



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20541

THIS IS THE END OF MUR # 935

Date Filmed 8/23/79 Camera No. --- 2

Cameraman J.A.G.

79040144909

POSTAGE PAID BY ADDRESSEE
RETURN RECEIPT REGISTERED INSURED AND CERTIFIED MAIL

MM# 935 - M. Brown

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):
- Show to whom and date delivered _____ c
 - Show to whom, date, and address of delivery _____ c
 - RESTRICTED DELIVERY
Show to whom and date delivered _____ c
 - RESTRICTED DELIVERY
Show to whom, date, and address of delivery \$ _____
- CONSULT POSTMASTER FOR FEES!

2. ARTICLE ADDRESSED TO
Carlos Bustamante

3. ARTICLE DESCRIPTION
REGISTERED NO. CERTIFIED NO. INSURED NO.
14347

(Always obtain signature of addressee or agent)

I have received the article described above
SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY
X Jose Gutierrez
8-14-79



5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE _____
CLASS INITIALS



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 9, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

In a letter to you dated June 12, 1979, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis William Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely, ..

A handwritten signature in cursive script, appearing to read "William C. Oldaker".

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

In a letter to you dated June 12, 1978, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis William Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report

ms 8/8/79

79040144912



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 9, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, California

RE: MUR 935

Dear Governor Brown:

In a letter to you dated June 12, 1979, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis Williams Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

A handwritten signature in cursive script, appearing to read "William C. Oldaker".

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, California

RE: MUR 935

Dear Governor Brown:

In a letter to you dated June 12, 1979, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis Williams Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report

W/C 8/10/79

79040144914

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Governor Edmund Brown, Jr.)
Carlos Bustamante)

MUR 935

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify, that on August 8, 1979, by a vote of 4-0, the Commission approved the revised letters attached to the General Counsel's Memorandum dated August 6, 1979.

Voting for this determination were Commissioners Friedersdorf, Harris, McGarry, and Tiernan.

Attest:

8-8-79

Date

Margaret E. Chaney
for Marjorie W. Emmons
Secretary to the Commission

Received in the Office of the Commission Secretary:
Circulated on 48 hour tally vote basis:

8-6-79, 10:42
8-6-79, 4:00

5
7
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1
5

August 6, 1979

MEMORANDUM TO: Marge Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 935

Please have the attached memo distributed to the Commission on a 48 hour tally basis.

Thank you.

19040144916



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

'9 AUG 6 AIO: 42

August 6, 1979

MEMORANDUM

TO: The Commission
FROM: William C. Oldaker
General Counsel
RE: MUR 935

On July 31, 1979, the Commission approved the proposed letters to Louis William Barnett, the complainant in MUR 935, Governor Brown, and Carlos Bustamante, the respondents. Commissioner Aikens has suggested that the letters to the respondents be changed to indicate that these letters are being sent in connection with the previously sent letters which told the respondents that there was no reason to believe a violations had occurred. Copies of the revised letters are attached herewith.

The Office of General Counsel recommends that the attached letters be sent to the respondents, Governor Brown and Mr. Bustamante instead of the letters which were attached to the General Counsel's Memorandum dated July 25, 1979.

Attachments

Proposed letters to Governor Brown and Mr. Bustamante

79040144917





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

In a letter to you dated June 12, 1979, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis William Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, California

RE: MUR 935

Dear Governor Brown:

In a letter to you dated June 12, 1979, we informed you that the Commission had received a complaint against you alleging certain violations of the Federal Election Campaign Act and that the Commission had determined that there is no reason to believe that a violation had occurred. Enclosed is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis Williams Barnett, the complainant this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 1, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
530 East Cypress Street
Glendale, California

RE: MUR 935

Dear Mr. Barnett:

We are in receipt of your letter dated June 22, 1979 regarding the dismissal of your complaint. Attached is a copy of the General Counsel's Report which was circulated to the Commissioners in their consideration of this matter.

As to what actions you may take to appeal the Commission's determination, section 437g(a)(9) of the Federal Election Campaign Act, as amended, outlines the course of actions open to you. A copy of the FECA has been enclosed for your information.

With respect to your requests under the Freedom of Information Act, we have enclosed a copy of the Commission's regulations regarding the Freedom of Information Act. Please note §4.7 of the regulations outlines certain requirements regarding requests for records. If you wish to re-submit your freedom of information request, please do so in accordance with the regulations. If you require any additional information from this office, please contact me.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report
Federal Election Campaign Act
Federal Election Commission Freedom of
Information Act Rules and Regulations



PS Form 3811, Apr 1977 RETURN RECEIPT REGISTERED AND CERTIFIED MAIL

MUX 935 - M. Brown

SENDER Complete items 1, 2, and 3. Add your address in the RETURN TO space on reverse.

1. The following service is requested (check one):
- Show to whom and date delivered _____¢
 - Show to whom, date, and address of delivery _____¢
 - RESTRICTED DELIVERY Show to whom and date delivered _____¢
 - RESTRICTED DELIVERY Show to whom, date, and address of delivery \$ _____ (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO
Louis William Barnett

3. ARTICLE DESCRIPTION

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	<i>943300</i>	

(Always obtain signature of addressee or agent)

I have received the article described above

SIGNATURE Addressee Authorized agent

Jane Barnett

4. DATE OF DELIVERY _____



5. ADDRESS: Complete only if requested

6. UNABLE TO DELIVER BECAUSE _____

CLERK'S INITIALS _____

79040144992

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
536 East Cypress Street
Glendale, California

RE: NDR 93B

Dear Mr. Barnett:

We are in receipt of your letter dated June 22, 1979 regarding the dismissal of your complaint. Attached is a copy of the General Counsel's Report which was circulated to the Commissioners in their consideration of this matter.

As to what actions you may take to appeal the Commission's determination, section 437g(a)(3) of the Federal Election Campaign Act, as amended, outlines the course of actions open to you. A copy of the FECA has been enclosed for your information.

With respect to your requests under the Freedom of Information Act, we have enclosed a copy of the Commission's regulations regarding the Freedom of Information Act. Please note §6.7 of the regulations outlines certain requirements regarding requests for records. If you wish to re-submit your freedom of information request, please do so in accordance with the regulations. If you require any additional information from this office, please contact us.

Sincerely,

William C. Oldaker
General Counsel

mb 8/1/79
Enclosure

First General Counsel's Report
Federal Election Campaign Act
Federal Election Commission Freedom of
Information Act Rules and Regulations

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Governor Edmund G. Brown, Jr) MUR 935
Carlos Bustamante)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify, that on July 31, 1979, the Commission approved, by a vote of 4-0, to send the letters attached to the General Counsel's Memorandum dated July 25, 1979 to the above-named respondents.

Voting for this determination were Commissioners Friedersdorf, Aikens, Tiernan and McGarry.

Attest:

7/31/79
Date

Lena L. Stafford
for Marjorie W. Emmons
Secretary to the Commission

Received by Commission Secretary's Office:
Circulated on 48 hour vote basis:

7-25-79, 11:02
7-25-79, 4:00

79040144923

2

July 25, 1979

MEMORANDUM TO: Marge Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 935

Please have the attached memo distributed to the Commission on a 48 hour tally basis.

Thank you.

79040144924



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

RECEIVED
FEDERAL ELECTION COMMISSION
SECRETARY

9 JUL 25 AM 11:02

July 25, 1979

MEMORANDUM

TO: The Commission
FROM: William Oldaker
General Counsel
RE: MUR 935

Attached is a letter from Louis William Barnett, the complainant in MUR 935. Mr. Barnett disagrees with the Commission's finding of no reason to believe in this matter, however he has provided no additional information which would warrant the Commission changing its finding.

Therefore, the Office of General Counsel recommends the sending of the following letters to Mr. Barnett and to the respondents, Governor Brown and Carlos Bustamante.

Attachments

- Letter from Mr. Barnett
- Proposed letters to Mr. Barnett, Governor Brown and Mr. Bustamante

79040144935



Louis Wm. Barnett
FEC

77. Brown
10408
MAY 85

June 22, 1979

'79 JUN 12 09

William C. Oldaker
General Counsel
Federal Election Commission
1325 K Street N. W.
Washington, D. C. 20463

902865

Dear Mr. Oldaker:

Your letter, to say the least, is unbelievable. I can only assume that no one there read my letter and complaint.

Your letter begins "The Commission has determined there is no reason to believe that Carlos Bustamante and Governor Brown have violated the Federal Election Campaign Act."

I sent you several newspaper accounts in which Mr. Bustamante admits, publicly, making such contributions as I specified in my complaint. Is it not a violation of Federal law for a foreign national to make political contributions in a campaign?

Mr. Oldaker, would you specifically advise me if a public statement (confession or admission) that a person has violated the law is insufficient cause for action by your Commission.

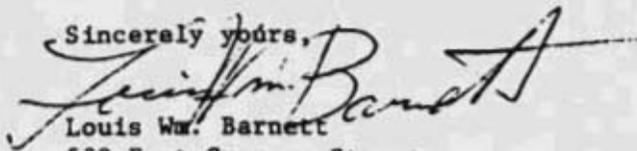
Next, I would request that you reopen your review of this matter.

Next, I would like to be advised of how and to whom I can appeal your decision not to investigate this matter.

Finally, under the Federal Freedom of Information Act I am requesting to know the names of each and every person who you or any other employee of the Federal Election Commission spoke with in connection with this matter. ..regardless of who initiated the communication. Likewise, under the Freedom of Information Act I would like to know what documents are available in your files (Federal Election Commission files) relative to this case and the names of any other Federal Agency who has or who you or other employees of the Federal Election Commission has reason to believe has files on this matter or files which could possibly relate to this matter.

Thank you.

Sincerely yours,



Louis Wm. Barnett
530 East Cypress Street
Glendale, California

79 JUN 26 P 2:18

RECEIVED
OFFICE OF THE
GENERAL COUNSEL

PS: Please note my new address for your files.

790401449336



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
530 East Cypress Street
Glendale, California

RE: MUR 935

Dear Mr. Barnett:

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With respect to your requests under the Freedom of Information Act, we have enclosed a copy of the Commission's regulations regarding the Freedom of Information Act. Please note §4.7 of the regulations outlines certain requirements regarding requests for records. If you wish to re-submit your freedom of information request, please do so in accordance with the regulations. If you require any additional information from this office, please contact me.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report
Federal Election Campaign Act
Federal Election Commission Freedom of
Information Act Rules and Regulations





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, CA

RE: MUR 935

Dear Governor Brown:

Attached is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis William Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

Attached is a copy of the General Counsel's Report which was submitted to the Commissioners for their consideration of this matter. A copy of the report has been sent to Mr. Louis William Barnett, the complainant in this matter, pursuant to a letter received from him.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

First General Counsel's Report



Louis Wm. Barnett
FEC ELECTION

935

CCC

10428

M. Brown
copy given 6-26

June 22, 1979

'79 JUL 12 09

William C. Oldaker
General Counsel
Federal Election Commission
1325 K Street N. W.
Washington, D. C. 20463

902885

Dear Mr. Oldaker:

Your letter, to say the least, is unbelievable. I can only assume that no one there read my letter and complaint.

Your letter begins "The Commission has determined there is no reason to believe that Carlos Bustamante and Governor Brown have violated the Federal Election Campaign Act."

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Thank you.

Sincerely yours,

Louis Wm. Barnett
530 East Cypress Street
Glendale, California

79 JUN 26 P 2:18

RECEIVED
GENERAL COUNSEL

PS: Please note my new address for your files.

RECEIVED

79040144930

Louis Wm. Barnett

~~XXXXXXXXXXXX~~
~~XXXXXXXXXXXX~~

530 East Cypress Street
Glendale, Calif. 91205



790401449

NOV 21 1962

CERTIFIED
P01 4135226
MAIL

William C. Olaker
General Counsel
Federal Election Commission
1325 K Street N. W.
Washington, D. C. 20463

**RETURN RECEIPT
REQUIRED**

PS Form 3811, Apr. 1972 RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

11111 935- M. Bustamante

● SENDER Complete items 1, 2, and 3
Add your address in the "RETURN TO" space on reverse

1. The following service is requested (check one):
 Show to whom and date delivered¢
 Show to whom, date, and address of delivery¢
 RESTRICTED DELIVERY
 Show to whom and date delivered¢
 RESTRICTED DELIVERY
 Show to whom, date, and address of delivery \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO
Carlos Bustamante

3. ARTICLE DESCRIPTION
 REGISTERED NO. CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above
 SIGNATURE Addressee Authorized agent
Carlos Bustamante

4. DATE OF DELIVERY
6/16/79

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE

CLERK'S INITIALS



mu 735 - M. Brown

PS Form 3811, Apr. 1977 RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

SENDER Complete items 1, 2, and 3
Add your address in the RETURN TO space on reverse

- 1 The following service is requested (check one)
- Show to whom and date delivered _____ €
 - Show to whom, date, and address of delivery _____ €
 - RESTRICTED DELIVERY
Show to whom and date delivered _____ €
 - RESTRICTED DELIVERY
Show to whom, date, and address of delivery \$ _____
(CONSULT POSTMASTER FOR FEES)

2 ARTICLE ADDRESSED TO
Louis William Barnett

3 ARTICLE DESCRIPTION
REGISTERED NO. CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above
SIGNATURE Addressee Authorized agent

4 *Jane Barnett*
DATE OF DELIVERY

5 ADDRESS Complete only if required

6 UNABLE TO DELIVER BECAUSE



MIA 995 - M. Brown

PS Form 3811, Apr 1977 RETURN RECEIPT REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1 The following service is requested (check one).
 Show to whom and date delivered €
 Show to whom, date, and address of delivery €
 RESTRICTED DELIVERY Show to whom and date delivered €
 RESTRICTED DELIVERY Show to whom, date, and address of delivery \$ (CONSULT POSTMASTER FOR FEES)

2 ARTICLE ADDRESSED TO
The Honorable Mr. Edmund G. Browning

3 ARTICLE DESCRIPTION
 REGISTERED NO. CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above
 SIGNATURE Addressee Authorized agent
J. M. [Signature]

4 DATE OF DELIVERY *6-19-79* POSTMARK


5 ADDRESS: Complete only if requested:

6 UNABLE TO DELIVER BECAUSE _____ CLERK'S INITIALS _____



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

June 12, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Governor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,,

William C. Oldaker
General Counsel

Enclosures
Complaint



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Garthmor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which is a policy matter the commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,

William C. Oldaker
General Counsel

Enclosures
Complaint

mf 6/11/79

79040144936



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

June 12, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
1715 North Catalina
Burbank, CA 91505

RE: MUR 935

Dear Mr. Barnett:

The Commission has determined there is no reason to believe that Carlos Bustamante and Governor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on your own belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions.

We appreciate your interest in helping to enforce the Federal Election Campaign Act. If you wish to submit further evidence, you may, of course, do so. Thank you for bringing this matter to the attention of the Commission.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. C. Oldaker".

William C. Oldaker
General Counsel



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
1715 North Catalina
Burbank, CA 91503

RE: MUR 935

Dear Mr. Barnett:

79040144938
The Commission has determined there is no reason to believe that Carlos Bustamante and Governor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on your own belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions.

We appreciate your interest in helping to enforce the Federal Election Campaign Act. If you wish to submit further evidence, you may, of course, do so. Thank you for bringing this matter to the attention of the Commission.

Sincerely,

William C. Oldaker
General Counsel

mb



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

June 12, 1979

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, CA

RE: MUR 935

Dear Governor Brown:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Carlos Bustamante have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,

William C. Oldaker
General Counsel

Enclosures
Complaint



940144939

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, CA

RE: MUR 933

Dear Governor Brown:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Carlos Bustamante have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy maker the Commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,

William C. Oldaker
General Counsel

Enclosures
Complaint

W.C.O.

7904014990

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Carlos Bustamante)
Jerry Brown)

MUR 935

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, certify that on June 5, 1979, the Commission, meeting in an executive session at which a quorum was present, took the following actions in the above-captioned matter:

1. Determined by a vote of 6-0 to adopt the recommendation of the General Counsel to find no reason to believe that Carlos Bustamante and Governor Jerry Brown have violated 2 U.S.C. §441e and send the letters attached to the General Counsel's May 29, 1979 report in this matter.
2. Determined by a vote of 4-2 to send a letter to the Justice Department advising them of our action in dismissing this complaint and further advising them that we understand their investigation is underway in the Justice Department, and requesting that they keep us advised of the status of this investigation.

Commissioners Aikens, Friedersdorf, McGarry, and Thomson voted affirmatively for this determination. Commissioners Harris and Tiernan dissented.

Attest:

6/8/79

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

79040144941



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE
FROM: MARJORIE W. EMMONS *MW EMMONS*
DATE: JUNE 1, 1979
SUBJECT: OBJECTION - MUR 935 - First General Counsel's
Report dated 5-29-79; Received in
OCS 5-29-79, 12:22

The above-named document was circulated on a 48 hour
vote basis at 4:30, May 29, 1979.

Commissioner Friedersdorf submitted an objection at
3:46, May 31, 1979, thereby placing MUR 935 on the
Executive Session Agenda for June 5, 1979.

79040144942

May 29, 1979

MEMORANDUM TO: Marge Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 935

Please have the attached First GC Report on
MUR 935 distributed to the Commission on a 48 hour
tally basis.

Thank you.

79040144943

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FIRST GENERAL COUNSEL'S REPORT

9 MAY 29 12:23
935

DATE AND TIME OF TRANSMITTAL
BY OGC TO THE COMMISSION MAY 29 1979

MUR #
DATE COMPLAINT RECEIVED
BY OGC 3-27-79

STAFF MEMBER M. Brown

COMPLAINANT'S NAME: Louis William Barnett

RESPONDENT'S NAME: Carlos Bustamante
Jerry Brown

RELEVANT STATUTE: 2 U.S.C. §441e

INTERNAL REPORTS CHECKED: Brown for President Committee

FEDERAL AGENCIES CHECKED: Federal Bureau of Investigation

SUMMARY OF ALLEGATIONS

It is alleged that Carlos Bustamante, a Mexican national, contributed to Governor Jerry Brown's campaign(s) and may have contributed to the campaign of Stephen S. Gillis for the California State Senate in 1972 in violation of 2 U.S.C. §441e. The complainant, Mr. Louis William Barnett, also requests an investigation of "all political contributions made by any firms controlled or influenced directly or indirectly by Mr. Carlos Bustamante to determine if additional contributions were made to other candidates due to Mr. Bustamante's efforts".

ANALYSIS

Attached to the complaint are copies of articles which appeared in the New York Times, the Los Angeles Herald Examiner and the Sacramento Bee. These articles focus on Governor Brown's 1974 campaign, alleging that Mr. Bustamante, as a foreign national, contributed to that campaign.^{1/} This could constitute a violation of 2 U.S.C. §441e.

^{1/} Mention is also made of a contribution allegedly made by Mr. Bustamante in 1972 to the campaign of Stephen Gillis. Mention is also made of a "token contribution" allegedly made by Mr. Bustamante to Governor Brown in 1978.

79040144944

The Office of General Counsel recommends that the Commission find no reason to believe that there has been a violation of the FECA for the following reasons:

1. The complaint is simply a referral of the news article. The complainant does not adopt the allegations in the new articles as his own.
2. The Commission has no extraneous evidence of the violation alleged in the complaint. There are, of course, no reports filed with the Commission in connection with Governor Brown's gubernatorial races. With respect to reports filed with the Commission in connection with Governor Brown's 1976 presidential campaign, there is no evidence of any contribution from Carlos Bustamante.
3. The focus of the complaint is the 1974 gubernatorial race. There is no specific evidence, either in the complaint or the newspaper articles, regarding post-1974 activity. In a recent case (Earl Brian, MUR 524) in which the only possible violations of the FECA had occurred in 1974, the Commission determined not to pursue the matter after considering the weight of the evidence, the seriousness of the violations, whether there were any continuing violations and the complexity of the legal issues involved. As a policy consideration, it was determined that the Commission scrutinize these criteria when deciding whether to act against a respondent for a violation which occurred before January 1, 1975. Similar policy considerations apply here. For this reason, although there is Commission precedent for closing the complaint but opening an internally generated MUR based on the newspaper articles on which a complaint is based (see MUR 438), this office does not recommend that action.

RECOMMENDATION

It is recommended that the Commission find that there is no reason to believe Carlos Bustamante and Governor Jerry Brown have violated 2 U.S.C. §441e. The attached letters should be sent.

Attachments

Complaint
Letters

79040144945

79040144946

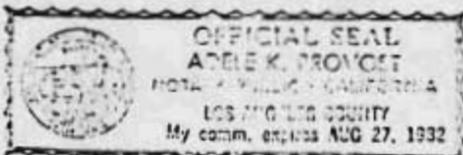
STATE OF CALIFORNIA,
COUNTY OF LOS ANGELES

ON March 22 1979,
before me, the undersigned, a Notary Public in and for said State, personally appeared

Louis William Barnett
known to me to be the
person, whose name subscribed to the within instrument,
and acknowledged to me that —he— executed the same.

WITNESS my hand and official seal.

Allen K. Provost
Notary Public in and for said State.



