



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 4404

DATE FILMED 9-23-97 CAMERA NO. 4

CAMERAMAN JMH

97043033692

HARRIS COUNTY
DEMOCRATIC
| P | A | R | T | Y |
★ ★ ★ ★ ★ ★

811 Westheimer #208
Houston, Texas 77006
Tel 713-522-9361
Fax 713-522-9622

May 28, 1996

Lawrence M. Noble, Esq.
Office of the General Counsel
Federal Election Commission
999 E. Street, NW, 6th Floor
Washington, D.C. 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUN 7 12 23 PM '96

RE: Complaint Against Steve Stockman

Dear Mr. Noble:

The undersigned files this complaint charging violations of the Federal Election Campaign Act of 1971, as amended ("FECA") or the "Act", 2 U.S.C. §§ 431 et seq. and related regulations of the Federal Election Commission ("FEC"), 11 C.F.R. §§ 100.1 et seq., by Steve Stockman, Friends of Steve Stockman, Stockman for Congress, Stockman-Congressional Cruise "92, Benjamin Suarez, Nancy Suarez, and Suarez Corporation (referred to collectively as "Respondents").

Respondents appear to have been involved in a number of fraudulent schemes to evade the FECA's prohibition against corporate and excessive contributions. In light of the publicly available information, much of which is discussed below, the undersigned asks the Commission to conduct a thorough and independent investigation of the facts, pursue any and all violations of the FECA.

2
6
9
5
5
0
0
4
0
1
6

A. The Suarez Connection

According to press reports, in 1989 the Suarez Corporation, under the name United States Citizens Association, ran radio and newspaper ads offering to "help finance and provide expert campaign help to public-minded candidates who would run against Jack Brooks." (Roll Call, June 5, 1995). Steve Stockman answered the Suarez Corporation's ad and, according to FEC reports filed during and after the 1990 election cycle, employed the services of Pol-Serv Corporation, a subsidiary of Suarez. Indeed, according to Stockman's FEC reports, by the end of the 1990 election Stockman for Congress owed Pol-Serve over \$44,000 for "printing" services. Meanwhile, in January 1990, Benjamin and Nancy Suarez (the President of Suarez Corporation) gave the Stockman for Congress Committee \$2,000.

For more than 26 months the Suarez Corporation debt remained on the Stockman for Congress reports. Then, on December 23, 1992, Suarez Corporation's General Counsel Steven Baden wrote the FEC for permission to write-off \$32,138.86 of debt that the Stockman for Congress Committee apparently owed the Suarez Corporation and its subsidiaries (including Pol-Serv). In that letter, Mr. Baden stated that the debt had not been repaid "despite the exercise of reasonable diligence in attempting to receive payment." Mr. Baden further stated that Suarez Corporation's extension of credit to the Stockman Committee "was done in the ordinary course of business and is or would have been done to any other non-political debtor at the same time and in the same manner." Finally, Mr.

9704333694

Baden states that "the Suarez Corporation has in the past forgiven a relatively comparable sized debt to a non-political debtor."

The facts underlying this transaction and in particular the attempt to write-off debt, raise substantial legal questions under the FECA. Specifically, the record is devoid of any efforts by the Suarez Corporation to collect its outstanding bills from the Stockman Committee. Indeed, in light of the Suarez Corporation's efforts to recruit Mr. Stockman as a candidate in the first place, it would appear that no such efforts took place. With respect to Mr. Baden's representation that the Suarez Corporation has in the past forgiven similar debts of non-political organizations, the record is similarly empty. Thus, it is not surprising that when Roll Call conducted a global search of a LEXIS/NEXIS database, they were unable to turn up any references to Pol-Serv except in connection to Stockman. (Roll Call, June 5, 1995).

FEC regulation provide that:

The extension of credit by any person is a contribution unless the credit is extended in the ordinary course of the person's business and the terms are substantially similar to extension of credit to non-political debtors that are of similar risk and size of obligation. If a creditor fails to make a commercially reasonable attempt to collect the debt, contribution will result.

11 C.F.R. § 100.7(a)(4). In this instance, it appears that the Suarez Corporation and its subsidiary Pol-Serv Corporation made prohibited contributions to the Stockman Committee by first extending credit with no expectation of receiving payment and then later making

9
7
0
4
3
0
3
3
6
9
5

little or no effort to collect on the debt. In addition, since both Suarez and Pol-Serv are corporations prohibited from making any contribution to federal candidates, it appears that Respondents have violated 11 C.F.R. § 114.2(b) as well.

97043033696

Furthermore, the Suarez Corporation and Pol-Serv may not, as they have sought to do, forgive the debt owed by the Stockman for Congress Committee. The forgiveness of debt owed by ongoing committees is governed by 11 C.F.R. § 116.8(a). Under that rule, a creditor may not forgive a debt owed by an ongoing committee unless each of the following requirements has been met: (1) the debt has been outstanding at least 24 months; (2) the committee has insufficient cash on hand to pay the debt; (3) the committee has receipts of less than \$1,000 and disbursements are less than \$1,000 during the previous 24 months; and (4) the committee owes debts to other creditors of such a magnitude that the creditor "could reasonably conclude that the ongoing committee will not pay its particular debt."¹ The Stockman Committee does not meet the requirements necessary to have its debt forgiven. For example, at the very least, the Stockman Committee has had receipts of more than \$1,000 in disbursements during the previous 24 months.

Nor should the FEC allow the Suarez Corporation to do indirectly through inaction what it has already attempted to do directly; i.e., forgive the Stockman Committee's debts. If, after a thorough investigation, the Commission determines that the Suarez Corporation

¹ In the alternative, the creditor may seek to forgive the debt if it is unable under reasonable diligence to locate the ongoing committee. 11 C.F.R. § 116.8(a)(1). In this case, there is little doubt that Suarez and Pol-Serv are able to locate the Stockman Committee.

has attempted, through various means to make improper and unlawful corporate contributions to the Stockman Committee, it should, in addition to seeking civil penalties and injunctive relief, petition a court for such other equitable relief to ensure that the Suarez Corporation does indeed proceed in efforts to collect this debt from the Stockman Committee.

Finally, it is worth noting that there is a \$37,910.37 difference between the debt the Stockman Committee has reported and the debt Pol-Serv has asked to be permitted to forgive. In a May 18, 1995 Roll Call article, Mr. Stockman attributed the difference to a "clerical error on the part of the Suarez Corporation." Yet, one month later in June 1995, Mr. Stockman accused the Suarez Corporation of doubling billing his Committee for the work the Suarez Corporation performed. At a minimum the Respondents should be required to explain the large discrepancy in both the amounts that they reported as owed as well as Stockman's changing explanation for that discrepancy.

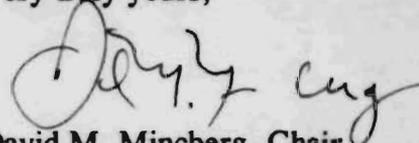
In sum, the evidence strongly suggests that Mr. Stockman and his committee may very likely have benefited from a massive, illegal corporation contribution from Suarez. Such a violation strikes at the heart of the Act and the Commission's regulation. In light of this, the Commission should commence an immediate investigation into this matter. If, as appears may be the case, respondents have intentionally attempted to circumvent the Act's requirements and prohibitions, then the Commission should find that the respondents have committed a "knowing and willful" violation of the Act and should impose the highest civil

97043635697

Lawrence M. Noble, Esq.
May 28, 1996
Page 6

penalty permitted by law. In addition, in order to prevent similar violations in the future, the Commission should seek the imposition of a permanent injunction.

Very truly yours,



David M. Minberg, Chair
Harris County Democratic Party

DMM:bm

C:\WINWORD\HCDPI\GEN96\LN0528.DOC

97043333693



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 11, 1996

David M. Minberg, Chair
Harris County Democratic Party
811 Westheimer #208
Houston, TX 77006

Dear Mr. Minberg:

This is to acknowledge receipt on June 7, 1996, of your letter dated May 28, 1996. The Federal Election Campaign Act of 1971, as amended ("the Act") and Commission Regulations require that the contents of a complaint meet certain specific requirements. One of these requirements is that a complaint be sworn to and signed in the presence of a notary public and notarized. Your letter did not contain a notarization on your signature and was not properly sworn to.

In order to file a legally sufficient complaint, you must swear before a notary that the contents of your complaint are true to the best of your knowledge and the notary must represent as part of the jurat that such swearing occurred. The preferred form is "Subscribed and sworn to before me on this ____ day of ____, 19__." A statement by the notary that the complaint was sworn to and subscribed before him/her also will be sufficient. We regret the inconvenience that these requirements may cause you, but we are not statutorily empowered to proceed with the handling of a compliance action unless all the statutory requirements are fulfilled. See 2 U.S.C. § 437g.

Enclosed is a Commission brochure entitled "Filing a Complaint." I hope this material will be helpful to you should you wish to file a legally sufficient complaint with the Commission.

Please note that this matter will remain confidential for a 15 day period to allow you to correct the defects in your complaint. If the complaint is corrected and refiled within the 15 day period, the respondents will be so informed and provided a copy of the corrected complaint. The respondents will then have an additional 15 days to respond to the complaint on the merits. If the complaint is not corrected, the file will be closed and no additional notification will be provided to the respondents.

97043033699

If you have any questions concerning this matter, please contact me at (202) 219-3410.

