



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 3230

DATE FILMED 6/26/91 CAMERA NO. 4

CAMERAMAN AS

91040844937



44-6229  
FEDERAL ELECTION COMMISSION  
NATIONAL HOUSE

91 MAR -4 AM 10:05

March 1, 1991

MUR 3230

91 MAR -4 PM 12:21

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

Dear Mr. Noble:

On January 2, 1991, I wrote to your office to file a formal complaint with the Federal Election Commission (FEC) concerning a recent fund-raising solicitation by a group called Citizens United. On January 25, 1991, I wrote filing a complaint against a group calling itself Congressional Overhaul. Today I am writing to file a similar complaint about another group, which calls itself the American Defense Institute. This organization lists the following return addresses:

American Defense Institute  
214 Massachusetts Avenue, N.E.  
Washington, D.C. 20013

[Return Address on  
Carrier Envelope  
see attachment #1]

Red McDaniel, Capt., USN (Ret.), President  
The American Defense Institute  
Capitol Hill Office  
Washington, D.C. 20069-1022

[Address for Return  
Solicitation  
Envelope  
see att. #2]

In addition, the solicitations appear to have been mailed from Fredericksburg, Virginia, with P.B. Postage Meter #3346073. I have enclosed a copy of their mailing for your information (see attachment #3).

American Defense Institute has mailed its solicitation to at least three of the fictitious names which the Friends of Phil Gramm has registered with the FEC and listed on its FEC Campaign Disclosure Reports. The fictitious names and addresses are:

91040844938

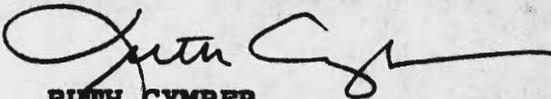
Mr. Lawrence M. Noble  
March 1, 1991  
Page 2

As you know, fictitious names are registered to ensure the integrity of the campaign disclosure reports. By using these names for fund-raising solicitation purposes, Congressional Overhaul appears to be in violation of FEC rules and regulations.

I am also notifying the Postmaster at the Main Post Office that mail received at zip code 20069-1022 may be in violation of FEC rules and regulations.

Jeb Hensarling of our staff is available for any further information you may need or require; he may be reached at 214/767-3000. Thank you for your attention to this matter.

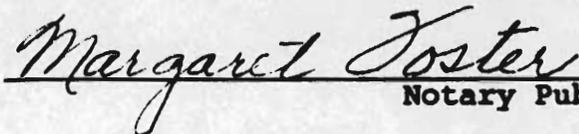
Yours respectfully,



RUTH CYMBER

District of Columbia

Subscribed and sworn to before me this 1st day of March 1991.

  
Notary Public

My commission expires Feb. 14, 1995

91040844939

ATT. 51



American Defense Institute  
214 Massachusetts Avenue, NE  
Washington, D.C. 20013

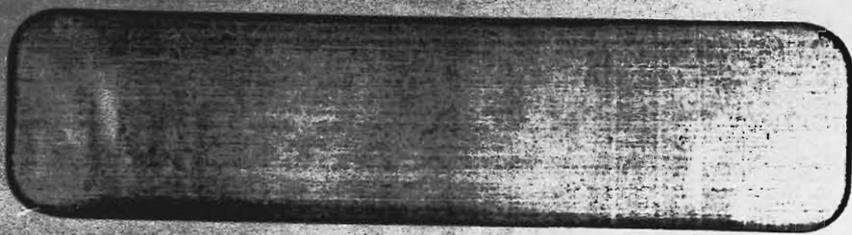
NO POSTAGE  
NECESSARY  
IF MAILED  
IN THE  
UNITED STATES



U.S. POSTAGE

08

3346073



91040844940

ATT. #2

From: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



PLEASE  
PLACE  
POSTAGE  
HERE

**Red McDaniel, Capt., USN (Ret.), President  
The American Defense Institute  
Capitol Hill Office  
Washington, D.C. 20069-1022**



9 1 0 4 0 8 4 4 9 4 1



ATT. #3

EUGENE B. McDANIEL  
PRESIDENT

BOARD OF DIRECTORS  
HON. GARY A. LEE  
RADM PAUL H. ENGEL  
STUART C. JOHNSON  
BRUCE R. RICHARDS, ESQ.  
H.J. "KIP" KOEHLER

GLEN T. URQUHART  
BOARD OF ADVISORS  
STEVE SYMMS  
U.S. SENATOR

PETE WILSON  
U.S. SENATOR

GUY VANDER JAOT  
U.S. CONGRESSMAN

GERALD SOLOMON  
U.S. CONGRESSMAN

BOB McEWEN  
U.S. CONGRESSMAN

THE HONORABLE EDWARD HIDALGO

JEREMIAH A. DENTON  
FORMER U.S. SENATOR

SAM STRATTON  
U.S. CONGRESSMAN

GEN. Wm. C. WESTMORELAND  
U.S.A. RET.

FORMER COMMANDER  
U.S. FORCES VIETNAM

ADM. THOMAS MOORER  
U.S.N. RET.

FORMER CHAIRMAN,  
JOINT CHIEFS OF STAFF

LT GEN JOHN PETER FLYNN  
U.S.A.F. RET.  
SAN ANTONIO, TEXAS

RADM ROBERT M. GARRICK  
U.S.N.R. RET.  
FORMER DEPUTY COUNSELOR TO  
PRESIDENT REAGAN

RADM EDWARD OUTLAW  
U.S.N. RET.  
DURHAM, NORTH CAROLINA

MCPON BOB WALKER

MRS. HOLLY COORS  
GOLDEN, COLORADO

MRS. ELLEN GARWOOD  
AUSTIN, TEXAS

MR. WILLIAM MURCHISON  
DALLAS MORNING NEWS

Mrs. NANCY SCHULZE  
WASHINGTON, D.C.

Dear Concerned American,

At this very moment, you and I are poised on the edge of the most drastic and disastrous military cutbacks in the history of America.

And if you don't take action right now, America's national defense will be hopelessly cut to the point of no return.

These are strong words. But in light of the devastating information I've received, I know they are true.

The liberals in Washington are right now proposing the deepest cuts ever in America's national defense.

And if they get their way, America's ability to defend itself will be cut in HALF!

Look at the enclosed American Defense Institute Strength Comparison I've sent you.

You can clearly see the difference between what America needs to protect freedom and what the liberals want to do.

You and I are faced today with a choice between a strong America and a weak America.

And I hope that you will join me to help protect America's military defenses.

On your Comparison, please tell me if you want a strong America, or if you think the liberals are right in demanding these massive defense cuts.

Sign your name on the Comparison and return it to me today to tell me your opinion.

I must have this critical information from you today for, you see, the liberals are claiming that most Americans are demanding a weakened national defense.

TIME magazine, which named Gorbachev Man of the

The American Defense Institute is non-profit. Contributions are tax-deductible.

