election effort.

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Under the Federal Election Campaign Act of 1971, as amended (the"Act") and Commission regulations, an individual who makes independent expenditures totaling more than $250 must file a statement with the Commission. 2 U.S.C. § 434(c); 11 C.F.R. §§ 109.2 and 105.4. An "independent expenditure" is an expenditure that expressly advocates the election or defeat of a candidate, and which is made independently of any candidate, and any candidate's authorized committees and agents. According to a published news report, Robert Y. Eckels acknowledged spending at least $20,000 of his personal funds in 1984 to send out "a world" of national mailings in support of Ronald Reagan's re-election.

Based on the foregoing, there is reason to believe that Robert Y. Eckels violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2 by failing to file a statement with the Commission reporting his independent expenditures in behalf of the re-election of Ronald Reagan and George Bush.

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MUR 2925

ECKELS

ROBERT Y. "BOB" ECKELS, 60, died December 24, 1989 at his residence. Born in Temple, Texas, resident of Houston most of life. Retired from Harris County. Member of Bear Creek United Methodist Church. Bellaire Lodge No. 1376 AF & AM, Scottish Rite Bodies, Arabic Temple Shrine. Survivors: Wife, Mary Frances Eckels, Daughter, Carol Eckels Adams and son-in-law, Hill Adams, Son: State Representative Robert A. Eckels, and daughter-in-law, Tammy Eckels, all of Houston. Mother, Mildred Eckels, of Austin, Brother, Buck Eckels and wife Sandy, two sisters, Jean Rusk, of Pearland, Joy Hershey and husband Bud of Comanche, Texas. Two Grandchildren, Anne Elizabeth Adams and Robert Sterling Adams. Number of nieces and nephews. Preceded in death by two infant sons. Visitation from 3 to 9 p.m. Tuesday, Geo. H. Lewis & Sons Funeral Home, 1010 Bering Drive with Chapel service at 1:30 p.m. Wednesday, Dr. Charles L. Allen and Rev. Robert Long officiating. Cremation.

Geo. H. Lewis & Sons
1010 Bering Dr., 789-3005

GUARDIAN PLAN™ Chapels

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 23, 1990

Gene Harwell
Room 6005 I:IS:OA
Internal Revenue Service
1100 Constitution Ave., N.W.
Washington, D.C. 20224

RE: MUR 2925

Dear Mr. Harwell:

The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code.

In view of the Commission's responsibilities, we would appreciate being advised at this time if the Internal Revenue Service has any information that it may disclose relating to whether Robert Y. Eckels, a former Harris County (Texas) Commissioner, provided substantial financial support for, or on behalf of, the 1984 Reagan-Bush campaign.

We have opened a file in this matter and numbered it Matter Under Review (MUR) 2925. The attorney assigned to this matter is George F. Rishel, who can be reached at 376-8200.

Thank you for your cooperation.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

CHIEF INSPECTOR

SEP 18 1990

MUR 2925

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RECEIVED
FEDERAL ELECTION COMMISSION
OGC

Lois G. Lerner
Associate General Counsel
Federal Election Commission
Washington, D.C. 20463

Dear Ms. Lerner:

Enclosed, per your request, is a copy of an Inspection Report of Investigation, case #6-0989-0010, which involves Robert Y. Eckels.

We are furnishing you this information pursuant to Subsection (b)(3) of the Privacy Act of 1974 (Title 5, United States Code, Section 552a). We have withheld information which is restricted from release by Sections 6103 and 7213 of Title 26, United States Code. We have also withheld information the release of which would constitute an unwarranted invasion of the personal privacy of third parties.

If you should find it necessary to obtain the testimony of an Internal Revenue Service employee in any future legal proceedings concerning this matter, please note that a subpoena for testimony should be served on the employee approximately ten working days prior to the date such testimony is required. This will insure that there is sufficient time to obtain the necessary testimony authorization.

If we can be of any further assistance, please do not hesitate to contact me at (202) 566-4703.

E. Eugene Harwell

E. Eugene Harwell
Disclosure Officer

Enclosure
As stated

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BEFORE THE FEDERAL ELECTION COMMISSION

SENSITIVE

In the Matter of	)	
	)	
Robert Y. Eckels;	)	MUR 2925
Reagan-Bush '84;	)	
Richard Brown	)	

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On May 10, 1990, the Commission found reason to believe Robert Y. Eckels violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2 in order to investigate allegations that Mr. Eckels had expended substantial sums of money in support of the Reagan-Bush reelection campaign. The Commission took no action at that time with respect to any other respondents or individuals. That report also outlined the efforts this Office had undertaken to locate Mr. Eckels and obtain a response from him. The notification of these findings were received at Mr. Eckels' address on May 21, 1990. On June 4, 1990, this Office received what appears to be the response to these findings. It is a news clipping from an obituary column that states that Robert Y. "Bob" Eckels, 60, died December 24, 1989. Attachment 1.

II. ANALYSIS

The complaint alleged that Mr. Eckels, a former Harris County (Texas) Commissioner, had controlled a secret $1.5 million fund used to support the 1984 Reagan-Bush campaign. The complainant had attributed Richard Brown as his source for the information. Mr. Brown is the president of International Intelligence Network Corporation of Houston, Texas, a firm that apparently performs contract work for law enforcement agencies.

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In his response Mr. Brown states that he does not recall any specific conversation with the complainant. He did say that there had been news media coverage of the activities of Mr. Eckels and an organization Mr. Eckels headed called the National Conference of Republican County Officials ("National Conference"). He enclosed news articles indicating that Mr. Eckels may have used Harris County facilities and employees in undertaking political activities on behalf of the National Conference, including Reagan-Bush campaign activities.

Counsel for the Reagan-Bush '84 Committee submitted a response and an affidavit from Scott B. Mackenzie, treasurer of the committee. In his affidavit, Mr. Mackenzie states that the campaign did not establish any secret $1.5 million fund and was not aware of the existence of one. He further states that to the best of his present recollection, Mr. Eckels had no connection with the committee or the 1984 campaign. The response from counsel further disputes the accuracy of the allegations.

In the First General Counsel's Report, we noted that an article in the Houston Post had stated that Mr. Eckels had spent $20,000 of his own funds to send mailings in support of President Reagan's re-election through the National Conference. We noted then that no report of such expenditures had been filed with the Commission. This article supported the initial findings that there was reason to believe Robert Y. Eckels had violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2.

Because information contained in the complaint and the response from Richard Brown indicated that Mr. Eckels had been

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investigated by the Internal Revenue Service and investigated and prosecuted by the Harris County District Attorney's office, staff of this Office contacted personnel at these agencies.

An assistant district attorney told this Office that Mr. Eckels had been found guilty of receiving illegal gifts and had pleaded no contest to a wiretapping charge, the last action ending in 1987. He said that he did not recall any information regarding financial support for the Reagan-Bush 1984 campaign, but did note that Mr. Eckels maintained an officeholder account generally funded by $100 a plate breakfasts.[1] An investigator with the district attorney's office said that the IRS had also contacted him about the same information. He indicated that Mr. Eckels' officeholder account could easily have had as much as $1.5 million in it because he would sometimes raises $300,000 to $400,000 at a time with his breakfasts. The investigator said that although their investigation focused on matters other than financial support for federal candidates, they would have notified the FBI or IRS if there had been something questionable, such as a large payment to Reagan-Bush. There was some evidence that county resources had been used for labels for a National Conference mailing. The investigator said that his office was in the process of instituting a civil suit against Mr. Eckels' estate.

This Office also contacted Clyde Wilson, a private investigator identified in the complaint has having been a source

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1. According to the district attorney's office, Mr. Eckels' officeholder account filed reports with the State of Texas.

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for the complainant's allegations. Mr. Wilson stated in a phone conversation on September 6, 1990, that he had been working two cases, one involving Bob Eckels and one involving the Moody Foundation, at the same time. The complainant was connected to the Moody Foundation investigation. Mr. Wilson said that he had heard the allegations regarding Mr. Eckels and a campaign fund he controlled but had never been able to establish the veracity of the allegations. He also indicated that these allegations had been investigated by the IRS, the FBI, the Secret Service and others.

Staff of this Office also contacted the IRS agent investigating Mr. Eckels. He confirmed that the IRS had made an investigation and that it had included some of the area covered by the allegations made in the complaint in this matter. He was unable to disclose the results of the investigation or discuss what information they had uncovered. Instead, he referred us to the disclosure officer. That person confirmed that the IRS would make a referral to the Commission, as with other agencies, if it came across information that it "recognized" as raising a possible federal election law violation. At his suggestion, this Office made a written request for any information arising from the investigation of Mr. Eckels that may suggest a violation of the Act, particularly regarding evidence of substantial financial support for the 1984 Reagan-Bush campaign. The request was sent on August 23, 1990.

A response to this request was received on September 20,

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1990. Attachment 2.[2] Much of this response consists of material we have already obtained in this matter. It also includes statements from Wilson, Brown, and personnel of the Harris County District Attorney's office. This information corroborates what we had already learned regarding the complainant's allegations. As the IRS material shows, the allegation regarding a $1.5 million fund controlled by Mr. Eckels has never amounted to more than unsubstantiated rumor and allegation.

Thus, this Office has not uncovered any factual support for the complainant's allegations other than the news article relating to the alleged $20,000 in expenditures for the National Conference mailing. Furthermore, as noted, Mr. Eckels is deceased. Therefore, we recommend that the Commission take no further action in this matter. We further recommend that the Commission find no reason to believe Richard Brown and Reagan-Bush '84 violated any provision of the Act based on the complaint in this matter and close the file as to all respondents.

9004081223 9

III. RECOMMENDATIONS

1. Take no further action against Robert Y. Eckels.

2. Find no reason to believe Richard Brown, Reagan-Bush '84 Committee and Scott B. Mackenzie, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended, on the basis of the complaint in MUR 2925.

3. Close the file.

---

2. We have reproduced as Attachment 2 only the portions of the IRS material that consist of new information relevant to the allegation in this matter. The full set of materials are on file in OGC Docket. Attachment 2 does include a listing of the IRS materials that was part of the IRS submission.

4. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

10/19/90
Date

BY: Lois G. Lerner
Associate General Counsel

Attachments
1. Response
2. Excerpts from IRS material

Staff assigned: George F. Rishel
Jeffrey D. Long

9000401 2240

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Robert Y. Eckels;	)	MUR 2925
Reagan-Bush '84;	)	
Richard Brown.	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on October 24, 1990, the Commission decided by a vote of 5-0 to take the following actions in MUR 2925:

1. Take no further action against Robert Y. Eckels.

2. Find no reason to believe Richard Brown, Reagan-Bush '84 Committee and Scott B. Mackenzie, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended, on the basis of the complaint in MUR 2925.

3. Close the file.

(continued)

4. Approve the appropriate letters, as recommended in the General Counsel's Report dated October 19, 1990.

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

Attest:

10-25-90
Date

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

Received in the Secretariat: Monday, Oct. 22, 1990 12:40 p.m.
Circulated to the Commission: Monday, Oct. 22, 1990 4:00 p.m.
Deadline for vote: Wednesday, Oct. 24, 1990 4:00 p.m.

dh

90040122242

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Douglas Caddy, Chairman
Halt IRS Taxpayer Abuse Now PAC
8050 S. Main Street
Suite 28
Houston, Texas 77025

RE: MUR 2925

Dear Mr. Caddy:

On October 24, 1990, the Federal Election Commission reviewed the allegations of your complaint dated June 29,, 1989, and found that on the basis of the information provided in your complaint, and information provided by the respondents, there is no reason to believe Richard Brown, Reagan-Bush '84 Committee and Scott B. Mackenzie, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended, on the basis of the complaint. The Commission also voted to take no further action against Robert Y. Eckels. Accordingly, on October 24, 1990, the Commission closed the file in this matter.