Sincerely,

Retha Dixon

Retha Dixon
Docket Chief



Enclosure

cc: Steve Stockman
Stockman for Congress
Stockman Congressional Cruise '92
Benjamin Suarez
Nancy Suarez
Suarez Corporation
Pol-Serv Corporation

97043833700

HARRIS COUNTY
DEMOCRATIC
| P | A | R | T | Y |
★ ★ ★ ★ ★ ★

811 Westheimer #208
Houston, Texas 77006
Tel 713-522-9361
Fax 713-522-9622

May 28, 1996

Lawrence M. Noble, Esq.
Office of the General Counsel
Federal Election Commission
999 E. Street, NW, 6th Floor
Washington, D.C. 20463

MUR 4404

JUN 24 3 12 PM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

RE: Complaint Against Steve Stockman

Dear Mr. Noble:

The undersigned files this complaint charging violations of the Federal Election Campaign Act of 1971, as amended ("FECA") or the "Act", 2 U.S.C. §§ 431 et seq. and related regulations of the Federal Election Commission ("FEC"), 11 C.F.R. §§ 100.1 et seq., by Steve Stockman, Friends of Steve Stockman, Stockman for Congress, Stockman-Congressional Cruise "92, Benjamin Suarez, Nancy Suarez, and Suarez Corporation (referred to collectively as "Respondents").

Respondents appear to have been involved in a number of fraudulent schemes to evade the FECA's prohibition against corporate and excessive contributions. In light of the publicly available information, much of which is discussed below, the undersigned asks the Commission to conduct a thorough and independent investigation of the facts, pursue any and all violations of the FECA.

970436701

A. The Suarez Connection

According to press reports, in 1989 the Suarez Corporation, under the name United States Citizens Association, ran radio and newspaper ads offering to "help finance and provide expert campaign help to public-minded candidates who would run against Jack Brooks." (Roll Call, June 5, 1995). Steve Stockman answered the Suarez Corporation's ad and, according to FEC reports filed during and after the 1990 election cycle, employed the services of Pol-Serv Corporation, a subsidiary of Suarez. Indeed, according to Stockman's FEC reports, by the end of the 1990 election Stockman for Congress owed Pol-Serve over \$44,000 for "printing" services. Meanwhile, in January 1990, Benjamin and Nancy Suarez (the President of Suarez Corporation) gave the Stockman for Congress Committee \$2,000.

For more than 26 months the Suarez Corporation debt remained on the Stockman for Congress reports. Then, on December 23, 1992, Suarez Corporation's General Counsel Steven Baden wrote the FEC for permission to write-off \$32,138.86 of debt that the Stockman for Congress Committee apparently owed the Suarez Corporation and its subsidiaries (including Pol-Serv). In that letter, Mr. Baden stated that the debt had not been repaid "despite the exercise of reasonable diligence in attempting to receive payment." Mr. Baden further stated that Suarez Corporation's extension of credit to the Stockman Committee "was done in the ordinary course of business and is or would have been done to any other non-political debtor at the same time and in the same manner." Finally, Mr.

97043836702

Baden states that "the Suarez Corporation has in the past forgiven a relatively comparable sized debt to a non-political debtor."

The facts underlying this transaction and in particular the attempt to write-off debt, raise substantial legal questions under the FECA. Specifically, the record is devoid of any efforts by the Suarez Corporation to collect its outstanding bills from the Stockman Committee. Indeed, in light of the Suarez Corporation's efforts to recruit Mr. Stockman as a candidate in the first place, it would appear that no such efforts took place. With respect to Mr. Baden's representation that the Suarez Corporation has in the past forgiven similar debts of non-political organizations, the record is similarly empty. Thus, it is not surprising that when Roll Call conducted a global search of a LEXIS/NEXIS database, they were unable to turn up any references to Pol-Serv except in connection to Stockman. (Roll Call, June 5, 1995).

FEC regulation provide that:

The extension of credit by any person is a contribution unless the credit is extended in the ordinary course of the person's business and the terms are substantially similar to extension of credit to non-political debtors that are of similar risk and size of obligation. If a creditor fails to make a commercially reasonable attempt to collect the debt, contribution will result.

11 C.F.R. § 100.7(a)(4). In this instance, it appears that the Suarez Corporation and its subsidiary Pol-Serv Corporation made prohibited contributions to the Stockman Committee by first extending credit with no expectation of receiving payment and then later making

97043836703

little or no effort to collect on the debt. In addition, since both Suarez and Pol-Serv are corporations prohibited from making any contribution to federal candidates, it appears that Respondents have violated 11 C.F.R. § 114.2(b) as well.

9 7 0 4 3 8 3 3 7 0 4

Furthermore, the Suarez Corporation and Pol-Serv may not, as they have sought to do, forgive the debt owed by the Stockman for Congress Committee. The forgiveness of debt owed by ongoing committees is governed by 11 C.F.R. § 116.8(a). Under that rule, a creditor may not forgive a debt owed by an ongoing committee unless each of the following requirements has been met: (1) the debt has been outstanding at least 24 months; (2) the committee has insufficient cash on hand to pay the debt; (3) the committee has receipts of less than \$1,000 and disbursements are less than \$1,000 during the previous 24 months; and (4) the committee owes debts to other creditors of such a magnitude that the creditor "could reasonably conclude that the ongoing committee will not pay its particular debt."¹ The Stockman Committee does not meet the requirements necessary to have its debt forgiven. For example, at the very least, the Stockman Committee has had receipts of more than \$1,000 in disbursements during the previous 24 months.

Nor should the FEC allow the Suarez Corporation to do indirectly through inaction what it has already attempted to do directly; i.e., forgive the Stockman Committee's debts. If, after a thorough investigation, the Commission determines that the Suarez Corporation

¹In the alternative, the creditor may seek to forgive the debt if it is unable under reasonable diligence to locate the ongoing committee. 11 C.F.R. § 116.8(a)1). In this case, there is little doubt that Suarez and Pol-Serv are able to locate the Stockman Committee.

has attempted, through various means to make improper and unlawful corporate contributions to the Stockman Committee, it should, in addition to seeking civil penalties and injunctive relief, petition a court for such other equitable relief to ensure that the Suarez Corporation does indeed proceed in efforts to collect this debt from the Stockman Committee.

Finally, it is worth noting that there is a \$37,910.37 difference between the debt the Stockman Committee has reported and the debt Pol-Serv has asked to be permitted to forgive. In a May 18, 1995 Roll Call article, Mr. Stockman attributed the difference to a "clerical error on the part of the Suarez Corporation." Yet, one month later in June 1995, Mr. Stockman accused the Suarez Corporation of doubling billing his Committee for the work the Suarez Corporation performed. At a minimum the Respondents should be required to explain the large discrepancy in both the amounts that they reported as owed as well as Stockman's changing explanation for that discrepancy.

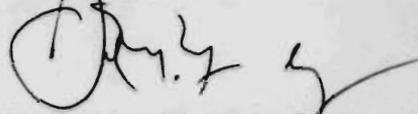
In sum, the evidence strongly suggests that Mr. Stockman and his committee may very likely have benefited from a massive, illegal corporation contribution from Suarez. Such a violation strikes at the heart of the Act and the Commission's regulation. In light of this, the Commission should commence an immediate investigation into this matter. If, as appears may be the case, respondents have intentionally attempted to circumvent the Act's requirements and prohibitions, then the Commission should find that the respondents have committed a "knowing and willful" violation of the Act and should impose the highest civil

97043033705

Lawrence M. Noble, Esq.
May 28, 1996
Page 6

penalty permitted by law. In addition, in order to prevent similar violations in the future,
the Commission should seek the imposition of a permanent injunction.

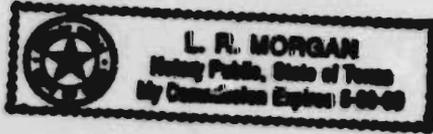
Very truly yours,

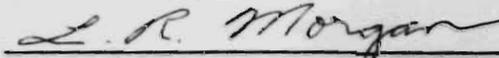


David M. Mincberg, Chair
Harris County Democratic Party

DMM:bm

Subscribed and sworn to before me on this 17 day of June, 1996.




Notary Public, Harris County, Texas

97043033706



FEDERAL ELECTION COMMISSION

Washington, DC 20463

July 2, 1996

David M. Minberg, Chair
Harris County Democratic Party
811 Westheimer, #208
Houston, TX 77006

RE: MUR 4404

Dear Mr. Minberg:

This letter acknowledges receipt on June 24, 1996, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). The respondent(s) 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 4404. Please refer to this number in all future communications. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

A handwritten signature in cursive script, appearing to read "Colleen T. Sealander".

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure
Procedures

97043033707



FEDERAL ELECTION COMMISSION
Washington, DC 20463

July 2, 1996

Stephen E. Stockman, Treasurer
Stockman for Congress
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Mr. Stockman:

The Federal Election Commission received a complaint which indicates that Stockman for Congress ("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 4404. Please refer to this number in all future correspondence.

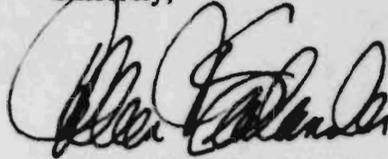
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Committee and you, as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements 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 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.

97043636703

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043633709



FEDERAL ELECTION COMMISSION
Washington, DC 20463

July 2, 1996

The Honorable Steve Stockman
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Representative Stockman:

The Federal Election Commission received a complaint which indicates 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 4404. 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.