Decade, reports that 88% of Americans want the defense budget cut!

I cannot believe that this biased, slanted and distorted reporting has any claim to the truth.

But the liberals in Washington are treating polls like this one as gospel as they clamor to attack the Pentagon.

Just listen to the outrageous defense cuts some liberals are proposing, many to go into effect next year!

- \* Cut active and reserve U.S. Army divisions by nearly ONE HALF!
- \* Retire 8 of America's 14 aircraft carrier battle groups -- a force cut of 57%!
- \* Cut strategic Seawolf and Trident submarines by 54%!
- \* Reduce U.S. Marine divisions by ONE THIRD!

And if that isn't enough, they are also vowing to:

- \* Kill three new U.S. Navy Aegis destroyers.
- \* Cut U.S. Air Force active and reserve wings by 50%!
- \* Shelve 46 B-1 Bombers from our fleet -- a reduction of 53%!
- \* Kill the rail-mobile MX Missile -- the most survivable missile in America's arsenal.
- \* Cut overall Inter Continental Ballistic Missiles (ICBMs) from 1000 to only 100 -- a cut of an incredible 90% -- virtually eliminating them, along with our deterrent against the Soviets!

And to further undermine America, the liberals want to:

- \* Cut \$8 BILLION from intelligence services.
- \* Reduce funding for the Strategic Defense Initiative (SDI) by ONE THIRD!
- \* Cut total armed forces manpower and the total defense budget IN HALF!

You can see the national defense crisis you, America and I face today.

If this nightmare blueprint of defense cuts is ever enacted, America will be vulnerable as never before.

The liberals who are calling for these insane cuts are completely willing to trust Gorbachev.

Well, the truth is that Gorbachev has not taken a single

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step to disarm the Soviet Union.

Despite all of his slick public relations announcements, he has not significantly reduced weapons.

In fact, in some areas, he has only modernized his forces, making them more of a threat.

The Soviets are still producing weapons at the same pace they did during the Brezhnev era.

And this doesn't even take into account the lead the Soviet Union already had over America in all strategic and defensive weapons.

No, my friend, the appeasement-minded liberals are rushing headlong into these defense cuts.

And they are dragging America to disaster.

1991 is the crucial year in the battle for America's national defense.

If the liberals win some of these outrageous cuts today, they will come back fighting every day from now on for deeper and deeper cuts.

Frankly, if you and I are going to win this battle to protect America's national defense, we must win it today.

As President of the American Defense Institute, I say America must remain strong until we see what Gorbachev is up to.

I say it is far too dangerous to cut our defenses now when the Soviet Union has made no such cuts.

And as a career military man, I say it is next to suicide to cut all national defense forces IN HALF!

I know you agree with me.

I only hope that you realize the urgency of this crisis for America's security.

Go back and read the facts I quoted to you. You can see the level of devastation the liberals are proposing.

Look at your local newsstand, where every day more and more liberal-biased publications are calling for similar cuts in America's military readiness.

You can see the level of defenselessness you and I face today.

Listen to your evening news, as the commentators all talk in glowing terms of Soviet dictator Gorbachev, and call for the

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effective dismantling of America's armed forces.

If you and I are to fight for our country's defense, we cannot hesitate another day.

The magnitude of this crisis is already beyond measure.

There is literally not a second to lose. Please tell me, once and for all, on your enclosed American Defense Institute Strength Comparison if you want a strong America or a weak one.

Then tell me you will help me and the American Defense Institute fight to preserve America's critical national defense with your maximum contribution.

Frankly, contributions of \$50, \$100, \$500 or more are needed right now to combat this threat.

But I can tell you that donations of \$25 or \$35 will be gratefully accepted.

Whatever amount you can send, I urge you in the strongest of terms to send it today.

To help support ADI's critical congressional defense seminars, publications, voter registration and grassroots information programs, your help is needed immediately.

This liberal assault on America's national defenses cannot go unanswered.

And since the liberals are proposing the greatest cuts in the history of America, I believe the situation requires our complete and immediate response.

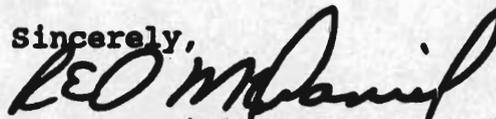
Please join with me by rushing your \$35, \$50, \$100, \$500, \$1000 or more contribution with your signed Strength Comparison to me today.

In this battle, I have no substitute for your support. Please be as generous as you possibly can.

The future of America's national defense may depend on it.

I await your urgent response.

Sincerely,



Red McDaniel, Capt., USN (Ret.)  
President

P.S. As the liberals threaten to slash America's national defenses by HALF, I need you to join me and DOUBLE your efforts to stop them. Please help the American Defense Institute today. Thank you and God bless you.

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THE  
AMERICAN DEFENSE INSTITUTE



**STRENGTH COMPARISON**

-----  
Please check the box that applies, sign this receipt and return it with your contribution to the American Defense Institute.

I believe America's armed forces should remain strong, as they are now, and that no extreme cut should be made at this time.

I endorse the massive cuts in defense as outlined above.

Signed, \_\_\_\_\_

9 1 0 4 0 8 4 4 9 4 6

## A STRONG AMERICA U.S. FORCES TODAY

## A WEAK AMERICA U.S. FORCES AFTER SUGGESTED CUTS

### ARMY

30 Active and Reserve Divisions

17 Active and Reserve Divisions 43% CUT

### NAVY

14 Carrier Battle Groups

6 Carrier Battle Groups 57% CUT

35 Strategic Submarines

16 Strategic Submarines 54% CUT

3 Marine Divisions

2 Marine Divisions 33% CUT

5 Proposed Aegis Destroyers

2 Aegis Destroyers 60% CUT

### AIR FORCE

49 Active and Reserve Wings

25 Active and Reserve Wings 50% CUT

97 B-1 Bombers

41 B-1 Bombers 53% CUT

2,050 Transport Aircraft

920 Transport Aircraft 55% CUT

1,000 ICBM's

100 ICBM's 90% CUT

### OTHER

SDI Research

Cut ONE THIRD 33% CUT

Total Pentagon Budget

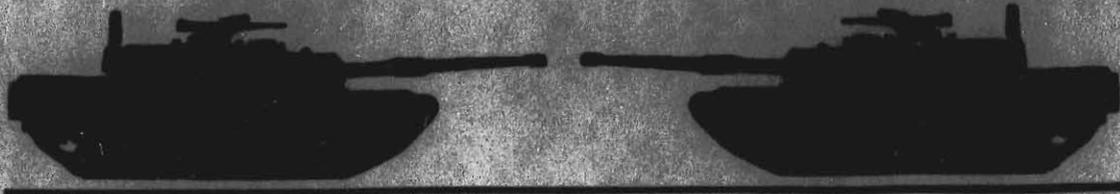
Slashed ONE HALF 50% CUT

Total Forces Manpower

Reduced ONE HALF 50% CUT

7 4 4 4 4 8 0 4 0 4 1 9

SOURCE: Defense Budget Project. The Brookings Institute.  
Total projected cuts by year 2000.