The Federal Election Campaign Act of 1971, as amended ("the Act") allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

90040112243

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

John J. Duffy, Esquire
Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036

RE: MUR 2925
Reagan-Bush '84 and Scott B. Mackenzie, as treasurer

Dear Mr. Duffy:

On July 13, 1989, the Federal Election Commission notified your clients, Reagan-Bush '84 and Scott B. Mackenzie, as treasurer, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 24, 1990, the Commission found, on the basis of the information in the complaint, and information provided by you, that there is no reason to believe Reagan-Bush '84 and Scott B. Mackenzie, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the Commission closed its file in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any materials to appear on the public record, please do so within ten days. Please send such materials to the Office of the General Counsel.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

90040312244

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

Richard Brown, Director
International Intelligence Network
P.O. Box 42999 / Dept. 117
Houston, Texas 77042

RE: MUR 2925
Richard Brown

Dear Mr. Brown:

On July 13, 1989, the Federal Election Commission notified you of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

On October 24, 1990, the Commission found, on the basis of the information in the complaint, and information provided by you, that there is no reason to believe Richard Brown violated any provision of the Federal Election Campaign Act of 1971, as amended. Accordingly, the Commission closed its file in this matter.

This matter will become a part of the public record within 30 days. If you wish to submit any materials to appear on the public record, please do so within ten days. Please send such materials to the Office of the General Counsel.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure
General Counsel's Report

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 1990

CLOSED

Robert Y. Eckels
c/o Mrs. Robert Eckels
712 Bartlett
Sealy, Texas 77474

RE: MUR 2925
Robert Y. Eckels

Dear Mrs. Eckels:

On July 13, 1990, Robert Y. Eckels was notified that the Federal Election Commission found reason to believe that he violated 2 U.S.C. § 434(c) and 11 C.F.R. § 109.2.

After considering the circumstances of the matter, the Commission determined on October 24 1990, to take no further action against Robert Y. Eckels, 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.

If you have any questions, please contact Jeffrey Long, the staff member assigned to this matter, at (202) 376-5690.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

9904081 3246

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 2925

DATE FILMED 12/24/90 CAMERA NO. 2

CAMERAMAN AS

9004031 2247

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2925.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 25, 1991

Douglas Caddy, Chairman
Halt IRS Taxpayer Abuse Now!
8050 S. Main Street
Suite 28
Houston, Texas 77025

Dear Mr. Caddy:

This responds to your February 27, 1991, request that we provide copies of Attachments 1 and 2 to the October 19, 1990, General's Report submitted by this Office to the Commission.

Attachment 1, an obituary notice pertaining to Robert Y. (Bob) Eckels, is enclosed.

It is our position that Attachment 2, a copy of a Report of Investigation compiled by the Office of Chief Inspector Internal Revenue Service, and furnished to the FEC by cover letter of September 18, 1990, remains the property of the IRS and may not be disclosed by this Office.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure

91040331292

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

90 JUN -4 PM 1:09

Lisk

MUR2925

ECKELS

ROBERT Y. "BOB" ECKELS, 60, died December 24, 1989 at his residence. Born in Temple, Texas, resident of Houston most of life. Retired from Harris County. Member of Bear Creek United Methodist Church. Bellaire Lodge No. 1376 AF & AM, Scottish Rite Bodies, Arabic Temple Shrine. Survivors: Wife, Mary Frances Eckels, Daughter, Carol Eckels Adams and son-in-law, Hill Adams, Son: State Representative Robert A. Eckels, and daughter-in-law, Tammy Eckels, all of Houston. Mother, Mildred Eckels, of Austin. Brother, Buck Eckels and wife Sandy, two sisters, Jean Rusk, of Pearland, Joy Hershey and husband Bud of Comanche, Texas. Two Grandchildren, Anne Elizabeth Adams and Robert Sterling Adams. Number of nieces and nephews. Preceded in death by two infant sons. Visitation from 3 to 9 p.m. Tuesday, Geo. H. Lewis & Sons Funeral Home, 1010 Bering Drive with Chapel service at 1:30 p.m. Wednesday, Dr. Charles L. Allen and Rev. Robert Long officiating. Cremation.

Geo. H. Lewis & Sons
1010 Bering Dr., 789-3005

GUARDIAN PLAN™ Chapels

9104033429 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2945.

91040842804

HALT IRS TAXPAYER ABUSE NOW!
National Political Action Committee

8050 S. Main St.
Suite 28
Houston, Texas 77025

713-867-3476

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CLOSED

RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
91 MAR -1 PM 3:48

February 27, 1991

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

MUR 2925

Dear Mr. Noble:

With your letter of November 6, 1991 (copy attached), you enclosed your six-page General Counsel's Report on this matter. The Report makes reference to Attachment 1 and 2, neither of which was enclosed with the Report.

Could I be sent Attachment I and 2 as well as the news articles (including the Houston Post) mentioned in the Report as evidence there was reason to believe Mr. Eckels had violated the law?

If there is a charge for these, please let me know.

Very truly yours,

Douglas Caddy
Chairman

9104084280 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 25, 1991

Douglas Caddy, Chairman
Halt IRS Taxpayer Abuse Now!
8050 S. Main Street
Suite 28
Houston, Texas 77025

9104084280 6

Dear Mr. Caddy:

This responds to your February 27, 1991, request that we provide copies of Attachments 1 and 2 to the October 19, 1990, General's Report submitted by this Office to the Commission.

Attachment 1, an obituary notice pertaining to Robert Y. (Bob) Eckels, is enclosed.

It is our position that Attachment 2, a copy of a Report of Investigation compiled by the Office of Chief Inspector Internal Revenue Service, and furnished to the FEC by cover letter of September 18, 1990, remains the property of the IRS and may not be disclosed by this Office.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

Enclosure

HALT IRS TAXPAYER ABUSE NOW!
National Political Action Committee

8050 S. Main St.
Suite 28
Houston, Texas 77025

713-867-3476

RECEIVED
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MUR 2925

RECEIVED
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OFFICE OF GENERAL COUNSEL

91 APR -5 PM 12: 20

CLOSED

April 2, 1991

Ms. Lois G. Lerner
Associate General Counsel
Federal Election Commission
Washington, D.C. 20463

Dear Mr. Lerner:

As a follow-up to your letter of March 25 (copy enclosed), I wish to request a copy of the Houston Post article referred to in the General Counsel's Report of October 24, 1990. The article is marked in the enclosed copy of the Report.

Also, I would like to have a copy of the first General Counsel's Report mentioned on the same page (also marked).

Please note that this issue of a secret political fund is under investigation by the U.S. Department of the Treasury at the request of the House Government Operations Committee. Also, I have requested under the Freedom of Information Act a copy of the FBI report on the matter which I cited in my original complaint filed with the FEC in June 1989.

Should the FBI report, if and when it is obtained, contain new information which might affect your FEC decision on the complaint taken last October 24th, would you allow me to submit this FBI report in order that you might reopen your investigation?

Very truly yours,

Douglas Caddy

Douglas Caddy
Chairman

91040842807

STEVEN SCHIFF
First District, New Mexico

Committees
Science, Space, and Technology
Government Operations
Republican Research Committee
Task Force on Crime
Vice Chairman

Congress of the United States
House of Representatives
Washington, DC 20515

Washington Office
1520 Longworth Building
Washington, DC 20515
(202) 225-6316

District Office
625 Silver Avenue, SW
Suite 140
Silver Square
Albuquerque, New Mexico 87102
(505) 766-2538

April 23, 1990

Mr. Donald Kirkendall
Inspector General
Office of Inspector General
U.S. Department of the Treasury
1500 Pennsylvania, N.W.
Washington, D.C. 20220

Dear General Kirkendall:

I am writing on behalf of Michael D. Caddy, requesting that you investigate the circumstances surrounding his recent tax audit, and investigate the allegations which Mr. Caddy filed with GAO Agent Norton in June of 1988.

As a member of the House Subcommittee on Commerce, Consumer, and Monetary Affairs, which has oversight of the IRS, I ask that Mr. Caddy's request be reviewed as expeditiously as possible. Mr. Caddy participated in a Congressional Committee investigation regarding corruption within the IRS, and since that time, has received notice by the IRS that he has received a final notice of intention to levy.

Again, I ask your cooperation in investigating this case. I am concerned that Mr. Caddy's participation in a Congressional inquiry could possibly have affected his financial obligation to the IRS.

I thank you in advance for your timely consideration of this request.

Sincerely,

Steven Schiff

SS/by

9104084280 8

DEPARTMENT OF THE TREASURY
WASHINGTON

MAY 1 1 1990

Mr. Michael D. Caddy
8050 S. Main Street, #28
Houston, Texas 77025

Dear Mr. Caddy:

Thank you for your April 3 and April 9, 1990, letters concerning retaliation by the IRS against you for having filed allegations of IRS misconduct with the House Subcommittee investigating IRS wrongdoing.

The information you provided is being forwarded to our Houston Regional Office for preliminary investigation. You will be contacted by a Special Agent from our Houston Office.

Again, thank you for bringing this matter to my attention.

Sincerely,

for Donald E. Kirkendall
Inspector General

9104084280-9

March 8, 1991

Hon. William Sessions
Director
Federal Bureau of Investigation
J. Edgar Hoover Building
Washington, D.C.

Dear Director Sessions:

On May 2, 1988 I wrote to you concerning a secret and illegal 1984 Reagan-Bush Presidential campaign fund which had been uncovered by IRS Criminal Investigative Division but which had been covered up by the IRS since its discovery in early 1985. A copy of my letter is enclosed.

On August 7, 1988 FBI Assistant Director Floyd D. Clarke responded, indicating I would be interviewed about this secret and illegal fund by the local office of the FBI, and if wrongdoing were found, prosecution would be pursued. A copy of his letter is enclosed.

A month after I had written you but before I had received Asst. Dir. Clarke's response, I filed a complaint about the secret fund being covered up by the IRS with the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Government Operations Committee. The Subcommittee had then just instituted a probe into IRS corruption and misconduct. The Subcommittee held public hearings in 1989 and issued its final report "Misconduct by Senior Managers in the Internal Revenue Service" in October 1990. A copy of my June 2, 1988 letter to the subcommittee is enclosed.

The Subcommittee had 200-plus cases of IRS corruption and misconduct to investigate but could only look at a few of these in depth. Thus, on June 1, 1989 I filed a formal complaint with the Federal Election Commission about the secret and illegal campaign fund. This letter is enclosed.

The FEC issued its ruling and General Counsel's Report on October 24, 1990. These are enclosed along with a copy of the February 1991 FEC RECORD.

The FEC found "reason to believe" federal law had been violated by the controller of the secret fund, Bob Eckels of Houston, Texas. The FEC General Counsel was handicapped in his investigation by the IRS which used Section 6103 to prevent Bob Eckels' tax files from being examined.

The purpose of this letter is to ask why, in light of Asst. Dir. Clarke's letter of August 7, 1988 to me and my subsequent meeting with the local FBI in Houston in October 1988, the

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FBI did not refer the results of its investigation into the secret fund and Bob Eckels to the FEC which subsequently found "reason to believe" the law had been violated, even without the FBI's help, but this was three years later and after Eckels' death.

Under the Freedom of Information Act at this time I am requesting any records the national office of the FBI or the local Houston office of the FBI may have dealing with the investigation into the secret and illegal 1884 Presidential campaign fund and Bob Eckels as reflected in the enclosed correspondence.

The U.S. Treasury Dept.'s Inspector General is looking into this matter and into IRS retaliation against me for having raised it. A copy of the IG's letter of May 18, 1990 is enclosed. I mention this because I am sending a copy of this request being posed to you in this letter to the IG as well as to the members of the House Subcommittee on Commerce, Consumer and Monetary Affairs which is continuing its oversight of the IRS.

I look forward to your response to my above question and to copies of FBI materials dealing with it under the Freedom of Information Act.

Sincerely yours,

Doug Caddy

Douglas Caddy
8050 S. Main St., #28
Houston, TX. 77025
(713) 867-3476

I hereby swear or affirm that the foregoing contents of this letter are true to the best of my knowledge and that the signature above was executed by me.

Doug Caddy

Subscribed to and sworn or affirmed before me on this 1 day of March, 1991.

William C. Stevens
Notary Public

c: Houston FBI Office

WILLIAM C. STEVENS
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
FEB. 9, 1992

9104084281 1

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THE FOLLOWING DOCUMENTATION IS ADDED TO

THE PUBLIC RECORD IN CLOSED MUR 2925.