Louis Wm. Barnett

RECEIVED
FEDERAL ELECTION
COMMISSION
March 22, 1979

ACC+
9733

Mr. Lester N. Scall
Assistant General Counsel
Federal Election Commission
1325 "K" Street N. W.
Washington, D. C. 20463

79 MAR 27 AM 9:43

901765

Dear Mr. Scall:

According to a number of recent newspaper stories (see attached), Mr. Carlos Bustamante, a Mexican national, contributed funds to the campaign(s) of Governor Jerry Brown and may have contributed or have caused to be contributed funds to the campaign of Stephen S. Gillis for California State Senate in 1972. I believe that these contributions would be a violation of the Federal Election Commission Regulations, as set forth under Section 110.4 - Prohibited Contributions, Item (a) (1). This Section holds, in part, that "a foreign national shall not directly or through any other person make a contribution, or expressly or impliedly promise to make a contribution, in connection with a convention, caucus, primary, general, special, or runoff election in connection with any local, State or Federal public office".

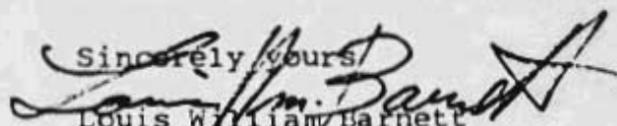
In making this complaint and requesting an immediate investigation of this matter I wish to state that I am doing so on my own and not at the request of any candidate.

In addition to investigating the above allegations - which I will note are based on the statements of Mr. Carlos Bustamante himself - I do also request that you review any and all political contributions made by any firms controlled or influenced directly or indirectly by Mr. Carlos Bustamante to determine if additional contributions were made to other candidates due to Mr. Bustamante's efforts and in violation of the above stated Section.

Should you feel that the statute of limitations has run out, I would request that you complete your investigation and then refer the matter for prosecution under the Racketeering Influenced Corrupt Organizations Act inasmuch as (1) there is such a Federal probe being conducted now in California and (2) there would appear to be the required "pattern of activity" necessary under RICO.

Thanking you in advance for your attention to this matter and I would also request notification to me of the results.

Sincerely yours


Louis William Barnett
1715 North Catalina
Burbank, California 91505
(213) 843-5761

Encl:

79040144997

Louis Wm. Burnett

-2-

PS: Allow me to point out to you that California State Law provides that "a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes." Chapter 4, Article 2, Section 84216 of the Political Reform Act of 1974 as amended. (See attached)

If the loans referenced in the attached articles were not repayed before January 7, 1975, they would be subject to the Political Reform Act of 1974.

79040144948

in a separate schedule and the foregoing information shall be stated in regard to the lender and any person who is liable directly, indirectly or contingently on the loan, together with the date and amount of the loan and, if the loan has been repaid, the date of repayment and by whom paid.

(h) The full name and street address of each person to whom an expenditure or expenditures totaling one hundred dollars (\$100) or more has been made, together with the amount of each separate expenditure to each person during the period covered by the campaign statement; a brief description of the consideration for which the expenditure was made; the full name and street address of the person providing the consideration for which any expenditure was made if different from the payee; and in the case of committees which are listed, the number assigned to each such committee by the Secretary of State or if no such number has been assigned, the full name and street address of the treasurer of the committee.

(i) In a campaign statement filed by a committee supporting or opposing more than one candidate or measure, the amount of expenditures for or against each candidate or measure during the period covered by the campaign statement and the cumulative amount of expenditures for or against each such candidate or measure.

(j) The full name, residential and business addresses and telephone numbers of the filer or, in the case of a campaign statement filed by a committee, the name, street address and telephone number of the committee and the treasurer's name, street address and telephone number.

(k) In a campaign statement filed by a candidate, the full name and street address of any committee, of which he has knowledge, which has received contributions or made expenditures on behalf of his candidacy, along with the full name, street address and telephone number of the treasurer of such committee.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84211. Consideration of Cumulative Amount. In order to determine for purposes of subdivisions (b), (c), (d), (e), (g) and (h) of Section 84210 whether one hundred dollars (\$100) has been contributed by or expended to a person, only those contributions and expenditures which are includable within the cumulative amount shall be considered.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84212. Candidates Who Receive and Spend \$200 or Less. Whenever any provision of this chapter requires the filing of a campaign statement by a candidate or officeholder, the candidate or officeholder may in lieu thereof file a statement signed under penalty of perjury that to the best of his knowledge not more than two hundred dollars (\$200) has been received or expended on behalf of or in support of his candidacy.

History: Amended by Stats. 1975, Ch. 915, effective September 20, 1975, operative January 7, 1975.

84213. Consolidated Statements; Candidates and Committees. (a) A candidate and any committee or committees which he controls may file

consolidated campaign statements under this chapter.

(b) Two or more committees which act jointly in support of or in opposition to any candidate or measure may file consolidated campaign statements under this chapter.

History: Amended by Stats. 1978, Ch. 1106, effective January 1, 1977.

84214. Late Contributions; Reports. (a) Each candidate or committee who makes or receives a late contribution shall report the late contribution to each office with which that candidate or committee is required to file a campaign statement for the election. The candidate or committee who makes the late contribution shall report his full name and street address, and the full name and street address of the person to whom the late contribution has been made, and the date and amount of the late contribution. The recipient of the late contribution shall report his full name and street address, and the full name, street address, occupation, and the name of the employer, if any, or the principal place of business, if self-employed, of the contributor, and the date and amount of the late contribution.

(b) A late contribution shall be reported by telegram or personal delivery within 48 hours of the time it is made in the case of the candidate or committee who makes the contribution and within 48 hours of the time it is received in the case of the recipient. A late contribution shall be reported on subsequent campaign statements without regard to reports filed pursuant to this section.

History: Repealed and re-enacted as amended by Stats. 1977, Ch. 344, effective August 20, 1977.

84215. Combination of Pre-election and Semi-annual Statements. The commission may by regulation permit candidates and committees to file campaign statements combining preelection statements and semiannual statements.

History: Added by Stats. 1978, Ch. 1408, effective October 1, 1978.

84216. Loans. For purposes of this chapter, a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes. A loan which is not a contribution, but which is used by a candidate or committee for political purposes, shall be reported in the manner described in Section 84210.

History: Added by Stats. 1977, Ch. 1119, effective January 1, 1978.

Article 3. Prohibitions § 84300 - 84305

- § 84300. Cash Contributions.
- § 84301. Contributions Made Under Legal Name.
- § 84302. Contributions by Intermediary or Agent.
- § 84303. Expenditure by Agent or Independent Contractor.
- § 84304. Anonymous Contributions.
- § 84305. Requirements for Mass Mailing.

Mexican Link

Brown Wants US Probe Of Charges

By JEFF RAIMUNDO
Bee Staff Writer

SAN DIEGO — Gov. Brown Wednesday demanded a federal investigation into reports linking him to a Mexican industrialist under investigation in Mexico and San Diego.

The governor's counterattack against the potentially damaging reports was aimed at clearing away any question about his relationship with Carlos Bustamante, a prominent political financier in Mexico as well as San Diego and part of a family that owns power companies in Baja California.

Recent stories in the New York Times, and distributed by its news service, asserted Bustamante acted as an intermediary between Brown, Baja California Norte Gov. Roberto de la Madrid and Mexican President Jose Lopez Portillo in discussions of

potential Mexican gas sales to California.

Brown made the demand in a statement to reporters before delivering a speech to the California Council of Growers at the Hotel del Coronado.

The governor hinted that political motivation underlay leaks of information to the New York Times.

"I not only invite, I demand that the investigative agencies of the FBI and the federal government take prompt action, not leak stories to Eastern journalists.

"If we could only get an investigation," he sighed, "what we have right now is a very interesting ploy — leak information, distort facts and have no investigation."

Brown said he had no idea who leaked the information, but when pressed to state that he did not believe President Carter was involved, Brown said, "I wouldn't say that."

Brown added that the New York Times articles seemed to be an attempt to detract from his effort "to wake up the American people to the urgent crisis facing this nation because of our neglect of Mexico. And all of these stories with their misconstrued conclusions will not deter me even a little bit.

"If certain individuals are reaping improper benefits, that's a matter for the federal government and the government of Mexico to work out. But I am not going to tell the president of Mexico who he should invite into meetings and who he should not."

The articles said that Bustamante had loaned the Brown campaign \$20,000 during the governor's first bid for the office in 1974.

"That loan was paid back promptly," Brown insisted. "Those people could have ascertained that. The information now coming out is a direct

result of the political reform act that I authored. The law is working fine, just as I intended."

Brown said Bustamante was only one of "literally tens of thousands of people" who have contributed to his campaigns and otherwise has no connection with the governor.

In his speech to the growers, Brown attempted to repair a relationship that deteriorated during his first term in office, largely because of Brown's backing of the Agricultural Labor Relations Act which facilitated unionization of farm laborers.

He pleased his audience by committing himself to continued development of the California Water Project, further research by the University of California into mechanization of farm labor and active encouragement of foreign trade, particularly through a "North American Common Market."

"All the News
That's Fit to Print"

The New York Times

BURBANK PUBLIC LIBRARY

THE WEATHER

Metropolitan area: Partly cloudy to day and tonight. Partly sunny tomorrow. Temperature range: today 33-39, yesterday 45-52. Details on page 13.

VOL. CXXVII No. 44,153

EST. 1857

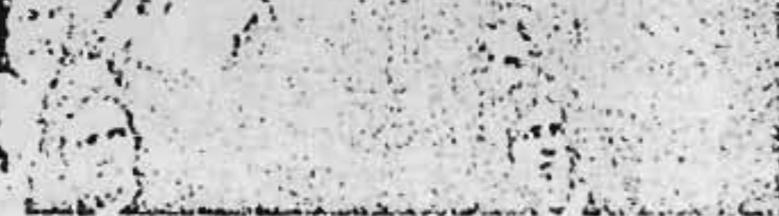
— NEW YORK, SUNDAY, MARCH 11, 1979 —

U.S. PRINTING OFFICE: 1978 O-287-700

85 CENTS

Iranian Women

Mullahs Demand



A mullah, Moslem religious leader, attempting to calm protesters in Teheran.

thought over business problems, fatally shot two people and wounded four before killing himself. Page 33

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Gov. Brown Supporting Projects That Aid a Mexican Contributor

By JEFF GERTH

Gov. Edw. G. Brown Jr. of California is attempting to persuade Mexico to sell its energy products to California companies, but in the process has been leading the way to projects that would benefit Carlos Bustamante, a Mexican friend who has contributed heavily to the governor's campaign. Mr. Bustamante and other Mexicans, aides, state.

of the gas utility companies have a strong financial interest. The Bustamantes have wealth and political influence on both sides of the border, and they are recognized as vital middlemen and partners with American individuals and companies doing business in Mexico. Some of the relationships with Bustamante other than Governor Brown's include...

Continued on Page 41, Column 1

Study Says Trade Pact Could Hurt Northeast

By CLYDE H. FARNSWORTH

WASHINGTON, March 10 — An authoritative research arm of Congress has concluded that a liberalized world trade agreement being negotiated in Geneva would bring "significant rewards" to the United States but would result in lost jobs in the nation's manufacturing areas of the Northeast.

The analysis was made by the Congressional Budget Office, which is charged with making impartial examinations of economic issues that come before the legislators. For the first time, a systematic fashion, it weighed the advantages and disadvantages for the nation of such a liberal trade pact.

Over all, the study forecast "significant rewards," including reduced and lower programs, more efficient production and lower export markets. But in the region, liberalization of markets, the Southern States and Middle Western areas would rise at the expense of the Northeast, it said. And certain areas would be especially harmed and thousands of manufacturing jobs would be lost, it said.

The report, published today by the

Continued on Page 15, Column 1

PRESIDENT IN ISRAEL

Carried explosive implications for South African domestic politics and for the country's relations with the major Western powers.

The 44-year-old Mr. Khondie, in self-exile in Europe, did not say that the bribery plan was carried out and did not name any people as having been targets of the campaign. But his remarks seemed likely to give rise to investigations by the

said Mr. Vorster that he wanted him to approve "a propaganda war in which the rules or regulations would count." The paper said Mr. Khondie explained that it meant that "we must be able to buy."

"If it was necessary for me to purchase a suit or a mink coat for an editor's wife, I should be able to do so. If it is necessary to send a man on holiday to

Continued on Page 15, Column 1

Plan for a Taiwan-China Meeting Reported by Olympic Committee

By SAMUEL AELI

LAUSANNE, Switzerland, March 10 — The International Olympic Committee announced here today that both China and Taiwan had agreed to meet to discuss what the committee president characterized as "the Chinese problem, the Chinese situation" of membership in the Olympic movement.

Until today, when a delegation from Peking met with the Olympic committee's executive board, China had not agreed to such talks. It had asked instead for the honor of Taiwan, China quit the Olympic movement in 1975 and has been seeking to return it since 1975.

There was no confirmation from Peking on whether the proposed talks would be held. They would be the first post contacts between representatives of Peking and Taipei governments.

The committee president, Lord Killiney, said that an Olympic delegation headed by Chinese S. G. Peng had been that visited Peking and Taipei last year had been told by the Taiwan committee "that it was prepared to take part in such talks."

The Chinese delegation today told the Taiwan committee by coming to Lausanne.

Continued on Page 15, Column 1

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Gov. Brown Supporting Energy Projects That Would Aid Mexican Contributor

Continued From Page 1

Federal grand jury investigation in San Diego.

And the Federal Bureau of Investigation is conducting a separate preliminary investigation into allegations that Mr. Brown's 1974 campaign for Governor failed to report large Bustamante contributions, according to law enforcement officials.

The State of California has no authority to regulate a natural gas transaction unless it has the approval of several Federal agencies. Governor Brown decided his meetings with the Mexican officials as an effort to call attention to the failure of the Carter Administration to negotiate an energy program with Mexico.

President Carter, who met with President Lopez Portillo in Mexico last month, has said there is no urgency on the Mexican side. Mr. Brown has said that the issue of a Carter agreement with Mexico would be a key issue should he challenge the Federal election in 1980.

Deals With Brown Associates

Gov. Brown would not discuss his relationship with the Bustamantes, but Greg Davis, his chief of staff, said there was "the slightest connection" between the Governor's actions and the interests of the Bustamantes.

The Bustamantes are involved in Mexican oil and gas deals with close associates of Mr. Brown, including his father, former Gov. Edmund G. Brown Sr., according to people involved in the transactions. Gov. Brown has publicly disavowed any connection to his father's business deals. His father and his father's associates have contributed sizable sums to the campaign.

Before Gov. Brown's first meeting with Mr. Lopez Portillo, in April 1977, Mr. Brown issued statements on oil and gas issues that mentioned Mexico. At a meeting in Tijuana, Mr. Brown publicly requested the sale of Mexican gas to California for the first time.

Mr. Brown and Mr. Lopez Portillo met in Tijuana last week. City and County officials of Mr. Brown's cabinet, including Mr. Davis, chairman of the



Gov. Edmund G. Brown Jr. leaving hotel in Tijuana with President Jose Lopez Portillo of Mexico last October after one of several meetings the California leader has had with Mexican officials.

Mexico because transportation costs for both would be reduced, according to Mr. Maullin, who is leading the negotiations.

The deal, if refined, will lower the Bustamantes' gas costs, but the exact amount is subject to negotiations currently taking place between Mr. Bustamante and Mexican officials. Mr. Bustamante says these negotiations have put to his knowledge, been directly offered by Mr. Brown's efforts to bring closer California oil to the market.

Personal Relationship Described
Mr. Maullin described Mr. Brown's oil

friend of the Bustamantes, first remembered a fund-raising discussion he had with Mr. Bustamante in San Diego in 1974 this way:

"Carlos said, 'In interests of I'll help

some more.' Out of that came a large contribution, between \$10,000 to \$15,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I don't recall any more."

In a subsequent interview, after checking campaign records, Mr. Maullin said he had been mistaken about the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$20,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form is listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other repaid loans on that schedule, such as \$25,000 from Governor Brown's father, show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Mr. Bustamante. And the records give three different San Diego addresses as his residence, although he lives in Tijuana, according to Mr. Gillis.

Some of Mr. Bustamante's associates say he gave large sums of money — more than \$25,000 — to the Brown campaign in 1974 and a token amount in 1975.

There is no listing of a Bustamante contribution in the 1978 Brown campaign records. And Mr. Wilson said, "Carlos helped Jerry a lot financially in 1974. He gave me a little lip service in 1978."

Allegations of \$10,000 Gift

The F.B.I., in an investigation of California politics, has received several allegations from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$40,000 to the 1974 Brown campaign, according to law enforcement officials.

One of the allegations, which reportedly included details about principals in the transactions, is said to be unreported contributions to gas and oil deals benefiting the Bustamantes.

The Bustamantes are figuring prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a



Carlos Bustamante

Louisiana group seeking contracts for oil drilling and welding. It was brought to the Bustamantes by Mr. Wilson, another close associate of Pat Brown, according to Mr. Wilson and others in the deal.

Mr. Wilson says that the elder Mr. Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making.

A California utility executive, who asked not to be identified by name, says top Mexican oil officials have told him that they could not sell gas to the State of California and were therefore pursuing all the trips of Brown officials to Mexico.

Tomorrow: The Bustamantes' relationships with American businesses.



SPRING SPECIAL
Ladies

Mr. Brown and Mr. Lopez Portillo met twice last year, in Mexico City and Tijuana, at the invitation of Mr. Brown's cabinet, said Richard Maulin, chairman of the California Energy Commission, has held other meetings with Mexican officials. Most of the gatherings concerned energy issues.

Some of the official meetings about energy were arranged by Carlos Bustamante and Roberto de la Madrid, Governor of Baja California Norte, Mr. Bustamante says. Mr. Bustamante attended some of the meetings, the only non-government person present, according to participants.

Energy Exploration Discussed

At last meetings, Governor Brown and his aides sought to encourage a flow of Mexico's energy products to California companies through, for example, the exploration and development of gas resources in Baja California.

At the same time, Mr. Bustamante was telling California companies how, for a fee, he could help them get Mexican gas and power, according to gas company executives and Mr. Bustamante.

Governor Brown said after a January 1976 meeting that he had asked President Lopez Portillo to support a power plant project in Baja California that could provide power for the San Diego Gas and Electric Company.

Mr. Bustamante, the only nonofficial at that meeting, was then under contract to San Diego Gas and Electric to secure the approval of the Mexican government for the power plant project, according to documents on file with the California Public Utilities Commission. The Bustamantes received more than \$100,000 from the utility to make contact with and entertain Mexican officials.

In addition, the Bustamantes were principals in a proposed financing arrangement for the project.

The utility rejected the financing proposal in 1976 because it could be a "vehicle for improper payments," according to Gordon Pearce, legal counsel and vice president for the San Diego utility.

Mr. Bustamante stood to make considerably more than \$100,000 under the original proposal, according to Mr. Pearce. "We always suspected the Bustamantes would ultimately build the plant and that it would be on their land," he said. "They were betting on the come."

Role Called 'Not Usual'

Richard T. Silberman, California's Director of Finance, a former business associate of Mr. Bustamante, was asked if the Governor knew of the Bustamante interest, which was not public knowledge until several months after the January meeting.

Mr. Silberman replied, "It was general knowledge that Carlos Bustamante and others were going to be the principals who arranged the financing and building of the power plant. I don't know what the Governor knew at that time."

Mr. Maulin, who attended many of the Mexican meetings, said Mr. Bustamante's role in the discussions was "not usual" and that the businessman was present at the invitation of the Mexican government because of his role in that nation's economic development.

Mr. Maulin minimized Mr. Bustamante's part in arranging the meetings; he said they were handled by Gov. De la Madrid, though he acknowledged having to call Mr. Bustamante to reach the Baja California Governor.

San Diego Gas has shelved the Baja project since complications arose in Mexico City and Washington — 12 United States agencies were involved in approving the project. It is now working, without the Bustamantes, on a more modest proposal to interconnect its transmission lines with those of Mexico's national electrical utility.

The Brown Administration is currently promoting another project, one that would enable the Bustamantes, among others, to get cheaper gas for their industries.

Under this plan, California oil producers would sell crude oil to a refinery planned for Baja that would supply, among other products, butane and propane for the Bustamantes' utility companies. As part of the complicated deal, Gulf Coast refiners in the United States would get oil from southern Mexico in exchange.

The deal, which must be approved by the United States and Mexican authorities, would be economically advantageous to California oil producers and

June 9 0 4 0 1 4 4 9 5 3

Personal Relationship Described

Mr. Maulin described Mr. Brown's oil policy as diplomatically correct and economically advantageous for California. And he said he believed the Brown-Bustamante relationship was official, not personal.

But other associates of Mr. Brown say it is a personal relationship.

Woody Wilson, a Los Angeles businessman who has been involved politically and personally with the Brown family since 1950 and who is a close associate of the Bustamante family, said Governor Brown has been a frequent guest of the Bustamantes.

"Jerry goes down to Tijuana, he stays at Carlos's house. I was there," Mr. Wilson said. "You know how frugal he is, he doesn't like to pay for a hotel."

Mr. Bustamante, in several interviews, minimized his involvement with Governor Brown's official policies and said he gave campaign money to the Governor simply because they were "personal friends."

The wealth of the Bustamante family — Alfonso Sr., 64 years old, and his two sons, Alfonso Jr., 32, and Carlos, 34 — exceeds \$200 million according to a business associate, and includes real estate, construction, hotels and 10 utility companies that distribute propane and butane gas, the sole source of cooking and heating fuel for most of the residents of Baja California.