970438371C

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043035711



FEDERAL ELECTION COMMISSION

Washington, DC 20463

July 2, 1996

The Honorable Steve Stockman
U.S. House of Representatives
417 Cannon Building
Washington, DC 20515

RE: MUR 4404

Dear Representative Stockman:

The Federal Election Commission received a complaint which indicates 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 4404. Please refer to this number in all future correspondence.

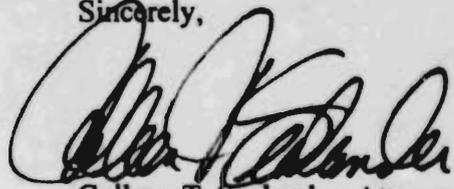
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under 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.

97043633712

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043036713



FEDERAL ELECTION COMMISSION
Washington, DC 20463

July 2, 1996

John Hart, Treasurer
Friends of Steve Stockman
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Mr. Hart:

The Federal Election Commission received a complaint which indicates that Friends of Steve Stockman ("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 4404. Please refer to this number in all future correspondence.

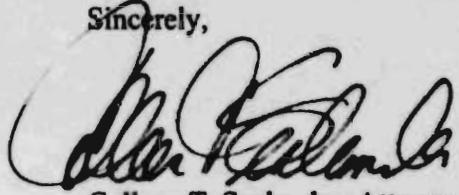
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Committee and you, as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements 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 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.

97043833714

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043833715



FEDERAL ELECTION COMMISSION
Washington, DC 20463

July 2, 1996

Nancy Suarez
c/o Suarez Corporation Industries
7800 Whipple Avenue, NW
N. Canton, OH 44720

RE: MUR 4404

Dear Ms. Suarez:

The Federal Election Commission received a complaint which indicates 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 4404. Please refer to this number in all future correspondence.

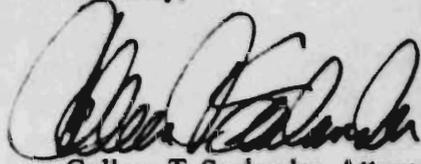
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under 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.

97043633716

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043833717



FEDERAL ELECTION COMMISSION

Washington, DC 20463

July 2, 1996

Pol-Serv Corporation
c/o Suarez Corporation Industries
7800 Whipple Avenue, NW
N. Canton, OH 44720

RE: MUR 4404

Dear Sir or Madam:

The Federal Election Commission received a complaint which indicates that Pol-Serv Corporation 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 4404. Please refer to this number in all future correspondence.

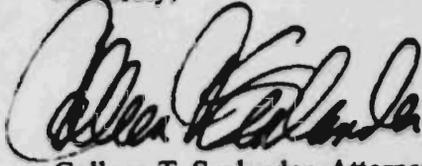
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against Pol-Serv Corporation in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be 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.

97043833718

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043033719



FEDERAL ELECTION COMMISSION
Washington, DC 20463

July 2, 1996

Benjamin D. Suarez, Registered Agent
Suarez Corporation Industries
7774 Whipple Avenue, NW
N. Canton, OH 44720

RE: MUR 4404

Dear Mr. Suarez:

The Federal Election Commission received a complaint which indicates that Suarez Corporation Industries and 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 4404. Please refer to this number in all future correspondence.

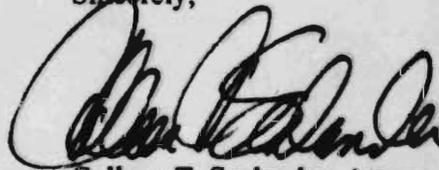
Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against Suarez Corporation Industries and you, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements 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.

97043833720

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,



Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures

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

97043833721



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 10, 1996

Steven L. Baden, Esq.
Suarez Corporation Industries
7800 Whipple Avenue
N. Canton, OH 44720

RE: MUR 4404
Suarez Corporation Industries

Dear Mr Baden:

This is in response to your letter dated July 9, 1996, requesting an extension until 15 days from July 22, 1996, to respond to the complaint filed in the above-noted matter. After considering the circumstances presented in your letter, the Office of the General Counsel has granted the requested extension. Accordingly, your response is due by the close of business on August 6, 1996.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Alva E. Smith, Paralegal
Central Enforcement Docket

97043833722

SCI

SUAREZ CORPORATION INDUSTRIES

CONFIRMATION COPY

The company
that customers
built.

7800 WHIPPLE AVE. N.W.
N. CANTON, OH 44720
(330) 494-5504

DIVISIONS

- UNIMAX
COMPUTER MANUFACTURING
- COMPU CLUB SOFTWARE
AND COMPUTER SERVICES
- PRO TOUR SPORTS
EQUIPMENT MANUFACTURING
- LINDENWOLD FINE JEWELERS
AND COSMETICS
- INTERNATIONAL
TELECOMMUNICATIONS
- INTERNATIONAL HOME
SHOPPING
- U.S. COMMEMORATIVE
FINE ART GALLERY
- THE HANFORD PRESS
MEDIA SERVICES
- CAMPAIGN SERVICES
- GLEN ARBOR FARMS
- ASSOCIATED BROKERS
REALTY

BOARD OF GOVERNORS

- Benjamin D. Suarez
Corporate President
and Chief Executive Officer
- Rodney L. Napier
Corporate Vice President
and Chief Operating Officer
- Michael R. Giorgio
Corporate Controller
and Chief Financial Officer
- John T. White
Division Director and
Director of Marketing
- Steven L. Baden
General Counsel

July 9, 1996

Alva E. Smith
Federal Election Commission
Washington, DC 20463

SENT VIA FAX & MAIL
(202) 219-3923

RE: MUR4404

Dear Ms. Smith:

In accordance with our conversation late today, an extension of time is needed in which to respond to the complaint in the above-referenced matter.

Good cause for an extension of time exists by virtue of the fact that the undersigned has just received the complaint at 3:20 p.m. and must leave for the next two (2) days in preparation for a hearing before the 4th Circuit Court of Appeals in Charleston, South Carolina. Immediately after the hearing the undersigned is scheduled not to return to the office until July 22 due to a previously scheduled family vacation. Further, the undersigned has been unable to confer with counsel that will be handling this matter as said counsel is unavailable due to his business travel.

Accordingly, an extension of time to respond is respectfully requested, to wit, fifteen (15) days from July 22, 1996.

Very truly yours,

SUAREZ CORPORATION INDUSTRIES


Steven L. Baden

SLB/mlld

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
Jul 12 3 10 PM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

July 15, 1996

JUL 25 2 40 PM '96

Friends of Steve Stockman
P.O. Box 57135
Webster, TX 77598

Federal Election Commission
Office of General Council
999 E Street, NW
Washington, DC 20463

RE: Response to MUR 4404

To Whom it may concern:

In a political season false charges run rampant. Complaint Number MUR 4404 is such complaint.

This complaint was filed in front of numerous news media, including television cameras and newspaper reporters. Copies of the complaint were handed out in violation of at least the spirit of the law [2 U.S.C. 437g(a)(4)(B) and 437g(a)(12)(A)]. The press conference and subsequently the misleading and out-right fraudulent information contained in the complaint were attempts to sway the election and public opinion against Congressman Stockman.

The Complainant's reasoning is based on numerous errors and falsehoods. Their logic is disjointed and two of their contentions are sophomoric at best:

1. The Complainant uses the Capitol Hill tabloid "Roll-Call" as its basis for the complaint when, instead, it should have researched the facts. The Complainant cited media stories which they themselves fabricated and planted. In page 2, paragraph 1 the Complainant states: "According to press reports.... Mr. Stockman was recruited." If Complainant had bothered to check the facts they would have noted that Congressman Stockman was not recruited by Mr. Suarez. In fact, the Congressman was already campaigning. (Furthermore, it is not against the law to recruit candidates to run for office. However, that bit of information is not relevant, as we believe Complainant is merely "grand standing." The "recruitment" angle was simply thrown into the complaint in order to obtain more press coverage).

97043833724

2. The Stockman for Congress Committee has never asked for debt forgiveness. In March of 1990 Stockman for Congress became inactive and remains so today. In 1992, the Friends of Steve Stockman Committee raised less than \$100,000. In 1994, Friends of Steve Stockman did not raise much more. The debt in question involves Stockman for Congress. This has continually been reflected by filings for Stockman for Congress and continues to be reflected in current FEC reports. (See attachment A)

There is a dispute over the amount of the debt. (See attachment B: Bill received for Final Payment). Even Complainant in their complaint listed the debt as \$32,138.86. After Mr. Stockman's loss in 1990, Pol-Serve was not utilized in 1992 or 1994.

Clearly, Congressman Stockman has proven he has tried to work out a settlement. His actions are contrary to Complainant's allegations. If there truly were efforts to skirt the law, then it would stand to reason that Pol-Serve would have been involved in subsequent elections. They were not.

3. Apparently, Pol-Serve believed, after an impasse in negotiations to settle the debt and a lack of money raised for the Stockman for Congress committee, that the likelihood of payment was remote. At the rate the campaign was raising money in the out-years of 1990, 1991, 1992, the belief that payments could not be made was reasonable. Pol-Serve knew the chances of Mr. Stockman ever winning an election were remote. Furthermore, many newspapers stated that the chance of defeating the potential Dean of the House / Chairman of the Judiciary Committee was slim, especially since Mr. Brooks had \$1.2 million in the bank. Pol-Serve's belief was well founded: potential payment would not be forthcoming.