URGENT REPLY

**Captain McDaniel:**

The news of the massive defense budget cuts you told me is very alarming. Like you, I don't believe America should completely disarm before we know exactly what Gorbachev will do. To help you fight this extremely important battle to preserve our national defense, I enclose my most generous contribution of:

- \$5000     \$2500     \$1000     \$500     \$250
- \$100     \$75     \$50     \$35     \$25     \$\_\_\_\_\_

Please make your check payable to:  
The American Defense Institute  
Washington, D.C. 20069-1022

Please print information below or, to save time and ensure correctness, attach a pre-printed address label. Thank you.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ St. \_\_\_\_\_ Zip \_\_\_\_\_

Telephone # ( \_\_\_\_\_ ) \_\_\_\_\_ - \_\_\_\_\_

Birthdate (optional) \_\_\_\_\_

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The American Defense Institute is non-profit. Contributions are tax-deductible.  
Copies of our financial report can be obtained by residents of Virginia and New York by writing the following offices: VA: State Division of Consumer Affairs, P.O. Box 1183, Richmond, VA 23209 NY: New York Department of State, Office of Charities Registration, Albany, NY 12231.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

March 11, 1991

U.S. Senator Phil Gramm  
Re-Election Campaign  
Ruth Cymer  
P.O. Box 35946  
Dallas, TX 75235

RE: HUR 3230

Dear Ms. Cymer:

This letter acknowledges receipt on March 4, 1991, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"), by the American Defense Institute and Red McDaniel, Capt., USN (Ret.), as President. 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 HUR 3230. 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

91040844949



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

March 11, 1991

Red McDaniel, Capt.,  
USN (Ret.), President  
The American Defense Institute  
Capital Hill Office  
Washington, D.C. 20069-1022

RE: NUR 3230

Dear Mr. McDaniel:

The Federal Election Commission received a complaint which alleges that the American Defense Institute and you, as President, 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 NUR 3230. 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 American Defense Institute and you, as President, 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.

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If you have any questions, please contact Dodie C. Kent, 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 H. Noble  
General Counsel



BY: Lois G. Lerner  
Associate General Counsel

**Enclosures**

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

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06-0523  
RECEIVED  
FEDERAL ELECTION COMMISSION  
MAIL ROOM  
MAR 27 AM 11:05

March 25, 1991

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

RE: MUR 3210, 3219, 3230

RECEIVED  
FEDERAL ELECTION COMMISSION  
91 MAR 27 PM 3:24

Dear Mr. Noble:

Over the past three months, I have written to your office to file formal complaints on behalf of the Friends of Phil Gramm (FOPG) against three organizations we believed to have violated Federal Election Commission (FEC) rules and regulations regarding the use of FEC campaign disclosure information. Specifically, FOPG believed that names it had disclosed were being used for fund-raising purposes by these organizations. The organizations named in our complaints are:

- Citizens United (complaint filed January 2, 1991)  
MUR 3210
- Congressional Overhaul (complaint filed January 25, 1991)  
MUR 3219
- American Defense Institute (complaint filed March 1, 1991)  
MUR 3230

After the January 25, 1991, complaint had been filed, FOPG was contacted by David A. Kunko, chairman of Response Dynamics, Inc. (RDI). Mr. Kunko revealed to FOPG that RDI was responsible for the mailings sent by the organizations against whom FOPG had filed complaints. Because RDI had also conducted business for FOPG in 1989-90 and possessed magnetic tapes proprietary to FOPG containing FOPG donors, RDI believed that the mailings complained of by FOPG to the FEC were the result of an error on RDI's part.

Over the next several weeks, FOPG attempted to reconcile the RDI claim with its own records and come to an agreement with RDI regarding future use of the FOPG proprietary magnetic tapes. In the meantime, a third set of mailings to FOPG names was received. Because no agreement or understanding had been reached between RDI and FOPG, FOPG proceeded with a complaint to the FEC against the third named group on March 1, 1991.

U.S. Senator Phil Gramm Reelection Campaign  
P.O. Box 35946 • Dallas, Texas 75235 • (214) 528-9680

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On March 13, 1991, RDI and FOPG came to an agreement and understanding regarding the three mailings and the future use of its proprietary magnetic tapes. RDI has returned the magnetic tapes to FOPG and agreed not to mail to any FOPG names in the future.

Although I understand that once a complaint is filed, the FEC is free to pursue the complaint as it deems appropriate, based on the agreement between FOPG and RDI, FOPG has no further complaint with the three named organizations and no desire to pursue the matter any further.

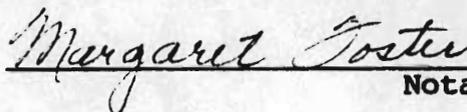
I hope this information will be of assistance to the FEC as it completes its investigation. If I can provide you with any further information, please let me know.

Yours respectfully,

  
RUTH CYMBER

District of Columbia

Subscribed and sworn to before me this 25th day of March 1991.

  
Notary Public

My commission expires Feb. 14, 1995

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RECEIVED  
FEDERAL ELECTION COMMISSION  
MAIL ROOM

91 APR -1 AM 9:26

**PORTER, WRIGHT,  
MORRIS & ARTHUR**  
ATTORNEYS AT LAW

1233 20TH STREET, N.W., WASHINGTON, D.C. 20036-2395  
TELECOPIER: (202) 778-3063  
TLX: 6503844872MCI UW

JOHN HARDIN YOUNG\*  
WASHINGTON, D.C.  
(202) 778-3001

OTHER FIRM LOCATIONS:  
CINCINNATI, OHIO  
CLEVELAND, OHIO  
COLUMBUS, OHIO  
DAYTON, OHIO  
NAPLES, FLORIDA

March 28, 1991

VIA TELECOPIER

Dodie C. Kent, Esquire  
Office of General Counsel  
Federal Election Commission  
Washington, D.C. 20463

Re: MUR-3230

Dear Ms. Kent:

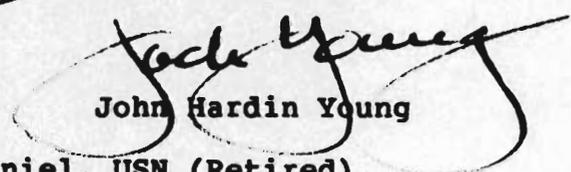
This firm represents the American Defense Institute ("ADI") which received on March 26, 1991 a letter from Ms. Lerner with respect to a complaint which has been filed in the above-captioned matter.

In order for us to review this matter with ADI we would request a time extension of 20 days to April 19, 1991 to respond. We would appreciate your acknowledgement of the grant of an extension.