4/9/92

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CLOSED

DOUGLAS CADDY
ATTORNEY-AT-LAW
745 West Creekside
Houston, Texas 77024
713-867-3476

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM

APR 6 9 35 AM '92

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RECEIVED
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

April 3, 1992

Mr. Lawrence Noble
General Counsel
Federal Election Commission
999 E St., NW
Washington, D.C. 20463

Dear Mr. Noble:

Please find enclosed a copy of my letter of March 23, 1992 to Chief Judge James DeAnda regarding the IRS coverup of a Bush illegal campaign fund. Pursuant to his response, I have written the U.S. Attorney.

Please note that you are listed in my letter among the witnesses needed to testify before the grand jury about the matter. Specifically, your testimony is needed about how the IRS "Report of investigation" influenced your Final General Counsel Report in MUR 2925.

Very truly yours,

Douglas Caddy

Douglas Caddy

92040901126

United States District Court
Southern District of Texas

James DeAnda
Chief Judge
P.O. Box 610040
Houston, Texas 77208

March 23, 1992

Mr. Douglas Caddy
Attorney at Law
745 West Creekside
Houston, Texas 77024

Dear Mr. Caddy:

Your letter requesting an appearance before the grand jury came to my attention this afternoon. The matters to which you make reference relate to criminal activities. These types of complaints should be brought to the attention of the United States Attorney.

Very truly yours,

James DeAnda
Chief Judge
United States District Court

9204090111 27

DOUGLAS CADDY
ATTORNEY-AT-LAW
745 West Creekside
Houston, Texas 77024
713-867-3476

April 3, 1992

Hon. Ron Woods
U.S. Attorney
U.S. Courthouse
Rusk at Smith Sts.
Houston, TX 77002

Dear Mr. Woods:

Please find enclosed a copy of my March 23, 1992 letter to Chief Judge James DeAnda requesting that I be allowed to appear before the grand jury on IRS corruption.

Pursuant to his response, I am submitting this matter to your office.

Note that in my letter I ask that you be called as a witness before the grand jury in connection with statements attributed to your office in the August I, 1990 IRS "Report of Investigation" on the Bush illegal campaign fund.

Very truly yours,

Douglas Caddy

cc: Senator David Pryor, Chairman, Senate Subcommittee on IRS Oversight
Rep. Doug Barnard, Jr., Chairman, House Subcommittee on Commerce, Consumer and Monetary Affairs on IRS oversight
Rep. Jake Pickle, Chairman, House Subcommittee in IRS Oversight
House Democratic Steering and Policy Committee

9204090128

DOUGLAS CADDY
ATTORNEY-AT-LAW
745 West Creekside
Houston, Texas 77024
713-867-3476

March 23, 1992

Hon. James DeAnda
Chief Judge
U.S. District Court
U. S. Courthouse
Houston, Texas 77002

RE: Request to appear before the federal grand jury concerning an IRS coverup of a secret and illegal Bush Presidential campaign fund, illegal IRS partisan political activity, and the U.S. Treasury Department Inspector General's "whitewash" investigation of this gross IRS corruption

92040901129

Dear Judge DeAnda:

The purpose of this public letter is to request your permission to appear before the federal grand jury which is under your jurisdiction.

I am a member in good standing of the Texas and District of Columbia Bars, having been a member of the former since 1979 and the latter since 1970.

I wish to place before the grand jury evidence concerning an on-going conspiracy by the U.S. Internal Revenue Service to coverup a secret and illegal $1.5 million Bush Presidential campaign fund administered by a long-time Houston political ally of President George Bush, evidence of partisan political activity by the IRS, and evidence of a "whitewash" investigation into this IRS corruption by the Inspector General of the U.S. Treasury Department.

I am making this request to appear before the federal grand jury because attempts to uncover the full extent of the illegal campaign fund have been frustrated by stonewalling by the IRS, U.S. Treasury Department and Federal Bureau of Investigation. However, the U.S. Federal Election Commission -- although deflected in its investigation by the IRS -- has issued two opinions finding "reason to believe" federal election law was violated by the illegal expenditure of substantial secret campaign funds by Bush's ally.

I now firmly believe that only a grand jury investigation

into the matter can bring out the true facts concerning the secret and illegal Bush campaign fund and its coverup by the IRS. This is a Presidential election year and the American people have right to know if President Bush and his associates authorized the creation of an illegal and secret campaign fund and if the IRS, after it discovered the illegal fund, engaged in a coverup of the fund's existence and illegal partisan political activity.

This is the second time in 18 months that I have written you to request permission to appear before the grand jury regarding IRS corruption. As you may recall, I wrote you on August 3, 1990 concerning IRS wrongdoing in the Moody Foundation case in which Shearn Moody, Jr. was accused of defrauding the Moody Foundation of $1.2 million. As the direct result of my letter, this criminal case -- involving one of the ten largest private foundations in the country - was dismissed three months later, even though Mr. Moody had been indicted and convicted on 13 criminal counts, incarcerated in federal prison and, on appeal, the U.S. Court of Appeals for the Fifth Circuit had upheld 11 of the 13 counts and allowed re-trial on two counts. In the wake of my letter to you, the IRS pressured the U.S. Attorney to "throw" the case by letting it be dismissed on motion by the defendant Moody rather than let the grand jury hear my testimony concerning IRS criminal activity in the case. Dismissal of the case allowed the IRS corruption never to reach public light either through a grand jury investigation or through my and other persons' testimony at a Moody re-trial. I mention the Moody case at this time merely to illustrate that from past experience I know whereof I speak regarding IRS corruption.

I now shall lay out the evidence I wish to present to the grand jury.

The Secret Campaign Fund

As stated in my original letter of May 2, 1988 to FBI Director William Sessions, "In the spring of 1985, while I was attending a public dinner in Houston [the Association of Former Intelligence Officers], Mr. Richard Brown of International Intelligence Network Corporation [who is a Contract Agent of both the FBI and IRS] told me that 'a secret Reagan-Bush campaign fund' had been uncovered following the 1984 Presidential election. He said the secret fund has '$1.5 million in it' and that it was 'controlled by Harris County (Houston) Commissioner Bob Eckels' and that 'IRS Criminal Intelligence knows about it.'

"In subsequent months I waited for the second shoe to drop but nothing appeared in the press. Still I put great credence in it as I knew Mr. Brown worked with the FBI and IRS.

"In November 1986 the subject matter arose again. This

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time I was in the office of Houston private investigator Clyde Wilson who had been appointed to investigate the Moody Foundation scandal in which I was the whistle-blower. Our discussion was interrupted by one of his secretaries who announced that 'Agent ------- from IRS Criminal Intelligence is here to pick up the Bob Eckels file.' Mr. Wilson excused himself and went into the next room to give the agent the file. When he returned I decided to ask him, 'Are you aware of a secret $1.5 million Reagan-Bush campaign fund controlled by Eckels?' Mr. Wilson was visibly shocked by my question but then responded quietly and slowly, 'yes.'

"One reason I asked Mr. Wilson this question was that a few weeks earlier I had heard him telling the Houston media that he had a new client -- Vice President Bush. Again I found this astounding, that a sitting Vice President of the U.S. would employ a private detective. (Later I was to surmise that the matter involved Bob Eckels.) In any event after Mr. Wilson had responded 'Yes', I told him that Mr. Brown had informed me about it 18 months earlier and had also told me that public records of real property owned by Mr. Bush in Texas were slowly being erased from existence. Mr. Wilson then resumed our discussion of the Moody Foundation case, never again mentioning the secret fund. It is my understanding that Mr. Wilson, like Mr. Brown, is a confidential informant to the IRS."

FBI Response

In his response of August 5, 1988, FBI Assistant Director for Criminal Investigative Division Floyd I. Clarke said that I would be interviewed by the FBI soon thereafter and "should the information you provide establish a federal violation within our jurisdiction, you can be assured it will be pursued vigorously." In early October 1988, a month before the 1988 Presidential election, I was interviewed by FBI Agent Richard Miller and his immediate supervisor in the Houston office of the FBI. I provided them with the details I had concerning the fund. Both agents knew of Richard Brown who had for many years done contract work for the FBI. Both agents also knew of Bob Eckels who was then the subject of a criminal investigation. The distinct impression I got from the meeting was that the national FBI was extremely worried that word would leak to the media before the November election that the FBI was looking into the secret fund. Such a news report could tip the election against Bush. I never heard anything further from the FBI following the October 1988 meeting.

On April 22, 1991, in response to my request under the Freedom of Information Act, the Houston FBI office responded, "A search of our indices to the central records system as maintained by the Houston Office failed to locate any records responsive to your FOIA request concerning the 1984 Presidential campaign and Bob Eckels." The national FBI headquarters has

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refused to even acknowledge receipt of my Freedom of Information Act request. I find this puzzling since the 1988 investigation was ordered at the highest level of the FBI: Floyd I. Clarke has since been promoted to the second in command in the FBI, under Director Sessions.

House Subcommittee Hearings

On May 17, 1988 the House Government Operations Committee through its Subcommittee on Commerce, Consumer and Monetary Affairs having IRS oversight, announced its own investigation into IRS corruption and mismanagement at the senior manager level. It solicited information and evidence from anyone having knowledge of these activities. After being alerted to this by Richard Behar, Associate Editor at Forbes magazine, I filed my request by letter of June 2, 1988 that the subcommittee investigate the IRS coverup of the illegal Bush campaign fund. My letter to the subcommittee was sent a month after I had written the FBI.

The three days of public hearings by the House Subcommittee in July 1989 disclosed that the subcommittee was able to examine only seven cases of IRS corruption and that the remaining 200 (including mine) would be screened by the IRS subsequently for further investigation. The IRS did not select my case for further inquiry, which did not surprise me.

IRS Commissioner Fred Goldberg responded to the evidence of widespread mismanagement and corruption at the IRS senior manager level as revealed by the House Subcommittee's public hearings. He did so in January 1990 by unveiling a "reform' program whereby beginning immediately the Inspector General of the U.S. Department of the Treasury, and not the IRS Internal Security Division, would investigate allegations of wrongdoing at the senior IRS manager level. At my request and that of Congressman Steven Schiff (R-NM), a member of the House Subcommittee, the Inspector General on May 17, 1990 announced a "preliminary investigation" into my allegations and retaliation by the IRS. On July 27, 1990 I met with a Special Agent in the Inspector General's Houston office who (surprise) turned out to be a recently transferred IRS Criminal Investigative Division (CID) Agent. I provided him with my information about the IRS coverup of the secret campaign fund. Although this meeting was held 20 months ago, the Inspector General steadfastly refused to release his findings to me. This led Congressman Dennis Hastert (R-Ill), ranking Minority member of the House Subcommittee, to write the Inspector General on July 18, 1991 to request that my case findings be released to him which he would then forward to me. The Inspector General has yet to respond to Congressman Hastert who has been unable to provide me with a copy of the findings. However, as the result of a Freedom of Information Act request I made to the Inspector General last September, the Inspector General on January 17,

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1992 released a number of key documents on his investigation and findings. These are quite startling and will be discussed later in this letter.

Thus, the IRS, Inspector General and FBI have built records of stonewalling about the illegal fund for up to four years.

FEC Launches Investigation

When I began to suspect this stonewalling was occurring, I filed an official complaint on June 1, 1989 with the U.S. Federal Election Commission alleging a violation of federal campaign law by the campaign fund's illegal operation and its coverup by the IRS. Shortly thereafter, I filed a letter amending my complaint to call attention to a news article in the Houston Chronicle of June 2, 1989 titled, "Eckels writing book on tumultuous life." The front page article said, "While not promising a kiss-and-tell book, Eckels hinted his manuscript will bare some county skeletons.

"'If you've never done anything wrong, there's nothing to be afraid of,' he said.

"'There are a number of incidents and circumstances that could benefit the community to know, some that shouldn't have been done.'

"Eckels would not elaborate, but made it clear he was not referring to his own misdeeds."

In my letter to the FEC amending my complaint, I wrote, "I believe this to be a veiled threat by former Harris County Commissioner Bob Eckels to tell all -- including what he knows about the secret fund -- if Federal authorities attempt to prosecute him on more serious crimes than he has been accused of previously."