4. The Complainant's contention (page 3, paragraph 2) that because other businesses/clients for Pol-Serve did not show up on a LEXIS/NEXIS search that this is an indicator of past clients or business practices is an absurd allegation.

The only reason Pol-Serve showed up on a LEXIS/NEXIS search is because former Congressman Brooks made the same desperate political attempt to obtain press coverage in 1994. Many consulting companies do not list their clients on LEXIS/NEXIS. To our knowledge Pol-Serve had several clients in Ohio and had had a good track record.

9 / 0 4 3 6 3 3 7 2 5

This complaint is poorly researched. If the Complainant had bothered to read past FEC reports, they would have noted that Pol-Serve CAN forgive the debt it is owed as governed by 11 C.F.R. 116.8(a).

- (1) The debt is and was outstanding for more than 24 months when the Suarez Corporation requested write-off permission.
- (2) The Stockman for Congress committee C00240580 does not have any cash on hand and has not had cash on hand for a long time.
- (3) The Stockman for Congress committee C00240580 has not received any money in the last 24 months.

In addition, when debt forgiveness was requested in December 1992, all three of these rules applied. The FEC has yet to rule on Pol-Serve's request.

It should be noted that even Pol-Serve listed the debt as \$32,138.86, which is much less than the \$88,000+ currently claimed by the now defunct Pol-Serve. We believe the higher number has materialized in light of Congressman Stockman's unexpected 1994 victory. We would like to pay on the debt, but until we reach settlement we do not feel that we should pay for debt which we do not owe.

In light of Complainant's press conference and misleading information, it is clear this is not a serious complaint, but rather is driven by election-year politics. Namely, it concerns an election occurring in little more than 100 days.

This complaint MUR 4404 is political posturing and should be dismissed.

97043033726

ARTER & HADDEN

ATTORNEYS AT LAW

founded 1843

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM

Cleveland
Columbus
Dallas

1801 K Street, N.W. / Suite 400K
Washington, D.C. 20006-1301

202/775-7100 *telephone*
202/857-0172 *facsimile*

Jul 31 11 41 AM '96

Irvine
Los Angeles
San Francisco

Writer's Direct Dial Number:
(202) 775-7108

July 30, 1996

Jul 31 3 03 PM '96

FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

VIA TELECOPIER

(202) 219-3923

Alva E. Smith
Federal Election Commission
Washington, D.C. 20463

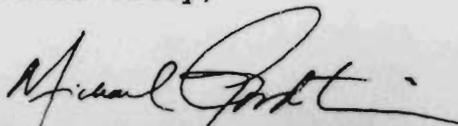
Re: MUR 4404

Dear Ms. Smith:

As we discussed yesterday, this firm has recently been retained to represent Suarez Corporation, Pol-Serv Corporation, Benjamin Suarez and Nancy Suarez in connection with the above-referenced complaint. So that we can file a meaningful response to the complaint, it would be helpful if your office would kindly grant an additional 15 day extension. If granted, the new response date would be August 21, 1996. Additionally, as you requested, the completed designations of counsel are enclosed.

We appreciate your consideration of this request. Feel free to call me if you wish to discuss the matter further.

Yours truly,



Michael R. Goodstein

Enclosures

cc: Steven L. Baden, Esq. (w/encs.)
Roger P. Furey, Esq. (w/encs.)

970435727

STATEMENT OF DESIGNATION OF COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUL 31 3 03 PM '96

MUR 4404

NAME OF COUNSEL: Roger P. Furey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7/30/96
Date

Benjamin D. Suarez
Signature

RESPONDENT'S NAME: Benjamin Suarez

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME

BUSINESS: (330) 494-5504 x877

97043033720

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4404

NAME OF COUNSEL: Roger P. Pursey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7-29-96
Date

Nancy Suarez
Signature

RESPONDENT'S NAME: Nancy Suarez

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME

BUSINESS: (330) 494-5504 x877

97043833729

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4404

NAME OF COUNSEL: Roger P. Furey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7/29/96

Date



Signature

RESPONDENT'S NAME: Suares Corporation
Pol-Serv Corporation

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME

BUSINESS (330) 494-5504

97043033730



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

July 31, 1996

Michael R. Goodstein, Esq.
ARTER & HADDEN
1801 K Street, N.W., Suite 400k
Washington, D.C. 20006-1301

RE: MUR 4404
Suarez Corporation, Pol-Serv Corporation, Benjamin Suarez and Nancy Suarez

Dear Mr. Goodstein:

This is in response to your letter dated July 30, 1996, requesting an additional extension until August 21, 1996, to respond to the complaint filed in the above-noted matter. After considering the circumstances presented in your letter and pursuant to our July 31, 1996, telephone conversation, the Office of the General Counsel has granted the additional 15 day extension for the Suarez Corporation and a 30 day extension for Pol-Serv Corporation, Benjamin Suarez, and Nancy Suarez. Accordingly, your response for all respondents is due by the close of business on August 21, 1996.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Alva E. Smith, Paralegal
Central Enforcement Docket

9
7
0
4
3
6
3
3
7
3
1

SCI

SUAREZ CORPORATION INDUSTRIES

CONFIRMATION COPY

*The company
that customers
built.*

7800 WHIPPLE AVE. N.W.
N. CANTON, OH 44720
(330) 494-5504

DIVISIONS

UNIMAX
COMPUTER MANUFACTURING

COMPUCLUB SOFTWARE
AND COMPUTER SERVICES

PRO TOUR SPORTS
EQUIPMENT MANUFACTURING

LINDENWOLD FINE JEWELERS
AND COSMETICS

INTERNATIONAL
TELECOMMUNICATIONS

INTERNATIONAL HOME
SHOPPING

U.S. COMMEMORATIVE
FINE ART GALLERY

THE HANFORD PRESS

MEDIA SERVICES

CAMPAIGN SERVICES

GLEN ARBOR FARMS

ASSOCIATED BROKERS
REALTY

BOARD OF GOVERNORS

Benjamin D. Suarez
*Corporate President
and Chief Executive Officer*

Rodney L. Napier
*Corporate Vice President
and Chief Operating Officer*

Michael R. Giorgio
*Corporate Controller
and Chief Financial Officer*

John T. White
*Division Director and
Director of Marketing*

Steven L. Baden
General Counsel

August 2, 1996

Alva E. Smith
Federal Election Commission
Washington, DC 20463

SENT VIA FAX & MAIL
(202) 219-3923

RE: MUR4404

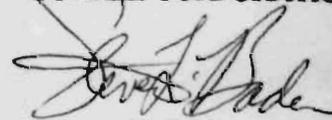
Dear Ms. Smith:

Please be advised that the undersigned withdraws his appearance in the above-referenced matter and that the firm of Arter and Hadden should be considered designated counsel consistent with the Statement of Designation of Counsel; copies of which are attached hereto.

Thank you for your consideration.

Very truly yours,

SUAREZ CORPORATION INDUSTRIES



Steven L. Baden

SLB/mlld

Attachment

c: Michael Goodstein, Esq.

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
AUG 8 12 25 PM '96

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4404

NAME OF COUNSEL: Roger P. Furey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7/29/96

Date



Signature

RESPONDENT'S NAME: Suarez Corporation
Pol-Serv Corporation

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME

BUSINESS (330) 494-5504

97043833733

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4404

NAME OF COUNSEL: Roger P. Furey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7/30/96
Date

Benjamin D. Suarez
Signature

RESPONDENT'S NAME: Benjamin Suarez

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME _____

BUSINESS (330) 494-5504 x877

9704363734

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4404

NAME OF COUNSEL: Roger P. Furey, Michael R. Goodstein

FIRM: Arter & Hadden

ADDRESS: 1801 K Street, N.W., Suite 400K

Washington, D.C. 20006

TELEPHONE: (202) 775-7100

FAX: (202) 857-0172

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.

7-29-96
Date

Nancy Suarez
Signature

RESPONDENT'S NAME: Nancy Suarez

ADDRESS: 7800 Whipple Avenue, N.W.

N. Canton, OH 44720

TELEPHONE: HOME

BUSINESS (330) 494-5504 x877

97043833735



FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 23, 1996

Mr. Roger P. Furey, Esq.
Mr. Michael R. Goodstein, Esq.
ARTER & HADDEN
Suite 400K
1801 K Street, NW
Washington, DC 20006-1301

RE: MUR 4404

Dear Messrs. Furey and Goodstein:

The Federal Election Commission is in receipt of the response you filed on your clients' behalf in MUR 4404. In the response at page 1, note 1, you indicate that Pol-Serve, a division of Suarez Corporation Industries, was not named as a respondent in MUR 4404.

Pursuant to my telephone conversation with Mr. Furey this morning, this letter is to advise you that Pol-Serve was named as a respondent in this matter. I have enclosed a copy of the original notification letter sent to Pol-Serve for your files.

If you have any questions, please feel free to contact a member of the Central Enforcement Docket at (202) 219-3690.