Thank you for your continued cooperation.

I am

Very truly yours

  
John Hardin Young

cc: Captain Eugene B. McDaniel, USN (Retired)  
Y693

RECEIVED  
FEDERAL ELECTION COMMISSION  
OFFICE OF GENERAL COUNSEL  
91 APR -1 AM 10:45

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STATEMENT OF DESIGNATION OF COUNSEL

**MR** 3230

**NAME OF COUNSEL:** JOHN HARDIN YOUNG, ESQUIRE

**ADDRESS:** PORTER, WRIGHT, MORRIS & ARTHUR  
SUITE 400, 1233 TWENTIETH STREET, N.W.  
WASHINGTON, D.C. 20036-2395

**TELEPHONE:** 202-778-3000

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

4/1/91  
Date

*Eugene B. Mann*  
Signature

**RESPONDENT'S NAME:** AMERICAN DEFENSE INSTITUTE  
**ADDRESS:** 214 MASSACHUSETTS, AVENUE, N.E.  
F.O. BOX 2497  
WASHINGTON, D.C. 20013-2497

**HOME PHONE:** Not applicable  
**BUSINESS PHONE:** 202-544-4704

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91 APR -2 AM 9:55

APR 01 1991  
COMMISSION



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 4, 1991

John Hardin Young, Attorney  
Porter, Wright, Morris & Arthur  
1233 Twentieth Street, N.W.  
Washington, D.C. 20036-2395

RE: MUR 3230

Dear Mr. Young:

This is in response to your letter dated March 28, 1991, which we received on March 29, 1991, requesting an extension until April 19, 1991 to respond to the complaint filed by the Gramm Committee against your client, The American Defense Institute. After considering the circumstances presented in your letter, I have granted the requested extension. Accordingly, your response is due by the close of business on April 19, 1991.

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

Sincerely,

Lawrence M. Noble  
General Counsel

*Lois G. Lerner*

BY: Lois G. Lerner  
Associate General Counsel

91040844956

OGC 0812

**PORTER, WRIGHT,  
MORRIS & ARTHUR**  
ATTORNEYS AT LAW

**JOHN HARDIN YOUNG\***

WASHINGTON, D.C.

(202) 778-3091

1233 20TH STREET, N.W., WASHINGTON, D.C. 20036-2395

TELECOPIER: (202) 778-3063

TLX: 6503844872MCI UW

OTHER FIRM LOCATIONS:

CINCINNATI, OHIO

CLEVELAND, OHIO

COLUMBUS, OHIO

DAYTON, OHIO

NAPLES, FLORIDA

April 19, 1991

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

**Attention: Dodie C. Kent, Esquire**

**Re: MUR 3230**

**Dear Mr. Noble:**

This firm represents the American Defense Institute ("ADI") in the above-captioned matter. ADI is a Virginia non-profit corporation which is a tax exempt organization under § 501(c)(3) of the Internal Revenue Code. ADI's principal focus is on defense issues and grass roots education. ADI sponsors fellowships, internships, issues papers, films, speakers, and student seminars to inform young Americans about national defense issues. In 1985, ADI established a POW awareness program in order to bring public attention to, and resolve, the issue of Americans still listed as missing in action in Southeast Asia.

On March 11, 1991, ADI received from the Federal Election Commission ("Commission"), a copy of a Complaint ("Complaint") filed by the U.S. Senator Phil Gramm Reelection Campaign ("Gramm Committee") alleging certain violations of the Federal Election Campaign Act of 1971, as amended ("Act"). The Complaint alleges that ADI "has mailed its solicitations to at least three of the fictitious names which the Friends of Phil Gramm has [sic] registered with the FEC and listed on its FEC Campaign Disclosure Reports."

RECEIVED  
FEDERAL ELECTION COMMISSION  
OFFICE OF GENERAL COUNSEL  
91 APR 19 PM 5:18

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Lawrence M. Noble, Esquire  
April 19, 1991  
Page 2

Prior to receiving the Commission's Complaint ADI had separately received a letter from the Gramm Committee to which ADI responded as follows:

We share your concern over certain solicitations prepared by Response Dynamics, Inc. ("RDI") and we are as deeply disturbed by the events as you are.

As you may be aware we have little or no control over RDI and no control over what lists are used by them. At no time have we authorized or approved the use of lists which were acquired in violation of the Federal Election Commission rules or regulations.

We are undertaking an internal review of this matter and have taken the additional step of requesting that our outside counsel work with us and with you in this matter. We will, of course, fully cooperate with your office and with the FEC.

The ADI letter is attached as Exhibit A.

As we view the Complaint it alleges potential violations of § 438(a)(4) of the Act, 2 U.S.C. § 438(a)(4) (1989) and § 104.15 of the Commission's Regulations, 11 C.F.R. § 104.15 (1991). The Act, in § 438(a)(4) provides in pertinent part that

[R]eports and statements filed with [the Commission] ... may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes....

Section 104.15(a) of the Regulations, similarly, provides that:

Any information copied or otherwise obtained, from any report or statement, or by any, reproduction or publication thereof ... shall not be sold or used by any person for the purpose of soliciting contributions or for any commercial purpose, ....

Under an Agreement with RDI executed on September 16, 1987 (Agreement) all mail solicitation for ADI has been handled under contract by RDI. RDI is located at 2070 Chain Bridge Road, Suite 400, Vienna, Virginia 22180. A copy of the Agreement is attached as Exhibit B. Under the Agreement RDI was "retained and appointed to represent the client in carrying out its direct response fund raising program, and list rentals,...." Exhibit B, ¶ 1.

PORTER, WRIGHT,  
MORRIS & ARTHUR

91040344958

Lawrence N. Noble, Esquire  
April 19, 1991  
Page 3

While the Agreement provides that any rental or exchange of the client's list must be approved by the client in advance, the practice has been for RDI to rent certain lists for solicitation in the name of ADI, without first seeking ADI's approval.

It appears that on January 1, 1991, RDI rented on behalf of ADI certain lists from The Best Lists, Inc., an apparent affiliate of RDI. The list was denoted as "Phil Gramm non-Texas names." It appears from the invoice that certain mailings were made on or about January 24, 1991. There may also have been a similar mailing in February, 1991. A copy of the invoice from The Best Lists charging ADI for this mailing is attached as Exhibit C.

Our internal review reveals that any difficulties with the above mailings, lies with Best Lists, Inc. ADI neither encourages, condones nor approves of any use of any lists which would violate the Act or Regulations of the Commission.

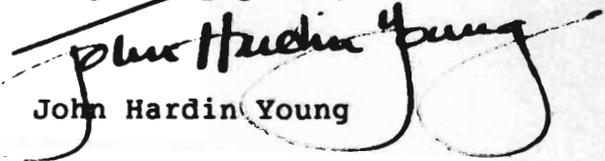
We would like to work with the Commission in resolving this matter. We will fully cooperate with the Commission's staff in investigating the source of the list involved in this matter.