Influence of 'a Few Friends'

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million and their "influence is just a few friends." Gov. De la Madrid and President Lopez Portillo among them.

Mr. Bustamante was financial director for Mr. de la Madrid's successful campaigns for Senator and Governor in 1976 and 1977, and Mr. de la Madrid was administrative director of Mr. Lopez Portillo's 1976 campaign.

The Bustamantes were not a visible force in American politics until 1972, when, Mr. Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego lawyer, Stephen S. Gillis.

Mr. Gillis, a longtime friend and personal attorney for Mr. Bustamante, says he reported the contribution, although Gillis campaign records show no Bustamante gifts or loans.

Mr. Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and Mr. Bustamante were active in Mr. Brown's 1974 campaign for Governor. Mr. Gillis said that he helped Mr. Brown get better acquainted with Mr. Bustamante at fund-raisers in San Diego, that he and Mr. Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Mr. Brown.

Edward T. Butler, who was later appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Mr. Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he recalled. "Gillis said they sometimes handed the money personally to Brown."

Mr. Butler said he and other campaign officials were opposed to taking money from foreign interests, like the Bustamantes, even though it was legal if properly reported.

Contradictory Recollections

Mr. Bustamante said he attended Brown fund-raising affairs in San Diego, Los Angeles and San Francisco in 1974. Asked for details on his contributions, he said "Steve Gillis handled all the contributions. Steve said, 'Let's go to the dinners, Jerry's going to be there.'" Asked about his private meetings with Mr. Brown after the dinners, Mr. Bustamante said: "Well, we had known him before."

Later in the same interview, Mr. Bustamante gave a different explanation of his involvement in the Brown campaign. He said, "I just bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Mr. Bustamante said that he lent the 1974 campaign \$20,000 and bought \$1,000 in dinner tickets because Mr. Brown was a friend but that he was not involved in the 1976 election campaign.

Mr. Maulin, who was in charge of finances for the 1974 campaign, said a

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W A R M I L L I E F O O T D O O N D O L A N A

are wealthy. I grew up with them.

Look, they pay me this money. I'm not going to say to these studios, which are multi-national corporations, "Don't pay me so much money." They'll just go and waste it on something. So give it to me. I will take as much money as they are going to give me. How I spend it is another thing — that's been well publicized, too. I put my money where my mouth is, as my father says.

Q Have you done any pictures in the last few years just to make money to fund your political activities?

A: Even if we were completely broke and desperate, I would never make a movie. I don't think, just for money. I mean, "California Suite,"

it took two weeks to do. I made a lot of money. I didn't like it. I enjoyed it, but I thought I could do better, which I think we did in doing.

"Electric Horseman," the movie I'm doing now with Robert Redford is a romantic comedy. I like movies that are pure entertainment from time to time — as long as they are not insulting to us as an audience. I hate degradation or blood-curdling cynicism. That I can not

(Continued on Page A-10, Col. 1)

Bustamante Interests Scrutinized

By JEFF GERTH

Los Angeles Times Staff Writer

NEW YORK — The wealth of the Bustamante family — Alfonso Sr., 64 years old, and his two sons, Alfonso Jr., 35, and Carlos, 34 — exceeds \$200 million, according to a business associate, and includes real estate, construction, hotels and 10 utility companies that distribute propane and butane gas, the sole source of cooking or heating fuel for most of the residents of Baja California.

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million. "Their influence is just a few friends," Roberto de la Madrid, governor of Baja California Norte, and President Jose Lopez Portillo among them.

Bustamante was financial director for De la Madrid's successful campaign for senator and governor in 1974 and 1977, and De la Madrid was administrative director

This is the second article in a series on Gov. Brown's Mexican connection

of Lopez Portillo's 1976 campaign.

The Bustamantes were not a visible force in American politics until 1972, when Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego attorney, Stephen S. Gillis.

Gillis, a longtime friend and personal attorney for Bustamante, says he reported the contribution, although Gillis' campaign records show no Bustamante contributions.

Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and Bustamante were active in Edmund G. Brown Jr.'s successful 1974 campaign for governor. Gillis said that he helped Brown get better acquainted with Bustamante at fund-raising in San Diego, that he and Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Brown.

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appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he said. "Gillis said they sometimes handed the money personally to Brown."

Butler said he and other campaign officials were opposed to taking money from foreign interests even though it was legal if properly reported.

Bustamante said he attended Brown fund-raisers in San Diego, Los Angeles and San Francisco in 1974. Asked for details on his contributions, he said, "Steve Gillis handled all the contributions. Steve said, 'Let's go to the dinners. Jerry's going to be there.'" Asked about his private meetings with Brown after the dinners, Bustamante said, "Well, we had known him before."

In the same interview, Bustamante said of his involvement in the Brown campaign, "I just

bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Bustamante said that he lent the 1974 campaign \$20,000 and bought 5,000 dinner tickets because Brown was a friend but that he was not involved in the 1976 re-election campaign.

Richard Maullin, chairman of the California Energy Commission who was in charge of finances for the 1974 campaign and a friend of the Bustamantes, first remembered a fundraising discussion he had with Bustamante in San Diego in 1974 the way:

"Carlos said, 'I'm interested. I'll help some more.' Out of that came a large contribution, between \$10,000 and \$20,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I can't recall any loans."

In a subsequent interview, after checking campaign records, Maullin said he had been mistaken about (Continued on Page A-7, Col. 2)

Following the shooting, police explained, two suspects fled in the unidentified woman's car with her purse, authorities added.

One 15-year-old suspect, who was not identified, was captured a short time later, police reported.

Mrs. Williams said she had been in the market for only a few minutes, and that when she came out, she noticed her son was not in the car.

"I saw a large crowd gathered in a circle and I went over there by instinct because I really don't go over to crowds," Mrs. Williams explained.

"When I got over there, I looked down and saw him with the two bullet holes," she added.

Mrs. Williams said she tried to give her son artificial respiration and then ran into the market screaming for help.

Williams' brother, Terry, a general merchandise manager at the market, came out and began working frantically on his brother.

"I started pumping his stomach while someone called the paramedics," Williams explained.

Paramedics arrived quickly and transported Williams to the hospital where he died a short time later.

Williams' final heroic act was typical of him, according to his mother.

(Continued on Page A-7, Col. 2)

NEWS FOCUS

Paranoia: Experts Divided on Its Origins

Inside Today

... not the enemy, and ...

... controlled ...

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Iranian oil starts flowing to the United States again, supplies of gasoline this summer and heating oil next winter will be tight — and consumers can expect no relief from the upward spiral in fuel prices.

That appears to be the consensus of government, congressional and oil-industry energy experts as the Senate embarks on what is being billed as "the first real examination" of the nation's latest energy crunch.

How much of the current shortage of gasoline and heating oil is due to the Iranian cutoff?

Very little, claim oil industry officials, who say that lack of U.S. refinery capacity — and not the loss of Iranian oil — is the main reason why Americans will find it more and more difficult to obtain gasoline, especially unleaded, and heating oil in the months ahead.

"A lot of us are wondering how we're going to heat the Northeast next winter," said Bob Baldwin, president of the Gulf Oil Refining Co.

And Energy Secretary James R. Schlesinger has said that while the nation can probably ride out the Iranian crisis, the turmoil there is just one more warning signal that "the day of reckoning" for U.S. energy policy is drawing near.

Schlesinger was to be the leadoff witness today at hearings scheduled by the Senate Energy Committee.

"Even if Iran resumes production of 3 to 4 million barrels a day, we will still have shortages," said the panel chairman, Sen. Henry M. Jackson (D-Wash.), in a prepared opening statement.

Jackson called the hearings "the first real examination, from A to Z, of the entire situation."

Jackson, in a television interview program yesterday, predicted the short supplies and skyrocketing oil prices will produce a deep American recession, with the inflation rate and bank interest rates shooting up. In a separate televised interview, Sen. George S. McGovern called on President Carter to fire Schlesinger, whose policies, McGovern said, have been "disastrous."

But the price of unleaded gasoline may be the least of U.S. motorists' worries. Getting it may be a far greater concern, predicted Gulf official Baldwin in a meeting with energy reporters prior to today's Senate hearing.

He also said there is a "very

with the price of unleaded gasoline in the United States has been reached," Baldwin said.

He said U.S. refineries can't produce enough unleaded gasoline to meet increasing demands and that motorists should begin experiencing difficulties in obtaining it.

BROWN

(Continued from Page A-1)

the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$20,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form is listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other repaid loans on that schedule, such as \$20,000 from Brown's father, former California Gov. Edmund G. Brown Sr., show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Bustamante. And the records give three different San Diego addresses as his residence, although he lives in Tijuana, according to Gilles.

Some of Bustamante's associates say he gave large sums of money — more than \$20,000 — to the Brown campaign in 1974 and a token amount in 1976.

There is no listing of a Bustamante contribution in the 1978 Brown campaign records. And Woody Wilson, a Los Angeles businessman and friend of the Brown family said, "Carlos helped Jerry a lot financially in 1974. He gave just a little lip service in 1978."

The Federal Bureau of Investigation, in an investigation of California politics, has received several allegations from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$50,000 to the 1974



GOV. EDMUND G. BROWN JR. Was he "handed the money"?

One of the allegations, which reportedly include details about principally in the transactions, is said to be unreported contributions

AIDE TO BROWN DENIES CHARGES ON BUSTAMANTE

A spokesman for Gov. Edmund G. Brown Jr. on Saturday denied that there has been any wrongdoing on the part of the governor or his aides in their relationship with a former campaign contributor who has a strong financial interest in Mexican gas utility companies.

Gray Davis, Brown's chief of staff, commented on a story in yesterday's New York Times that said the governor has proposed energy projects with the Mexican government that would benefit Carlos Bustamante. The Times identified Bustamante, a Mexican, as a friend of Brown's and a contributor to his 1974 campaign.

Davis confirmed that Bustamante had loaned the 1974 campaign \$20,000 but said that loan had been repaid entirely. Davis added that Bustamante had not contributed to Brown's 1976 campaign for president or his 1978 re-election campaign.

Davis said it was true, as the Times reported, that Bustamante had participated in "possibly two meetings" between California officials and Mexican President Jose Lopez Portillo on the subject of natural gas.

The Bustamantes are featuring prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a Louisiana supply contract for oil refining and welding gas

in a report that the prospect of future oil shortages poses a serious threat to Americans' reliance on cars as their primary means of transportation.

The report, released Saturday, said cars alone account for about 30 percent of current U.S. oil demand. If there was a serious or



CARLOS BUSTAMANTE "Just a few friends"

of Pat Brown, according to Wilson and others in the deal.

Wilson says that the elder Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making. Another close associate and Brown financial backer with whom the Bustamantes are involved is David Karr.

Karr, an American investment banker based in Paris, described a \$12 million commercial fishing deal he and Bustamante are putting together in Baja. They are also

energy would reduce oil and fuel consumption, the report said.

The study also said serious problems with automobile transportation will increase throughout the century, despite expected improvements in fuel efficiency, pollution control and safety.

Karr contributed to Brown's campaigns in 1976 and 1978 and helped organize a 1977 Van Ness Street fund-raiser for Brown, according to Richard T. Silberman, California director of finance and former business associate of Bustamante.

Silberman, before joining the Brown administration, was a San Diego businessman who headed a bank that Bustamante says he owned stock in and borrowed money from. And Silberman said he introduced Karr to Bustamante in 1977.

Karr spoke of his close relationship with Brown:

"Jerry Brown's a good friend of mine. I campaigned with him in the states when he ran for president in 1976. I carried his bags for him."

Of Brown's oil policy, Karr said "he tried to get the Mexican government to drill for natural gas in Baja. He talked with Bustamante about that."

Mexico's nationalized oil company, Pemex, has turned down the Brown proposal, favoring gas exploration in a region more promising than Baja.

A California utility executive who asked not to be identified by name, said top Mexican officials have told him that they could not sell gas to the state of California and were therefore puzzled by all the trips of Brown officials to Mexico.

Joseph Briscoe, the governor of Texas until recently and, like Brown, a Democrat, said he had had no discussions with Mexican officials about energy, even though he was opposed to Carter's approach and even though Texas gas companies were negotiating with the Mexicans.

Briscoe said he felt energy was entirely a matter between the

79040144956

I don't think special — just a five-year-old mutt with shaggy, sand hair.
But Taffy is lovable, so lovable that for the past few months the dog has been the object — the prize

and didn't end until a daughter caused her mother to be locked up in jail.
As the family tells it, the fight for Taffy began late last year when, following her divorce, Flora McGan-

mother welcomed her daughter, who arrived with many of her household possessions, plus her two children, John 9, and Patty, 7, and Taffy.
But after a few weeks the two

one more in October, the fighting became so bad that police were called and they escorted the daughter and her children from Mrs. Hughes' Rolling Hills home. The daughter left everything else behind, including Taffy.

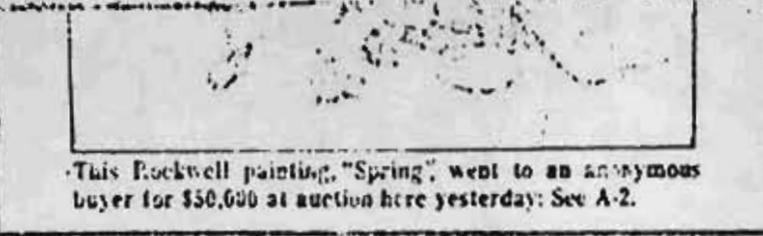
Eye — Mrs. ... wanted the dog back as a gift present for her children ... ex-husband, with whom she reunited, called the Hughes to ask for the animal.
(Continued on Page A-11, Col. 1)

LOS ANGELES

HERALD EXAMINER

8 STAR
Noon Stock
TUESDAY

Stormy Weather
Stewarts and shape of their ...
(Continued on Page A-6, Col. 1)



This Rockwell painting, "Spring," went to an anonymous buyer for \$50,000 at auction here yesterday; See A-2.

There are other things, for example, the interview. The interview is very important, but ...
(Continued on Page A-6, Col. 1)

on the Carter compromise, said in Israel that if the cabinet did not approve them, "it would be the duty of the government to resign."
He predicted that a treaty would be signed this month, possibly within the next week or two, if his Cabinet and the Knesset approves a draft accord.
"Still we have to deal with certain

debate in both the Cabinet and Knesset, stressing that Israel is a democratic country.
Carter said he and Begin had narrowed the remaining issues in a breakfast meeting today.
These issues were believed to be Israel's desire for Sinai oil, Egypt's desire for liaison officials to supervise Palestinian self rule in the Gaza

Mid-east nation, and before his upbeat statement at Tel Aviv's Ben Gurion airport the mood of Carter party was gloomy.
But at Ben Gurion Carter vowed that negotiations would continue and said, "There are fewer differences than when I first arrived. All those few differences which ..."
(Continued on Page A-4, Col. 2)

NEWS FOCUS

Bustamante Ties to California Firms Probed

Gov. Brown's Mexican Connection: Part III

The third in a series of articles.
By JEFF GERTH
SAN FRANCISCO (AP) — The dealings of two California companies with a powerful Mexican family are being investigated by U.S. government officials. In one case, alleged kickbacks of more than \$10 million are being investigated by a grand jury, according to law enforcement officials.
The California cases under investigation and legal problem U.S. businessmen or their companies participate in Mexico's petroleum economic growth

To what extent, if at all, should they deal with unofficial but well-connected middlemen who offer political access to officials of the Mexican government?
The grand jury investigation involves the family of Alfonso Bustamante Sr. The Bustamantes have large business holdings in the Mexican border state of Baja California Norte and close links to the state's governor, Roberto de la Madrid. In addition, according to public documents, the family has made sizable investments in California in recent years and has befriended California politicians.
Sunday, The New York Times reported on the relationship

between the Bustamantes and Gov. Brown of California. Brown, a national political figure and probable opponent to the Democratic Party's presidential nomination, has received campaign contributions from one of the Bustamantes and has advocated energy projects advantageous to Bustamante business interests.
Carlos Bustamante, one of Alfonso's two sons, has said that no need exists any longer for unofficial go-betweens. He would be duped or bribed to promote trade development council at the request of the

Baja governor, De la Madrid. According to Bustamante the trade council offers free honor between foreign businessmen and Mexican officials.
Some American businessmen seeking Mexican contracts, however, that their deals are made through the Bustamantes personally and do not involve the trade council. One American group that sought offshore drilling contracts from the Mexican government was personally introduced to key government officials by Carlos Bustamante.

A federal grand jury in San Diego is currently investigating payments made to the Bustamantes by Petrolane Inc., a Long Beach petroleum-products company, which is the main supplier of propane and butane gas to Bustamante utility companies in Baja.
In 1977, Petrolane, whose stock is traded on the New York Stock Exchange, reported to the Securities and Exchange Commission that it had related almost \$7 million to Bustamante controlled companies between 1971 and 1976 in the course of selling them gas. In recent years, Petrolane has sold about \$10 million a year in gas to the Bustamante
(Continued on Page A-6, Col. 1)

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(Continued from Page A-1)

companies between 1971 and 1976 in the course of selling them gas. In recent years, Petrolane has sold about \$10 million a year of gas to the Bustamante companies. According to Petrolane, the payments, which were made from 1961 through 1976, were made at the Bustamantes' request.

Law enforcement officials contend that the transactions were structured to give the Bustamante gas companies invoices showing they paid \$1 for a certain volume of Petrolane gas products, when in fact the price was only about 85 cents. The difference allegedly went into the Bustamantes' personal bank accounts as a kickback.

In a recent interview, Carlos Bustamante said in an interview that his family's gas companies had been checked by Mexican officials and found to be in compliance with Mexican law.

Law enforcement officials also say they have found a pattern of transactions that leads them to conclude that the payments did not stop in 1976. Officials say Petrolane's invoices show that most of the company's gas sales to the Bustamante companies since 1976 have been handled through a new company, Petrogas, which is based in the office of Carlos Bustamante's personal attorney in San Diego.

In addition, they say they have found that more than \$4 million in unexplained deposits have flowed since 1976 into the same Bustamante bank accounts that had received the alleged Petrolane kickbacks in the past.

Carlos Bustamante, in an interview earlier this month, contended that the \$4 million had come from the sale of "Petrolane stock and other stocks."

In a previous interview, Bustamante had disclaimed any knowledge of Petrogas. Subsequently, he identified it as a Netherlands Antilles company that his family had set up to act as a broker in gas sales between Petrolane and the Bustamante gas companies.

Rudy J. Munzer, chairman and chief executive officer of Petrolane, said in an interview that his company's questionable payments to the Bustamantes were "unusual, if not out and out illegal."

Carlos Bustamante originally labeled the payments as "bureaucratic mistakes. It's just errors we made. There's been mistakes all along." Subsequently, in response to published reports of kickbacks, Bustamante issued a statement that neither his family nor their companies had ever received any illegal payments or kickbacks.

The Bustamante family is also helping Petrolane sell its services in Mexico. According to Munzer of Petrolane, the Bustamantes had set up meetings for Petrolane executives with Mexican officials, including De la Madrid of Baja, to assist Petrolane in selling services, such as directional drilling technology, to the Mexican government.

Notwithstanding his expressed misgivings about the payment, Munzer defended his company's reliance on the Bustamantes.

"They are influential," he said. "We have to sell our expertise. We have to get the doors open for us. They have the prestige and position to do it."

Petrolane will eventually lose the Bustamante gas companies as customers because of the Mexican government's insistence that local utility companies buy gas in Mexico. According to Woody Wilson, an American business associate of the Bustamantes, Petrolane is now relying on the Bustamantes to help persuade Mexican officials to sell Mexican gas to Petrolane.

Petrolane will be buying propane from Mexico; it will be cheaper for them than bringing it from Indonesia.

Wilson said the Bustamantes may have had conversations on this. It's a secret. There could be a connection soon."

Another California energy company attempting to do business in Mexico chose to sever its relationship with the Bustamantes after some questionable dealings.

The San Diego Gas and Electric Co., a publicly traded utility, had the Bustamantes in a contract in 1977 and 1978 to help it secure the approval of Mexican officials for the construction of a Baja power plant that would sell power across the border to the San Diego company.

The utility company's executives expressly required that any expenditures made to secure Mexican approval had to comply with the Foreign Corrupt Practices Act, which prohibits American companies from paying foreign officials, directly or indirectly, to secure business.

Last year, as part of the power plant project, the Bustamantes and their associates proposed a complicated financing arrangement. According to Gordon Pearce, vice president and legal counsel for the utility, the plan was rejected because it could have been a "vehicle for improper payments."

SDG&E terminated its relationship with the Bustamantes last year, and it is proceeding on a smaller-scale project involving linkage of existing power lines across the border without the assistance of Mexican middlemen.

While they were under contract to SDG&E, the Bustamantes received more than \$100,000 in consulting fees and expenses for entertaining Mexican officials.

According to law enforcement officials, the United States Customs Service is currently investigating whether any of the San Diego utility's funds or Petrolane payments were taken across the border by the Bustamantes in cash or its equivalent without being reported as the law requires.

The Bank Secrecy Act requires that cash in amounts larger than \$5,000 taken outside the country be reported to the Treasury Department.