Sincerely,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure

97043833736

ARTER & HADDEN

ATTORNEYS AT LAW

founded 1843

Cleveland
Columbus
Dallas

1801 K Street, N.W. / Suite 400K
Washington, D.C. 20006-1301

202/775-7100 *telephone*
202/857-0172 *facsimile*

Irvine
Los Angeles
San Francisco

Writer's Direct Dial Number:
(202) 775-7108

August 26, 1996

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

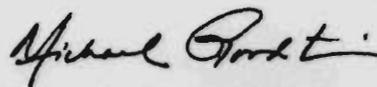
Re: MUR 4404

Dear Ms. Smith:

Enclosed please find the original Declaration of Steven L. Baden, a copy of which was previously filed along with our clients' response on August 21, 1996.

Please let me know if you need anything further.

Sincerely,



Michael R. Goodstein

Enclosure

cc: Roger P. Furey, Esq. (e/o encl.)

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
AUG 28 12 07 PM '96

9 / 0 / 4 / 0 / 3 / 0 / 3 / 7 / 3 / 7

DECLARATION OF STEVEN L. BADEN

I, STEVEN L. BADEN, hereby depose and state as follows:

1. I am over the age of eighteen (18) and am otherwise competent to make this declaration. I have reviewed the response of Benjamin Suarez, Nancy Suarez, the Suarez Corporation (now known as Suarez Corporation Industries), and Pol-Serve, a division of Suarez, to the Complaint filed by the Harris County Democratic Party (the "Response"), and submit this declaration in support thereof

2. I am, and at all times material to the complaint have been, the Corporate General Counsel of Suarez.

3. I affirm, upon personal knowledge, that the factual matters stated in the Response that involve me directly are true and correct.

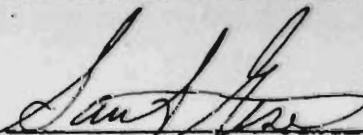
4. I further affirm, as General Counsel of Suarez, that the balance of the factual matters stated in the Response are true to the best of my knowledge, information, and belief.

Dated: August 21, 1996



Steven L. Baden

Subscribed and sworn to before me on this 21st day of August, 1996



Notary Public *ATTORNEY AT LAW*
NO EXPIRATION DATE

581184

97043833738



BEFORE THE FEDERAL ELECTION COMMISSION

FEDERAL ELECTION COMMISSION
SECRETARIAT

In the Matter of)
)
)
)

AUG 14 4 23 PM '97

ENFORCEMENT PRIORITY

SENSITIVE

AUG 19 1997

**EXECUTIVE SESSION
SUBMITTED LATE**

GENERAL COUNSEL'S REPORT

I. INTRODUCTION.

The cases listed below have been identified as either stale or of low priority based upon evaluation under the Enforcement Priority System (EPS). This report is submitted to recommend that the Commission no longer pursue these cases.

II. CASES RECOMMENDED FOR CLOSURE.

A. Cases Not Warranting Further Action Relative to Other Cases Pending Before the Commission

EPS was created to identify pending cases which, due to the length of their pendency in inactive status or the lower priority of the issues raised in the matters relative to others presently pending before the Commission, do not warrant further expenditure of resources. Central Enforcement Docket (CED) evaluates each incoming matter using Commission-approved criteria which results in a numerical rating of each case.

Closing such cases permits the Commission to focus its limited resources on more important cases presently pending before it. Based upon this review, we have identified 34 cases which do not warrant further action relative to other pending matters.¹

¹ These cases are: MUR 4470 (*Ward for Congress*); MUR 4478 (*Citizens for Tom Reynolds*); MUR 4492 (*Friends of Ken Poston*); MUR 4498 (*Darryl Roberts for Congress*); MUR 4506 (*The Hon. Ted Little*); MUR 4512 (*Friends of Lane Evans*); MUR 4517 (*Unknown Respondent*); MUR 4518 (*Kansans for Rathbun*); MUR 4520 (*Larry Lerner for*

97043833739

Attachment 1 to this report contains summaries of each case, the EPS rating, and the factors leading to assignment of a low priority and recommendation not to further pursue the matter.

B. Stale Cases

Effective enforcement relies upon the timely pursuit of complaints and referrals to ensure compliance with the law. Investigations concerning activity more distant in time usually require a greater commitment of resources, primarily due to the fact that the evidence of such activity becomes more remote and consequently more difficult to develop. Focusing investigative efforts on more recent and more significant activity also has a more positive effect on the electoral process and the regulated community. In recognition of these facts, EPS also provides us with the means to identify those cases which, though earning a higher rating when received, remained unassigned due to a lack of resources for effective investigation. The utility of commencing an investigation declines as these cases age, until they reach a point when activation of a case would not be an efficient use of the Commission's resources.

Congress); MUR 4522 (*Republican Party of Bexar County*); MUR 4523 (*Cong. Andrea Sanstrand*); MUR 4524 (*Danny Covington Campaign Fund Committee*); MUR 4526 (*Hoeffell for Congress*); MUR 4528 (*Pete King for Congress*); MUR 4529 (*Pete King for Congress*); MUR 4532 (*Citizen's Committee for Gilman for Congress*); MUR 4535 (*Visclosky for Congress*); MUR 4537 (*Di Nicola for Congress*); MUR 4541 (*Ross Perot*); MUR 4548 (*Blagojevich for Congress*); MUR 4550 (*Friends of Wamp for Congress*); MUR 4551 (*John N. Hostettler*); MUR 4557 (*De La Rosa for Congress*); MUR 4559 (*Bill Baker for Congress*); MUR 4560 (*George Stuart Jr. for Congress*); MUR 4562 (*Wayne E. Schile*); MUR 4566 (*Al Gore*); MUR 4574 (*Danny Covington Campaign Fund Committee*); MUR 4576 (*Volunteers for Shimkus*); MUR 4579 (*New Zion Baptist Church*); MUR 4580 (*Friends of Mike Forbes*); MUR 4584 (*Bill Baker for Congress*); MUR 4588 (*Navarro for Congress*); and MUR 4613 (*Guy Kelley for Congress*).

2

The U.S. District Court for the District of Columbia, however, held in *Democratic Senatorial Campaign Committee v. FEC*, Civil Action No. 95-0349 (D.D.C. April 17, 1996) that 24 months was too long a time in which to hold a case in an inactive status.

9704303374C

Twenty one cases have remained on the Central Enforcement Docket for a sufficient period of time to render them stale, all of which are recommended for closure in this Report.⁴ This group includes four MURs that became stale several months ago, but were held pending criminal prosecution by the Department of Justice.⁵ DOJ obtained convictions in the two criminal cases related to these four MURs (*U.S. v. Jay Kim* and *U.S. v. Dynamic Energy Resources*) based upon guilty pleas by the key defendants, who are also the principal respondents in our pending matters. Pursuit of civil enforcement action in view of the satisfactory results obtained in the criminal cases would not be the most effective use of the Commission's scarce resources at this time.

We recommend that the Commission exercise its prosecutorial discretion and direct closure of the cases listed below, effective August 29, 1997. Closing these cases as

⁴ These cases are: MUR 4274 (*GOPAC*); MUR 4358 (*Miller for Senate*); MUR 4361 (*ABC-TV*); MUR 4368 (*Citizens Business Bank*); MUR 4380 (*A.FGE Local 2391 PAC*); MUR 4385 (*Dial for Congress*); MUR 4386 (*Zimmer for Senate*); MUR 4396 (*ABC*); MUR 4404 (*Friends of Steve Stockman*); MUR 4410 (*30th Legislative District*); MUR 4417 (*Our Choice II*); MUR 4422 (*Desana for Congress Committee*); and Pre-MUR 336 (*Park National Bank & Trust*).

⁵ These cases are: MUR 3796 (*Jay Kim for Congress*); MUR 3798 (*Jay Kim*); MUR 4275 (*Jay Kim*); and MUR 4356 (*Dynamic Energy Resources*). In dismissing the Jay Kim cases, we also recommend closing Pre-MUR 352, which is the transmittal of the guilty plea agreement and related documentation in the criminal case against Congressman Kim forwarded by United States Attorney's office.

9704333741

of this date will permit CED and the Legal Review Team the necessary time to prepare closing letters and case files for the public record.

III. RECOMMENDATIONS.

A. Decline to open a MUR, close the file effective August 29, 1997, and approve the appropriate letters in the following matters:

Pre-MUR 336

Pre-MUR 352

B. Take no action, close the file effective August 29, 1997, and approve the appropriate letters in the following matters:

MUR 3796	MUR 4396	MUR 4522	MUR 4559
MUR 3798	MUR 4404	MUR 4523	MUR 4560
MUR 4274	MUR 4410	MUR 4524	MUR 4562
MUR 4275	MUR 4417	MUR 4526	MUR 4566
	MUR 4422	MUR 4528	MUR 4574
MUR 4356	MUR 4470	MUR 4529	MUR 4576
MUR 4358	MUR 4478	MUR 4532	MUR 4579
MUR 4361	MUR 4492	MUR 4535	MUR 4580
MUR 4368	MUR 4498	MUR 4537	MUR 4584
	MUR 4506	MUR 4541	MUR 4588
MUR 4380	MUR 4512	MUR 4548	MUR 4613
MUR 4385	MUR 4517	MUR 4550	
MUR 4386	MUR 4518	MUR 4551	
	MUR 4520	MUR 4557	

97043833742

8/14/97
Date

Lawrence M. Noble (72)
Lawrence M. Noble
General Counsel

Attachment:
Case Summaries

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
Enforcement Priority) Agenda Document No. X97-55

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on August 19, 1997, do hereby certify that the Commission decided by a vote of 4-1 to take the following actions with respect to Agenda Document No. X97-55:

A. Decline to open a MUR, close the file effective August 29, 1997, and approve the appropriate letters in the following matters:

1. Pre-MUR 336. 2. Pre-MUR 352.

B. Take no action, close the file effective August 29, 1997, and approve the appropriate letters in the following matters:

1. MUR 3796. 2. MUR 3798. 3. MUR 4274.
4. MUR 4275. 5. MUR 4356. 6. MUR 4358.
7. MUR 4361. 8. MUR 4368. 9. MUR 4380.
10. MUR 4385. 11. MUR 4386. 12. MUR 4396.
13. MUR 4404. 14. MUR 4410. 15. MUR 4417.
16. MUR 4422. 17. MUR 4470. 18. MUR 4478.