The FEC immediately commenced its investigation.

On May 8, 1990 the Federal Election Commission found "reason to believe" federal law had been violated by "substantial expenditures" from an illegal Presidential campaign fund administered by Commissioner Eckels. In this opinion by its General Counsel and a subsequent one on October 22, 1990, the FEC compiled substantial circumstantial evidence -- despite being frustrated by the IRS in its investigation. However, Commissioner Eckels suddenly died on December 24, 1989 -- one and a half years after I had filed my complaint with the FBI and the House Subcommittee and 6 months after I had filed one with the FEC. His death posed a roadblock to the FEC since up until his death he had refused to cooperate in its investigation into his secret campaign fund.

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Grand Jury Needed

Despite the fact that Commissioner Eckels is dead, there still exist a number of ways to establish the existence of the secret and illegal Bush campaign fund and its coverup by the IRS. However, it will take the federal grand jury to get to the bottom of the matter.

The IRS and FBI were able to make certain the issue never arose during the 1988 Presidential election. However, public disclosure this national election year must be made one way or another -- so that the voters can judge for themselves about the fund and its coverup.

First FEC Report

The following is excerpted from the First Federal Election Commission General Counsel's report of May 8, 1990 on MUR 2925. To make certain the FEC would investigate my complaint, I formed a PAC titled "Halt IRS Taxpayer Abuse Now! Political Action Committee" and registered it with the FEC which has jurisdiction over PACS. This served the purpose of allowing the PAC to be a co-complainant on my complaint.

"First General Counsel's Report"

"Complainants: Douglas Caddy
Halt IRS Taxpayer Abuse Now! Political Action Committee

"Respondents: Robert Y. Eckels
Reagan-Bush '84
Richard Brown

"Relevant Statutes: 2 U.S.C. §431(17)
2 U.S.C. §434 (c)
11 C.F.R. §105.4
11 C.F.R. §109.2

"Internal Reports Checked: Disclosure Reports

"Federal Agencies Checked: None

"I. Generation of Matter

"This matter was initiated by a complaint filed by Douglas Caddy, Chairman of Halt IRS Taxpayer Abuse Now! Political Action Committee. The complaint alleges the existence of a secret $1.5 million campaign fund for the 1984 Reagan-Bush campaign that was controlled by former Harris County (Texas) Commissioner Robert Y. Eckels. The complaint further alleges that the Internal Revenue Service Criminal Intelligence Division was aware of the fund in early 1985, but has since engaged in a cover-up.

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The complainant cites Richard Brown as the primary source of his knowledge about the fund. Mr. Brown is the president of International Intelligence Network Corporation of Houston, Texas, a firm that apparently performs contract work for law enforcement agencies.

"....Much of the information included with the complaint may not be germane to the charges involving the secret campaign fund. Nonetheless, the complaint and the response of Mr. Brown indicate that there may have been violations of law within the Commission's jurisdiction that involve Mr. Eckels' efforts in behalf of the 1984 Reagan-Bush campaign.

"II. Notifications and Responses

"The Office of the General Counsel sent notifications of the complaint to the Reagan-Bush Committee, Richard Brown and Robert Eckels. Counsel for Reagan-Bush responded by denying the allegations, casting doubt on their substance, and requesting that the Commission dismiss the complaint. Mr. Brown responded that he does not specifically recall any discussion with Mr. Caddy concerning the alleged fund, but did note that at one point the news media had given quite a bit of attention to the activities of Robert Eckels and an organization called the National Conference of Republican County Officials ('National Conference.').

"III. Factual and Legal Analysis

"...Complainant claims that his secondary source for the information is Clyde Wilson, identified in the complaint as a Houston private detective. Mr. Wilson allegedly confirmed the fund's existence at a meeting with the complainant in 1986. In his response to the notification, Mr. Brown states his assumption that the complainant's reference to the secret fund was to the alleged activities of Robert Eckels and the National Conference in behalf of President Reagan's 1984 reelection campaign. The press clippings accompanying the response support this view.

"According to news reports in the Houston Post, Robert Eckels stated that he had spent at least $20,000 of his own funds in 1984 to send national mailings in support of Ronald Reagan's re-election. These mailings are reported to have been sent through the National Conference of Republican County Officials, a group with which then Harris County Commissioner Robert Eckels was associated. The December 8, 1985 edition of the Houston Post indicates that Mr. Eckels stated in interview with the newspaper that he did not report the payments for these mailings to the Commission. A review of Commission filings confirms that Mr. Eckels made no reports to the Commission of expenditures in support of the 1984 Reagan-Bush re-election effort.

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"Under the Federal Election Campaign Act of 1971, as amended (the "Act") and Commission regulations, an individual who makes independent expenditures totaling more than $250 must file a statement with the Commission. 2 U.S.C. §434(c); 11 C.F.R. §§ 109.2 and 105.4. An 'independent expenditure' is an expenditure that expressly advocates the election or defeat of a candidate, and which is made independently of any candidate, and any candidate's authorized committees and agents. According to a published news report, Robert Y. Eckels acknowledged spending at least $20,000 of his personal funds in 1984 to send out 'a world' of national mailings in support of Ronald Reagan's re-election. Although there are some indications that other individuals and entities may have been involved in the alleged mailings, there is present insufficient evidence to connect these to the Reagan-Bush campaign.

"Based on the foregoing, the Office of the General Counsel recommends that the Commission find reason to believe that Robert Y. Eckels violated 2 U.S.C. §434(c) and 11 C.F.R. §109.2 by failing to file a statement with the Commission reporting his independent expenditures in behalf of the re-election of Ronald Reagan and George Bush....

"Mr. Eckels would appear to be in a position to repudiate, confirm or otherwise shed light upon the charges contained in the complaint. As indicated, however, Mr. Eckels has not responded to several notices by this Office that a complaint has been filed. It is doubtful that Mr. Eckels will ever voluntarily respond to a Commission request for information. Therefore, we recommend that the Commission approve the issuance of a subpoena to produce documents and order to answer written questions to Mr. Eckels concerning his alleged expenditures in behalf of the Reagan-Bush campaign.

"IV. Recommendations

"1. Find reason to believe that Robert Y. Eckels violated 2 U.S.C. §434(c) and 11 C.F.R. §109.2.

"2. Approve the attached Factual and Legal Analysis.

"3. Approve the attached letter, subpoena and order.

"Lawrence M. Noble
General Counsel"

"May 7, 1990

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The Houston Post Article

The following is excerpted from the Houston Post of December 8, 1985 which is cited in the FEC report:

"County resources utilized by Eckels
to boost the GOP"

"DA's office reopens probe"

"Harris County Commissioner Bob Eckels has used county government employees, county telephones and county computer equipment to held build a 9,000-member national organization that regularly corresponds with and lobbies for the White House and the Republican National Committee.

"Several members of the National Conference of Republican County Officials contended in recent interviews that the organization has gained access to the Reagan Administration largely through Eckels' efforts as NCRCO's president in five of the past six years.

"Fred Anderson, treasurer for Roanoke County, Va. and NCRCO's vice president said last week, 'He (Eckels) has done a super job with the National Conference of Republican County Officials.'

"'He made it a working arm for the White House and the national (Republican) party.'

"But the Houston Post learned last week that the Harris County district attorney's office has reopened a 1982 investigative file concerning NCRCO and the alleged misuse of county resources for political purposes.

"And an official with the Federal Election Commission said federal election law may have been violated if more than $250 was spent on behalf of President Reagan's 1984 candidacy and the expenditure was not reported.

"In interviews last week, Eckels indicated he spent at least $20,000 of his personal funds in 1984 to send 'a world' of national mailings through NCRCO in support of Reagan's re-election.

"FEC press officer Fred Eiland said neither Eckels nor NCRCO reported spending money on behalf of Reagan's 1984 re-election campaign. Eckels said he didn't feel it was necessary to report the expenditures to the FEC.

"Harris County District Attorney John B. Holmes said NCRCO is not at the focus of a state investigation concerning Eckels. That investigation is now in its sixth month. But the

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organization's activities here may be material in that long running inquiry, Holmes said.

"The investigation involves several allegations of misconduct concerning Eckels.

"In an interview Thursday, Eckels acknowledged that a county computer, county employees and county phone lines have been used for NCRCO business. The Commissioner's explanations of NCRCO's financing, however, seemed contradictory. He said he used some county resources on NCRCO, but also said he used private funds because he wanted no questions of conflict. And Eckels said he used no campaign funds but his office-holder filings showed he did list some NCRCO expenses.

"But he said his work for NCRCO has helped Harris County get federal revenue sharing and community development funds and maintain control over its own flood insurance maps.

"Eckels also said NCRCO mailed a large amount of political information last year in support of the Reagan campaign -- at Eckels expense. But the Commissioner contended that county resources were not used in NCRCO's campaign efforts on Reagan's behalf.

"Eckels said he pays about $20,000 a year of his own money -- not campaign or county funds -- to finance the mailing and printing of an NCRCO newsletter. 'When I feel something is political, I want to pay for it,' he said.

"...Still, it is clear NCRCO has a White House link:

"* The organization was active in the Reagan re-election campaign, sending political 'care packages' to NCRCO members.

"* At least 85 NCRCO members were briefed in June by the White House staff on national budget and tax matters and on the administration's policies in Central America...

"* Harris County records show Eckels and his staff made more than 120 phone calls at county expense to the White House and the Republican National Committee over the past 11 months.

"At least 10 of these calls were placed to Vice President George Bush's office.

"It is also clear that Harris County government resources have been used on NCRCO matters.

"The organization uses a mailing list that has been kept on a Harris County computer.

"County employees have acknowledged using county time to

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work for NCRCO.

"And besides the White House and Republican National Committee telephone calls, county records show Eckels and his staff have phoned active NCRCO members from California to New York -- while Harris County government paid the bill...

"Eckels said county resources were not used in support of Reagan's re-election. Eckels said he used the 9,000-member NCRCO mailing list that is stored in a county computer to support Reagan's candidacy, but probably ran labels for campaign related mailings on his own computer.

"Eckels confirmed that he did not make FEC reports on his 1984 pro-Reagan mailing expenditures through NCRCO. He said he didn't feel it was necessary, contending that sometimes there were other issues covered in his mailings.

"Eiland said Eckel's contention is something the FEC board might consider should a complaint be made about the matter by a citizen or should an FEC Commissioner or other federal agent suggest the expenditures be checked.

"While Eckels claimed he does not used his campaign funds on NCRCO matters, his campaign reports say otherwise. The commissioner's sworn statement of campaign expenditures for the first half of 1985 shows he paid at least $4,200 in NCRCO-related expenses from his campaign accounts.

"Ron Alvarado, Special Assistant to the President for Intergovernmental Affairs, said Wednesday he had no idea Harris County resources had been used on NCRCO. He also said he did not know Eckels was under grand jury investigation here.

"Alvarado said NCRCO 'really works through the Republican National Committee.' But he also acknowledged that 'what we do through this office (in working with NCRCO) is coordinate the administration's policies with Republican county officials across the country.'

"After being told of the use of Harris County resources in connection with NCRCO, Alvarado declined further comment. He declined to say whether he thought it proper for county resources to be used for NCRCO.

"Frank O'Keefe, a former employee of Eckels' precinct, said his duty as a county employee was to put together a news letter for NCRCO called the County Constituent.

"Seven of the nine articles in the October issue of the County Constituent are notably partisan in nature. Drawings of GOP elephants, Reagan and Eckels illustrate the newsletter...

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"He contended that the cost of printing and mailing the NCRCO newsletter was borne by the Republican National Committee. The information he put into the newsletter also was obtained from the committee, O'Keefe claimed.

"There was no way of estimating how much time he spent on NCRCO, O'Keefe said. 'My activity was fairly straight down the line. He (Eckels) asked me to write something, and I did,' O'Keefe said.

"John Craig, a former employee of Eckels, said he helped set up Eckels' NCRCO operation in 1979 and 1980 on county time. Craig said he gave up control of NCRCO in 1981 when it became clear to him some of its operations were questionable.

"...NCRCO members contacted across the county were unrestrained last week in their praise for the job Eckels has done with NCRCO. But none seems to have a firm grasp on how Eckels had funded administrative costs of the organization.