Carlos Bustamante declined to comment on the handling of the SDG&E funds that he received.

Bustamante said that at present, when he received foreign groups seeking to do business in Mexico, he did so under the auspices of the trade development council. Bustamante said he functioned on an "introductory level," offering his services at no charge.

Bustamante handled De la Madrid's campaign finances in 1976 and 1977 and still maintains a joint bank account in their names.

"Carlos has set up so many different things, I can't keep them all straight," said Wilson, who is involved with a Louisiana group seeking Mexican oil contracts through the Bustamantes.

Bustamante said he could not remember the names of any American corporations now using the trade council.

Some Americans disagree with the assumption that one needs intermediaries to get business done in Mexico. A California utility executive said that the use of middlemen, such as the Bustamantes, ultimately did more harm than good, adding that his company had had productive discussions directly with Mexican oil officials.

A Justice Department official familiar with Mexican business practices agreed that it was possible to do business in Mexico without improper payments or middlemen. He said, however, that contracts might be awarded to less honest bidders and contended that this constituted an unfair advantage that conceivably could violate American antitrust statutes.



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FEDERAL ELECTION COMMISSION

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis William Barnett
1715 North Catalina
Burbank, CA 91505

RE: MUR 935

Dear Mr. Barnett:

The Commission has determined there is no reason to believe that Carlos Bustamante and Governor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on your own belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions.

We appreciate your interest in helping to enforce the Federal Election Campaign Act. If you wish to submit further evidence, you may, of course, do so. Thank you for bringing this matter to the attention of the Commission.

Sincerely,

William C. Oldaker
General Counsel



7 0 4 0 1 4 4 9 5 8



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, CA

RE: MUR 935

Dear Governor Brown:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Carlos Bustamante have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,

William C. Oldaker
General Counsel

Enclosures
Complaint



91440144959



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

I am forwarding for your information the enclosed complaint which was received by the Commission.

The Commission has determined there is no reason to believe that you or Governor Brown have violated the Federal Election Campaign Act. The reason for the Commission's determination is that the allegations of the complaint, which are based on the news articles accompanying the complaint, are not indicated as based on the complainant's belief and knowledge. A further consideration is that, if the allegations should be as alleged, the contributions would appear to have occurred in 1972 and 1974. This time period presents possible procedural problems which as a policy matter the Commission would not want to pursue without strong evidence of subsequent contributions. Accordingly the Commission intends to close its file on this matter.

Sincerely,

William C. Oldaker
General Counsel

Enclosures
Complaint





FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE
FROM: MARJORIE W. EMMONS
DATE: APRIL 26, 1979
SUBJECT: MUR 935 - First General Counsel's Report
dated 4-25-79; Received in OCS
4-25-79, 9:22
OBJECTION

The above-named document was circulated on a
48 hour vote basis at 12:00, April 25, 1979.

Commissioner Harris submitted an objection at 2:06,
April 25, 1979, thereby placing MUR 935 on the Executive
Session Agenda for May 3, 1979.

79040144961

April 25, 1979

MEMORANDUM TO: Marge Emmons
FROM: Jane Colgrove
SUBJECT: MUR 935

Please have the attached First General Counsel's
Report on MUR 935 distributed to the Commission on a
48 hour tally basis.

Thank you.

79040144962

FEDERAL ELECTION COMMISSION

FIRST GENERAL COUNSEL'S OFFICE

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

DATE AND TIME OF TRANSMITTAL
BY OGC TO COMMISSION APR 25 1979

79 APR 25 1979
DATE RECEIVED
BY OGC

STAFF MEMBER(S) M. Brown

COMPLAINANT'S NAME: Louis William Barnett

RESPONDENT'S NAME: Carlos Bustamante
Jerry Brown

RELEVANT STATUTE: 2 U.S.C. § 441e

INTERNAL REPORTS CHECKED: None

FEDERAL AGENCIES CHECKED: None

SUMMARY OF ALLEGATIONS

It is alleged that Carlos Bustamante, a Mexican national, contributed to Governor Jerry Brown's campaign and may have contributed to the campaign of Stephen S. Gillis for the California State Senate in 1977 in violation of 2 U.S.C. § 441e. The complainant, Mr. Louis William Barnett, also requests an investigation of "all political contributions made by any firms controlled or influenced directly or indirectly by Mr. Carlos Bustamante to determine if additional contributions were made to other candidates due to Mr. Bustamante's efforts."

EVIDENCE

Attached to the complaint are copies of articles which appeared in the New York Times, the Los Angeles Herald Examiner, and the Sacramento Bee. According to these articles, the reports filed in Sacramento in 1974 by Brown's campaign committee show a \$20,000 loan from Mr. Bustamante which was deposited on October 11, 1974. The loan was reported on another report as having been repaid, however, the date of repayment is not listed. The article states further that the reports show \$2,000 in contributions from Mr. Bustamante in 1974. Mr. Bustamante is quoted from an interview in which he said that he lent \$20,000 during the 1974 campaign and bought dinner tickets in the amount of \$800. The articles state that the Federal Bureau of Investigation is investigating allegations that large contributions from Mr. Bustamante to Governor Brown's campaign in 1974 were not reported.

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According to Mr. Bustamante, he contributed to the unsuccessful state senatorial campaign of Stephen S. Gillis in 1972. Mr. Gillis said that he reported the contribution but the article states that the campaign records do not show any contributions or loans from Mr. Bustamante.

ANALYSIS

The evidence presented in the complaint and in the newspaper articles accompanying the complaint focus on Brown's 1974 campaign. The only allegation of a possible violation after 1974 contained in the newspaper article is that associates of Mr. Bustamante say he gave a "token amount" to Governor Brown's 1978 campaign. However, the article goes on to state that there were no contributions from Mr. Bustamante listed in the reports.

Because the complaint refers to the "campaign(s)" of Governor Brown and since the newspaper articles which form the basis of the complaint refer to Brown's 1978 as well as his 1974 campaign, the scope of the complaint appears to include post-1974 activity. Should an investigation demonstrate that there were no post-1974 contributions from Bustamante to Brown, the Commission may wish to take no action based on policy considerations similar to those in the Earl Brian case (MUR 524). An investigation appears necessary, however, in order to ascertain whether or not there were post-1974 contributions. Since, according to the newspaper articles, the FBI is investigating this matter, we are recommending that an investigation be commenced by sending the attached letter to the FBI.

2 U.S.C. §431e not only prohibits a foreign national from making a contribution to a political campaign but also prohibits any person from soliciting, accepting or receiving any such contribution from a foreign national. For this reason, we are recommending a finding of reason to believe against both Bustamante and Brown. With respect to Stephen S. Gillis, we are making no recommendation since the allegation concerning Mr. Gillis pertains solely to a 1972 campaign and, due to the limitation on our resources, we would not recommend persuing that allegation.

RECOMMENDATION

1. Find reason to believe that Carlos Bustamante and Jerry Brown are in violation of 2 U.S.C. §441e.
2. Issue an Order for Carlos Bustamante.
3. Send the attached letters and questions.

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Attachments

1. Copy of the Complaint
2. Letter to the FBI
3. Letters and Questions for the Respondents (2)
4. Authorization to Issue an Order
5. Order

79040144965

79040144966

STATE OF CALIFORNIA,

COUNTY OF LOS ANGELES

§.

ON March 22, 1979,
before me, the undersigned, a Notary Public in and for said State, personally appeared

Louis Wallace Barnett

known to me to be the
person whose name is subscribed to the within Instrument,
and acknowledged to me that he executed the same.

WITNESS my hand and official seal.



Apple K. Provost
Notary Public in and for said State.

ATTACHMENT I

Louis Wm. Barnett

RECEIVED
FEDERAL ELECTION
COMMISSION
March 22, 1979

9733

Mr. Lester N. Scall
Assistant General Counsel
Federal Election Commission
1325 "K" Street N. W.
Washington, D. C. 20463

79 MAR 27 AM 9:43

901765

Dear Mr. Scall:

79040144967

According to a number of recent newspaper stories (see attached), Mr. Carlos Bustamante, a Mexican national, contributed funds to the campaign(s) of Governor Jerry Brown and may have contributed or have caused to be contributed funds to the campaign of Stephen S. Gillis for California State Senate in 1972. I believe that these contributions would be a violation of the Federal Election Commission Regulations, as set forth under Section 110.4 - Prohibited Contributions, Item (a) (1). This Section holds, in part, that "a foreign national shall not directly or through any other person make a contribution, or expressly or impliedly promise to make a contribution, in connection with a convention, caucus, primary, general, special, or runoff election in connection with any local, State or Federal public office".

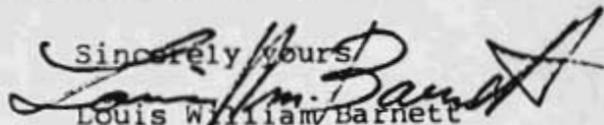
In making this complaint and requesting an immediate investigation of this matter I wish to state that I am doing so on my own and not at the request of any candidate.

In addition to investigating the above allegations - which I will note are based on the statements of Mr. Carlos Bustamante himself - I do also request that you review any and all political contributions made by any firms controled or influenced directly or indirectly by Mr. Carlos Bustamante to determine if additional contributions were made to other candidates due to Mr. Bustamante's efforts and in violation of the above stated Section.

Should you feel that the statute of limitations has run out, I would request that you complete your investigation and then refer the matter for prosecution under the Racketeering Influenced Corrupt Organizations Act inasmuch as (1) there is such a Federal probe being conducted now in California and (2) there would appear to be the required "pattern of activity" necessary under RICO.

Thanking you in advance for your attention to this matter and I would also request notification to me of the results.

Sincerely yours,



Louis William Barnett
1715 North Catalina
Burbank, California 91505
(213) 843-5761

Encl:

PS: Allow me to point out to you that California State Law provides that "a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes." Chapter 4, Article 2, Section 84216 of the Political Reform Act of 1974 as amended. (See attached)

If the loans referenced in the attached articles were not repayed before January 7, 1975, they would be subject to the Political Reform Act of 1974.

790401444966

a separate schedule and the foregoing information shall be stated in regard to the lender and any person who is liable directly, indirectly or contingently on the loan, together with the date and amount of the loan paid, if the loan has been repaid, the date of repayment and by whom paid.

(h) The full name and street address of each person to whom an expenditure or expenditures totaling one hundred dollars (\$100) or more has been made, together with the amount of each separate expenditure of each person during the period covered by the campaign statement; a brief description of the consideration for which the expenditure was made; the full name and street address of the person providing the consideration for which any expenditure was made if different from the name; and in the case of committees which are listed, the number assigned to each such committee by the Secretary of State or if no such number has been assigned, the full name and street address of the treasurer of the committee.

(i) In a campaign statement filed by a committee supporting or opposing more than one candidate or measure, the amount of expenditures for or against each candidate or measure during the period covered by the campaign statement and the cumulative amount of expenditures for or against each candidate or measure.

(j) The full name, residential and business addresses and telephone numbers of the filer or, in the case of a campaign statement filed by a committee, the name, street address and telephone number of the committee and the treasurer's name, street address and telephone number.

(k) In a campaign statement filed by a candidate, the full name and street address of any committee, of which he has knowledge, which has received contributions or made expenditures on behalf of his candidacy, along with the full name, street address and telephone number of the treasurer of such committee.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84211. Consideration of Cumulative Amount. In order to determine the purposes of subdivisions (b), (c), (d), (e), (g) and (h) of Section 84210 whether one hundred dollars (\$100) has been contributed by or expended by a person, only those contributions and expenditures which are included within the cumulative amount shall be considered.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84212. Candidates Who Receive and Spend \$200 or Less. Whenever any provision of this chapter requires the filing of a campaign statement by a candidate or officeholder, the candidate or officeholder may in lieu thereof file a statement signed under penalty of perjury that to the best of his knowledge not more than two hundred dollars (\$200) has been received or expended on behalf of or in support of his candidacy.

History: Amended by Stats. 1975, Ch. 915, effective September 20, 1975, operative January 7, 1975.

84213. Consolidated Statements; Candidates and Committees. (a) A candidate and any committee or committees which he controls may file

consolidated campaign statements under this chapter.

(b) Two or more committees which act jointly in support of or in opposition to any candidate or measure may file consolidated campaign statements under this chapter.

History: Amended by Stats. 1976, Ch. 1106, effective January 1, 1977.

84214. Late Contributions; Reports. (a) Each candidate or committee who makes or receives a late contribution shall report the late contribution to each office with which that candidate or committee is required to file a campaign statement for the election. The candidate or committee who makes the late contribution shall report his full name and street address, and the full name and street address of the person to whom the late contribution has been made, and the date and amount of the late contribution. The recipient of the late contribution shall report his full name and street address, and the full name, street address, occupation, and the name of the employer, if any, or the principal place of business, if self-employed, of the contributor, and the date and amount of the late contribution.

(b) A late contribution shall be reported by telegram or personal delivery within 48 hours of the time it is made in the case of the candidate or committee who makes the contribution and within 48 hours of the time it is received in the case of the recipient. A late contribution shall be reported on subsequent campaign statements without regard to reports filed pursuant to this section.

History: Repealed and re-enacted as amended by Stats. 1977, Ch. 344, effective August 20, 1977.

84215. Combination of Pre-election and Semi-annual Statements. The commission may by regulation permit candidates and committees to file campaign statements combining preelection statements and semiannual statements.

History: Added by Stats. 1978, Ch. 1408, effective October 1, 1978.

84216. Loans. For purposes of this chapter, a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes. A loan which is not a contribution, but which is used by a candidate or committee for political purposes, shall be reported in the manner described in Section 84210.

History: Added by Stats. 1977, Ch. 1119, effective January 1, 1978.

Article 3. Prohibitions § 84300 - 84305

- § 84300. Cash Contributions.
- § 84301. Contributions Made Under Legal Name.
- § 84302. Contributions by Intermediary or Agent.
- § 84303. Expenditure by Agent or Independent Contractor.
- § 84304. Anonymous Contributions.
- § 84305. Requirements for Mass Mailing.

Mexican Link

Brown Wants US Probe Of Charges

By JEFF RAIMUNDO
Bee Staff Writer

SAN DIEGO — Gov. Brown Wednesday demanded a federal investigation into reports linking him to a Mexican industrialist under investigation in Mexico and San Diego.

The governor's counterattack against the potentially damaging reports was aimed at clearing away any question about his relationship with Carlos Bustamante, a prominent political financier in Mexico as well as San Diego and part of a family that owns power companies in Baja California.

Recent stories in the New York Times, and distributed by its news service, asserted Bustamante acted as an intermediary between Brown, Baja California Norte Gov. Roberto de la Madrid and Mexican President Jose Lopez Portillo in discussions of

potential Mexican gas sales to California.

Brown made the demand in a statement to reporters before delivering a speech to the California Council of Growers at the Hotel del Coronado.

The governor hinted that political motivation underlay leaks of information to the New York Times.

"I not only invite, I demand that the investigative agencies of the FBI and the federal government take prompt action, not leak stories to Eastern journalists.

"If we could only get an investigation," he sighed, "what we have right now is a very interesting ploy — leak information, distort facts and have no investigation."

Brown said he had no idea who leaked the information, but when pressed to state that he did not believe President Carter was involved, Brown said, "I wouldn't say that."

Brown added that the New York Times articles seemed to be an attempt to detract from his effort "to wake up the American people to the urgent crisis facing this nation because of our neglect of Mexico. And all of these stories with their misconstrued conclusions will not deter me even a little bit.

"If certain individuals are reaping improper benefits, that's a matter for the federal government and the government of Mexico to work out. But I am not going to tell the president of Mexico who he should invite into meetings and who he should not."

The articles said that Bustamante had loaned the Brown campaign \$20,000 during the governor's first bid for the office in 1974.

"That loan was paid back promptly," Brown insisted. "Those people could have ascertained that. The information now coming out is a direct

result of the political reform act that I authored. The law is working fine, just as I intended."

Brown said Bustamante was only one of "literally tens of thousands of people" who have contributed to his campaigns and otherwise has no connection with the governor.

In his speech to the growers, Brown attempted to repair a relationship that deteriorated during his first term in office, largely because of Brown's backing of the Agricultural Labor Relations Act which facilitated unionization of farm laborers.

He pleased his audience by committing himself to continued development of the California Water Project, further research by the University of California into mechanization of farm labor and active encouragement of foreign trade, particularly through a "North American Common Market."

Metropolitan area: Partly cloudy to lay and tonight. Partly sunny tomorrow. Temperature range: today 33-39, yesterday 43-52. Details on page 31.

The New York Times

"All the News That's Fit to Print"

VOL. CXXVII No. 44,153

Published by The New York Times Company

— NEW YORK, SUNDAY, MARCH 11, 1979 —

Published by The New York Times Company

85 CENTS

Iranian Women

Mullahs to Distribute



A mullah, Moslem religious leader, attempting to calm protesters in Teheran

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Study Says Trade Pact Could Hurt Northeast

By CLYDE H. FARNSWORTH

WASHINGTON, March 10 — An authoritative research arm of Congress has concluded that a liberalized world trade agreement, being negotiated in Geneva, would bring "significant rewards" to the United States but would result in lost jobs in the urban manufacturing areas of the Northeast.

The analysis was made by the Congressional Budget Office, which is charged with making impartial examinations of economic issues that come before the legislature. For the first time in a systematic fashion, it weighed the advantages and disadvantages for the nation of such a liberal trade pact.

Over all, the study foresaw "significant rewards" including reduced inflationary pressures, more efficient production and a larger export market. But it also noted a distribution of benefits. The Southeast, Western and Middle Western areas would gain at the expense of the Northeast, said Andrew Young, director of minority work for the House.

The report, published today, says the

Continued on Page 15, Column 1

PRESIDENT IN ISRAEL

Today's issue of the New York Times carried explosive implications for South African domestic politics and for the country's relations with the major Western powers.

The 44-year-old Mr. Rhodie, in self-exile in Europe, did not say that the bribery plan was carried out and did not name any people as having been targets of the campaign. But his remarks seemed likely to give rise to investigations by the

said Mr. Vorster that he wanted him to approve "a propaganda war in which the rules or regulations would count." The paper said Mr. Rhodie explained that he meant that "we must be able to bribe."

"If it was necessary for me to purchase a sable coat or a mink coat for an editor's wife, I should be able to do so. If it is necessary to send a man on half-day to"

Continued on Page 15, Column 1

Gov. Brown Supporting Projects That Aid a Mexican Contributor

By JEFF GURTH

Gov. Edward G. Brown Jr. of California, attempting to persuade Mexico to sell its energy products to California companies, has in the process been leading the weights of his office to proposed projects that would benefit Carlos Bustamante, a Mexican friend who has contributed to his campaign. In an interview with Mr. Bustamante and other Brown aides, state officials have been courting Mexican officials, including President Jose Lopez Portillo, with the behind-the-scenes aid of Mr. Bustamante. Some of the projects that have been proposed to talk with the Mexican president include a \$100-million project to build a pipeline from the Gulf of Mexico to California.

of 1 gas utility companies have a strong financial interest.

The Bustamantes have wealth and political influence on both sides of the border, and they are emerging as vital middlemen and partners with American individuals and companies doing business in Mexico.

Some of the relationships with Mr. Bustamante other than Governor Brown's are in line with a California energy products company that has been in a partnership with the state. The company is a subsidiary of the state-owned California Gas Co. and is a partner in the state-owned California Gas Co. and is a partner in the state-owned California Gas Co.

Continued on Page 1, Column 1

Plan for a Taiwan-China Meeting Reported by Olympic Committee

By SAMUEL A. H.

LAUSANNE, Switzerland, March 10 — The International Olympic Committee announced here today that both China and Taiwan had agreed to meet to discuss what the committee president characterized as "the Chinese problem, the Chinese puzzle" of membership in the Olympic movement.

Until today, when a delegation from Peking met with the Olympic committee's executive board, China had not agreed to such talks. It had asked instead for the matter of Taiwan, China quit the Olympic movement in 1955 and has been seeking to rejoin it since 1975.

There was no confirmation from Peking on whether the proposed talks would be held. They would be the first public contacts between representatives of Peking and Taipei governments.

The committee president, Lord Killanin, said that an Olympic movement founded by C. Larne S. Cross in 1902 had that visited Peking and Taiwan a year had been told by the Taiwan committee "that it was prepared to take part in round-table talks."

The Chinese delegation today told the Taiwanese to come to Peking to discuss the matter.

Continued on Page 16, Column 1

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Gov. Brown Supporting Energy Projects That Would Aid Mexican Contributor

Continued From Page 1

Federal grand jury investigation in San Diego.

And the Federal Bureau of Investigation is conducting a separate preliminary investigation into allegations that Mr. Brown's 1974 campaign for Governor failed to report large Bustamante contributions, according to law enforcement officials.

The State of California has no authority to regulate natural gas from a foreign country. Any private transaction would have to have the approval of several State agencies. Governor Brown denied his dealings with the Mexican officials as an effort to call attention to the failure of the Carter Administration to initiate an energy program with Mexico.

President Carter, who met with President Lopez Portillo in Mexico last month, has said there is no urgency on the Mexican side of the question. Mr. Brown has said that a lack of a Carter agreement with Mexico would be a key issue should he challenge the President in 1980.