(continued)

97043835743

Federal Election Commission
Certification: Enforcement Priority
August 19, 1997

Page 2

19. MUR 4492.	20. MUR 4498.	21. MUR 4506.
22. MUR 4512.	23. MUR 4517.	24. MUR 4518.
25. MUR 4520.	26. MUR 4522.	27. MUR 4523.
28. MUR 4524.	29. MUR 4526.	30. MUR 4528.
31. MUR 4529.	32. MUR 4532.	33. MUR 4535.
34. MUR 4537.	35. MUR 4541.	36. MUR 4548.
37. MUR 4550.	38. MUR 4551.	39. MUR 4557.
40. MUR 4559.	41. MUR 4560.	42. MUR 4562.
43. MUR 4566.	44. MUR 4574.	45. MUR 4576.
46. MUR 4579.	47. MUR 4580.	48. MUR 4584.
49. MUR 4588.	50. MUR 4613.	

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

Attest:

8-21-97
Date

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

9704333744



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 29, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David M. Minberg, Chair
Harris County Democratic Party
811 Westheime, #208
Houston, TX 77006

RE: MUR 4404

Dear Mr. Minberg:

On June 24, 1996, the Federal Election Commission received your complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended ("the Act").

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action in the matter. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in this matter on August 29, 1997. This matter will become part of the public record within 30 days.

The Act allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437(g)(a)(8).

Sincerely,

F. Andrew Turley
Supervisory Attorney
Central Enforcement Docket

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

97043833745



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 29, 1997

Steve Stockman
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Mr. Stockman:

On July 2, 1997, the Federal Election Commission notified you of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against you. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in the matter on August 29, 1997.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Alva E. Smith on our toll-free telephone number. (800) 424-9537. Our local telephone number is (202) 219-3400.

Sincerely,


F. Andrew Turley
Supervisory Attorney
Central Enforcement Docket

97043833746



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 29, 1997

John Hart, Treasurer
Friends of Steve Stockman
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Mr. Hart:

On July 2, 1997, the Federal Election Commission notified you of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against Friends of Steve Stockman and you, as treasurer. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in the matter on August 29, 1997.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Alva E. Smith on our toll-free telephone number, (800) 424-9530. Our local telephone number is (202) 219-3400.

Sincerely,

F. Andrew Turley
Supervisory Attorney
Central Enforcement Docket

97043833747



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 29, 1997

Stephen E. Stockman, Treasurer
Stockman for Congress
PO Box 57135
Webster, TX 77598

RE: MUR 4404

Dear Mr. Stockman:

On July 2, 1997, the Federal Election Commission notified you of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against Stockman for Congress and you, as treasurer. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in the matter on August 29, 1997.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Alva E. Smith on our toll-free telephone number, (800) 424-9530. Our local telephone number is (202) 219-3400.

Sincerely,


F. Andrew Turley
Supervisory Attorney
Central Enforcement Docket

97043833748



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 29, 1997

Roger P. Furey, Esquire
Michael R. Goodstein, Esquire
ARTER & HADDEN
1801 K Street, N.W., Suite 400K
Washington, D.C. 20006

RE: MUR 4404
Suarez Corporation; Pol-Serv Corporation; Benjamin Suarez; and Nancy
Suarez

Dear Messrs. Furey and Goodstein:

On July 2, 1997, the Federal Election Commission notified your clients of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with that notification.

After considering the circumstances of this matter, the Commission exercised its prosecutorial discretion to take no action against your clients. This case was evaluated objectively relative to other matters on the Commission's docket. In light of the information on the record, the relative significance of the case, and the amount of time that has elapsed, the Commission determined to close its file in the matter on August 29, 1997.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

If you have any questions, please contact Alva E. Smith on our toll-free telephone number, (800) 424-9530. Our local telephone number is (202) 219-3400.

Sincerely,

F. Andrew Turley
Supervisory Attorney
Central Enforcement Docket

97043833749



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4404

DATE FILMED 9-25-97 CAMERA NO. 4

CAMERAMAN JML

97043033750



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20460

Date: 4/1/98

Microfilm

Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED NUR 4404

98043064381

ARTER & HADDEN

ATTORNEYS AT LAW

founded 1843



Cleveland
Columbus
Dallas

1801 K Street, N.W. / Suite 400K
Washington, D.C. 20006-1301

202/775-7100 *telephone*
202/857-0172 *facsimile*

Irvine
Los Angeles
San Francisco

Writer's Direct Dial Number
(202) 775-7135

August 21, 1996

HAND-DELIVERED

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

Re: MUR ⁴⁴⁰¹

Dear Mr. Noble:

We represent Benjamin Suarez, Nancy Suarez, Suarez Corporation Industries ("SCI"), and Pol-Serve, a division of SCI ("Pol-Serve") in connection with the above-reference matter.¹ By this letter, and accompanying documents, we respond to the complaint filed by the Harris County Democratic Party ("Harris County"). For the reasons set forth below, the charges made by Harris County are without merit and we respectfully request that the FEC undertake no further action.

Harris County accuses the Respondents of engaging in "a number of fraudulent schemes" beginning in early 1990 and arising from the alleged recruitment of Steven Stockman as a Republican candidate to run against Jack Brooks, the then incumbent Democratic Representative. Harris County contends that from the beginning of their

¹ Suarez Corporation is now known as Suarez Corporation Industries. Additionally, Pol-Serve was not named as a Respondent in this matter. Because, however, Pol-Serve is mentioned by the FEC in recent correspondence concerning this matter, we submit this response on Pol-Serve's behalf as well.

AUG 21 2 57 PM '96

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

9 8 0 4 3 8 6 4 3 8 2

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 2

relationship, our clients conspired with Stockman and the Stockman for Congress Committee (the "Committee") to fund Stockman's campaign in violation of the most basic rules and obligations governing political contributions. Thus, according to Harris County, our clients made illegal contributions to the Committee by providing services to the Committee without ever expecting payment. Harris County further contends that SCI subsequently sought permission from the FEC to write-off the debt owed by the Committee, or effectively forgave the debt by failing to take sufficient steps to collect the debt.

Harris County says that the fraud charge is supported by publicly available information. It, however, fails to discuss those "facts" and, instead, supports its charges with nothing more than innuendo and suspicion. As shown below, the publicly available information, and other documents submitted along with this letter, demonstrate that no sinister motive existed on the part of Respondents, no conspiracy existed to evade applicable law and, in the end (and from the beginning), our clients' actions with respect to the issues raised by Harris County were lawful and otherwise in compliance with the Federal Election Campaign Act of 1971, as amended (the "Act"). Quite simply, SCI made a bad business deal with a client that was unable to pay for services rendered, costing SCI \$82,138.26. As if that were not enough, Harris County evidently now seeks to exact some sort of misguided revenge against our clients for the loss of its candidate's seat in Congress.

I. Background Facts

After discussions between SCI and the Committee, on February 14, 1990, SCI delivered to the Committee, by telecopier, a draft agreement. See Exhibit A, *supra* (the "Agreement"). By the Agreement, SCI agreed to provide professional services to the Committee for a price, as set forth in the Agreement. That Agreement, written by SCI, contained several important recitals which SCI deemed essential to its relationship with the Committee. In particular, the Agreement provides

The Parties desire expressly to adhere to and engage in only lawful campaign activities and avoid any prohibited corporate campaign activities in connection with federal elections at 2 U.S.C. Section 441(b).

Agreement, p. 1. Moreover, for its part, the Committee expressly warranted a continuing obligation to abide by each and every term of the Act:

Stephen E. Stockman hereby represents and warrants the following and such warranties shall survive the term of this agreement:

98043064383

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 3

A. He and those acting on his behalf have fully complied with all relevant federal, state and local election campaign laws, filings, registrations, rules and regulations.

B. He and those acting on his behalf will continue at all times to maintain compliance with said laws during the term of this Agreement.

Agreement, Section 2, p. 2.

On February 28, 1990, having heard nothing from the Committee, Steven L. Baden, SCI's Corporate General Counsel, submitted another identical copy of the Agreement for execution by the Committee. A copy of the Agreement, together with Mr. Baden's cover letter, is attached hereto as Exhibit A. In his cover letter, Mr. Baden reminded the Committee that, in addition to the signed contract, SCI expected and required the payment of a \$1,000 retainer. Mr. Baden wrote (a mere two weeks into SCI's relationship with the Committee):

The motivation behind this letter is prompted by our mutual interest to comply with prevailing law. An agreement was faxed to you on February 14, 1990 for the purpose of memorializing the business relationship between you and Pol-Serve. I enclose an additional copy herein. It was also requested that you send a retainer of \$1,000. To date neither the agreement nor the retainer has been received. . . . It is absolutely imperative however, that the agreement be finalized. Further delays will force Pol-Serve to seriously consider terminating any further involvement and you will of course be responsible for all billings to date.