By separate letter we will forward to you a statement from the Executive Director of the ADI to attest to the accuracy of the factual statements.

If you need any further information, please do not hesitate to call us.

I am

Very truly yours,

  
John Hardin Young

PORTER, WRIGHT,  
MORRIS & ARTHUR

91040844959

91040844960

A



EUGENE B. MCDANIEL  
PRESIDENT

MICHAEL H. MCDANIEL  
EXECUTIVE DIRECTOR

March 15, 1991

BOARD OF DIRECTORS

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ADM THOMAS MOORER

LTGEN JOHN PETER FLYNN

RADM ROBERT M. GARRICK

RADM EDWARD OUTLAW

MCPON BOB WALKER

MRS. HOLLY COORS

MRS. ELLEN GARWOOD

MR. WILLIAM MURCHISON

Ms. Ruth Cymber  
U.S. Senator Phil Gramm Reelection Campaign  
P.O. Box 35946  
Dallas, Texas 75235

Dear Ms. Cymber:

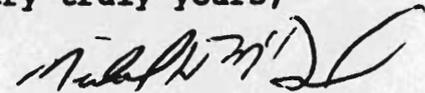
Thank you for your letter of March 7, 1991. We share your concern over certain solicitations prepared by Response Dynamics, Inc. ("RDI") and we are as deeply disturbed by the events as you are.

As you may be aware we have little or no control over RDI and no control over what lists are used by them. At no time have we authorized or approved the use of lists which were acquired in violation of the Federal Election Commission rules or regulations.

We are undertaking an internal review of this matter and have taken the additional step of requesting that our outside counsel work with us and with you in this matter. We will, of course, fully cooperate with your office and with the FEC.

Please do not hesitate to call us if you have any questions.

Very truly yours,

  
Michael H. McDaniel  
Executive Director

MHM/lg

91040844962

B

BR-  
FYI  
L.M.



**The Best Lists, Inc.**

2070 Chain Bridge Road  
Suite 400  
Vienna, Virginia 22182  
(703) 442-9030

**INVOICE**

DATE: 01/30/91  
NUMBER: 020160  
ADI001

0  
4  
0  
8  
4  
4  
0

AMERICAN DEFENSE INSTITUTE  
P.O. BOX 2495  
214 MASSACHUSETTS AVE., N.E.  
WASHINGTON, DC  
20013

LIST: PHIL GRAMM NON TEXAS  
NAMES  
MAIL DATE: 01/24/91

| OUR ORDER NO.                                | YOUR ORDER NO. | KEY CODE | TERMS:     | PAGE   | OF     |
|--|----------------|----------|------------|--------|--------|
| 910005                                       |                | 4CH004   | Net 30     | 1      | 006485 |
| DESCRIPTION                                  |                | QUANTITY | UNIT PRICE | AMOUNT |        |
| LIST RENTAL                                  |                | 3774.00  | 55.000     | 164.06 |        |
| COMMISSION                                   |                | 0.00     | 0.000      | 41.51  |        |
| LIST RENTAL @ \$55.00/M INCLUDING COMMISSION |                |          |            |        |        |
| KEY CODE                                     |                | 3774.00  | 2.500      | 9.44   |        |
|  |                |          | TOTAL      | 215.01 |        |

C

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AGREEMENT

AGREEMENT made this 16th day of June 1965 between Nonpartisan Democrats, Inc. 2070 Chain Bridge Road, Suite 400, Vienna, VA 22180 hereinafter called the Agency, and American Defense Incriture, 21A Massachusetts Avenue, Washington, D.C. 20002 and American Defense Foundation, same address hereinafter called the Client.

WHEREAS, the Client is desirous of engaging the services of the Agency, it is agreed as follows:

1. APPOINTMENT AND AUTHORIZATION OF AGENCY. The Agency is hereby retained and appointed to represent and assist the Client in carrying out its direct response fund raising program, and list rentals, subject to the terms and conditions of this Agreement. Direct response fund raising shall include direct mail, telephone and/or any advertising medium which generates a direct response.

2. AGENCY SERVICES. The Agency shall act as the Client's representative and perform, upon authorization hereby granted, any and all of the following services to the extent necessary to meet the Client's needs:

- a. Plan, create, write and prepare layouts and actual copy to be used in the Client's direct response fund raising program.
- b. Coordinate and develop the Client's direct response fund raising program.
- c. Enter into arrangements with the advertising media and others for space and time to effectuate the advertising and fund raising program as authorized by the Client.
- d. Negotiate, arrange and enter into agreements on behalf of the Client for any special material and talent required and for all photography, models, special effects, layouts, artwork, printing and any necessary technical material for use in the direct response fund raising and advertising program. The Agency shall have the right to select all vendors from which such services and/or materials shall be obtained, subject to client's approval.

3. DIRECT MAIL, FUND RAISING AND ADVERTISING COSTS AND EXPENDITURES.

- a. The Agency shall be reimbursed for all costs incurred and expenditures made for approved advertising.
- b. The Agency shall be reimbursed for the costs of packaging, shipping, taxes and duties, and telephone calls and telegrams incurred in connection with the performance of this Agreement.
- c. ~~The Client shall pay all of the Agency's costs and expenses...~~

4. AGENCY'S COMPENSATION.

- a. The Agency shall receive compensation in the sum of Fifty dollars 50.00 per one thousand (1,000) fund raising packages prepared by the mailing house for mailing under the terms of this Agreement. A package shall include literature letter and other enclosures. Proof of such mailings shall be
- b. ~~The Agency shall receive compensation...~~
- c. ~~The Agency shall receive compensation...~~
- d. ~~The Agency shall receive compensation...~~
- e. The Agency or its agent shall receive a commission of 30% of the standard list rental charge and/or exchange made to the Client and a 20% commission on list rentals placed to other brokers or agencies, out of which the Agency will pay the other brokers' or agencies' fees. It is understood and agreed that The Best Lists, Inc. may or may not serve as Agent for the Agency. The Agency shall place all list rental and other commissionable monies in a special bank account from which commissions and list rental fees shall be paid immediately upon receipt.
- f. ~~The Agency shall receive compensation...~~

5. If this Agreement is terminated or expires and a direct mail package created by the Agency is its original or modified form is used thereafter by the Client, its affiliate or assigns, the Client hereby agrees to pay the Agency the sum of twenty-five dollars per thousand pieces mailed. The Client agrees that it will provide the Agency, upon request, the name and address of any party conducting mailings of such a package as well as a report on the quantity and dates of said mailings.