Deals With Brown Associates

Mr. Brown would not discuss his relationship with the Bustamantes, but David, his chief of staff, said there was "the slightest connection" between the Governor's actions and the interests of the Bustamantes.

The Bustamantes are involved in Mexican oil and gas deals with close associates of Mr. Brown, including his father, former Gov. Edmund G. Brown Sr., according to people in the transactions. Mr. Brown has publicly disavowed any relationship with his father's business interests and his father's asserted sizable sums to his father's campaign.

Before Governor Brown's first meeting with Mr. Lopez Portillo in April 1977, he made statements on oil and gas deals in Mexico. At a meeting in San Diego, Mr. Brown publicly requested the sale of Mexican gas to California for the first time.

Mr. Brown and Mr. Lopez Portillo met in Mexico City and Tijuana. The presence of Mr. Brown's chief of staff, David Maullin, chairman of the



Gov. Edmund G. Brown Jr. leaving hotel in Tijuana with President José López Portillo of Mexico last October after one of several meetings the California leader has had with Mexican officials.

Mexico because transportation costs for both would be reduced, according to Mr. Maullin, who is leading the negotiations.

The East refinery will lower the Bustamantes' gas costs, but the exact amount is subject to negotiations currently taking place between Mr. Bustamante and Mexican officials. Mr. Bustamante says those negotiations have not, to his knowledge, been directly affected by Mr. Brown's efforts to bring the oil from California to the refinery.

Personal Relationship Described

Mr. Maullin described Mr. Brown's relationship with the Bustamantes as a "personal friendship."

friend of the Bustamantes, first remembered a fund-raising discussion he had with Mr. Bustamante in San Diego in 1974 in this way:

"Carlos said, 'In interest, I'll help

some more.' Out of that came a large contribution, between \$10,000 to \$20,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I can't remember the date."

In a subsequent interview, after checking campaign records, Mr. Maullin said he had been mistaken about the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$22,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form is listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other rapid loans on that schedule, such as \$20,000 from Governor Brown's father, show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Mr. Bustamante. And the records give three different San Diego addresses as his residences, although he lives in Tijuana, according to Mr. Gillis.

Some of Mr. Bustamante's associates say he gave large sums of money — more than \$25,000 — to the Brown campaign in 1973 and a token amount in 1974.

There is no listing of a Bustamante contribution in the 1974 Brown campaign records. And Mr. Wilson said, "Carlos helped Jerry a lot financially in 1974. He gave me a little lip service in 1978."

Allegations of \$40,000 Gift

The F.B.I., in an investigation of California politics, has received several allegations from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$40,000 to the 1974 Brown campaign, according to law enforcement officials.

One of the allegations, which reportedly include details about principals in the transaction, is said to be unreported contributions to gas and oil deals benefiting the Bustamantes.

The Bustamantes are figuring prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a



Carlos Bustamante

Louisiana group seeking contracts for oil drilling and welding. It was brought to the Bustamantes by Mr. Wilson, another close associate of Carlos, according to Mr. Wilson and others in the deal.

Mr. Wilson says that the elder Mr. Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making.

A California utility executive, who asked not to be identified by name, said top Mexican oil officials have told him that they could not sell gas to the state of California and were therefore puzzled by all the trips of Brown officials to Mexico.

Tomorrow: The Bustamantes' relationships with American businessmen.



SPRING SPECIAL
Indies

twice last year, in Mexico City and Tijuana, and members of Mr. Brown's cabinet, such as Richard Mauldin, chairman of the California Energy Commission, have had other meetings with Mexican officials. Most of the gatherings concerned energy issues.

Some of the official meetings about energy were arranged by Carlos Bustamante and Roberto de la Madrid, Governor of Baja California Norte, Mr. Bustamante says. Mr. Bustamante attended some of the meetings, the only non-government person present, according to participants.

Energy Relation Discussed

At the meetings, Governor Brown and his aides sought to encourage a flow of Mexico's energy products to California companies through, for example, the exploration and development of gas resources in Baja California.

At the same time, Mr. Bustamante was telling California companies how, for a fee, he could help them get Mexican gas and power, according to gas company executives and Mr. Bustamante.

Governor Brown said after a January 1978 meeting that he had asked President Lopez Portillo to support a power plant project in Baja California that could provide power for the San Diego Gas and Electric Company.

Mr. Bustamante, the only nonofficial at that meeting, was then under contract to San Diego Gas and Electric to secure the approval of the Mexican government for the power plant project, according to documents on file with the California Public Utilities Commission. The Bustamantes received more than \$100,000 from the utility to make contact with and entertain Mexican officials.

In addition, the Bustamantes were principals in a proposed financing arrangement for the project.

The utility rejected the financing proposal in 1976 because it could be a "vehicle for improper payments," according to Gordon Pearce, legal counsel and vice president for the San Diego utility.

Mr. Bustamante stood to make considerably more than \$100,000 under the original proposal, according to Mr. Pearce. "We always suspected the Bustamantes would ultimately build the plant and that it would be on their land," he said. "They were betting on the come."

Role Called 'Not Usual'

Richard T. Silberman, California's Director of Finance, a former business associate of Mr. Bustamante, was asked if the Governor knew of the Bustamante interest, which was not public knowledge until several months after the January meeting.

Mr. Silberman replied, "It was general knowledge that Carlos Bustamante and others were going to be the principals who arranged the financing and building of the power plant. I don't know what the Governor knew at that time."

Mr. Mauldin, who attended many of the Mexican meetings, said Mr. Bustamante's role in the discussions was "not usual" and that the businessman was present at the invitation of the Mexican government because of his role in that nation's economic development.

Mr. Mauldin minimized Mr. Bustamante's part in arranging the meetings; he said they were handled by Gov. De la Madrid, though he acknowledged having to call Mr. Bustamante to reach the Baja California Governor.

San Diego Gas has shelved the Baja project since complications arose in Mexico City and Washington — 12 United States agencies were involved in approving the project. It is now working, without the Bustamantes, on a more modest proposal to interconnect its transmission lines with those of Mexico's national electric utility.

The Brown Administration is currently promoting another project, one that would enable the Bustamantes, among others, to get cheaper gas for their industries.

Under this plan, California oil producers would sell crude oil to a refinery planned for Baja that would supply, among other products, butane and propane for the Bustamantes' utility companies. As part of the complicated oil deal, Gulf Coast refiners in the United States would get oil from southern Mexico in exchange.

The deal, which must be approved by the United States and Mexican authorities, would be economically advantageous to California oil producers and

Personal Relationship Described

Mr. Mauldin described Mr. Brown's oil policy as diplomatically correct and economically advantageous for California. And he said he believed the Brown-Bustamante relationship was official, not personal.

But other associates of Mr. Brown say it is a personal relationship.

Woody Wilson, a Los Angeles businessman who has been involved politically and personally with the Brown family since 1950 and who is a close associate of the Bustamante family, said Governor Brown has been a frequent guest of the Bustamantes.

"Jerry goes down to Tijuana, he stays at Carlos's house. I was there," Mr. Wilson said. "You know how frugal he is, he doesn't like to pay for a hotel."

Mr. Bustamante, in several interviews, minimized his involvement with Governor Brown's official policies and said he gave campaign money to the Governor simply because they were personal friends.

The wealth of the Bustamante family — Alfonso Sr., 64 — is old, and his two sons, Alfonso Jr., 32, and Carlos, 31 — exceeds \$200 million according to a business associate, and includes real estate, construction, hotels and utility companies that distribute propane and butane gas, the sole source of cooking and heating fuel for most of the residents of Baja California.

Influence of 'a Few Friends'

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million and their "influence is just a few friends," Gov. De la Madrid and President Lopez Portillo among them.

Mr. Bustamante was financial director for Mr. de la Madrid's successful campaigns for Senator and Governor in 1976 and 1977, and Mr. de la Madrid was administrative director of Mr. Lopez Portillo's 1976 campaign.

The Bustamantes were not a visible force in American politics until 1972, when Mr. Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego lawyer, Stephen S. Gillis.

Mr. Gillis, a longtime friend and personal attorney for Mr. Bustamante, says he reported the contribution, although Gillis campaign records show no Bustamante gifts or loans.

Mr. Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and Mr. Bustamante were active in Mr. Brown's 1974 campaign for Governor. Mr. Gillis said that he helped Mr. Brown get letter acquainted with Mr. Bustamante at fund-raisers in San Diego, that he and Mr. Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Mr. Brown.

Edward T. Butler, who was later appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Mr. Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he recalled. "Gillis said they sometimes handed the money personally to Brown."

Mr. Butler said he and other campaign officials were opposed to taking money from foreign interests, like the Bustamantes, even though it was legal if properly reported.

Contradictory Recollections

Mr. Bustamante said he attended Brown fund-raising affairs in San Diego, Los Angeles and San Francisco in 1974. Asked for details on his contributions, he said "Steve Gillis handled all the contributions." Steve said, "Let's go to the dinners, Jerry's going to be there." Asked about his private meetings with Mr. Brown after the dinners, Mr. Bustamante said: "Well, we had known him before."

Later in the same interview, Mr. Bustamante gave a different explanation of his involvement in the Brown campaign. He said, "I just bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Mr. Bustamante said that he lent the 1974 campaign \$20,000 and loaned \$500 in dinner tickets because Mr. Brown was a friend but that he was not involved in the 1974 election campaign.

Mr. Mauldin, who was in charge of finances for the 1974 campaign, said it is a



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HERALD EXAMINER

8 STAR
Noon Stocks
MONDAY

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Variable cloudiness to day with a 20 percent chance of showers tonight. High today near 70. Overnight low in the mid-50s. Details A-6.

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are wealthy. I grew up with them. Look, they pay me this money. I'm not going to say to these studios, which are multinational corporations, "Don't pay me so much money." They'll just go and waste it on something. So give it to me. I will take as much money as they are going to give me. How I spend it is another thing — that's been well publicized too. I put my money where my mouth is, as my father says.

Q Have you done any pictures in the last few years just to make money to fund your political activities?
A: Even if we were completely broke and desperate, I could never make a movie. I don't think just for money. I mean, "California Suite" — it took two weeks to do. I made a lot of money. I didn't like the way it played, but I thought I could bring some complexity and depth to it, which I think was done in doing "Electric Horseman." The movie I'm doing now with (Robert Redford) is a romantic comedy. I like moments that are pure entertainment from time to time — as long as they are not insulting to us as an audience. I don't like degradation or hypocrisy or cynicism. That I can not stand on Page A-16, Col. 1)

Bustamante Interests Scrutinized

By JEFF GERTH
N.Y. Times News Service

NEW YORK — The wealth of the Bustamante family — Alfonso 57, 64 years old, and his two sons, Alfonso Jr., 35, and Carlos, 34 — exceeds \$200 million, according to a business associate, and includes real estate, construction, hotels and 10 utility companies that distribute propane and butane gas, the sole source of cooking and heating fuel for most of the residents of Baja California.

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million. "Our influence is just a few friends," Roberto de la Madrid, governor of Baja California Norte, and President Jose Lopez Portillo among them.

Bustamante was twice a director for De la Madrid's successful campaign for senator and governor in 1976 and 1977, and De la Madrid was administrative director

This is the second article in a series on Gov. Brown's Mexican connection

of Lopez Portillo's 1976 campaign. The Bustamantes were not a visible force in American politics until 1972, when Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego attorney, Stephen S. Gillis.

Gillis, a longtime friend and personal attorney for Bustamante, says he reported the contribution, although Gillis' campaign records show no Bustamante gifts or loans.

Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and his many sons were active in Edmund G. Brown Jr.'s successful 1974 campaign for governor. Gillis said that he helped Brown get better acquainted with Bustamante at fund-raising in San Diego, that he and Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Edward T. ... who was later

appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he said. "Gillis said they sometimes handed the money personally to Brown."

Letter sold to and other campaign officials were opposed to taking money from foreign interests even though it was legal if properly reported.

Bustamante said he attended Brown fund-raisers in San Diego, Los Angeles and San Francisco in 1974. Asked for details on his contributions, he said "Steve Gillis handled all the contributions. Steve said, 'Let's go to the dinners. Jerry's going to be there.'" Asked about his private meetings with Brown after the dinners, Bustamante said "Well, we've known him before."

Later in the same interview, Bustamante said of his involvement in the Brown campaign: "I just

bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Bustamante said that he lent the 1974 campaign \$20,000 and bought \$300 in dinner tickets because Brown was a friend but that he was not involved in the 1976 re-election campaign.

Richard Maullin, chairman of the California Energy Commission who is in charge of finances for the 1974 campaign and a friend of the Bustamantes, first remembered a fund-raising discussion he had with Bustamante in San Diego in 1974 this way:

"Carlos said, 'I'm interested. I'll help some more.' Out of that came a large contribution, between \$100,000 and \$200,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I can't recall any more."

In a subsequent interview, after checking campaign records, Maullin said he had been mistaken about (Continued on Page A-7, Col. 2)

Following the shooting, police explained, two suspects fled in the unidentified woman's car with her purse, authorities added.

One 15-year-old suspect, who was not identified, was captured a short time later, police reported.

Mrs. Williams said she had been in the market for only a few minutes, and that when she came out, she noticed her son was not in the car.

"I saw a large crowd gathered in a circle and I went over there. I instinct because I usually don't go over to crowds," Mrs. Williams explained.

"When I got over there, I looked down and saw him with the two bullet holes," she added.

Mrs. Williams said she tried to give her son artificial respiration and then ran into the market screaming for help.

Williams' brother, Terry, a general merchandise manager at the market, came out and began working frantically on his brother.

"I started pumping his stomach while someone called the paramedics," Williams explained.

Paramedics arrived quickly and transported Williams to the hospital where he died a short time later.

Williams' final heroic act was typical of him, according to his mother. (Continued on Page A-7, Col. 2)

NEWS FOCUS

Phenol: Experts Divided on Its Origins

Inside Today

... the ... and ... written ... controlled ...

United States again, supplies of gasoline this summer and heating oil next winter will be tight — and consumers can expect no relief from the upward spiral in fuel prices.

That appears to be the consensus of government, congressional and oil-industry energy experts as the Senate embarks on what is being billed as "the first real examination" of the nation's latest energy crunch.

How much of the current shortage of gasoline and heating oil is due to the Iranian cutoff?

Very little, claim oil industry officials, who say that lack of U.S. refinery capacity — and not the loss of Iranian oil — is the main reason why Americans will find it more and more difficult to obtain gasoline, especially unleaded, and heating oil in the months ahead.

"A lot of us are wondering how we're going to heat the Northeast next winter," said Bob Baldwin, president of the Gulf Oil Refining Co.

And Energy Secretary James R. Schlesinger has said that while the nation can probably ride out the Iranian crisis, the turmoil there is just one more warning signal that "the day of reckoning" for U.S. energy policy is drawing near.

Schlesinger was to be the leadoff witness today at hearings scheduled by the Senate Energy Committee.

"Even if Iran resumes production of 3 to 4 million barrels a day, we will still have shortages," said the panel chairman, Sen. Henry M. Jackson (D-Wash.), in a prepared opening statement.

Jackson called the hearings "the first real examination, from A to Z, of the entire situation."

Jackson, in a television interview program yesterday, predicted the short supplies and skyrocketing oil prices will produce a deep American recession, with the inflation rate and bank interest rates shooting up. In a separate televised interview, Sen. George S. McGovern called on President Carter to fire Schlesinger, whose policies, McGovern said, have been "a disaster."

The Senate Democrats said

"within a year or so." But the price of unleaded gasoline may be the least of U.S. motorists' worries. Getting it may be a far greater concern, predicted Gulf official Baldwin in a meeting with energy reporters prior to today's Senate hearing.

in the United States has been reached," Baldwin said. He said U.S. refineries can't produce enough unleaded gasoline to meet increasing demands and that motorists should begin experiencing difficulties in obtaining it. He also said there is a "very

The industry is not keen on building new refineries because of existing price controls on domestic petroleum and because such projects are so easily snarled by litigation from environmental and other groups, Baldwin added. Meanwhile, the congressional Of-

future oil shortages poses a serious threat to Americans' reliance on cars as their primary means of transportation. The report, released Saturday, said cars alone account for about 30 percent of current U.S. oil demand. If there was a serious or

creates would reduce domestic fuel consumption, the report said. The study also said serious problems with automobile transportation will increase throughout the century, despite expected improvements in fuel efficiency, pollution control and safety.

BROWN

(Continued from Page A-1)

the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$20,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form is listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other repaid loans on that schedule, such as \$20,000 from Brown's father, former California Gov. Edmund G. Brown Sr., show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Bustamante. And the records give three different San Diego addresses as his residence, although he lives in Tijuana, according to Gullis.

Some of Bustamante's associates say he gave large sums of money — more than \$20,000 — to the Brown campaign in 1974 and a token amount in 1976.

There is no listing of a Bustamante contribution in the 1976 Brown campaign records. And Woody Wilson, a Los Angeles businessman and friend of the Brown family, said, "Carlos helped Jerry a lot financially in 1974. He gave just a little lip service in 1976."

The Federal Bureau of Investigation, in an investigation of California politics, has received several allegations from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$2,000 to the 1974



GOV. EDMUND G. BROWN JR. Was he "handed the money"?

One of the allegations, which reportedly include details about principals in the transactions, is said to be unreported contributions

AIDE TO BROWN DENIES CHARGES ON BUSTAMANTE

A spokesman for Gov. Edmund G. Brown Jr. on Saturday denied that there has been any wrongdoing on the part of the governor or his aides in their relationship with a former campaign contributor who has a strong financial interest in Mexican gas utility companies.

Gray Davis, Brown's chief of staff, commented on a story in yesterday's New York Times that said the governor has proposed energy projects with the Mexican government that would benefit Carlos Bustamante. The Times identified Bustamante, a Mexican, as a friend of Brown's and a contributor to his 1974 campaign.

Davis confirmed that Bustamante had loaned the 1974 campaign \$20,000 but said that loan had been repaid entirely. Davis added that Bustamante had not contributed to Brown's 1976 campaign for president or his 1978 reelection campaign.

Davis said it was true, as the Times reported, that Bustamante had participated in "possibly two meetings" between California officials and Mexican President Jose Lopez Portillo on the subject of natural gas.

The Bustamantes are financing prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a Louisiana pump-jacking contract for oil drilling and vending. It was



CARLOS BUSTAMANTE "Just a few friends"

of Pat Brown, according to Wilson and others in the deal.

Wilson says that the elder Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making. Another close associate and Brown financial backer with whom the Bustamantes are involved is David Karr.

Karr, an American investment banker based in Paris, described a \$12 million commercial fishing deal he and Bustamante are putting together in Baja. They are also

Karr contributed \$100,000 to Brown's campaigns in 1976 and 1978 and helped organize a 1977 West Street fundraiser for Brown, according to Richard T. Silberman, California director of finance and former business associate of Bustamante.

Silberman, before joining the Brown administration, was a San Diego businessman who headed a bank that Bustamante says he owned stock in and borrowed money from. And Silberman says he introduced Karr to Bustamante in 1977.

Karr spoke of his close relationship with Brown:

"Jerry Brown's a good friend of mine. I campaigned with him in 1976 states when he ran for president. In 1976, I carried his bags for him."

Of Brown's oil policy, Karr said "he tried to get the Mexican government to drill for natural gas in Baja. He talked with Bustamante about this."

Mexico's nationalized oil company, Pemex, has turned down the Brown proposal, favoring gas exploration in a region more promising than Baja.

A California utility executive who asked not to be identified by name, said top Mexican officials have told him that they could not sell gas to the state of California and were therefore puzzled by all the trips of Brown officials to see them.

Polph Briscoe, the governor of Texas until recently and, like Brown, a Democrat, said he had had no discussions with Mexican officials about energy, even though he was opposed to Carter's soft approach and even though Texas gas companies were negotiating with the Mexicans.

Briscoe said he felt energy was "a purely a matter between the two

7 9 8 4 0 1 4 4 9 7 6

The dog didn't break special — just a five-year-old mutt with shaggy, sandy hair.

But Taffy is lovable, so lovable that for the past few months the dog has been the object — the prize

and didn't end until a daughter caused her mother to be locked up in jail.

As the family tells it, the fight for Taffy began late last year when, following her divorce, Flora McGan-

ness, who had been married to the mother, welcomed her daughter, who arrived with many of her household possessions, plus her two children, John 9, and Patty, 7, and Taffy.

But after a few weeks the two

one night in October, the fighting became so bad that police were called and they escorted the daughter and her children from Mrs. Hughes' Rolling Hills home. The daughter left everything else behind, including Taffy.

live — Mrs. Hughes wanted the dog back as a Christmas present for her children. So she reunit-ed, called the Hughes to ask for the animal.

(Continued on Page A-11, Col. 1)

LOS ANGELES

Stormy Weather

Showers and showers of light to heavy rain, ending by evening. High to 65, low to 45. Wind from the north.

HERALD EXAMINER

8 STAR
Noon Stock
TUESDAY



This Rockwell painting, "Spring," went to an anonymous buyer for \$50,000 at auction here yesterday: See A-2.

on the Carter compromise, said in Israel that if the cabinet did not approve them, "it would be the duty of the government to resign."

He predicted that a treaty would be signed this month, possibly within the next week or two, if his cabinet and the Knesset approved a draft accord.