Exhibit A, p. 1 (emphasis added).

For yet a third time, on March 7, 1990, Mr. Baden sent a draft copy of the Agreement, unchanged, to the Committee for signature. Again, by his cover letter, Mr. Baden requested that the Committee immediately forward the \$1,000 retainer. A copy of Mr. Baden's letter of March 7, 1990, together with enclosures, is attached hereto as Exhibit B. Almost two months after its initial request, SCI received the executed Agreement and \$1,000 retainer from the Committee. On March 23, 1990, Mr. Baden returned a fully executed copy of the Agreement to the Committee and acknowledged receipt of the \$1,000 retainer. A copy of said letter, with attachments, is attached hereto as Exhibit C.

98043064384

ARTER & HADDEN

Lawrence M. Noble, Esq.

August 21, 1996

Page 4

As required by the Agreement, SCI performed all of its obligations. Indeed, as of this date, neither the Committee nor anyone else has contended that SCI breached the Agreement or failed to honor its side of the bargain. On May 4, 1990, SCI sent to the Committee two invoices for services provided in accordance with the Agreement. A copy of said letter, with enclosures, is attached hereto as Exhibit D. Invoice 1, representing charges for the Pre-Primary Election, totaled \$37,912.37. Invoice 2, representing charges for the Run-Off Election, totaled \$44,226.49. The two invoices were submitted by SCI simultaneously, with a single cover letter, and were stapled together as one document. Thus, the total due and owing under the Agreement from the Committee to SCI is \$82,138.86.

According to the terms of the Agreement, the Committee was obligated to pay SCI within 30 days of receipt of an invoice. Agreement, Section One. In this case, the Committee was required to remit payment of \$82,138.86 no later than April 4, 1990. As is typical with any political and non-profit company's invoices, due dates are rarely met, and there was no exception in this case. The Committee did not pay on the due date, and as explained below, has never paid.

Thereafter, Mr. Baden and other representatives of SCI had multiple conversations with the Committee, including several directly with Congressman Stockman, concerning the repayment of the debt owed SCI. These discussions were all by telephone. Mr. Baden does not recall the exact number of such conversations, but does remember that there were several such discussions. Mr. Baden also recalls that the invoices were sent and re-sent to the Committee on many occasions but, so far, other than a letter dated October 10, 1990, he has been unable to locate fax cover sheets or other documents showing the same. A copy of said letter is attached hereto as Exhibit E. In any event, Mr. Baden recalls that in each conversation Congressman Stockman or other representatives of the Committee said that the Committee had no money or other assets and was unable to pay the invoices at that time.

Because it appeared that the Committee did not have the means to pay the debt owed to SCI, on June 7, 1990, SCI made an Advisory Opinion Request to the FEC (AOR 1990-19). By the Advisory Opinion Request, SCI sought approval of an alternative means to retire the debt owed by the Committee. A copy of that request, made by SCI's counsel, Thompson, Hine and Flory, is attached hereto as Exhibit F. Essentially, SCI proposed to sell certain products, which SCI also sold in typical commercial markets, to the Committee, with the Committee to pay SCI in advance of shipment. The Committee could then re-sell the products at a higher price and use the profits to retire the debt that it owed to SCI. On June 25, 1990, the FEC, by W. Bradley Litchfield, wrote back to Saurez's counsel requesting further information. A copy of said letter is attached hereto as Exhibit G. On August 22, 1990, counsel for SCI responded to the FEC's inquiry and, among other things,

98043864385

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 5

identified the Committee as the committee whose debt was sought to be retired by "the plan." A copy of counsel's response is attached hereto as Exhibit H. As part of this effort to collect the unpaid debt from the Committee, counsel for SCI wrote:

We would note in closing that the parties have not yet consummated a written agreement in respect of this matter, pending the outcome of an Advisory Opinion Request. The state of their negotiations is reflected in our correspondence to the Commission, through and including this letter. They will not consummate this transaction if it is disapproved by the Commission; the parties will go forward only with a transaction that complies with all the conditions, requirements, and other guidelines contained in any ensuing Advisory Opinion. . . . The business arrangement proposed in this Advisory Opinion Request appears unique. Consequently, the parties wish to have the Commission's blessing as well as its guidelines before going forward.

Exhibit H, p. 4

In response to further telephone inquiry from Jonathan Levin, Esq. of the FEC, and in connection with the Advisory Opinion Request, counsel for SCI, on October 18, 1990, again wrote to the FEC and further defined the relationship between the Committee and SCI. A copy of counsel's October 18, 1990 letter is attached hereto as Exhibit I. Counsel explained that the Committee had paid nothing more than the initial \$1,000 retainer and still owed \$82,138.86 for services provided. Counsel further explained that despite the rendering of invoices to and discussions with the Committee, SCI had received no further payment from the Committee.

On or about November 15, 1990, the FEC issued Advisory Opinion 1990-19 in which it approved SCI's plan to retire the Committee's debt, on the terms and conditions set forth in said opinion. A copy of the Advisory Opinion is attached hereto as Exhibit K. The Advisory Opinion adopted SCI's proposed condition that the Committee pay for the goods sold by SCI in advance of shipment. Although initially the Committee understood the importance of this condition, once the Advisory Opinion was issued the Committee stated that it did not even have enough operating income to pay SCI in advance (see chart below) and, therefore, rendered SCI's plan to retire the Committee's debt infeasible.

Thus, not wanting to throw good money after bad by filing a lawsuit which would yield nothing, and because its alternative collection method was economically impractical for the Committee, on December 23, 1992, SCI requested permission from the FEC to write

9
0
0
4
3
8
6
1
3
8
6

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 6

off the debt owed by the Committee. A copy of that request is attached hereto as Exhibit L. On that same date, SCI re-submitted the two previously sent invoices to the Committee. A copy of Mr. Baden's cover letter in that regard is attached hereto as Exhibit M.

Nearly three years later, the Committee, for the first time, emerged from its silence and wrote to the FEC in response to SCI's request to write off the debt owed by the Committee. On May 23, 1995, the Committee disputed the debt to SCI based on its belief that due to a clerical error by SCI, the Committee was billed twice. A copy of the Committee's letter is attached hereto as Exhibit N. The Committee agreed that Invoice 1 was properly due and owing. It contended, however, that SCI mistakenly repeated the contents of Invoice 1 on Invoice 2. Thus, according to the Committee, only \$6,314.12 of Invoice 2 was properly billed (\$44,226.49 (Invoice 2) minus \$37,912.37 (Invoice 1)).

9 8 0 4 3 8 6 4 3 8 7
The Invoices (Exhibit D), however, provide a line item description of services rendered and specifically allocate the cost for each provided service. Despite the fact that the two invoices are different -- the narrative descriptions do not match -- the Committee took the position that the second invoice was a mistake. And, although the Committee, in said letter, conceded that at least \$37,912.37 (Invoice 1) was properly due and owing, it did not tender payment for said amount nor has it suggested a plan by which it would satisfy that amount. Based upon the Committee's assertion of a supposed dispute as to the size of the debt owed to SCI, the FEC stated that SCI's request to write off the Committee's debt would likely be denied absent further explanation from SCI. A copy of the FEC's letter is attached hereto as Exhibit O. On May 17, 1995, however, SCI had previously supplied an explanation as to the supposed dispute about the size of the Committee's debt. A copy of said May 17, 1995 letter is attached hereto as Exhibit P.

Thereafter, on October 26, 1995, the Committee wrote a "Memorandum" to SCI. The Committee repeated its contention concerning the alleged billing error, but "conceded" its position and expressed a desire to resolve the matter:

[B]ecause of the cost of litigation, the potential for lengthy delays and the problem of not being able to resolve this matter until an amount has been agreed upon, we have decided to concede our position. We would like to enter into negotiations (sic) with your company to resolve this debt to the satisfaction of all parties involved.

A copy of said Memorandum is attached hereto as Exhibit Q. SCI responded: "The attached memorandum indicated your desire to enter into negotiations to resolve the debt. Please contact the above with your written proposal." A copy of SCI's response is attached

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 7

hereto as Exhibit R. However, the Committee never suggested any proposal, written or otherwise

II. The Committee's Disbursements/Receipts

Harris County has made much of the fact that the Committee's outstanding debt to SCI did not meet the test for write off because the Committee's level of receipts and disbursements exceeded the amount stated in the regulations implementing the Act. Other than saying so, Harris County offers absolutely nothing to support its contention. Set forth below is a chart detailing the Committee's disbursement and receipts during the relevant time period. The information is derived from filings made by the Committee with the FEC.