"Sonia Johansen, Chairman of the Board of County Supervisors in Black Hawk County, Iowa, said Eckels has made NCRCO 'go' almost single-handedly.

"...And the White House has made extensive use of the organization, she indicated. 'We had more cooperation from the White House than the official Republican Party at first,' Johansen said.

"Sandy Smoley, a county supervisor for Sacramento County, Calif., said Eckels has done a terrific job of making NCRCO 'much more visible.'

"'It provides a network for getting the President's issues out across the country,' Smoley said.

"All the executive work of NCRCO 'was done of out of Bob's (Eckels') office' and the organization did not raise funds nationwide, Smoley said. The organization has no dues, she said.

"Smoley said NCRCO was involved in Reagan's 1984 re-election campaign through a sub-unit called Presnet. She said Presnet members incorporated the president's stands on national issues in their own speeches.

"That was possible because Eckels mailed Presnet members transcripts of Reagan's weekly radio addresses, and copies of other presidential speeches, Smoley said.

"When asked how she thought NCRCO's employees, computer work and other office costs were funded, however, Smoley said, 'I don't know, I never even thought of that.'

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"Presnet has been disbanded and similar sub-unit of NCRCO formed to take its place, Eckels said.

"...Last week, Assistant Harris County District Attorney Bill Taylor said the investigative file from a 1982 probe concerning allegations about NCRCO has been reopened.

"...Eckels was honored in July as one of five county officials of the year by NCRCO, according to The County Line, a newsletter published by the Republican National Committee. The newsletter said the award was sponsored by the committee, the White House, and NCRCO.

"Eckels was under criminal investigation in Harris County when that award was announced. But the probe had not been made public at that time."

Final FEC Report

Six months after the FEC General Counsel issued his first report, he issued his final one. The following is excerpted from that report:

"General Counsel's Report"

"I. Background

"On May 10, 1990, the Commission found reason to believe Robert Y. Eckels violated 2 U.S.C. §434(c) and 11 C.F.R. §109.2 in order to investigate allegations that Mr. Eckels had expended substantial sums of money in support of the Reagan-Bush reelection campaign. The Commission took no action that time with respect to any other respondents or individuals. That report also outlined the efforts this office had undertaken to locate Mr. Eckels and obtain a response from him. The notification of these findings was received at Mr. Eckels' address on May 21, 1990. On June 4, 1990, this office received what appears to be the response to these findings. It is a news clipping from an obituary column that states that Robert Y. 'Bob' Eckels, 60, died December 24, 1989.

"II. Analysis

"In the First General Counsel's Report, we noted that an article in the Houston Post had stated that Mr. Eckels had spent $20,000 of his own funds to send mailings in support of President Reagan's re-election through the National Conference. We noted then that no report of such expenditures had been filed with the Commission. This article supported the initial finding that there was reason to believe Robert Y. Eckels had violated U.S.C. §434(c) and 11 C.F.R. §109.2.

"Because information contained in the complaint and the

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response from Richard Brown indicated that Mr. Eckels had been investigated by the Internal Revenue Service and investigated and prosecuted by the Harris County District Attorney's office, staff of this Office contacted personnel of these agencies.

"An assistant district attorney told this Office that Mr. Eckels had been found guilty of receiving illegal gifts and had pleaded no contest to a wiretapping charge, the last action ending in 1987. He said that he did not recall any information regarding financial support for the Reagan-Bush 1984 campaign, but did note that Mr. Eckels maintained an officeholder account generally funded by $100 a plate breakfasts. An investigator with the district attorney's office said that the IRS had also contacted him about the same information. He indicated that Mr. Eckel's officeholder account could easily have had as much as $1.5 million in it because he would sometimes raise $300,000 to $400,000 at a time with his breakfasts. The investigator said that although their investigation focused on matters other than support for federal candidates, they would have notified the FBI or IRS if there had been something questionable, such as a large payment to Reagan-Bush. There was some evidence that county resources had been used for labels for a National Conference mailing. The investigator said his office was in the process of instituting a civil suit against Mr. Eckels' estate.

"This Office also contacted Clyde Wilson, a private investigator identified in the complaint as having been a source for the complainant's allegations. Mr. Wilson stated in a phone conversation on September 6, 1990 that he had been working two cases, one involving Bob Eckels and one involving the Moody Foundation, at the same time. The complainant was connected to the Moody Foundation investigation. Mr. Wilson said that he had heard the allegations regarding Mr. Eckels and a campaign fund but had never been able to establish the veracity of the allegations. He also indicated that these allegations had been investigated by the IRS, the FBI, and Secret Service and others.

"Staff of this Office contacted the IRS agent investigating Mr. Eckels. He confirmed that the IRS had made an investigation and that it had included some of the area covered by the allegations made in the complaint in the matter. He was unable to disclose the results of the investigation or discuss what information they had uncovered. Instead, he referred us to the disclosure officer. That person confirmed that the IRS would make a referral to the Commission, as with other agencies, if it came across information that it 'recognized' as raising a possible federal law violation. At his suggestion, this Office made a written request for any information arising from the investigation of Mr. Eckels that may suggest a violation of the Act, particularly regarding evidence of substantial financial support for the 1984 Reagan-Bush campaign. The request was sent on August 23, 1990.

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"A response to this request was received on September 20, 1990. Much of this response consists of material we have already obtained in this matter. It includes statements from Wilson, Brown and personnel of the Harris County District Attorney's office. This information corroborates what we have already learned regarding the complainant's allegations. As the IRS material shows, the allegations regarding the $1.5 million fund controlled by Mr. Eckels never amounted to more than unsubstantiated rumor and allegation.

"Thus, this Office has not uncovered any factual support for the complainant's allegations other than the news article relating the alleged $20,000 in expenditures for the National Conference mailing. Furthermore, as noted, Mr. Eckels is deceased. Therefore, we recommend that the Commission take no further action in this matter. We further recommend that the Commission find no reason to believe Richard Brown and the Reagan-Bush '84 violated any provision of the Act based on the complaint in this matter and close the file as to all respondents.

"III. Recommendations

"I. Take no further action against Robert Y. Eckels

"2. Find no reason to believe Richard Brown, Reagan-Bush '84 Committee and Scott B. McKenzie, as treasurer, violated any provision of the Federal Election Campaign Act of 1971, as amended, on the basis of the complaint in MUR 2925.

"3. Close the file

"4. Approve the appropriate letters.

"Lawrence M. Noble
General Counsel"

"October 19, 1990

The Final General Counsel's report contains a footnote which, as is sometimes the case in important documents, turns out to be the "smoking gun." The FEC footnote reads: "We have reproduced as Attachment 2 only those portions of the IRS material that consist of new information relevant to the allegation in this matter. The full set of materials are on file in OGC Docket. Attachment 2 does include a list of the IRS material that was part of the IRS submission."

Upon receipt of the FEC report, I wrote to its General Counsel to obtain a copy of Attachment 2. By letter of March 25, 1991 the FEC General Counsel wrote me that, "It is our position that Attachment 2, a copy of a Report of Investigation compiled by the Office of Chief Inspector Internal Revenue Service, and furnished to the FEC by cover letter of September 18, 1990, remains the property of the IRS and may not be

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disclosed by this Office."

The IRS "Smoking Gun"

On January 17, 1992 the Treasury Department's Inspector General released to me material on his investigation which I had requested under the Freedom of Information Act.

Included among the 194 documents is the "Report of Investigation by the Assistant Commissioner (Inspection), Internal Revenue Service, Washington, D.C. 20224," the same one provided to the FEC by the IRS.

The report is dated August 1, 1990.

Its title is "Allegation: Possible Houston District Criminal Investigation Division Coverup Involving 1984 Reagan-Bush Campaign Fund."

The title page states: "Basis for investigation: Attorney Douglas Caddy in a letter to the Commissioner, Internal Revenue Service, dated January 6, 1989, alleged that Houston District Criminal Investigation Division was involved in a coverup of the existence of an illegal 1984 Reagan-Bush Presidential-Vice Presidential campaign fund."

The same page states: "Period of Investigation: September 6, 1989 - March 14, 1990."

A section of the three-page report titled "Details of Investigation" is comprised to two pages. It is heavily excised by the Inspector General. The following are the relevant portions from the report, excised portions included:

"[Excised] stated he heard rumors there was a slush fund controlled by [excised] after the 1984 presidential election. [Excised] stated to his knowledge, the rumor was never proved or disproved by anyone. [Excised] stated he did not mention the possibilities of a slush fund to the IRS.

"[Excised] [excised] [excised] during the [excised] investigation. [Excised] stated if it would have come to their attention there was a 1.5 million dollars slush fund controlled by [excised] they would have investigated it. [Excised] stated their investigation efforts did not expand to the National Conference of Republican County Officials. However, no monies which ended up in [excised] numerous bank accounts were ever traced to that organization.

"[Excised], Case Agent of the [excised] investigation, stated the CID investigation centered on [excised] individual tax returns. [Excised] stated during the investigation, he did not receive any allegations concerning a 1984 1.5 million dollars

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campaign fund controlled by [excised] or anyone else.

"A review of the closed CID file and related records did not disclose any allegation concerning a 1984 1.5 million dollars campaign fund controlled by the National Conference of Republican County Officials (NCRCO) and [excised]. The review did not show that CID did not expand its financial investigation to the National Conference of Republican County Officials. The investigation of [excised] resulted in no prosecutive action."

Analysis of IRS and FEC Reports

In analyzing the FEC report, the key is IRS information the General Counsel left out of his opinion.

For example, the FEC report states, "A response to this request [to the IRS for information] was received on September 20, 1990. Much of this response consists of material we have already obtained in this matter. It includes statements from Wilson, Brown and personnel of the Harris County District Attorney's office. This information corroborates what we have already learned regarding the complainant's allegations. As the IRS material shows, the allegations regarding to the $1.5 million fund controlled by Mr. Eckels never amounted to more than unsubstantiated rumor and allegation."

The FEC General Counsel should have disclosed that the IRS Report quoted its own source as having heard of the "slush fund" but "to his knowledge, the rumor was never proved or disproved by anyone."

The FEC report fails to quote another source in the IRS report as stating, "their investigation efforts did not expand to the National Conference of Republican County officials."

The FEC report fails to quote the IRS Report that the IRS Criminal Investigation Division (CID) Case Agent who conducted the probe into Eckels said the probe "centered on [excised] individual tax returns. [Excised] stated during the investigation, he did not receive any allegations concerning a 1984 $1.5 million dollars campaign fund controlled by [excised] or anyone else." But according to the FEC, "staff of this Office also contacted the IRS agent investigating Mr. Eckels. He confirmed that the IRS had made an investigation and that it had included some of the area covered by the allegations made in the complaint in this matter." Further, the FEC report quotes the Harris County District Attorney's office as saying it had been contacted by the IRS about the matter.

If one believes the IRS report, the IRS centered its investigation only on Eckels' individual tax return and did not go beyond that into NCRCO even though there were rumors and a newspaper report that Eckels was spending substantial

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amounts of money in behalf for the GOP presidential campaign. Richard Brown, an IRS Contract Agent, told me about the secret fund in March 1985 and said that "IRS Criminal Intelligence knows about it." President Bush's own private detective, Clyde Wilson, coming back into his office after returning the Eckels' file to an IRS CID agent, told me he had heard about the fund. The Houston Post article, with its detailed information about NCRCO, was provided to the FEC by IRS Contract Agent Brown. Quite frankly, it staggers a taxpayer's imagination to believe that the IRS CID did not know about the allegations of the secret fund. For the IRS CID Case Agent to assert he had not heard of the allegations is for him to admit gross incompetence. It is more likely that the IRS CID Case Agent did investigate NCRCO but covered up what he discovered or that his superiors in the IRS ordered him to stay clear of NCRCO in his investigation as part of the IRS coverup.

Finally, the IRS report states "A review of the closed CID file and related records did not disclose any allegation concerning a 1984 1.5 million dollars campaign fund controlled by the National Conference of Republican County officials (NCRCO) and [excised.]" Then the IRS reports adds the odd sentence, "The review did not show that CID did not expand its financial investigation to the National Conference of Republican County Officials."