"Still we have to deal with certain

debate in both the Cabinet and Knesset, stressing that Israel is a democratic country.

Carter said he and Begin had narrowed the remaining issues in a breakfast meeting today.

These issues were believed to be Israel's desire for Sinai oil, Egypt's desire for human officials to supervise Palestinian self rule in the Gaza

the Mideast mission, and before his upbeat statement at Tel Aviv's Ben Gurion airport the mood of Carter's party was gloomy.

But at Ben Gurion Carter vowed that negotiations would continue and said, "There are fewer differences than when I first arrived. And those few differences which do

(Continued on Page A-4, Col. 2)

As I said, there are other things, for example, the interview. The interview is very important, but it is very subjective. A lot of schools feel that there could be a personality conflict, and right away the interview will be turned down. Also, the interview is very expensive. (Continued on Page A-6, Col. 1)

NEWS FOCUS Bustamante Ties to California Firms Probed

The third in a series of articles

By JEFF GERTH

New York Times News Service

TWO California companies with powerful Mexican family are under investigation by U.S. government officials. In one case, alleged bribes of more than \$10 million are being investigated by a grand jury, according to law enforcement officials.

The two California cases and related ethical and legal problems of U.S. businessmen as they seek to participate in Mexico's

To what extent, if at all, should they deal with unofficial but well-connected middlemen who offer political access to officials of the Mexican government?

The grand jury investigation involves the family of Alfonso Bustamante Sr. The Bustamantes have large business holdings in the Mexican border state of Baja California Norte and close links to the state's governor, Roberto de la Madrid. In addition, according to public documents, the family has made sizeable investments in California in recent years and has helped California politicians.

Since the New York Times reported on the relationship

Gov. Brown's Mexican Connection: Part III

between the Bustamantes and Gov. Brown of California. Brown, a national political figure and probable opponent to the Democratic Party's presidential nomination has received campaign contributions from one of the Bustamantes and has advocated energy projects advantageous to Bustamante business interests.

Carlos Bustamante, one of Alfonso's two sons, has said that no need exists any longer for unofficial go-betweens. He said he had helped organize a private trade development council at the request of the

Baja governor, De la Madrid. According to Bustamante, the trade council offers free nation between foreign businessmen and Mexican officials.

Some American businessmen seeking Mexican contracts, however, that their deals are made through the Bustamantes personally and do not involve the trade council. One American group that sought offshore drilling contracts from the Mexican government was personally introduced to key government officials by Carlos Bustamante.

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A federal grand jury in San Diego is currently investigating payments made to the Bustamantes by Petrolane Inc., a Long Beach petroleum-products company, which is the main supplier of propane and butane gas to Bustamante utility companies in Baja California.

In 1977, Petrolane, whose stock is traded on the New York Stock Exchange, reported to the Securities and Exchange Commission that it had related almost \$7 million to Bustamante controlled companies between 1971 and 1976 in the course of selling them gas. In recent years, Petrolane has sold about \$10 million a year in gas to the Bustamante companies. (Continued on Page A-6, Col. 1)

(Continued from Page 40)

companies between 1971 and 1976 in the course of selling them gas. In recent years, Petrolane has sold about \$10 million a year in gas to the Bustamante companies. According to Petrolane, the payments, which were made from 1966 through 1976, were made at the Bustamantes' request.

Law enforcement officials contend that the transactions were structured to give the Bustamante gas companies invoices showing they paid \$1 for a certain volume of Petrolane gas products, when in fact the price was only about 80 cents. The difference allegedly went into the Bustamantes' personal bank accounts as a kickback.

In a initial, Carlos Bustamante said in an interview that his family's gas companies had been checked by Mexican officials and found to be in compliance with Mexican law.

Law enforcement officials also say they have found a pattern of transactions that leads them to conclude that the payments did not stop in 1976. Officials say Petrolane's invoices show that most of the company's gas sales to the Bustamante companies since 1976 have been handled through a new company, Petrogas, which is based in the office of Carlos Bustamante's personal attorney in San Diego.

In addition, they say they have found that more than \$4 million in unexplained deposits have flowed since 1976 into the same Bustamante bank accounts that had received the alleged Petrolane kickbacks in the past.

Carlos Bustamante, in an interview earlier this month, contended that the \$4 million had come from the sale of "Petrolane stock and other stocks."

In a previous interview, Bustamante had disclaimed any knowledge of Petrogas. Subsequently, he identified it as a Netherlands Antilles company that his family had set up to act as a broker in gas sales between Petrolane and the Bustamante gas companies.

Rudy J. Munzer, chairman and chief executive officer of Petrolane, said in an interview that his company's questionable payments to the Bustamantes were "unusual, if not out and out illegal."

Carlos Bustamante originally labeled the payments as "bureaucratic mistakes."

"It's just errors we make. There's been mistakes all along." Subsequently, in response to published reports of kickbacks, Bustamante issued a statement that neither his family nor their companies had ever received any illegal payments or kickbacks.

The Bustamante family is also helping Petrolane sell its services in Mexico. According to Munzer of Petrolane, the Bustamantes had set up meetings for Petrolane executives with Mexican officials, including De la Madrid of Baja, to assist Petrolane in selling services, such as directional drilling technology, to the Mexican government.

Notwithstanding his expressed misgivings about the payment, Munzer defended his company's reliance on the Bustamantes.

"They are influential," he said. "We have to sell our expertise. We have to get the doors open for us. They have the prestige and position to do it."

Petrolane will eventually lose the Bustamante gas companies as customers because of the Mexican government's insistence that local utility companies buy gas in Mexico. According to Woody Wilson, an American business associate of the Bustamantes, Petrolane is now relying on the Bustamantes to help persuade Mexican officials to sell Mexican gas to Petrolane.

Petrolane will be buying propane from Mexico if it will be cheaper for them than bringing it from Indonesia.

Another California energy company attempting to do business in Mexico chose to sever its relationship with the Bustamantes after some questionable dealings.

The San Diego Gas and Electric Co., a publicly traded utility, had the Bustamantes under contract in 1977 and 1978 to help it secure the approval of Mexican officials for the construction of a Baja power plant that would sell power across the border to the San Diego company.

The utility company's executives expressly required that any expenditures made to secure Mexican approval had to comply with the Foreign Corrupt Practices Act, which prohibits American companies from paying foreign officials, directly or indirectly, to secure business.

Last year, as part of the power-plant project, the Bustamantes and their associates proposed a complicated financing arrangement. According to Gordon Pearce, vice president and legal counsel for the utility, the plan was rejected because it could have been a "vehicle for improper payments."

SDG&E terminated its relationship with the Bustamantes last year, and it is proceeding on a smaller-scale project involving linkage of existing power lines across the border without the assistance of Mexican middlemen.

While they were under contract to SDG&E, the Bustamantes received more than \$100,000 in consulting fees and expenses for entertaining Mexican officials.

According to law enforcement officials, the United States Customs Service is currently investigating whether any of the San Diego utility's funds or Petrolane payments were taken across the border by the Bustamantes in cash or its equivalent without being reported as the law requires.

The Bank Secrecy Act requires that cash in amounts larger than \$5,000 taken outside the country be reported to the Treasury Department.

Carlos Bustamante declined to comment on the handling of the SDG&E funds that he received.

Bustamante said that at present, when he received foreign groups seeking to do business in Mexico, he did so under the auspices of the trade development council. Bustamante said he functioned on an "introductory level," offering his services at no charge.

Bustamante handled De la Madrid's campaign finances in 1976 and 1977 and still maintains a joint bank account in their names.

"Carlos has set up so many different things, I can't keep them all straight," said Wilson, who is involved with a Louisiana group seeking Mexican oil contracts through the Bustamantes.

Bustamante said he could not remember the names of any American corporations now using the trade council.

Some Americans disagree with the assumption that one needs intermediaries to get business done in Mexico. A California utility executive said that the use of middlemen, such as the Bustamantes, ultimately did more harm than good, adding that his company had had productive discussions directly with Mexican oil officials.

A Justice Department official familiar with Mexican business practices agreed that it was possible to do business in Mexico without improper payments or middlemen. He said, however, that contracts might be awarded to less honest bidders and contended that this constituted an unfair advantage that conceivably could violate American antitrust statutes.



FOR P

FOR V

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COMPACT
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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Harper Wilson
Federal Bureau of Investigation
J. Edgar Hoover Building
9th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20535

Re: MUR 935

Dear Mr. Wilson:

The Commission has received a complaint which alleges that Mr. Carlos Bustamante made contributions to the campaign of Governor Jerry Brown during 1974 and to Stephen S. Gillis during his campaign for the state senate in 1972.

Newspaper articles attached to the complaint state that your agency is investigating the matter. We are interested in being informed of any contributions to Governor Brown subsequent to 1974. Such information will be held in strict confidence by the Commission and will not be released without the prior written consent of the FBI.

Should you need further information, please contact Michele Brown at (202) 523-4060. Your assistance is greatly appreciated.

Sincerely,

William C. Oldaker
General Counsel



ATTACHMENT II



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Edmund G. Brown, Jr.
Governor of California
Sacramento, CA

RE: MUR 935

Dear Governor Brown:

The Federal Election Commission has received a complaint which alleges you committed certain violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 935.

The Commission has found reason to believe that the matters alleged in the complaint state a violation of 2 U.S.C. §431e. Specifically, it appears that you may have accepted contributions from Mr. Carlos Bustamante in connection with your campaigns.

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

The Commission is under a duty to investigate this matter expeditiously. Therefore, your response should be submitted within ten days of your receipt of this notification.

If you have any questions, please contact Michele Brown, the staff member assigned to this matter at 202/523-4060.

This matter will remain confidential in accordance with 2 U.S.C. §437g(a)(3)(B) unless you notify the Commission in writing that you wish the investigation to be made public.



ATTACHMENT III

If you intend to be represented by counsel in this matter, please have such counsel so notify us in writing.

Sincerely,

William C. Oldaker
General Counsel

Enclosure

Complaint
Questions

7
0
4
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1
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1. Did you receive any contributions from Mr. Carlos Bustamante during the period from 1974 to the present?
 - a. if so, please provide the dates and amounts for any and all contributions.
 - b. if so, who solicited the contributions?
 - c. to whom were the contributions given?
2. What was the name of your committee during your campaign in 1974? in 1978?
3. Did you receive any contributions from any corporations or businesses in the United States or in Mexico in which Mr. Bustamate has an interest?
 - a. if so, please state the name and location of the corporation or business along with the date and amount of the contribution.

014498

79040144982



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

RE: MUR 935

Dear Mr. Bustamante:

The Federal Election Commission has received a complaint which alleges you committed certain violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 935.

The Commission has found reason to believe that the matters alleged in the complaint state a violation of 2 U.S.C. §431e. Specifically, it appears that you may have contributed to the campaigns of Jerry Brown.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Please submit responses to the enclosed questions. In accordance with the enclosed Order, statements should be submitted under oath.

The Commission is under a duty to investigate this matter expeditiously. Therefore, your response should be submitted within ten days of your receipt of this notification.

If you have any questions, please contact Michele Brown, the staff member assigned to this matter at 202/523-4060.

This matter will remain confidential in accordance with 2 U.S.C. §437g(a)(3)(B) unless you notify the Commission in writing that you wish the investigation to be made public.



1. Did you contribute to Governor Brown's campaigns from 1974 to the present, including his campaign for the presidency in 1976?
 - a. if so, please provide the dates and amounts for any and all contributions.
 - b. if so, who solicited your contribution?
 - c. to whom did you give your contribution?
2. What is your citizenship status?
3. What are the corporations and businesses in the United States and in Mexico, if any, in which you have an interest?
4. To your knowledge, did any of the corporations or businesses in which you have an interest contribute to Governor Brown?

040144985

79040144986



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20543

AUTHORIZATION TO ISSUE AN ORDER

The Federal Election Commission hereby authorizes the issuance of an order to the following named individual in connection with MUR 935:

Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11433

Joan D. Aikens
Chairman

Thomas E. Harris
Commissioner

Robert O. Tiernan
Vice Chairman

John W. McGarry
Commissioner

Vernon W. Thomson
Commissioner

Max I. Friedersdorf
Commissioner

Date _____

79040144987



79040144988

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

In the Matter of
Carlos Bustamante
Jerry Brown

)
)
)

RE: MUR 935

ORDER

TO: Carlos Bustamante
139-43 88th Avenue
Jamaica, New York 11435

79040144989
Pursuant to the authority set forth in Section 437d(a)(1) of Title 2, United States Code, and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the attached questions. The answers must be submitted under oath, within ten (10) days of your receipt of this order, to the Federal Election Commission, 1325 K Street, N.W., Washington, D.C. 20463, Attention: Office of General Counsel.

Whereas, the Chairman of the Federal Election Commission has hereunto set her hand at Washington, D.C., on this, the day of _____, 1979.

Joan D. Aikens
Chairman

ATTEST:

Marjorie W. Emmons
Secretary to the Commission



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

March 29, 1979

Louis William Barnett
1715 North Catalina
Burbank, California 91505

Dear Mr. Barnett:

This is to acknowledge receipt of your complaint of March 22, 1979, alleging violations of the Federal Election Campaign Laws. A staff member has been assigned to analyze your allegations and a recommendation to the Federal Election Commission as to how this matter should be handled will be made shortly. You will be notified as soon as the Commission determines what action should be taken. For your information, we have attached a brief description of the Commission's preliminary procedures for the handling of complaints.

Sincerely,

A handwritten signature in dark ink, appearing to read "Hal Ponder".

Hal Ponder
Assistant General Counsel

Enclosure



MUR 935

on March 22, 1979

before me, the undersigned, a Notary Public in and for said State, personally appeared

Louis Willison Barnett

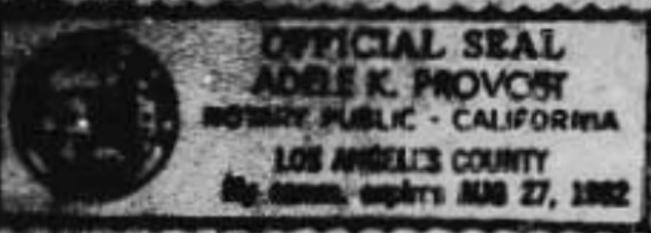
known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

Adelle K. Provost

Notary Public in and for said State.

1667707061



Louis Wm. Barnett

RECEIVED
FEDERAL ELECTION
COMMISSION
March 22, 1978

9733

Mr. Lester N. Scall
Assistant General Counsel
Federal Election Commission
1325 "K" Street N. W.
Washington, D. C. 20463

78 MAR 27 AM 9:43

901765

Dear Mr. Scall:

According to a number of recent newspaper stories (see attached), Mr. Carlos Bustamante, a Mexican national, contributed funds to the campaign(s) of Governor Jerry Brown and may have contributed or have caused to be contributed funds to the campaign of Stephen S. Gillis for California State Senate in 1972. I believe that these contributions would be a violation of the Federal Election Commission Regulations, as set forth under Section 110.4 - Prohibited Contributions, Item (a) (1). This Section holds, in part, that "a foreign national shall not directly or through any other person make a contribution, or expressly or impliedly promise to make a contribution, in connection with a convention, caucus, primary, general, special, or runoff election in connection with any local, State or Federal public office".

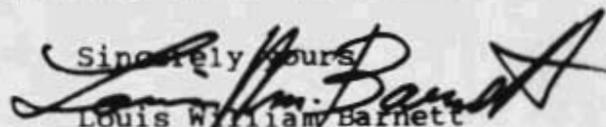
In making this complaint and requesting an immediate investigation of this matter I wish to state that I am doing so on my own and not at the request of any candidate.

In addition to investigating the above allegations - which I will note are based on the statements of Mr. Carlos Bustamante himself - I do also request that you review any and all political contributions made by any firms controled or influenced directly or indirectly by Mr. Carlos Bustamante to determine if additional contributions were made to other candidates due to Mr. Bustamante's efforts and in violation of the above stated Section.

Should you feel that the statute of limitations has run out, I would request that you complete your investigation and then refer the matter for prosecution under the Racketeering Influenced Corrupt Organizations Act inasmuch as (1) there is such a Federal probe being conducted now in California and (2) there would appear to be the required "pattern of activity" necessary under RICO.

Thanking you in advance for your attention to this matter and I would also request notification to me of the results.

Sincerely yours



Louis William Barnett
1715 North Catalina
Burbank, California 91505
(213) 843-5761

Encl:

79040144992

Louis Wm. Barnett

-2-

PS: Allow me to point out to you that California State Law provides that "a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes." Chapter 4, Article 2, Section 84216 of the Political Reform Act of 1974 as amended. (See attached)

If the loans referenced in the attached articles were not repayed before January 7, 1975, they would be subject to the Political Reform Act of 1974.

79040144993

in a separate schedule and the foregoing information shall be stated in regard to the lender and any person who is liable directly, indirectly or contingently on the loan, together with the date and amount of the loan and, if the loan has been repaid, the date of repayment and by whom paid.

(h) The full name and street address of each person to whom an expenditure or expenditures totaling one hundred dollars (\$100) or more has been made, together with the amount of each separate expenditure to each person during the period covered by the campaign statement; a brief description of the consideration for which the expenditure was made, the full name and street address of the person providing the consideration for which any expenditure was made if different from the payee; and in the case of committees which are listed, the number assigned to each such committee by the Secretary of State or if no such number has been assigned, the full name and street address of the treasurer of the committee.

(i) In a campaign statement filed by a committee supporting or opposing more than one candidate or measure, the amount of expenditures for or against each candidate or measure during the period covered by the campaign statement and the cumulative amount of expenditures for or against each such candidate or measure.

(j) The full name, residential and business addresses and telephone numbers of the filer or, in the case of a campaign statement filed by a committee, the name, street address and telephone number of the committee and the treasurer's name, street address and telephone number.

(k) In a campaign statement filed by a candidate, the full name and street address of any committee, of which he has knowledge, which has received contributions or made expenditures on behalf of his candidacy, along with the full name, street address and telephone number of the treasurer of such committee.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84211. Consideration of Cumulative Amount. In order to determine for purposes of subdivisions (b), (c), (d), (e), (g) and (h) of Section 84210 whether one hundred dollars (\$100) has been contributed by or expended to any person, only those contributions and expenditures which are includable within the cumulative amount shall be considered.

History: Amended by Stats. 1978, Ch. 650, effective January 1, 1979.

84212. Candidates Who Receive and Spend \$200 or Less. Whenever any provision of this chapter requires the filing of a campaign statement by a candidate or officeholder, the candidate or officeholder may in lieu thereof file a statement signed under penalty of perjury that to the best of his knowledge not more than two hundred dollars (\$200) has been received or expended on behalf of or in support of his candidacy.

History: Amended by Stats. 1975, Ch. 915, effective September 20, 1975, operative January 7, 1975.

84213. Consolidated Statements; Candidates and Committees. (a) A candidate and any committee or committees which he controls may file

consolidated campaign statements under this chapter.

(b) Two or more committees which act jointly in support of or in opposition to any candidate or measure may file consolidated campaign statements under this chapter.

History: Amended by Stats. 1976, Ch. 1106, effective January 1, 1977.

84214. Late Contributions; Reports. (a) Each candidate or committee who makes or receives a late contribution shall report the late contribution to each office with which that candidate or committee is required to file a campaign statement for the election. The candidate or committee who makes the late contribution shall report his full name and street address, and the full name and street address of the person to whom the late contribution has been made, and the date and amount of the late contribution. The recipient of the late contribution shall report his full name and street address, and the full name, street address, occupation, and the name of the employer, if any, or the principal place of business, if self-employed, of the contributor, and the date and amount of the late contribution.

(b) A late contribution shall be reported by telegram or personal delivery within 48 hours of the time it is made in the case of the candidate or committee who makes the contribution and within 48 hours of the time it is received in the case of the recipient. A late contribution shall be reported on subsequent campaign statements without regard to reports filed pursuant to this section.

History: Repealed and re-enacted as amended by Stats. 1977, Ch. 344, effective August 20, 1977.

84215. Combination of Pre-election and Semi-annual Statements. The commission may by regulation permit candidates and committees to file campaign statements combining preelection statements and semiannual statements.

History: Added by Stats. 1978, Ch. 1408, effective October 1, 1978.

84216. Loans. For purposes of this chapter, a loan received by a candidate or committee is a contribution unless the loan is received from a commercial lending institution in the ordinary course of business or it is clear from the surrounding circumstances that it is not made for political purposes. A loan which is not a contribution, but which is used by a candidate or committee for political purposes, shall be reported in the manner described in Section 84210.

History: Added by Stats. 1977, Ch. 1119, effective January 1, 1978.

Article 3. Prohibitions § 84300 - 84305

- § 84300. Cash Contributions.
- § 84301. Contributions Made Under Legal Name.
- § 84302. Contributions by Intermediary or Agent.
- § 84303. Expenditure by Agent or Independent Contractor.
- § 84304. Anonymous Contributions.
- § 84305. Requirements for Mass Mailing.

Mexican Link

Brown Wants US Probe Of Charges

By JEFF RAIMUNDO
Bee Staff Writer

SAN DIEGO — Gov. Brown Wednesday demanded a federal investigation into reports linking him to a Mexican industrialist under investigation in Mexico and San Diego.

