



**Federal Election Commission
Washington, DC 20463**

January 13, 2005

Craig Engle, Esq.
Arent Fox
1050 Connecticut Avenue N.W.
Washington, DC 20036

Re: ADR 214 (MUR 5532)

Dear Mr. Engle:

On September 20, 2004, the Federal Election Commission ("Commission") notified the Friends of Larry Klayment of a complaint alleging certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint was enclosed with the notification.

After considering the circumstances of this matter, the Commission has determined to exercise its prosecutorial discretion and to take no action against the Respondents Larry Klayment, the Friends of Larry Klayman and James R. Graham, Treasurer. In its memorandum to the Commission, dated December 20, 2004, this office stated:

ADR 214/MUR 5532: Complainant alleges that Friends of Larry Klayman, James R. Graham, Treasurer, and Larry Klayman ("Respondents" or "committee") used campaign funds totaling \$20,000 to pay, on seven occasions, the candidate's personal legal bills. The Complainant, formerly employed by the committee, states that he filed a civil suit against Larry Klayman in the Eastern District of Virginia. Craig Engle, an attorney with Arant Fox, represented the candidate. The complaint further alleges that, as the suit alleged slander by Larry Klayman, the payment of legal fees was a conversion of campaign funds to personal use. Respondents acknowledge that the legal fees in question paid by the committee to Arant Fox were for services in connection with the civil suit filed by Complainant. Respondents contend, however, the civil suit resulted from Complainant's short period of employment with the committee, and all allegations relate directly to campaign activities.

Accordingly, the Commission closed its file in this matter on January 7, 2005.

The FEC is obligated by federal regulations to make a finding to terminate its proceedings public, as well as the basis therefore. 11 C.F.R. § 111.20(b). In addition, the

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Commission will also place on the record copies of the complaint, correspondence exchanged between Respondents and the Commission, and reports prepared for the Commission by this office to assist in its consideration of this matter. Accordingly, copies of documents relative to this matter will be forwarded shortly to the FEC's Public Information Office.

If you have any questions regarding this matter please be in touch. My telephone number is 202-694-1665.

Sincerely,

Lynn M. Fraser
Assistant Director, ADR Office