What is one to make of this last sentence? It appears that the IRS Assistant Commissioner (Inspection) is by design aiming to mislead the reader. It is obvious by this carefully-thought-out sentence that the IRS is saying in a round-about-way that it did not expand its financial investigation of Eckels to NCRCO.

Why did the IRS not expand its investigation to include NCRCO?

This goes to the heart of the issue. If the IRS never examined Eckels' financial relationship to NCRCO, then in light of what is known about that relationship, it would appear there is a prima facie case that the IRS covered up the secret and illegal campaign fund controlled by Bush's ally.

Further, the IRS "Report of Investigation" states its "Period of Investigation: September 6, 1989 - March 20, 1990." Thus, the IRS Assistant Commissioner (Inspection) had three and one-half months to question Eckels about the secret fund before Eckels sudden death on December 24, 1989. The IRS wants us to believe that not only did the IRS CID Case Agent handling Eckels tax audit never interview Eckels about the secret fund or NCRCO but the IRS Assistant Commissioner (Inspection) never did also.

What was the IRS Assistant Commissioner doing in his investigation from September 6, 1989 to December 24, 1989? The

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IRS "Report of Investigation" appears to be a fraud upon its very face.

Thus, the grand jury would subpoena the closed IRS CID files and related records on Eckels and examine precisely how the IRS handled its audit for evidence of its coverup. It would also subpoena the files and records of the IRS Assistant Commissioner (Inspection) to examine precisely how he handled his investigation into my complaint about the Eckels' secret fund and whether or not he interviewed Eckels about it. If he did not, the grand jury should demand an explanation from him.

What the FEC Report Left Out

The FEC final report left out the key IRS material which would show that the IRS covered up the fund. Anyone reading the FEC report would never know of the "smoking gun" found in the IRS "Report of Investigation" supplied to the FEC. Why did the FEC report let the IRS get off the hook so easily?

It is curious that the two FEC reports make no mention that the FEC itself was alerted in December 1985 to Eckel's illegal expenditures in behalf of the Reagan-Bush ticket but took no action at that time to investigate. The FEC spokesman is quoted quite clearly on the matter in the Houston Post article that he would welcome a complaint being filed by an FEC Commissioner or by a federal agent -- for example, by an IRS agent. None, of course was forthcoming. Perhaps the FEC let the IRS off the hook because it felt itself vulnerable to criticism for its own shortcoming.

It is curious that the FEC made no attempt to contact the FBI on the Eckels' fund event though I supplied the FEC with my correspondence with that agency when I filed my complaint with the FEC -- including FBI Assistant Director Floyd I. Clarke's letter announcing an investigation.

It is curious that the FEC did not comment on the close relationship between Eckels and Bush which went back decades. Eckels' Commissioner District overlapped Bush's old Congressional district in Houston and Bush lived in Eckel's district. Eckels founded NCRCO about the same time Bush began seeking the GOP Presidential nomination in 1980.

Still, on the whole, the FEC is to be strongly commended for going to the length it did to try to get to the bottom of the matter after I filed my complaint.

Treasury Department Inspector General's "Whitewash" Investigation

On May 17, 1990 in response to a request by myself and Congressman Steven Schiff (R-N.M.) who was a member of the House

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Subcommittee, the Inspector General announced a "preliminary investigation" into my allegations that the IRS had covered up the secret and illegal Bush political fund controlled by Eckels after discovering it in March 1985 and that IRS Criminal Intelligence Agent Dennis Carey and IRS Contract Agent Richard Brown had extorted $38,000 from me in the Moody Foundation case under threat that I and my law clients would be audited by the IRS.

The Inspector General assigned a special agent to investigate the matter. The agent had recently been transferred to the Inspector General's staff from the IRS Criminal Investigative Division! Thus, the IRS was again in control of the investigation into itself.

I met with the special agent in the Inspector General's Houston office in late July 1990. At the interview he told me I would get the findings in my case by letter from the Inspector General himself. The Inspector General subsequently refused to issue his findings to me. However, he has engaged in a vigorous and vicious letter writing campaign to members of Congress purposely to mislead these elected representatives about me and my allegations.

For example, on December 17, 1990 Inspector General Donald Kirkendall wrote a member of Congress that "The IRS Internal Security Division conducted a lengthy investigation into the same allegations which Mr. Caddy previously furnished them. Our office reviewed the Internal Security Division's final Reports of Investigation. The results of that investigation disclose...No evidence was obtained that would link the IRS Criminal Investigative Division with a 'cover up' of a purported 1984 secret campaign fund for [excised] and George Bush...The allegations raised by Mr. Caddy appear to be without substance."

In light of the evidence assembled in this letter about the secret and illegal fund and the investigation or non-investigation into it by the IRS, it is simply absurd for the Inspector General to airily dismiss with a wave of his hand to members of Congress that "the allegations raised by Mr. Caddy appear to be without substance." The Inspector General purposely fails to mention that seven months before he wrote his letter the FEC had issued a report finding "reason to believe" that Eckels has violated the law by making substantial expenditures in behalf of the Reagan-Bush ticket in 1984.

This is a phony, "whitewash" investigation if ever there were one and underscores the need for a independent grand jury inquiry.

Further, in his letter to members of Congress the Inspector General never mentions the allegation of the $38,000 in Moody Foundation grant funds extorted from me by IRS Criminal

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Investigative Division Agent Carey and IRS Contract Agent Brown which he was supposed to investigate. Nor does he mention that after I wrote you on August 3, 1990 the criminal case against Shearn Moody, Jr. was dismissed on motion of the defendant Moody rather than allow me to appear before the grand jury to document this IRS extortion or testify at a re-trial of Moody.

One can only guess why the Inspector General refused to release his findings in my case directly to me. He has instead been busy behind the scenes for two years using his official position to disparage me and my evidence to members of Congress with the intent to mislead them.

Apparently, this minuet by the Inspector General is not new and does not fool everyone. Rep. Dennis Hastert (R-Ill), the ranking minority member of the House Subcommittee, wrote me on July 18, 1991, "I can well appreciate your frustration with the lack of information from the Inspector General -- it is a frustration shared at times by the Subcommittee."

The power to investigate the wrongdoing of IRS senior managers should immediately be taken away from the "whitewashing" Inspector General and given to an independent entity which will do an honest job. Until that happens, the American public can have little confidence in what emanates from the Inspector General, IRS Internal Security or the IRS Chief Inspector.

House Subcommittee Report

Before continuing with the secret and illegal political fund, it is appropriate to review the findings of the House Subcommittee in its investigation into IRS wrongdoing to which I filed my allegations on June 2, 1988. This will illustrate that my allegation of IRS corruption is not an isolated event.

The Subcommittee commenced its investigation in May 1988. In July 1989 it held three days of public hearings which were widely reported by the media. A follow-up one day public hearing was held in May 1990, an 185-page committee report issued in October 1990 and other public hearings held since then.

The final report, issued by the full House Government Operations Committee in October 1990, is titled, "Misconduct by Senior Managers in the Internal Revenue Service." The following is excerpted from that report:

"The Subcommittee's year-long probe focused primarily on seven specific incidents of alleged misconduct by senior IRS officials and the adequacy of IRS' response. These seven cases involved the conduct of more than 25 senior managers from 10 different locations, including Los Angeles, Cleveland, Chicago, New York Atlanta, Dallas, Cincinnati and Washington, D.C., encompassing all seven IRS regions.

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"All seven cases of subcommittee-investigated misconduct described at the July 1989 hearings involved primarily the activities and staff of the IRS Criminal Investigation Division (CID) and the Office of Inspection. CID is responsible for investigating evidence of criminal violations of the tax laws and, if appropriate, recommending criminal prosecution by the Department of Justice or referring cases for civil prosecution by the IRS examination function. The Office of Inspection has two components -- Internal Audit and Internal Security. Internal Audit is responsible for evaluating IRS operations and programs to assure that they are performed efficiently, effectively, and in accordance with laws and regulations. Internal Security is responsible for conducting investigations into allegations of improper conduct by IRS employees and for maintaining the high standards of honesty, integrity, loyalty and security among those employees."

Among the Committee findings in its October 1990 report are:

"* IRS policies and procedures were inadequate to assure that its criminal investigation function was subject to appropriate checks and balances; and that its Office of Inspection was incapable of independently investigating senior level wrongdoing throughout the agency and within its own ranks.

"* Wrongdoing by IRS Senior managers has often been ignored entirely or ineptly investigated, resulting in a clearance for the wrongdoers. In the specific case of senior manager wrongdoing examined by the Subcommittee, only 1 of the approximately 25 individuals involved was administratively punished (but only after the case was ignored by the Regional Inspector for more than a year and led to a collection of money by colleagues of the offending party to compensate him for lost pay due to a suspension), and none has been criminally prosecuted. This pattern also exists in the overwhelming majority of additional cases credibly reported to the Subcommittee.

"* A pervasive fear has existed among IRS employees that reporting the misconduct of their superiors will result in retaliation against them and no action taken against the wrongdoer.

"* A mindset has existed within the IRS that seeks to preserve the agency's public image above all else, thereby discouraging the investigation and disclosure of senior management wrongdoing that might tarnish that image."

The report declared, "During the course of the subcommittee investigation of the seven cases of wrongdoing, the subcommittee received approximately 200 letters and phone calls -- many from current and former IRS employees -- reporting additional instances of misconduct and abuse of power by senior IRS

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officials. Since the July 1989 hearings, the subcommittee has received several hundred additional letters and telephone calls from current and former IRS employees reporting allegations of misconduct and abuse."

In response to the subcommittee's public disclosure of IRS wrongdoing, IRS Commissioner Goldberg on July 12, 1990 announced a "sweeping integrity action plan." The Committee report states, "The centerpiece of this plan transfers to the Treasury Department Inspector General complete responsibility for investigating misconduct allegations against senior IRS management. By administrative agreement, in the future, IRS will no longer perform these investigations. Moreover, IRS will transfer to the Inspector General $2 million to hire 21 new criminal investigators to perform the investigations and evaluate IRS Inspection activities. Beginning in 1991, the positions are to be funded as part of the Inspector General's yearly appropriations."

The report noted, "The IRS, after evaluating the record from the July 1989 subcommittee hearings, referred 76 possible instances of misconduct to the Treasury Department Inspector General."

My allegations were not among those selected by the IRS for referral to the Inspector General. When the Inspector General was later forced to investigate my allegations, he merely "whitewashed" the matter. The idea of the Inspector General serving as the "centerpiece" of a "sweeping integrity action plan" implemented by the IRS is more than a joke, it is a fraud.

Incompetence at the GAO

When the House Subcommittee announced its investigation into IRS corruption on May 17, 1988 I was contacted by Richard Behar, Associate Editor of Forbes magazine, who urged me to file a complaint. The subcommittee press release asked citizens to file allegations with Special Agent Leo Norton of the U.S. General Accounting Office which would conduct the probe. I filed my complaint with Agent Norton on June 2, 1988.

Among the documents released to me under the Freedom of Information Act by the Inspector General on January 17, 1992 is a statement made to the Inspector General's office by Norton that "Norton recalled receiving numerous letters and other correspondence from Caddy...Norton was almost certain that an investigation of Caddy's allegations did not take place because the investigators determined that Caddy was a 'nut-case.'"

It is unfortunate that the concerned citizens such as myself were misled into filing complaints about IRS misconduct with someone such as GAO Special Agent Leo Norton. As is obvious from the evidence about the illegal and secret Bush political

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fund and the later dismissal of the criminal charges against Moody, my complaint of IRS corruption about these to the GAO had obvious merit. Special Agent Norton, who draws a government salary derived from the sweat of the American taxpayer, chose to attack me as a "nut-case" rather than leave the water cooler long enough to investigate my allegations by making a few phone calls, say to Richard Brown, Clyde Wilson and Bob Eckels. For the record let it be noted this "nut-case" has been an attorney for 22 years, is listed in "Who's Who in American Law", and is the author of five books, the first two published by a New York publisher and the last three by the Texas A & M University Press.