The governor's counterattack against the potentially damaging reports was aimed at clearing away any question about his relationship with Carlos Bustamante, a prominent political financier in Mexico as well as San Diego and part of a family that owns power companies in Baja California.

Recent stories in the New York Times, and distributed by its news service, asserted Bustamante acted as an intermediary between Brown, Baja California Norte Gov. Roberto de la Madrid and Mexican President Jose Lopez Portillo in discussions of

potential Mexican gas sales to California.

Brown made the demand in a statement to reporters before delivering a speech to the California Council of Growers at the Hotel del Coronado.

The governor hinted that political motivation underlay leaks of information to the New York Times.

"I not only invite, I demand that the investigative agencies of the FBI and the federal government take prompt action, not leak stories to Eastern journalists.

"If we could only get an investigation," he sighed, "what we have right now is a very interesting ploy — leak information, distort facts and have no investigation."

Brown said he had no idea who leaked the information, but when pressed to state that he did not believe President Carter was involved, Brown said, "I wouldn't say that."

Brown added that the New York Times articles seemed to be an attempt to detract from his effort "to wake up the American people to the urgent crisis facing this nation because of our neglect of Mexico. And all of these stories with their misconstrued conclusions will not deter me even a little bit.

"If certain individuals are reaping improper benefits, that's a matter for the federal government and the government of Mexico to work out. But I am not going to tell the president of Mexico who he should invite into meetings and who he should not."

The articles said that Bustamante had loaned the Brown campaign \$20,000 during the governor's first bid for the office in 1974.

"That loan was paid back promptly," Brown insisted. "Those people could have ascertained that. The information now coming out is a direct

result of the political reform act that I authored. The law is working fine, just as I intended."

Brown said Bustamante was only one of "literally tens of thousands of people" who have contributed to his campaigns and otherwise has no connection with the governor.

In his speech to the growers, Brown attempted to repair a relationship that deteriorated during his first term in office, largely because of Brown's backing of the Agricultural Labor Relations Act which facilitated unionization of farm laborers.

He pleased his audience by committing himself to continued development of the California Water Project, further research by the University of California into mechanization of farm labor and active encouragement of foreign trade, particularly through a "North American Common Market."

Metropolitan area: Partly cloudy today and tonight. Partly sunny tomorrow. Temperature range: today 33-39, yesterday 45-52. Details on page 11.

The New York Times

"All the News That's Fit to Print"

VOL. CXXVII No. 44,153

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Printed in the United States of America

85 CENTS

Iranian Women

Mullahs in District



A mullah, Moslem religious leader, attempting to calm protesters in Tehran.

Continued on Page 41, Column 1

Study Says Trade Pact Could Hurt Northeast

By CLYDE H. FARNSWORTH

WASHINGTON, March 10 — An authoritative research arm of Congress has concluded that a liberalized world trade agreement, being negotiated in Geneva, would bring "significant reward" to the United States but would result in lost jobs in the nation's manufacturing areas of the Northeast.

The analysis was made by the Congressional Budget Office, which is charged with making impartial examinations of economic issues that come before the legislators. For the first time, in a systematic fashion, it weighed the advantages and disadvantages for the nation of such a liberal trade pact.

Over all, the study foresaw "significant rewards," including reduced inflationary pressures, more efficient production and wider export markets. But in the regional distribution of benefits, the Southern, Western and Middle Western areas would gain at the expense of the Northeast and East. And remarkable work, especially women, and members of minority groups, would be lost the most.

The report, published today, sets the

Continued on Page 15, Column 1

PRESIDENT IN ISRAEL,

Carried explosive implications for South African domestic politics and for the country's relations with the major Western powers.

The 44-year-old Mr. Rhodie, in self-exile in Europe, did not say that the bribery plan was carried out and did not name any people as having been targets of the campaign. But his remarks seemed likely to give rise to investigations by the

told Mr. Vorster that he wanted him to approve "a propaganda war in which no rules or regulations would count." The paper said Mr. Rhodie explained that he meant that "we must be able to bribe."

"If it was necessary for me to purchase a sable coat or a mink coat for an officer's wife, I should be able to do so. If it was necessary to send a man on holiday to the

Continued on Page 13, Column 1

Plan for a Taiwan-China Meeting Reported by Olympic Committee

By SAMUEL ABEL

LAUSANNE, Switzerland, March 10 — The International Olympic Committee announced here today that both China and Taiwan had agreed to meet to discuss what the committee president characterized as "the Chinese problem, the Chinese puzzle" of membership in the Olympic movement.

Until today, when a delegation from Peking met with the Olympic committee's executive board, China had not agreed to such talks. It had asked instead for the ouster of Taiwan, China quit the Olympic movement in 1955 and has been seeking to rejoin it since 1975.

There was no confirmation from Taiwan on whether the proposed talks would be held. They would be the first public contacts between representatives of Peking and Taipei governments.

The committee president, Lord Killanin, said that an Olympic delegation headed by C. Lance S. Cross of New Zealand had visited Peking and Taiwan last year had been told by the Taiwan committee "that it was prepared to take part in round-table talks."

The Chinese delegation today invited the Taiwanese to come to Peking for the

Continued on Page 16, Column 1

Gov. Brown Supporting Projects That Aid a Mexican Contributor

By JEFF GERTH

Gov. Edward G. Brown Jr. of California is attempting to persuade Mexico to sell its energy products to California companies, but in the process has been leading the weight of his office to proposed projects that would benefit Carlos Bustamante, a Mexican friend who has contributed to his campaign, interviews with Mr. Bustamante and other Brown aides show.

The Governor has been courting Mexican officials, including President Luis Lopez Portillo, with the behind-the-scenes aid of Mr. Bustamante. Some of the projects Governor Brown has been pushing in talks with the Mexican President are those which Mr. Bustamante and his family, the Tijuana-based owners

of a gas utility company, have a strong financial interest.

The Bustamantes have wealth and political influence on both sides of the border, and they are emerging as vital middlemen and partners with American individuals and companies doing business in Mexico.

Some of relationships with Mr. Bustamante other than Governor Brown's are in California with a California-based power company, a real estate company, a trucking company and a new enforcement office in the border area — all projects of a

Continued on Page 3, Column 1

straight over business problems, fatally shot two persons and wounded four before killing himself. Page 33.

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- Section 3 Business and Finance
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- Section 6 Magazine
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Gov. Brown Supporting Energy Projects That Would Aid Mexican Contributor

Continued From Page 1

Federal grand jury investigation in San Diego.

And the Federal Bureau of Investigation is conducting a separate preliminary investigation into allegations that Mr. Brown's 1974 campaign for Governor called to report large Bustamante contributions, according to law enforcement officials.

The state of California has no authority to buy natural gas from a foreign country, and any private transaction would have to have the approval of several Federal agencies. Governor Brown described his meetings with the Mexican officials as an effort to call attention to the failure of the Carter Administration to initiate an energy program with Mexico.

President Carter, who met with President Lopez Portillo in Mexico last month, has said there is no urgency on the Mexican oil question. Mr. Brown has said that the lack of a Carter agreement with Mexico would be a key issue should he challenge the President in 1980.

Deals With Brown Associates

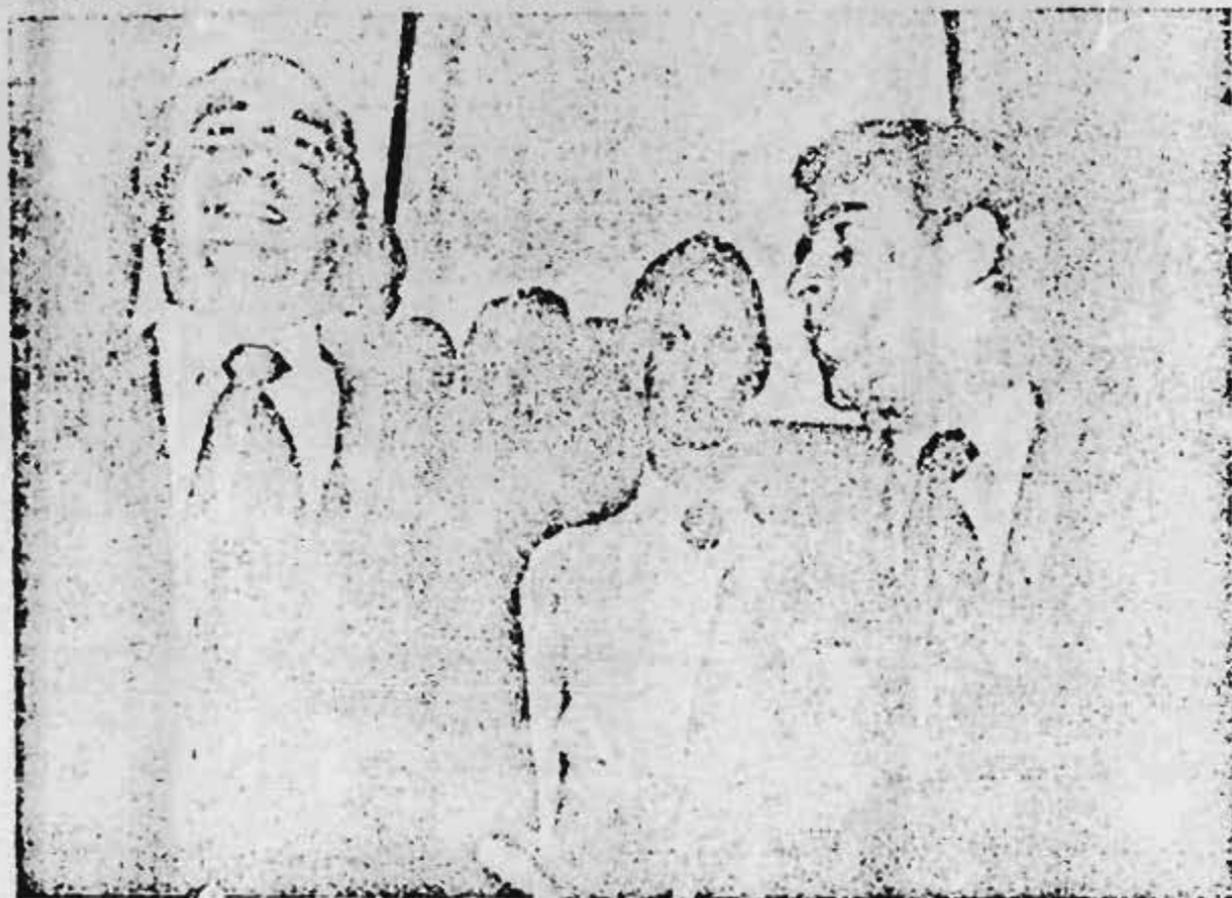
The Governor would not discuss his relationship with the Bustamantes, but Gary Davis, his chief of staff, said there was not "the slightest connection" between the Governor's actions and the interests of the Bustamantes.

The Bustamantes are involved in Mexican oil and gas deals with close associates of Mr. Brown, including his father, former Gov. Edmund G. Brown Sr., according to principals in the transactions. Governor Brown has publicly disavowed any relationship to his father's business activities. His father and his father's associates have contributed sizable sums to his campaigns, but never

before. Governor Brown's first meeting with Mr. Lopez Portillo, in April 1977, was an administration statement on oil and gas needs did not mention Mexico. At that meeting in Tijuana, Mr. Brown publicly requested the sale of Mexican gas to California for the first time.

Mr. Brown and Mr. Lopez Portillo met again in Mexico City and Tijuana and members of Mr. Brown's cabinet.

Edward Maullin, chairman of the California Energy Commission, has had



Gov. Edmund G. Brown Jr. leaving hotel in Tijuana with President José López Portillo of Mexico last October after one of several meetings the California leader has had with Mexican officials.

Mexico because transportation costs for both would be reduced, according to Mr. Maullin, who is leading the negotiations.

The Baja refinery will lower the Bustamantes' gas costs, but the exact amount is subject to negotiations currently taking place between Mr. Bustamante and Mexican officials. Mr. Bustamante says these negotiations have not, to his knowledge, been directly affected by Mr. Brown's efforts to bring cheaper California oil to the refinery.

Personal Relationship Described

Mr. Maullin described Mr. Brown's oil negotiations as "a very correct and en-

friend of the Bustamantes, first remembered a fund-raising discussion he had with Mr. Bustamante in San Diego in 1974 this way:

"Carlos said, 'I'm interested. I'll help

some more.' Out of that came a large contribution, between \$10,000 and \$20,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I can't recall any other

In a subsequent interview, after checking the campaign records, Mr. Maullin said he had been mistaken about the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$20,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form, it listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other repaid loans on that schedule, such as \$20,000 from Governor Brown's father, show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Mr. Bustamante. And the records give three different San Diego addresses as his residences, although he lives in Tijuana, according to Mr. Gillis.

Some of Mr. Bustamante's associates say he gave large sums of money — more than \$20,000 — to the Brown campaign in 1974 and a larger amount in 1978.

There is no listing of a Bustamante contribution in the 1978 Brown campaign records. And Mr. Wilson said, "Carlos helped Jerry a lot financially in 1974. He gave me a little lip service in 1978."

Allegations of \$40,000 Gift

The F. B. I., in an investigation of California politics, has received several allegations from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$40,000 to the 1974 Brown campaign, according to law enforcement officials.

One of the allegations, which reportedly included details about principals in the transactions, is said to be unreported contributions to gas and oil deals benefiting the Bustamantes.

The Bustamantes are figuring prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a



Carlos Bustamante

Louisiana group seeking contracts for oil drilling and welding. It was brought to the Bustamantes by Mr. Wilson, another close associate of Pat E. Wilson, according to Mr. Wilson and others in the deal.

Mr. Wilson says that the elder Mr. Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making.

A California utility executive, who asked not to be identified by name, said top Mexican oil officials have told him that they could not sell gas to the state of California and were therefore puzzled by all the trips of Brown officials to see them.

Tomorrow: The Bustamantes' relationships with American businessmen.



SPRING
SPECIAL

Ladies

Mr. Brown and Mr. Lopez Portillo met twice last year, in Mexico City and Tijuana, and members of Mr. Brown's cabinet, such as Richard Maulin, chairman of the California Energy Commission, have had other meetings with Mexican officials. Most of the gatherings concerned energy issues.

Some of the official meetings about energy were arranged by Carlos Bustamante and Roberto de la Madrid, Governor of Baja California Norte, Mr. Bustamante says. Bustamante attended some of the meetings, the only non-government person present, according to participants.

Exploration Discussed

At the meetings, Governor Brown and his aides sought to encourage a flow of Mexico's energy products to California companies through, for example, the exploration and development of gas resources in Baja California.

At the same time, Mr. Bustamante was telling California companies how, for a fee, he could help them get Mexican gas and power, according to gas company executives and Mr. Bustamante.

Governor Brown said after a January 1978 meeting that he had asked President Lopez Portillo to support a power plant project in Baja California that could provide power for the San Diego Gas and Electric Company.

Mr. Bustamante, the only nonofficial at that meeting, was then under contract to San Diego Gas and Electric to secure the approval of the Mexican government for the power plant project, according to documents on file with the California Public Utilities Commission. The Bustamantes received more than \$100,000 from the utility to make contact with and entertain Mexican officials.

In addition, the Bustamantes were principals in a proposed financing arrangement for the project.

The utility rejected the financing proposal in 1978 because it could be a "vehicle for improper payments," according to Gordon Pearce, legal counsel and vice president for the San Diego utility.

Mr. Bustamante stood to make considerably more than \$100,000 under the original proposals, according to Mr. Pearce. "We always suspected the Bustamantes would ultimately build the plant and that it would be on their land," he said. "They were betting on the come."

Role Called 'Not Usual'

Richard T. Silberman, California's Director of Finance, a former business associate of Mr. Bustamante, was asked if the Governor knew of the Bustamante interest, which was not public knowledge until several months after the January meeting.

Mr. Silberman replied, "It was general knowledge that Carlos Bustamante and others were going to be the principals who arranged the financing and building of the power plant. I don't know what the Governor knew at that time."

Mr. Maulin, who attended many of the Mexican meetings, said Mr. Bustamante's role in the discussions was "not usual" and that the businessman was present at the invitation of the Mexican government because of his role in that nation's economic development.

Mr. Maulin minimized Mr. Bustamante's part in arranging the meetings; he said they were handled by Gov. De la Madrid, though he acknowledged having to call Mr. Bustamante to reach the Baja California Governor.

San Diego Gas has shelved the Baja project since complications arose in Mexico City and Washington — 12 United States agencies were involved in approving the project. It is now working, without the Bustamantes, on a more modest proposal to interconnect its transmission lines with those of Mexico's national electrical utility.

The Brown Administration is currently promoting another project, one that would enable the Bustamantes, among others, to get cheaper gas for their industries.

Under this plan, California oil producers would sell crude oil to a refinery planned for Baja that would supply, among other products, butane and propane for the Bustamantes' utility companies. As part of the complicated oil deal, Gulf Coast refiners in the United States would get oil from southern Mexico in exchange.

The deal, which must be approved by the United States and Mexican authorities, would be economically advantageous to California oil producers and

parts to bring the aptly named... refinery 9 0 4 0 1 4 4 9 9 8

Personal Relationship Described

Mr. Maulin described Mr. Brown's oil policy as diplomatically correct and economically advantageous for California. And he said he believed the Brown-Bustamante relationship was official, not personal.

But other associates of Mr. Brown say it is a personal relationship.

Woody Wilson, a Los Angeles businessman who has been involved politically and personally with the Brown family since 1950 and who is a close associate of the Bustamante family, said Governor Brown has been a frequent guest of the Bustamantes.

"Jerry goes down to Tijuana, he stays at Carlos's house. I was there," Mr. Wilson said. "You know how frugal he is, he doesn't like to pay for a hotel."

Mr. Bustamante, in several interviews, minimized his involvement with Governor Brown's official policies and said he gave campaign money to the Governor simply because they were "personal friends."

The wealth of the Bustamante family — Alfonso Sr., 64 years old, and his two sons, Alfonso Jr., 31, and Carlos, 34 — exceeds \$200 million according to a business associate, and includes real estate, construction, hotels and 10 utility companies that distribute propane and butane gas, the sole source of cooking and heating fuel for most of the residents of Baja California.

Influence of 'a Few Friends'

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million and their "influence is just a few friends," Gov. De la Madrid and President Lopez Portillo among them.

Mr. Bustamante was financial director for Mr. de la Madrid's successful campaigns for Senator and Governor in 1976 and 1977, and Mr. de la Madrid was administrative director of Mr. Lopez Portillo's 1978 campaign.

The Bustamantes were not a viable force in American politics until 1977, when, Mr. Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego lawyer, Stephen S. Gillis.

Mr. Gillis, a longtime friend and political associate of Mr. Bustamante, 68, reported the contribution, although Gillis campaign records show no Bustamante gifts or loans.

Mr. Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and Mr. Bustamante were active in Mr. Brown's 1974 campaign for Governor.

Mr. Gillis said that he helped Mr. Brown better acquainted with Mr. Bustamante at fund-raisers in San Diego, that he and Mr. Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Mr. Brown.

Edward T. Butler, who was later appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Mr. Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he recalled. "Gillis said they sometimes handed the money personally to Brown."

Mr. Butler said he and other campaign officials were opposed to taking money from foreign interests, like the Bustamantes, even though it was legal if properly reported.

Contradictory Recollections

Mr. Bustamante said he attended Brown fund-raising dinners in San Diego, Los Angeles and San Francisco in 1974.

Asked for details on his contributions, he said: "Steve Gillis handled all the contributions. Steve said, 'I let's go to the dinners. Jerry's going to be there.'" Asked about his private meetings with Mr. Brown after the dinners, Mr. Bustamante said: "Well, we had known him before."

Later in the same interview, Mr. Bustamante gave a different explanation of his involvement in the Brown campaign. He said, "I just bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Mr. Bustamante said that he lent the 1974 campaign \$20,000 and bought \$500 in dinner tickets because Mr. Brown was a friend but that he was not involved in the 1978 re-election campaign.

Mr. Maulin, who was in charge of finances for the 1974 campaign, said in a



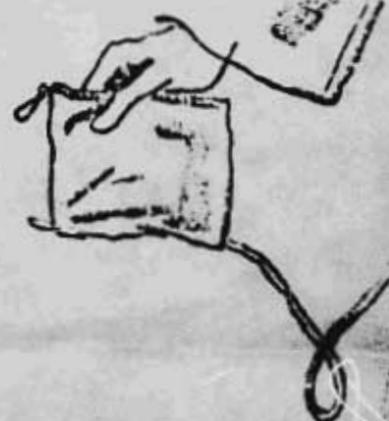
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Paranoia: Experts Divided on Its Origins

are wealthy. I grew up with them.

Look, they pay me this money. I'm not going to say to these studios, which are multi-national corporations, "Don't pay me so much money." They'll just go and waste it on something. So give it to me. I will take as much money as they are going to give me. How I spend it is another thing — that's been well publicized, too. I put my money where my mouth is, as my father says.

Q Have you done any pictures in the last few years just to make money to fund your political activities?

A: Even if we were completely broke and desperate, I would never make a movie. I don't think, just for money. I mean, "California Suite," I did it. It took two weeks to do, I made a lot of money. I didn't like the way I played, but I thought I could bring some complexity and depth to her, which I think we succeeded in doing.