A compilation of the Committee's "Report of Receipts and Disbursements" is attached hereto as Exhibit S.²

Reporting Period	Receipts	Disbursements	Cash on Hand
1/1/90 - 2/21/90	\$30,285.34	\$34,199.23	\$2,247.85
2/22/90 - 3/21/90	\$7,720.57	\$9,808.91	\$159.51
3/22/90 - 4/13/90	\$14,807.59	\$13,889.34	\$1,077.76
4/14/90 - 7/14/90	\$476.02	\$1,530.58	\$23.20
7/15/90 - 9/30/90	0	0	\$23.20
10/1/90 - 12/31/90	0	0	\$23.20
1/1/91 - 6/30/91	0	0	\$23.20
1/1/91 - 6/30/91	0	0	0
7/1/91 - 12/31/91	0	0	0
1/1/92 - 3/31/92	\$10,471.00	\$7,540.00	\$2,931.00
7/31/92 - 12/31/92	0	0	0
1/1/93 - 6/30/93	0	0	0
1/1/94 - 7/31/94	0	0	0
1/1/95 - 6/30/95	0	0	0
7/31/95 - 12/31/95	0	0	0
1/1/96 - 6/30/96	0	0	0

² The Committee made two filings for the time period of January to June 1991. The only difference relevant here is that the first filing stated that cash on hand was \$23.20 while the second filing reported no cash on hand. Also, we were unable to locate any filings made for the periods April to June 1992, July to December 1993, and August to December 1994.

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 8

SCI made its request to write off the Committee's debt in December 1992. The above chart, contrary to Harris County's false assertion, plainly demonstrates that for the 24 months prior to SCI's request, the Committee, on average, had significantly less than \$1,000 in total receipts and disbursements. In fact, but for the first three months of 1992, the Committee had absolutely no receipts and disbursements whatsoever. Moreover, during the relevant time period the Committee had little to no cash on hand from which SCI could be paid or from which a judgment could be satisfied (evidently, it had \$2,931.00 on hand for a three month period in early 1992). In other words, as the Committee had repeatedly told SCI, it indeed had no money.

III. Responses to the Charges of Harris County

A. There Are No Allegations that Nancy and Benjamin Suarez Did Anything Wrongful or Illegal

The sole allegation made by Harris County against Nancy Suarez and Benjamin Suarez is that they made a **lawful** contribution to the Committee:

Meanwhile, in January 1990, Benjamin and Nancy Suarez (the President of Suarez Corporation) gave the Stockman for Congress Committee \$2,000.

Harris County Complaint, p. 2.³

11 C.F.R. Section 110.1(b) provides:

No person shall make contributions to any candidate, his or her authorized political committees or agents with respect to any election for Federal office which, in the aggregate, exceed \$1,000.

In compliance with this section of the Regulations, Nancy and Benjamin Suarez contributed together a total of \$2,000. Other than the mention of this lawful contribution, Harris County makes absolutely no other allegations of wrongdoing against Nancy and Benjamin Suarez. For this reason alone, the FEC should take no further action with respect to Nancy and Benjamin Suarez.

³ Nancy Suarez was never the president of SCI.

98043864389

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 9

B. **Nothing in the Record Supports Harris County's Fraud Charge**

Harris County claims that "Suarez Corporation and its subsidiary Pol-Serv (sic) Corporation made prohibited contributions to the Stockman Committee by first extending credit with no expectation of receiving payment and then later making little or no effort to collect on the debt." Harris County Complaint, pp. 3-4.⁴ Neither half of this contention is true.

9 8 0 4 3 8 6 4 3 2 C

First, there is absolutely no evidence which even suggests that SCI did not expect to be paid for its services. To the contrary, SCI behaved like any prudent business by insisting that any relationship with the Committee be reduced to writing. And, SCI further insisted that in the Agreement the Committee expressly warrant that it would abide by the terms of the Act. The facts reveal that over the course of months, SCI repeatedly pressed the Committee to return the written agreement, insisted time and again that it pay a \$1,000 retainer, and only after threatening to end the relationship (coupled with the statement that the Committee would "of course" be responsible for all billings to date) did the Committee acquiesce and sign the Agreement. This is not the behavior of conspirators trying to evade the obligations of the Act. Rather, this is a legitimate business protecting its source of revenues.

Moreover, if the Committee and SCI intended to evade the terms of the Act by agreeing that the Committee's services were free, why would the Committee and SCI engage in a protracted dispute before the FEC about the size of the debt? Certainly if SCI never expected payment, it would not make any difference whether the size of the debt were \$37,000 or \$82,000. If SCI had committed the fraud falsely attributed to it by Harris County, it simply would have agreed to the lower number that the Committee claimed was due. SCI did not do so, however, because it provided services worth \$82,138.86 for which it expected to be paid.

⁴ As the above quote demonstrates, the charges against our clients are only made with respect to their relationship with the Committee. Nevertheless, Harris County also named Friends of Steve Stockman and Stockman Congressional Cruise '92 as respondents. Other than in the opening paragraph of the complaint, where these two other committees are identified as respondents, Harris County has made no allegations of any dealings between said committees and our clients. This is because there are no such dealings. The Agreement was between SCI and the Committee and, based on fundamental contract law, rights and obligations flowed only between those two entities.

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 10

Perhaps the most telling evidence rebutting the fraud charge is the fact that SCI has not had any relationship with Stockman or any of his committees since the Agreement. One would suspect that if the Committee and SCI had committed the fraud of which they are accused, that there would be some ongoing relationship between them -- whether business, social, or otherwise. There is, however, no such relationship.

Second, SCI did diligently attempt to collect the debt from the Committee. SCI repeatedly demanded payment from the Committee. Those demands, however, were met with the standard debtor's line that it has no money. When it became clear after many such discussions that the Committee was not able to pay its debt, SCI became creative and filed for an Advisory Opinion Request to seek the FEC's approval for an alternative method to collect the Committee's debt. SCI hired and paid counsel in connection with this effort. For months, SCI's counsel wrote to attorneys at the FEC and, ultimately, obtained approval to collect the Committee's debt through alternative means, but only on conditions that were impossible for the Committee. It defies logic to suggest that SCI acted fraudulently when, by going to the FEC for the Advisory Opinion Request, SCI would only serve to highlight the alleged fraudulent conduct. Rather, by going to the FEC with nothing to hide, SCI was acting reasonably and diligently to collect the Committee's debt.

Finally, Harris County faults SCI for failing to sue the Committee. Perhaps Harris County is right -- a lawsuit likely would have obviated this proceeding. But, as the above chart of the Committee's disbursements and receipts demonstrates, the Committee had virtually nothing from which a judgment could be satisfied. Lawsuits are expensive and protracted and SCI made a business decision that, given the Committee's financial state, it made little sense to spend significant money to obtain a worthless piece of paper. SCI stands by its decision as the appropriate one, but is prepared to file a lawsuit if a futile effort to collect the debt is deemed necessary by the FEC.

C. The Committee's Debt is Forgivable Under the Governing Regulations

In its final attempt to falsely expose wrongdoing where none exists, Harris County contends that SCI should not be permitted to forgive the debt owed to the Committee. To do so, contends Harris County, would serve only to reward SCI's alleged fraudulent conduct. As shown above, however, the dealings between SCI and the Committee were proper and in accordance with the terms of the Act. Thus, whether to permit SCI to forgive the Committee's debt should be considered on its own merits.⁵

⁵ If, as a result of this proceeding, the Committee indicates a willingness to enter into a settlement plan to retire the \$82,138.86 owed to SCI, SCI would certainly entertain any such plan and, if reasonable, withdraw its request to forgive the debt.

980430364391

ARTER & HADDEN

Lawrence M. Noble, Esq.
August 21, 1996
Page 11

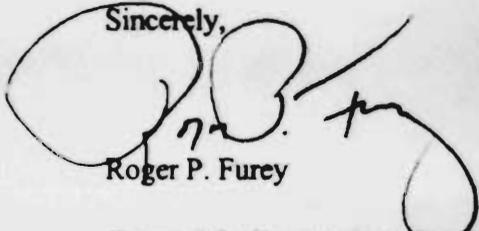
In this regard, Harris County contends that SCI cannot forgive the Committee's debt for two reasons: (1) the Committee's receipts for the 24 months prior to the request for forgiveness exceeded \$1,000, and (2) the Committee disputed the indebtedness. Neither of these contentions have merit.

First, as the chart set forth above demonstrates, both the Committee's disbursements and receipts, on average, were significantly less than \$1,000 for the 24 month period prior to SCI's request to forgive the debt. Moreover, nearly four years has passed since SCI initially requested to forgive the debt in December 1992. The reports filed by the Committee (see chart above) indicate that the Committee had no receipts and no disbursements. Thus, at least as of today, the debt owed by the Committee to SCI satisfies the economic requirements of the regulations for debt forgiveness.

Second, as already shown above, the Committee's dispute with respect to the size of the debt is inaccurate. The Committee says that the second invoice included the same entries from the first invoice, plus approximately another \$6,000 for new work. Thus, the Committee contends that SCI erroneously billed twice for the same work. This position is belied by the invoices themselves. The narrative descriptions on each demonstrate that the services provided were completely different. The Committee's dispute concerning the debt was simply one more reason proffered by the Committee in an effort to avoid paying its obligation to SCI. This dispute by the Committee is thus not a valid reason for denying SCI's request to forgive the Committee's debt.

For each of the above reasons, the charges of Harris County are unfounded and otherwise without merit. Accordingly, we respectfully request that the FEC take no further action with respect to these issues. If during your consideration of this letter you determine that you require further information or have questions, please feel free to call me.

Sincerely,



Roger P. Furey

Counsel for Respondents Benjamin Suarez,
Nancy Suarez, Suarez Corporation
Industries, and Pol-Serve, a division of SCI

Enclosures

cc: Steven L. Baden, Esq. (w/encls.)

98043664392