IRS Retaliation Against Me

The final report of the House Subcommittee contains a section titled, "Fear of retaliation." It states in part, "The Subcommittee found a widespread perception among those who come forward that when individuals go to IRS Inspection and Internal Security to report misconduct by senior employees, management ultimately is told about the charges and who is making the charges. The result is very awkward situations, intimidations, and in many cases retaliation. The subcommittee places much credence in this perception among IRS employees because the subcommittee found direct evidence of the phenomenon during its investigation."

I should like here to document the IRS retaliation against me for my having filed my allegations. The IRS retaliation took two forms: (1) a campaign to destroy my professional reputation and (2) a campaign to destroy me financially.

Examples of attempts to destroy me professionally can be found in the "Report of Investigation, Assistant Commissioner (Inspection), Internal Revenue Service" referred to earlier in this letter which addressed itself to the illegal and secret $1.5 million campaign fund. This report went to great lengths to attack me personally. The following are among the lies told by the IRS Assistant Commissioner (Inspection):

IRS lie: Actions by me "... resulted in Caddy receiving a letter of admonishment from the Public Integrity Section, United States Department of Justice."

The truth: I have never in my life received a letter of admonishment from the Public Integrity Section, United States Department of Justice. I am a private citizen and have never held public office. The Public Integrity Division is not in the business of giving out letters of admonishment to private citizens. This IRS statement is a lie and complete fabrication.

IRS lie: ""During the investigation, it was revealed by

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Houston's United States Attorney's Office, that Douglas Caddy is an unindicted conspirator in the [Moody Foundation] Fraud Scandal which resulted in [Shearn Moody] and other conspirators criminal convictions for Mail Fraud. [Shearn Moody] is currently in Federal prison.

The truth: The U.S. Attorney's office at no time has ever said I was an unindicted conspirator in the Moody case or in any other case. I have never been contacted by the U.S. Attorney's office in regard to the Moody case -- either by telephone or by letter or by any other form of communication. I was never requested by the U.S. Attorney to appear before the federal grand jury in this case. I was never served a subpoena to appear before the grand jury. I was never questioned or interviewed by any member of the U.S. Attorney's staff. The U.S. Attorney never requested that I supply any records of any type to him. No records of mine were introduced at the criminal trial of Shearn Moody. However, the U.S. Attorney did call a prosecution witness to testify at the trial that Shearn Moody had tried to hire him to kill me or have me maimed for having blown the whistle on wrongdoing at the Moody Foundation in 1985.

Further, from September 1983 to June 1984 I went "undercover" at the specific request of the Justice Department in its attempt to assist Shearn Moody in his legal problems and was given a Justice Department "Memorandum of Understanding" at that time. This is why the IRS statement makes no sense: it implies the Justice Department would itself be an unindicted co-conspirator in the Moody case. Moody was indicted in December 1986. Suddenly, four years later the IRS says it discovers I was an "unindicted conspirator". But Moody's indictment stated the conspiracy began in October 1984 -- and both I and the Justice Department had stopped working with him by that time. In my meetings with the FBI in October 1988 and with the IRS in 1987 and 1988, no mention was ever made to me that I was an "unindicted conspirator."

Also, after I wrote you on August 3, 1990 asking that I be allowed to go before the grand jury to present evidence of IRS corruption in the Moody case, the IRS pressured the U.S. Attorney to "throw" the case. This resulted in the case being dismissed on motion of the defendant Moody. This dismissal would not have been granted if I had been an "unindicted conspirator."

There is reason to believe that the IRS Assistant Commissioner (Inspection) report is backdated to August 1, 1990 to offset my letter to you of August 3, 1990 to influence the FEC decision. The IRS report states its "period of Investigation: September 6, 1989 - March 14, 1990." The report is only 3 pages in length, one of its pages being devoted to an attack on me. Did it really take more than six months for the IRS Assistant Commissioner (Inspection) to write a three-page report? And was it backdated after the FEC sent its request to the IRS Chief

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Inspector in order to influence the FEC opinion? In any event, the IRS statement is a bald-face lie, a fabrication, a smear and an attempt to destroy my professional reputation. It evidences an attempt at gross retaliation against me by the IRS.

IRS lie: The IRS report's final paragraph reads, "A copy of the report is to be provided to the U.S. Attorney's Office for prosecutive opinion regarding possible criminal violations by Douglas Caddy."

The truth: This is an attempt again by the IRS to destroy me professionally for having filed allegations of IRS corruption. The merit of my allegations is self-evident. For the record, let it be noted that the U.S. Attorney's office has never contacted me on any matter whatsoever. It is obvious that in the mindset of the corrupt officials in the IRS Chief Inspector's Office a citizen who raises allegations of IRS criminal activity and wrongdoing should be subjected to prosecution for merely raising these. This mindset reflects a sick attitude among these IRS agents who have let their arrogant and illegal activities lead them into believing they are invulnerable and above the law. Hence, my request for a grand jury investigation -- to subpoena the author of the IRS report to allow him to repeat these false statements about me under oath under penalty of perjury and to show IRS retaliation.

These lies in the IRS "Report of Investigation" were given by the IRS to the FEC. The grand jury needs to find out how these falsehoods affected the FEC General Counsel's final report.

The IRS has also retaliated against me financially. Let it merely be noted here that federal law allows me to pay any disputed tax and then file lawsuit in federal court for a refund. This is what I plan to do. Certainly the matters which I am raising in this letter to you of IRS corruption and retaliation will figure prominently in my lawsuit.

How the IRS Uses Section 6103 to Hide its Corruption

For the grand jury to get to the bottom of the secret and illegal political fund administered by Eckels, it will be necessary to subpoena all Eckels' tax files in the possession of the IRS. When the grand jury tries to do this, it can be expected that the IRS will use Section 6103 to try to prevent access to Eckels' files.

Here is what the House Committee report said about Section 6103 under "Impediments to the Subcommittee's investigation":

"During the course of the subcommittee's investigation, a number of impediments were encountered by the staff. The

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impediments relate to the interaction between the IRS and the subcommittee during the investigation -- impediments that could affect the efficiency and effectiveness of future Government Operations Committee oversight of IRS, particularly as it relates to employee integrity issues.

"The impediments encountered during the subcommittee's investigation involve statutory restrictions on the Government Operations Committee access to tax information, and internal IRS procedures for dealing with Congress. The elimination of these impediments require a statutory change to Section 6103 of the Internal Revenue Code and some strong recommendations to IRS on how to modify some of its own internal guidelines for dealing with Congress.

"Section 6103 is the Internal Revenue Code section that protects the confidentiality of taxpayers' tax returns and tax return information, except under very narrow and carefully defined circumstances. Section 6103 does not grant to the Government Operations Committee or to any other committees of Congress, save the tax writing committees, automatic access to tax return information. Without such access, investigations of the type the subcommittee has conducted are made extremely difficult.

"Although everyone strongly supports the need for carefully safeguarding the confidentiality of tax information, the impact of Section 6103, particularly as utilized by the IRS, has been to shield the Service from efficient Government Operations Committee oversight -- a consequence the subcommittee believes Congress never intended. Not having direct access to tax information hindered and delayed the subcommittee's investigation and caused IRS Disclosure office staff to spend hundreds of hours removing Section 6103 protected information from documents the Subcommittee requested. The Subcommittee was able to obtain some of the information needed for the investigation by obtaining Section 6103 waivers from several key taxpayers who were involved in some of the cases being examined. However, a subcommittee charged by the House Rules with IRS oversight responsibilities should not be denied access to the records it needs to do its work. Ultimately, this matter needs to be addressed by the full Government Operations Committee.

"An issue of equal concern is the manner in which IRS internal procedures, guidelines and legal interpretations have affected the manner in which IRS has responded to the subcommittee's investigation. IRS has provided the subcommittee with thousands of pages of documents and made available dozens of IRS employees for interviews. The subcommittee regrets to say, however, that in many ways IRS was uncooperative during the investigation -- despite their claims of cooperation during the July 1989 hearings."

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It is my belief that the IRS would have to bow to a grand jury subpoena for records needed to get to the bottom of the illegal and secret Bush campaign fund administered by Eckels. Such records would include the IRS CID file on Eckels, any relevant files and reports compiled by the IRS, and Eckels' tax files.

List of Grand Jury Witnesses

The following is a list of persons who a grand jury would need to subpoena for testimony in conducting its probe into the secret fund and the IRS coverup. The purpose of each subpoena would be to obtain information, especially interviews by the FBI, IRS and Secret Service with Eckels about the secret fund and NCRCO.

(1) FBI Assistant Director Floyd I. Clarke who ordered an FBI investigation into the matter on August 6, 1988, over a year before the death of Eckels, and whose Houston Bureau cannot find its file on the case.

(2) Houston Private Investigator Clyde Wilson who claimed to have heard about the fund and who had President Bush as a client for his private detective services in the matter

(3) The Director of the U.S. Secret Service whose agency, according to Wilson's statement to the FEC, conducted an investigation into the secret fund

(4) IRS Chief Inspector Teddy Kern who filed a "Report of Investigation" about the secret fund with the FEC

(5) The author of the August 1, 1990 IRS "Report of Investigation" discussed under this letter's section titled "The IRS 'Smoking Gun'"

(6) The IRS CID Case Agent who handled the investigation into Eckels

(7) Treasury Department Inspector General Donald Kirkendall regarding his "whitewash" report on the matter

(8) IRS CID Agent Dennis Carey

(9) IRS Contract Agent and IRS Confidential Informant Richard Brown

(10) IRS District Director (Houston) Arturo Jacobs

(11) Harris County (Houston) District Attorney John Holmes whose office conducted its own investigation into Eckels, including his relationship to NCRCO

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(12) Robert Mosbacher of Houston, Chairman of Bush's re-election campaign

(13) FEC General Counsel Lawrence Noble regarding how the IRS attack on me influenced his final report

(14) U.S. Attorney Ron Woods (Houston) to testify about statements attributed to his office and the Justice Department in the IRS "Report of Investigation" on the Bush secret campaign fund and to produce any evidence of any type whatsoever that his office has had communication in any form at any time with me which would refute my statement it has not.

The grand jury would subpoena the files on Eckels from the following government agencies: U.S. Justice Department, FBI, IRS, U.S. Secret Service, FEC and the Harris County District Attorney. Also, Clyde Wilson's files on Eckels would be needed.

Relation to the 1992 Campaign

The secret fund administered by Eckels and covered up by the IRS has a direct bearing on the 1992 presidential campaign. The American public has a right to know the facts about the secret fund and the role of President Bush and his associates in setting it up, as well as its coverup by the IRS.

It is believed that Robert Mosbacher, also of Houston, might have knowledge about the matter. It should be noted that in the 1988 campaign Mosbacher orchestrated a clandestine effort whereby the Republican National Committee solicited contributions from rich GOP "fat cats" in the amounts of $50,000 and over. Mosbacher and the Republican National Committee refused to reveal who the contributors were or the amounts they gave. This led to an uproar when President Bush later nominated Mosbacher to be Secretary of the U.S. Department of Commerce. The New York Times carried a lead editorial calling for Mosbacher not be confirmed for that cabinet position until he and the Republican National Committee released the list of "fat cat" contributors. Ultimately, they bowed to the outcry and released the list. However, there is reason to believe that the amounts listed next to the names of some of the contributors were inflated in an attempt to disguise contributions received from other contributors.

Thus, the actions of President Bush and his associates in the 1984 campaign through the Eckels fund and Mosbacher in the 1988 campaign lead one to wonder whether one or more illegal and secret Bush Presidential campaign funds will be created during the 1992 campaign. If so, and if they are discovered by the IRS, will the IRS again cover them up?

I wish to state here that my allegation about the illegal and secret fund is not based on partisan politics. I am a

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Republican, having held a number of Republican Party positions, including having spoken at the 1976 Republican National Convention and having served as the original attorney for the Watergate Seven. However, I do strongly believe the IRS should not be involved in partisan political activity of any type.

Will the IRS Destroy its Eckels Files?

In my letter to FBI Director Sessions of May 2, 1988, I state IRS Contract Agent Richard Brown told me that public records of real property owned by Bush were slowly being erased. How is this possible?