"Electric Horseman," the movie I'm doing now with (Robert Redford) is a romantic comedy. I like movies that are pure entertainment from time to time — as long as they are not insulting to us as an audience. Degrading or blood-letting us with cynicism. That I can not

(Continued on Page A-10, Col. 1)

Bustamante Interests Scrutinized

By JEFF GERTH
N.Y. Times News Service

NEW YORK — The wealth of the Bustamante family — Alfonso Sr., 64 years old, and his two sons, Alfonso Jr., 35, and Carlos, 34 — exceeds \$200 million, according to a business associate, and includes real estate, construction, hotels and 10 utility companies that distribute propane and butane gas, the sole source of cooking and heating fuel for most of the residents of Baja California.

Their political influence in Mexico is equally vast, according to friends of the family and political observers, but Carlos Bustamante said his family's wealth is well below \$200 million. "Their influence is just a few friends," Roberto de la Madrid, governor of Baja California Norte, and President Jose Lopez Portillo among them.

Bustamante was financial director for De la Madrid's successful campaign for senator and governor in 1976 and 1977, and De la Madrid was administrative director

This is the second article in a series on Gov. Brown's Mexican connection

of Lopez Portillo's 1976 campaign.

The Bustamantes were not a visible force in American politics until 1972, when Bustamante says, he contributed money to the unsuccessful state senatorial campaign of a San Diego attorney, Stephen S. Gillis.

Gillis, a longtime friend and personal attorney for Bustamante, says he reported the contribution, although Gillis' campaign records show no Bustamante gifts or loans.

Gillis, who is chairman of the Democratic Party's San Diego County central committee, recalled that he and Bustamante were active in Edmund G. Brown Jr.'s successful 1974 campaign for governor. Gillis said that he helped Brown get better acquainted with Bustamante at fund-raising dinners in San Diego, that he and Bustamante went to Brown fund-raising dinners elsewhere and that they met privately with Brown.

Edward T. Butler, who was later

appointed a Superior Court judge in San Diego, ran the Brown campaign in San Diego with Gillis.

"Gillis and Bustamante always made a point to get close to Brown," he said. "Gillis said they sometimes handed the money personally to Brown."

Butler said he and other campaign officials were opposed to taking money from foreign interests even though it was legal if properly reported.

Bustamante said he attended Brown fund-raisers in San Diego, Los Angeles and San Francisco in 1974. Asked for details on his contributions, he said: "Steve Gillis handled all the contributions. Steve said, 'Let's go to the dinners. Jerry's going to be there.'" Asked about his private meetings with Brown after the dinners, Bustamante said: "Well, we had known him before."

Later in the same interview, Bustamante said of his involvement in the Brown campaign: "I just

bought dinner tickets, no gifts or loans — I don't make political contributions in the United States."

In a subsequent interview, Bustamante said that he lent the 1974

campaign \$20,000 and bought \$800 in dinner tickets because Brown was a friend but that he was not involved in the 1976 re-election campaign.

Richard Maullin, chairman of the California Energy Commission who was in charge of finances for the 1974 campaign and a friend of the Bustamantes, first remembered a fund-raising discussion he had with Bustamante in San Diego in 1974 the way:

"Carlos said, 'I'm interested. I'll help some more.' Out of that came a large contribution, between \$10,000 and \$20,000, in the form of a check to our Los Angeles office. That money was early in the campaign. I can't recall any loans."

In a subsequent interview, after checking campaign records, Maullin said he had been mistaken about (Continued on Page A-7, Col. 2)

Following the shooting, police explained, two suspects fled in the unidentified woman's car with her purse, authorities added.

One 15-year-old suspect, who was not identified, was captured a short time later, police reported.

Mrs. Williams said she had been in the market for only a few minutes, and that when she came out, she noticed her son was not in the car.

"I saw a large crowd gathered in a circle and I went over there by instinct because I normally don't go over to crowds," Mrs. Williams explained.

"When I got over there, I looked down and saw him with the two bullet holes," she added.

Mrs. Williams said she tried to give her son artificial respiration and then ran into the market, screaming for help.

Williams' brother, Terry, a general merchandise manager at the market, came out and began working frantically on his brother.

"I started pumping his stomach while someone called the paramedics," Williams explained.

Paramedics arrived quickly and transported Williams to the hospital where he died a short time later.

Williams' final heroic act was typical of him, according to his mother.

(Continued on Page A-7, Col. 3)

NEWS FOCUS

Paranoia: Experts Divided on Its Origins

Inside Today

... met the enemy, and they are...

Schreier... written... attempt... Thomas...

V... feel controlled by outside forces...

... today. With...

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Iranian oil starts flowing to the United States again, supplies of gasoline this summer and heating oil next winter will be tight — and consumers can expect no relief from the upward spiral in fuel prices.

That appears to be the consensus of government, congressional and oil-industry energy experts as the Senate embarks on what is being billed as "the first real examination" of the nation's latest energy crunch.

How much of the current shortage of gasoline and heating oil is due to the Iranian cutoff?

Very little, claim oil industry officials, who say that lack of U.S. refinery capacity — and not the loss of Iranian oil — is the main reason why Americans will find it more and more difficult to obtain gasoline, especially unleaded, and heating oil in the months ahead.

"A lot of us are wondering how we're going to heat the Northeast next winter," said Bob Baldwin, president of the Gulf Oil Refining Co.

And Energy Secretary James R. Schlesinger has said that while the nation can probably ride out the Iranian crisis, the turmoil there is just one more warning signal that "the day of reckoning" for U.S. energy policy is drawing near.

Schlesinger was to be the leadoff witness today at hearings scheduled by the Senate Energy Committee.

"Even if Iran resumes production of 3 to 4 million barrels a day, we will still have shortages," said the panel's chairman, Sen. Henry M. Jackson, D-Wash., in a prepared opening statement.

Jackson called the hearings "the first real examination, from A to Z, of the entire situation."

Jackson, in a television interview program yesterday, predicted the short supplies and skyrocketing oil prices will produce a deep American recession, with the inflation rate and bank interest rates shooting up. In a separate televised interview, Sen. George S. McGovern called on President Carter to fire Schlesinger, whose policies, McGovern said, have been "a disaster."

The South Dakota Democrat said Schlesinger's policies had increased

gas prices would soar to \$1-a-gallon "within a year or so."

But the price of unleaded gasoline may be the least of U.S. motorists' worries. Getting it may be a far greater concern, predicted Gulf official Baldwin in a meeting with energy reporters prior to today's Senate hearing.

with the fact that refining capacity in the United States has been reached," Baldwin said.

He said U.S. refineries can't produce enough unleaded gasoline to meet increasing demands and that motorists should begin experiencing difficulties in obtaining it.

He also said there is a "very

shortage next winter. The industry is not keen on building new refineries because of existing price controls on domestic petroleum and because such projects are so easily snarled by litigation from environmental and other groups, Baldwin added.

Meanwhile, the congressional Of-

in a report that the prospect of future oil shortages poses a serious threat to Americans' reliance on cars as their primary means of transportation.

The report, released Saturday, said cars alone account for about 30 percent of current U.S. oil demand.

If there was a serious or

tioning or substantial price increases would reduce automobile fuel consumption, the report said.

The study also said serious problems with automobile transportation will increase throughout this century, despite expected improvements in fuel efficiency, pollution control and safety.

BROWN

(Continued from Page A-1)

the Bustamante money, that it was a loan rather than a contribution.

The Brown campaign records for 1974, on file in Sacramento, list a \$20,000 loan from Carlos Bustamante deposited on Oct. 11, 1974. On another reporting form is listed the repayment of a \$20,000 loan from Carlos Bustamante, but without the date that the form requires. All the other repaid loans on that schedule, such as \$20,000 from Brown's father, former California Gov. Edmund G. Brown Sr., show a date of repayment.

The 1974 campaign records also show \$2,000 in contributions from Bustamante. And the records give three different San Diego addresses as his residences, although he lives in Tijuana, according to Gillis.

Some of Bustamante's associates say he gave large sums of money — more than \$20,000 — to the Brown campaign in 1974 and a token amount in 1976.

There is no listing of a Bustamante contribution in the 1978 Brown campaign records. And Woody Wilson, a Los Angeles businessman and friend of the Brown family said, "Carlos helped Jerry a lot financially in 1974. He gave just a little lip service in 1978."

The Federal Bureau of Investigation, in an investigation of California politics, has received several reports, as from Democratic politicians and businessmen of unreported Bustamante contributions totaling at least \$40,000 to the 1974 Brown campaign, according to law



GOV. EDMUND G. BROWN JR.
Was he "handed the money"?

One of the allegations, which reportedly include details about principals in the transactions, is said to be unreported contributions to gas and oil deals being made

AIDE TO BROWN DENIES CHARGES ON BUSTAMANTE

A spokesman for Gov. Edmund G. Brown Jr. on Saturday denied that there has been any wrongdoing on the part of the governor or his aides in their relationship with a former campaign contributor who has a strong financial interest in Mexican gas utility companies.

Gray Davis, Brown's chief of staff, commented on a story in yesterday's New York Times that said the governor has proposed energy projects with the Mexican government that would benefit Carlos Bustamante. The Times identified Bustamante, a Mexican, as a friend of Brown's and a contributor to his 1974 campaign.

Davis confirmed that Bustamante had joined the 1974 campaign \$20,000 but said that loan had been repaid entirely. Davis added that Bustamante had not contributed to Brown's 1976 campaign for president or his 1978 re-election campaign.

Davis said it was true, as the Times reported, that Bustamante had participated in "possibly two meetings" between California officials and Mexican President Jose Lopez Portillo on the subject of natural gas.

The Bustamantes are figuring prominently in the development of Mexico's newly discovered oil wealth as they shepherd foreign oil interests seeking to sell their services to the Mexican government.

One deal, for example, involves a Louisiana group seeking contracts for erecting and welding a gas pipeline to the Bustamantes by



CARLOS BUSTAMANTE
"Just a few friends"

of Pat Brown, according to Wilson and others in the deal.

Wilson says that the elder Brown has "got a piece of the deal — we want Pat to do the legal work" and that more projects are in the making. Another close associate and Brown financial backer with whom the Bustamantes are involved is David Karr.

Karr, an American investment banker based in Paris, described a \$33 million commercial fishing deal he and Bustamante are putting together in Baja. They are also involved in some real estate

Karr contributed 7,000 to Brown's campaigns in 1976 and 1978 and helped organize a 1977 Wall Street fund-raiser for Brown, according to Richard T. Silberman, California director of finance and former business associate of Bustamante.

Silberman, before joining the Brown administration, was a San Diego businessman who headed a bank that Bustamante says he owned stock in and borrowed money from. And Silberman says he introduced Karr to Bustamante in 1977.

Karr spoke of his close relationship with Brown:

"Jerry Brown's a good friend of mine. I campaigned with him in 11 states when he ran for president in 1976. I carried his bags for him."

Of Brown's oil policy, Karr said, "He tried to get the Mexican government to drill for natural gas in Baja. He talked with Bustamante about this."

Mexico's nationalized oil agency, Pemex, has turned down the Brown proposal, favoring gas explorations in a region more promising than Baja.

A California utility executive, who asked not to be identified by name, said top Mexican oil officials have told him that they could not sell gas to the state of California and were therefore puzzled by all the trips of Brown officials to see them.

Dolph Briscoe, the governor of Texas until recently and, like Brown, a Democrat said he had had no discussions with Mexican officials about energy, even though he was opposed to Carter's slow approach and even though Texas gas companies were negotiating with the Mexicans.

Briscoe said he felt energy was "entirely a matter between the two countries, between the two

... doesn't look special — just a five-year-old mutt with shaggy, sandy hair.

But Taffy is lovable, so lovable that for the past few months the dog has been the object — the prize

... and delight end until a daughter caused her mother to be locked up in jail.

As the family tells it, the fight for Taffy began late last year when, following her divorce, Flora McGan-

... mother, Flora Hughes, at first, the mother welcomed her daughter, who arrived with many of her household possessions, plus her two children, John 9, and Patty, 7, and Taffy.

But after a few weeks the two

... one night in October, the fighting became so bad that police were called and they escorted the daughter and her children from Mrs. Hughes' Rolling Hills home. The daughter left everything else behind, including Taffy.

... Eye — Mrs. McGannon... wanted the dog back as a Christmas present for her children. So her ex-husband, with whom she was reunited, called the Hughes home to ask for the animal.

(Continued on Page A-11, Col. 1)

LOS ANGELES

Stormy Weather

Shows and chance of thunder showers, ending by evening. Highs both days near 60. Lows near 30. Details A-10.

HERALD EXAMINER

8 STAR
Noon Stocks
TUESDAY



This Rockwell painting, "Spring," went to an anonymous buyer for \$50,000 at auction here yesterday. See A-2.

... There are other things, for example, the interview. The interview is very important, but it is subjective. A lot of schools feel that there could be a personality conflict, and right away the fellow will be turned down. Also, the interview is very expensive. (Continued on Page A-8, Col. 1)

... on the Carter compromise, said in Israel that if the cabinet did not approve them, "it would be the duty of the government to resign."

He predicted that a treaty would be signed this month, possibly within the next week or two, if his cabinet and the Knesset approve a draft accord.

"Still we have to deal with certain

... debate in both the Cabinet and Knesset, stressing that Israel is a democratic country.

Carter said he and Begin had narrowed the remaining issues in a breakfast meeting today.

These issues were believed to be Israel's desire for Sinai oil, Egypt's desire for liaison officials to supervise Palestinian self-rule in the Gaza

... his Mideast mission, and before his upbeat statement at Tel Aviv's Ben Gurion airport the mood of Carter's party was gloomy.

But at Ben Gurion Carter vowed that negotiations would continue and said, "There are fewer differences than when I first arrived. And those few differences which do" (Continued on Page A-4, Col. 2)

NEWS FOCUS Bustamante Ties to California Firms Probed

This is the third in a series of articles.

By JEFF GERTH

... ANA, Mexico — The dealings of two California companies with a powerful Mexican family are under investigation by U.S. government authorities. In one case, alleged kickbacks of more than \$10 million are being investigated by a federal grand jury, according to law enforcement officials.

The two California cases underscore an ethical and legal problem facing U.S. businessmen as they seek to participate in Mexico's petroleum-fueled economic growth.

To what extent, if at all, should they deal with unofficial, but well-connected, middlemen who offer political access to officials of the Mexican government?

The grand jury investigation involves the family of Alfonso Bustamante Sr. The Bustamantes have large business holdings in the Mexican border state of Baja California Norte and close links to the state's governor, Roberto de la Madrid. In addition, according to public documents, the family has made sizable investments in California in recent years and has been active in California politics.

... New York Times reported on the relationship

Gov. Brown's Mexican Connection: Part III

between the Bustamantes and Gov. Brown of California. Brown, a national political figure and probable aspirant to the Democratic Party's presidential nomination, has received campaign contributions from one of the Bustamantes and has advocated energy projects advantageous to Bustamante business interests.

Carlos Bustamante, one of Alfonso's two sons, has said that no need exists any longer for unofficial go-betweens. He said he had helped organize a private trade development council at the request of the

Baja governor, De la Madrid. According to Bustamante, the trade council offers free liaison between foreign businessmen and Mexican officials.

Some American businessmen, seeking Mexican contracts, say, however, that their deals are made through the Bustamantes personally and do not involve the trade council. One American group that sought offshore drilling contracts from the Mexican government was personally introduced to key government officials by Carlos Bustamante.

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NEWS FOCUS

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companies between 1971 and 1976 in the course of selling them gas. In recent years, Petrolane has sold about \$10 million a year in gas to the Bustamante companies. According to Petrolane, the payments, which were made from 1968 through 1976, were made at the Bustamantes' request.

Law enforcement officials contend that the transactions were structured to give the Bustamante gas companies invoices showing they paid \$1 for a certain volume of Petrolane gas products, when in fact the price was only about 85 cents. The difference allegedly went into the Bustamantes' personal bank accounts as a kickback.

In a tattle, Carlos Bustamante said in an interview that his family's gas companies had been checked by Mexican officials and found to be in compliance with Mexican law.

Law enforcement officials also say they have found a pattern of transactions that leads them to conclude that the payments did not stop in 1976. Officials say Petrolane's invoices show that most of the company's gas sales to the Bustamante companies since 1976 have been handled through a new company, Petrogas, which is based in the office of Carlos Bustamante's personal attorney in San Diego.

In addition, they say they have found that more than \$4 million in unexplained deposits have flowed since 1976 into the same Bustamante bank accounts that had received the alleged Petrolane kickbacks in the past.

Carlos Bustamante, in an interview earlier this month, contended that the \$4 million had come from the sale of "Petrolane stock and other stocks."

In a previous interview, Bustamante had disclaimed any knowledge of Petrogas. Subsequently, he identified it as a Netherlands Antilles company that his family had set up to act as a broker in gas sales between Petrolane and the Bustamante gas companies.

Rudy J. Munzer, chairman and chief executive officer of Petrolane, said in an interview that his company's questionable payments to the Bustamantes were "unusual, if not out and out illegal."

Carlos Bustamante originally labeled the payments as "bureaucratic mistakes. It's just errors we make. There's been mistakes all along." Subsequently, in response to published reports of kickbacks, Bustamante issued a statement that neither his family nor their companies had ever received any illegal payments or kickbacks.

The Bustamante family is also helping Petrolane sell its services in Mexico. According to Munzer of Petrolane, the Bustamantes had set up meetings for Petrolane executives with Mexican officials, including De la Madrid of Baja, to assist Petrolane in selling services, such as directional drilling technology, to the Mexican government.

Notwithstanding his expressed misgivings about the payments, Munzer defended his company's reliance on the Bustamantes.

"They are influential," he said. "We have to sell our expertise. We have to get the doors open for us. They have the prestige and position to do it."

Petrolane will eventually lose the Bustamante gas companies as customers because of the Mexican government's insistence that local utility companies buy gas in Mexico. According to Woody Wilson, an American business associate of the Bustamantes, Petrolane is now relying on the Bustamantes to help persuade Mexican officials to sell Mexican gas to Petrolane.

Petrolane will be buying propane from Mexico; it will be cheaper for them than bringing it from Indonesia."

Wilson said the Bustamantes had conversations on this. It's secret. There could be a connection soon."

Another California energy company attempting to do business in Mexico chose to sever its relationship with the Bustamantes after some questionable dealings.

The San Diego Gas and Electric Co., a publicly traded utility, had the Bustamantes under contract in 1977 and 1978 to help it secure the approval of Mexican officials for the construction of a Baja power plant that would sell power across the border to the San Diego company.

The utility company's executives expressly required that any expenditures made to secure Mexican approval had to comply with the Foreign Corrupt Practices Act, which prohibits American companies from paying foreign officials, directly or indirectly, to secure business.

Last year, as part of the power-plant project, the Bustamantes and their associates proposed a complicated financing arrangement. According to Gordon Pearce, vice president and legal counsel for the utility, the plan was rejected because it could have been a "vehicle for improper payments."

SDG&E terminated its relationship with the Bustamantes last year, and it is proceeding on a smaller-scale project involving linkage of existing power lines across the border without the assistance of Mexican middlemen.

While they were under contract to SDG&E, the Bustamantes received more than \$100,000 in consulting fees and expenses for entertaining Mexican officials.

According to law enforcement officials, the United States Customs Service is currently investigating whether any of the San Diego utility's funds or Petrolane payments were taken across the border by the Bustamantes in cash or its equivalent without being reported as the law requires.

The Bank Secrecy Act requires that cash in amounts larger than \$5,000 taken outside the country be reported to the Treasury Department.

Carlos Bustamante declined to comment on the handling of the SDG&E funds that he received.

Bustamante said that at present when he received foreign groups seeking to do business in Mexico, he did so under the auspices of the trade development council. Bustamante said he functioned on an "introductory level," offering his services at no charge.

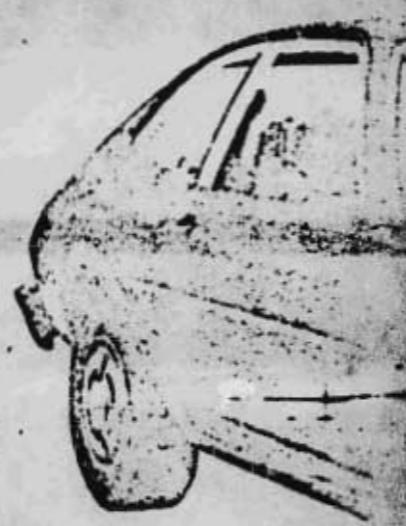
Bustamante handled De la Madrid's campaign finances in 1976 and 1977 and still maintains a joint bank account in their names.

"Carlos has set up so many different things, I can't keep them all straight," said Wilson, who is involved with a Louisiana group seeking Mexican oil contracts through the Bustamantes.

Bustamante said he could not remember the names of any American corporations now using the trade council.

Some Americans disagree with the assumption that one needs intermediaries to get business done in Mexico. A California utility executive said that the use of middlemen, such as the Bustamantes, ultimately did more harm than good, adding that his company had had productive discussions directly with Mexican oil officials.

A Justice Department official familiar with Mexican business practices agreed that it was possible to do business in Mexico without improper payments or middlemen. He said, however, that contracts might be awarded to less honest bidders and contended that this constituted an unfair advantage that conceivably could violate American antitrust statutes.



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