6. BILLING AND PAYMENT.

- a. The Agency shall render billings from time to time as necessary on its standard forms and they shall be paid no later than on the due date stated thereon, which shall be no sooner than 30 days from the date of mailing.
- b. All returns from any direct response fund raising program must be tabulated on forms supplied by the Agency and the forms transmitted to the Agency for analysis within seven (7) days of receipt of said returns by the Client.
- c. All returns generated from solicitations shall be directed to an independent third party (hereinafter called the "Escrowee") selected by the Agency and the Client. The Escrowee shall tabulate all returns, deposit all funds in an Escrow Fund, and shall disburse said returns to the direct mail suppliers for all bills outstanding prior to the transfer of funds to the Client. Disbursements from the Escrow Fund shall be upon the signature of the Escrowee. Authorizations shall be presented under the joint signatures of the Agency and the Client to the Escrowee, along with invoices of the Client's creditors related to this agreement, including invoices of the Agency, which the Escrowee shall immediately pay from the escrow Fund.
- d. The Agency is hereby irrevocably authorized to have Client list rental income received pursuant to Paragraph 4.e. applied directly to payment of outstanding invoices due the Agency and The Best Lists, Inc. if such invoices are thirty (30) days or more past due. The Client shall be notified in writing of any such transfer of list rental income by the issue of a credit invoice in an identical amount.
- e. ~~The Agency shall receive compensation...~~
- f. It is understood and agreed that any funds advanced by the Agency for postage, telephone vendors and other direct response fund raising services or materials shall be immediately reimbursed the Agency before any returns are disbursed to the Client and/or other parties.

7. CONFIDENTIALITY. All financial information relating to these accounts, and this contract, shall be held in confidence by the Agency. Further, the Client shall hold in confidence all financial matters in connection with this contract, specifically including the Agency's compensation. It is agreed, however, that financial information can be provided by the Client to governmental agencies upon request of a formal request from a government entity. The Client shall immediately notify and provide the Agency a copy of any such formal request and the information provided by the Client.

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mailing to the client post office receipts for such mailings.

of invoice.

with prior approval of the Client.

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- 1. This Agreement shall terminate effective on the date of the expiration of the term hereof, unless renewed or extended in writing under the same terms and conditions for successive two year periods.
- 2. Either party may terminate this Agreement by giving the other party written notice of termination at least 60 days prior to the effective date of termination. Upon receipt of notice of termination, the Agency shall not commence any new work, but it shall complete all existing and pending work and all advertising campaigns previously approved. All other rights and duties of the parties shall continue during such a notice, and the Client or the Agency desires to terminate all work and suspend obligations incurred with third parties. In the event the Client or the Agency desires to terminate all work and suspend obligations incurred with third parties, the Client shall be responsible to the Agency for payment of all bills rendered by the Agency for services rendered work.
- 3. Upon termination of this Agreement, the Agency shall assign to the Client all of its rights and contracts, agreements, arrangements or other commitments made with third parties for its account, effective on the date of termination or on such other date as may be agreed upon by the parties and the Client shall assume all obligations and the Agency shall be relieved of all liability hereunder. In the event any such contract is assignable and consent to assignment is refused, or the Agency cannot obtain a release from its obligations, the Agency shall continue to perform and the Client shall meet its obligations as though this Agreement has not been terminated.
- 4. Upon termination of this Agreement, the Agency shall submit to billing for all amounts not previously billed and due the Agency at that time. The Agency shall not be entitled to commission or payment for any advertising or direct list work it has undertaken if work performed during the term of this Agreement and the date of termination of this Agreement was not approved by the Agency. The Agency shall however, be entitled to payment for services and commissions for advertising materials and direct list planning completed and approved for placement on specific media or with a specific broker or agency prior to receipt of such notice, or with written consent, given to the effective date of termination.
- 5. The Client shall hold harmless and indemnify the Agency and its officers, directors, employees and agents for and against all claims, damages, costs and expenses, including reasonable attorneys' fees, incurred by the Agency or its officers, directors, employees and agents, in connection with the performance of its obligations under this Agreement, and the Client shall be responsible to the Agency for payment of any amounts previously incurred with third parties. The Agency shall be entitled to payment for services and commissions for work prior to the receipt by the Client of a notice of the cessation of this agency.

6. **DISPOSITION OF PROPERTY AND MATERIALS.** Upon termination of this Agreement, all property and material produced and used under the Agreement shall be considered the property of the Agency until final payment of all invoices has been made by the Client. All shipping and transportation costs for said property shall be borne by the Client. These provisions shall apply whether the items in question are in the possession of the Agency or third parties. The Client also acknowledges the ownership by the Agency of any and all lists created under this Agreement. The Client, its officers and/or representatives shall not during the term of this Agreement, or at any time thereafter, sell, lease, license, assign, or otherwise dispose of any list created under this Agreement to any third party for any amount whatsoever without the prior written approval of the Agency. The Agency shall be entitled to all rights in and to any such lists created under this Agreement and all Client representatives shall be prohibited from using or disclosing any information contained in any such lists to any third party without the prior written approval of the Agency. The Agency shall not have the authority to solicit their copy.

7. **ARBITRATION.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in Northern Virginia in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon award rendered by the arbitrator may be entered in any court of competent jurisdiction. In the event the Client has not paid invoices rendered by the Agency, list brokers and/or suppliers, the Client hereby further agrees that the Agency, list brokers and/or suppliers shall have the right to institute legal proceedings without first resorting to arbitration. The Client also agrees that such legal proceedings can be before a court in Northern Virginia and that such court shall have jurisdiction over the parties hereto.

8. **ASSIGNMENT AND DELEGATION.** Client may not assign any rights or delegate any duties hereunder without the prior written consent of the Agency. The Agency may assign its rights or delegate any duties hereunder including Agency's right to use any list created under this Agreement arising from the services performed under this Agreement.

9. **MODIFICATION.** This writing contains the entire Agreement of the parties. No representations were made or relied upon by either party, other than those that are expressly set forth. No agent, employee, or other representative of either party is empowered to alter any of the terms hereof, unless done in writing and signed by an executive officer of the respective parties.

10. **CONTROLLING LAW.** The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of Virginia.

11. **WAIVER.** The failure of either party to this Agreement to object to or take affirmative action with respect to any conduct by the other which is in violation of the terms of this Agreement shall not be construed as a waiver thereof, or of any future breach of subsequent wrongful conduct.

12. **CLAIMS.** The Client specifically agrees to hold the Agency harmless from any and all claims of third parties, of any nature whatsoever, arising out of materials, including copy, for direct response fund raising projects and/or packages reviewed and approved by the Client. In the event any payment due the Agency under this Agreement is not made in accord with their terms of this Agreement and the obligations is referred to any attorney for collection, the Client agrees to pay all costs of collection, including an attorney's fee of twenty percent of the sum due, and the same right granted to the client.

13. **CERTIFICATION.** The Client does hereby certify to the Agency that there is no agreement with another direct response fund raiser or list broker currently in existence or which will be in existence as of the effective date of this Agreement which conflicts with the terms hereof.