A clue can be found in an important but overlooked article on "George Bush's Mexican Connection" which appeared in Barron's of September 19, 1988. Written by Jonathan Kwitny, the article began, "Without breathing a word to shareholders in his Houston oil-drilling company, George Bush in 1960 helped set up another drilling operation employing Mexican front men and seemingly circumventing Mexican law. And he did so in conjunction with Jorge Dias Serrano, a now convicted felon who has become the symbol of political corruption in Mexico..."

The article went on to state, "Although SEC filings for Zapata are intact from its first stock registration in 1955 through 1959, records of 1960-1966 -- the precise years spanning Bush's involvement with Permargo and Zapata -- were, according to SEC records officer Suzanne McHugh, 'inadvertently destroyed.' According to SEC records analyst Wilson Carpenter, the records in question were destroyed a few months after Bush became Vice President in 1981.

"'The records were inadvertently placed in a session file to be destroyed,' explains McHugh, noting that a total of 1,000 boxes were pulped in this procedure. 'It does occasionally happen.'"

Yes, and it may well happen to the IRS files on Eckels if my request for a grand jury investigation is not granted promptly.

IRS "Project Southwest"

The secret fund administered by Eckels covered up by the IRS is not the first time the IRS has engaged in partisan political activity in an election year. In 1972, as part of Watergate, the IRS - aided by the SEC -- embarked on a secret intelligence gathering program aimed at politically-influential Texans.

On October 6, 1976, Rep. Henry Gonzales (D-TX) spoke on the House floor about IRS Project Southwest, terming it "clearly a political operation...Nixon's people wanted some action against

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Texas Democrats...It was a classic case of the abuse of governmental power -- deliberate and with malice aforethought."

As disclosed by the BNA Securities Regulation and Law Report of December 7, 1977, "IRS's election-year Project Southwest focused on 164 Texans with political connections in the state, although the only IRS target identified so far is Shearn Moody, Jr., a wealthy Galveston banker with Democratic ties. At its height, the covert operation -- designed in IRS' words, 'to learn as much as we can about Texas political relationships, influence and payoffs' -- utilized 27 revenue agents from Treasury and the IRS."

The SEC cooperated with the IRS in investigating Shearn Moody, Jr. It eventually permitted Moody's attorneys to inspect 12 volumes of investigative files early in 1977. When the BNA later that year requested under the Freedom of Information Act the same files, according to the BNA the SEC "said all the records detailing its own investigation of Moody, and its cooperation with the IRS and the Texas Attorney General, have been 'lost' in the mail since July, when they were sent from the SEC's Houston's field office to the Washington headquarters.

"'I realize there are some people, including Mr. Moody's attorneys who do not believe it is possible we could have lost these records, but it is true,' said Roderic L. Woodson, SEC's FOIA officer", according to the BNA article.

Forbes of October 22, 1990 reported, "But documents unearthed by the Senate Watergate Committee prove that there was indeed a Project Southwest, the apparent goal of which was to harass wealthy Texas Democrats. The documents also show that Treasury Department Secretary Connally had been briefed concerning Project Southwest by the IRS in March 1972."

IRS Corruption and Criminal Activity in the Moody Case

This is the second time in 18 months that I have written to you to request that I be allowed to appear before the federal grand jury on IRS corruption.

In my letter of August 3, 1990 to you I stated, "I wish to place before the grand jury information which I believe it needs concerning the fair administration of justice in the criminal case of Shearn Moody..."

"The information deals with the role of the Internal Revenue Service in the criminal case..."

I went on to describe the corrupt activities of IRS CID Agent Dennis Carey and IRS Contract Agent Richard Brown. After extorting the $38,000 in Moody Foundation grant funds from me,

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a portion was used to prepare six intelligence reports on Moody's enemies and to pay a Moody lawyer (who was also Brown's lawyer.) None of this, of course, was brought out at the original trial of Moody conducted by the then U.S. Attorney who was such a close friend of Brown that he moved his personal office out of the courthouse and into Brown's private office building a block away while serving as U.S. Attorney. The U.S. Attorney was not re-appointed to his position when his term expired.

[It should be observed that I was not the only extortion victim. About the same time, another Houston citizen filed an official complaint about Brown's extortion of him using the threat of an IRS audit. The uproar following this prominent citizen's complaint led the IRS and FBI to shut down Brown's operation for a short time before resuming using his services. Brown compiles dossiers on known criminals and public officials using over 3200 sources of public information. This episode was called to my attention by FBI Agent Richard Miller and his immediate supervisor when I met with them in October 1988 about the secret fund in the Houston FBI, the same office which cannot now find its file on the Eckels fund.]

I pointed out in my letter to you that I had tried on numerous occasions since 1986 by letter and telephone to meet with the U.S. Attorney but that his office had refused such a meeting, even though I was the "whistle-blower" in the case.

I asked in my letter to you that I be allowed to testify under oath before the grand jury and that both IRS CID Agent Carey and IRS Contract Agent Brown also be called to testify under oath so that the truth of the matter could be ascertained.

By letter of August 6, 1990, you wrote you quite properly were referring my letter to Federal Judge Kenneth Hoyt who was handling the Moody case.

My letter to you detailing IRS corruption and criminal activity set off panic in the IRS. As a result the IRS pressured the U.S. Attorney's office to "throw" the Moody case, rather than let me appear before the grand jury.

On October 15, 1990 Moody filed a motion for dismissal of all 13 counts in his criminal case of defrauding the Moody Foundation, even though the U.S. Court of Appeals for the Fifth Circuit had upheld 11 of the 13 counts and allowed re-trial on two. Declared the U.S. Court of Appeals later: "The first 13 counts were tried under a superseding indictment. Moody was convicted, but this court reversed on the ground that certain evidence offered by Moody was improperly excluded. This court upheld the sufficiency on all but two counts and held that retrial on the remaining counts would be permitted."

On November 6, 1990 Judge Hoyt wrote me he was referring

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my letter and documents to the U.S. Attorney -- the same office which had refused for four years to meet with me. Of course, I never heard anything further from that office.

On that same day, I gave a sworn oral deposition on the corrupt role of the IRS in the Moody case to attorneys for the Moody Foundation.

Two weeks later, on November 19, 1990, Judge Hoyt signed an order granting the motion of the defendant Moody to dismiss all 13 criminal counts against Moody in the Moody Foundation case.

As the Houston Post of May 31, 1991 reported, "The collapse of the first criminal case against Moody prompted the court to grant Moody parole without the normal process of a formal hearing."

So a major criminal case was terminated rather than allow IRS corruption and criminal activity to come to light through the grand jury process.

Will I be Prosecuted for writing you this letter?

I hope that the IRS will not be able to block a grand jury investigation into the IRS coverup of the illegal and secret Bush political fund administered by Eckels as it was able to do in the Moody case.

My merely raising the IRS coverup caused the IRS to pressure the U.S. Attorney's office to prosecute me as shown in the IRS "Report of Investigation" on the Bush secret fund. This IRS report gave the Inspector General's office the opportunity in a memorandum dated October 24, 1990 to spread the lie that "The U.S. Attorney's office, Houston, Texas, may be considering initiating legal action against Caddy to attempt to prevent him from continuing to file unwarranted/false allegations with federal agencies." If my allegations are "unwarranted/false", why did the FEC find "reason to believe" Eckels had violated election law and why did Judge Hoyt grant the defendant Moody's motion to dismiss all 13 criminal counts against him after I wrote you?

Indeed, the IRS "Report of Investigation" on the Bush secret fund is not so much an investigation into the fund as a vitriolic attack on me -- one out of its three pages is devoted solely to destroying my professional reputation.

These smears of me by the IRS and the Inspector General are designed to deflect attention to their own wrongdoing. Of course, the U.S. Attorney has never contacted me about any of this -- which merely underscores their lack of basis.

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Sometimes writing the judge is the only way to break open a conspiracy involving government officials. This is why James McCord wrote Chief Judge Sirica about the Watergate coverup 10 months after the break-in, saying he did not go to the U.S. Attorney because that office was part of the coverup. McCord's letter broke open the conspiracy and led to a Special Prosecutor being appointed. (As I told the Watergate Special prosecutor later, my own grand jury transcript of a month after the break-in was altered by the original prosecutors to remove references I attempted to make that I had been approached and had turned down the "hush" money offered by John Dean. The Senate Judiciary Committee later heard testimony during the confirmation of Earl Silbert to be the new U.S. Attorney for the District of Columbia that Silbert and his two co-prosecutors -- Seymour Glanzer and Donald Campbell -- had altered the court transcript of Alfred Baldwin, another key Watergate figure.)

More recently and in a different context, former U.S. Senate Investigator Jack Blum became disgusted with the Justice Department's (in)action in the BCCI scandal and took his information to Manhattan County District Attorney Henry Morgenthau. This led to the unveiling of the coverup in that huge ongoing scandal. If the IRS has its way, anyone who blows the whistle on official government corruption, especially IRS wrongdoing, will be prosecuted.

Therefore, I ask at this time that you grant my request to appear before the grand jury about this matter. I also ask that you don't refer my request to the U.S. Attorney as Judge Hoyt did in the Moody case. The U.S. Attorney is a political appointee of President Bush and his superiors would never allow him to present this matter to the grand jury if given the option. Further, his own testimony is needed by the grand jury.

I am sending copies of this letter to the chairmen of the three Congressional subcommittees having oversight of the IRS: Senator David Pryor (D-Ark) of the Senate Subcommittee on IRS Oversight, Senate Finance Committee; Rep. Doug Barnard, Jr. (D-GA) of the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Government Operations Committee; and Rep. Jack Pickle (D-TX) of the Subcommittee on IRS Oversight, House Ways and Means Committee and to the subcommittees members.

Very truly yours,

Douglas Caddy

Douglas Caddy
Attorney-at-Law

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AVAILABLE DOCUMENTATION

The Bush secret fund and IRS coverup:

(1) Caddy letter of May 2, 1988 to FBI Director William Sessions
(2) Response letter of August 5, 1988 from FBI Assistant Director Floyd I. Clarke
(3) Caddy letter of June 2, 1988 to GAO Agent Leo Norton
(4) Caddy formal complaint of June 1, 1989 filed with FEC
(5) Caddy amended complaint of June 2, 1989 filed with FEC
(6) First FEC General Counsel Report of May 8, 1990
(7) "County resources utilized by Eckels to boost the GOP: DA's office reopens probe," Houston Post, December 8, 1990
(8) Final FEC General Counsel Report of October 22, 1990
(9) FEC RECORD, February 1991
(10) Letter to Caddy from FEC General Counsel of March 25, 1991
(11) Letter to Caddy from Andrew J, Duffin, Agent-in-Charge, Houston FBI of April 22, 1991
(12) Letter to Caddy from Rep. Steven Schiff (R-NM) of April 23, 1990
(13) Letter to Caddy from Treasury Department Inspector General Donald Kirkendall of May 17, 1990
(14) Letter to Caddy from Rep. Dennis Hastert (R-ILL) of July 18, 1991
(15) Letter to Caddy from Charles D. Fowler, III, Assistant Inspector General for Investigations, of January 17, 1992
(16) IRS "Report of Investigation" of August 1, 1990
(17) Treasury Department Inspector General memorandum of October 24, 1990

IRS corruption in the Moody Case:

(18) Caddy letter to Chief Judge James DeAnda of August 3, 1990
(19) Motion for dismissal of all 13 criminal counts by defendant Shearn Moody, Jr. of October 15, 1990
(20) Letter to Caddy from Judge Kenneth Hoyt of November 6, 1990
(21) Order by Judge Hoyt of November 19, 1990 dismissing all 13 criminal counts upon motion of Shearn Moody, Jr.
(22) "Moody leaves federal prison, awaits appeal", Houston Post, May 31, 1991
(23) "Memorandum of Understanding" between U.S. Department of Justice and Douglas Caddy of February 6, 1984

Other IRS corruption:

(24) "IRS Political intelligence Program Used Information Provided by SEC", BNA Securities Regulation and Law Report of December 7, 1977
(25) Misconduct by Senior Managers in the Internal Revenue Service, Twentieth Report, House Government Operations Committee, October 4, 1990
(26) "Texas Gothic", Forbes, October 22, 1991
(27) "Bush's Mexican Connection", Barron's, September 19, 1988

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