14. **NOTICES.** All notices pertaining to this Agreement shall be in writing and shall be transmitted either by personal hand delivery or through the facilities of the United States Postal Service. The addresses set forth above for the respective parties shall be the places where notices shall be sent, unless written notice of a change of address is given.

15. **ADDITIONAL TERMS** Any rental or exchange of the Client's list must be approved by the Client in advance.

Agency will provide Client with aging statements, balance of exchange reports, list management reports, and performance analyses on a regular basis as agreed upon by the Client and the Agency.

The undersigned do hereby, personally warrant and affirm that they are authorized to execute and bind the parties hereto.

ATTEST  
Corporate Secretary

American Defense Institute  
American Defense Foundation

ATTEST  
Corporate Secretary

Response Dynamics, Inc.  
BY: [Signature]  
President

6-83  
16. Agency will register with state, county, city, and conform to all governmental statutes, ordinances, and where required in order to carry out the program hereunder.

unless otherwise directed by the Client in writing.

of the list under a name that identifies the list as donors or supporters of the Client.

In the event of any lawsuit or from this agreement.



RECEIVED  
FEDERAL ELECTION COMMISSION  
MAIL ROOM

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EUGENE B. MCDANIEL  
PRESIDENT

BOARD OF DIRECTORS

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- RADM PAUL H. ENGEL
- STUART C. JOHNSON
- BRUCE RICHARDS, ESQ.
- HJ. "KIP" KOEHLER
- GLEN T. URQUHART

April 22, 1991

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

Attention: Dodie C. Kent, Esquire

Re: MUR 3230

Dear Mr. Noble:

I hereby certify that to the best of my information and knowledge, the statements set forth in the letter of April 19, 1991 from Porter, Wright, Morris & Arthur are true and correct.

Michael McDaniel  
Executive Director  
American Defense Institute

DISTRICT OF )  
COLUMBIA )

Subscribed and sworn to before me this 22 day of April, 1991.

Notary Public

My Commission expires: February 14, 1995  
Y749

RECEIVED  
FEDERAL ELECTION COMMISSION  
91 APR 24 PM 3:05

- 7 SEN. STEVE SYMMS
- 6 SEN. PETE WILSON
- 9 REP. GUY VANDER JAGT
- 4 REP. GERALD SOLOMON
- 4 REP. BOB MCEWEN
- 3 HON. EDWARD HIDALGO
- 0 HON. JEREMIAH DENTON
- 4 HON. SAM STRATTON
- 1 GEN WM. C. WESTMORELAND
- 0 ADM THOMAS MOORER
- 1 LTGEN JOHN PETER FLYNN
- 9 RADM ROBERT M. GARRICK
- RADM EDWARD OUTLAW
- MCPON BOB WALKER
- MRS. HOLLY COORS
- MRS. ELLEN GARWOOD
- MR. WILLIAM MURCHISON

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

**SENSITIVE**

**FIRST GENERAL COUNSEL'S REPORT**

MURs 3210, 3219, 3230  
DATE COMPLAINT RECEIVED  
BY OGC: January 3, 1991;  
January 28, 1991; March 4,  
1991  
DATE OF NOTIFICATION TO  
RESPONDENT: January 10,  
1991; February 1, 1991;  
March 11, 1991.  
STAFF MEMBER: Dodie C. Kent

COMPLAINANT: Ruth Cyber, on behalf of Friends of Phil Gramm

RESPONDENTS: Citizens United  
Congressional Overhaul  
American Defense Institute

RELEVANT STATUTE: 2 U.S.C. § 438(a)(4)

INTERNAL REPORTS CHECKED: Friends of Phil Gramm Disclosure  
Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

These matters were generated by three complaints filed by Ruth Cyber, on behalf of the Friends of Phil Gramm Committee (the "Committee"), alleging that three unregistered organizations -- Citizens United, Congressional Overhaul and the American Defense Institute ("ADI") (collectively, "Respondents") -- violated the Federal Election Campaign Act of 1971, as amended (the "Act"). Attachments 1, 2 and 3. The complaints maintain that Respondents unlawfully used the names and addresses of individual contributors listed in the Committee's campaign reports for the purpose of soliciting contributions.

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The Office of the General Counsel notified the three organizations and their Presidents of the respective administrative complaints on January 10, 1991, February 1, 1991 and March 11, 1991. Citizens United replied through its President, Floyd Brown, on February 25, 1991. Attachment 4. Congressional Overhaul replied through its President, L. Francis Bouchey, on March 1, 1991. Attachment 5. After being granted an extension of time to respond, American Defense Institute replied through its counsel, John Hardin Young, on April 19, 1991. Attachment 6.

**II. FACTUAL AND LEGAL ANALYSIS**

**A. Facts**

None of the Respondents are registered with the Commission. Citizens United is an organization which was founded in 1988 and is apparently dedicated to stopping the District of Columbia from becoming a state. Floyd Brown serves as its President. Congressional Overhaul, a project of the Council for Inter-American Security, is dedicated to restoring "sanity, morality and fiscal responsibility" to the U.S. Congress. L. Francis Bouchey is the President of the Council for Inter-American Security and appears to be an official of Congressional Overhaul, as well. The American Defense Institute is a non-profit organization that is devoted to protecting America's strong national defense by combating military cutbacks. Retired Naval Captain and

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former Vietnam Prisoner Of War Red McDaniel serves as its President.

The complaint contends that Citizens United and ADI solicited contributions from three of its registered pseudonyms:

Respondents similarly responded to the complaints. All Respondents revealed that they use Response Dynamics, Inc. ("RDI") as a direct mail company and fundraiser. Respondents Citizens United and Congressional Overhaul attached identical written statements by David A. Kunko, Chairman of RDI, reciting that RDI and Friends of Phil Gramm co-owned the mailing list used to generate contributions for Citizens United and Congressional Overhaul. According to Kunko, the lists of names used in the subject mailings were generated by a direct response program conducted by RDI on behalf of Friends of Phil Gramm. Both Citizens United and Congressional Overhaul reiterated Kunko's statement. Respondent ADI did not include David Kunko's statement in its response. Instead, counsel for the ADI contends that if a violation of the Act occurred, RDI's affiliate Best Lists,

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Inc. is responsible. ADI's counsel believes that RDI "rented" the lists from Best Lists, "an apparent affiliate of RDI." Attachment 6 at 3. Respondents Citizens United and ADI both state that they have never authorized RDI to rent or exchange lists in an unlawful manner.

By a letter dated March 25, 1991 (Attachment 7), Ruth Cymer, on behalf of Friends of Phil Gramm, notified this Office that the Committee "has no further complaint with the three named organizations and no desire to pursue this matter any further." Attachment 7 at 2. Ms. Cymer stated that RDI had contacted her and informed her that RDI was responsible for the mailings complained of with regard to the Respondents. Cymer confirmed that RDI previously conducted business for Friends of Phil Gramm and still possessed magnetic tapes owned by the Committee. According to Cymer, RDI believed that the mailings complained of were "the result of an error on RDI's part." Attachment 7 at 1. As a result, RDI has returned the magnetic tapes to Friends of Phil Gramm. Furthermore, RDI and the Committee have reached an agreement regarding RDI's future use of the Committee's donor names.

**B. Applicable Law**

The Act requires the Commission to ensure that all reports and statements filed with the Commission are made available for public inspection within forty-eight hours after the time of receipt by the Commission. Members of the

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public may review and copy such reports; however, "any information copied from such reports or statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes." 2 U.S.C.

§ 438(a)(4). Commission regulations clarify that under the Act, "soliciting contributions" includes soliciting any type of contribution or donation, such as political or charitable contributions. 11 C.F.R. § 104.15(b). Pursuant to a 1979 amendment to the Act, however, names and addresses of any political committee on file at the Commission may be used to solicit contributions from that committee.

Committees required to file reports with the Commission may submit up to ten pseudonyms on each report in order to protect against the illegal use of names and addresses of contributors, provided such committee attaches a list of such pseudonyms to the appropriate report. 2 U.S.C. § 438(a)(4). The Clerk, Secretary, or Commission shall exclude these lists of pseudonyms from the public record. Id.

**C. Analysis**

Since 1986, Friends of Phil Gramm have registered twenty-two pseudonyms with the Commission and sprinkled those names among six campaign reports, pursuant to 2 U.S.C. § 438(a)(4).

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While its not entirely clear precisely when RDI obtained the names for the mailings challenged herein or even if affiliate Best Lists was involved, it appears that said names were NOT obtained from Commission records. Instead, based on the information before us, it seems that RDI got the names through its professional relationship with Friends of Phil Gramm. RDI was employed, as a fundraiser, by the Gramm Committee starting in July of 1989. At that time, it was allegedly agreed the parties would co-own any names generated by direct response programs conducted by RDI in Gramm's behalf. Early in 1990, Friends of Phil Gramm provided RDI with three separate donor lists. See Attachment 4 at 2. The

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Committee wanted RDI to delete the names on the three lists from future prospect mailings, the people listed had already donated to Gramm. The names on at least one of the lists purportedly contained names previously generated by RDI's fundraising efforts; the contents of the other lists are unknown. Believing that RDI and the Gramm Committee co-owned the names, RDI consequently used the list(s) in other fundraising campaigns, i.e., Citizens United, Congressional Overhaul, American Defense Institute. This version of the events leading up to these complaints is consistent with Ruth Cymber's letter of March 25, 1991, David Kunko's written statement, and RDI's use of the name

Indeed, RDI could not have obtained that name off of Commission reports, as \_\_\_\_\_ apparently has never been listed as a contributor on any Commission disclosure reports.

Therefore, this Office recommends that the Commission find no reason to believe that Citizens United, Congressional Overhaul and/or the American Defense Institute and their respective officers violated 2 U.S.C. § 438(a)(4) by copying donor names from Commission disclosure reports for the purpose of soliciting contributions or for other commercial purposes.

### III. RECOMMENDATIONS

1. Find no reason to believe that Citizens United and Floyd Brown, as President; Congressional Overhaul and L. Francis Bouchey, as President; and the American Defense Institute and Red McDaniel, as President, violated the Act.

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2. Approve the appropriate letters.
3. Close the file.

Lawrence M. Noble  
General Counsel

5/28/91  
Date

BY: [Signature]  
Lois G. Lerner  
Associate General Counsel

**Attachments**

1. Complaint Against Citizens United
2. Complaint Against Congressional Overhaul
3. Complaint Against the American Defense Institute
4. Citizen United's Response
5. Congressional Overhaul's Response
6. American Defense Institute's Response
7. Friends of Phil Gramm's Letter Withdrawing the Complaint

91040844975

BEFORE THE FEDERAL ELECTION COMMISSION

|                             |   |                       |
|-----------------------------|---|-----------------------|
| In the Matter of            | ) |                       |
|                             | ) |                       |
| Citizens United;            | ) | MURs 3210, 3219, 3230 |
| Congressional Overhaul;     | ) |                       |
| American Defense Institute. | ) |                       |

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on May 31, 1991, the Commission decided by a vote of 5-0 to take the following actions in MURs 3210, 3219 and 3230:

1. Find no reason to believe that Citizens United and Floyd Brown, as President; Congressional Overhaul and L. Francis Bouchey, as President; and the American Defense Institute and Red McDaniel, as President, violated the Act.
2. Approve the appropriate letters, as recommended in the General Counsel's Report dated May 28, 1991.
3. Close the file.

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

Attest:

6-3-91  
Date

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

|                               |                               |
|-------------------------------|-------------------------------|
| Received in the Secretariat:  | Wed., May 29, 1991 12:21 p.m. |
| Circulated to the Commission: | Wed., May 29, 1991 4:00 p.m.  |
| Deadline for vote:            | Fri., May 31, 1991 4:00 p.m.  |

91040844976



FEDERAL ELECTION COMMISSION  
WASHINGTON D.C. 20463

June 14, 1991

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Ms. Ruth Cymber  
U.S. Senator Phil Gramm  
Reelection Campaign  
P.O. Box 35946  
Dallas, TX 75235

RE: MUR 3230  
The American Defense  
Institute and Red McDaniel,  
as President

Dear Ms. Cymber:

The Federal Election Commission reviewed the allegations of your complaint dated March 1, 1991, and found that on the basis of the information provided in your complaint, and information provided by the American Defense Institute and Red McDaniel, as President, there is no reason to believe the American Defense Institute and Red McDaniel, as President, violated 2 U.S.C. § 438(a)(4). Accordingly, on May 31, 1991, the Commission closed the file in this matter. The First General Counsel's Report in this matter is enclosed.

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).

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

Sincerely,

Lawrence M. Noble  
General Counsel

BY: Lois G. Lerner  
Associate General Counsel

Enclosure  
General Counsel's Report

91040844977



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 14, 1991

John Hardin Young, Esq.  
Porter, Wright, Morris & Arthur  
1233 20th Street, N.W.  
Washington, D.C. 20036-2395

RE: MUR 3230  
American Defense Institute and  
Red McDaniel, as President

Dear Mr. Young:

On March 11, 1991, the Federal Election Commission notified your clients of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended.

The Commission found, on the basis of the information in the complaint, and information provided by you, that there is no reason to believe American Defense Institute and Red McDaniel, as President, violated 2 U.S.C. § 438(a)(4). Accordingly, the Commission closed its file in this matter on May 31, 1991. The First General Counsel's Report in this matter is enclosed.

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.

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

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

THIS IS THE END OF MUR # 3230

DATE FILMED 6/26/91 CAMERA NO. 4

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