



FEDERAL ELECTION COMMISSION

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

THIS IS THE END OF MUR # 1046

Date Filmed 5/14/80 Camera No. --- 2

Cameraman gpc

30343184110

PS Form 3811, Aug. 1978

● 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:

Mr. Carlos Bustamante

3. ARTICLE DESCRIPTION:

REGISTERED NO. CERTIFIED NO. INSURED NO.

944138

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY
3.12.88

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

MUR 1046

Smith

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

30040184111



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 5, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Jerry Brown
Governor
State of California
Sacramento, California

Re: MUR 1046

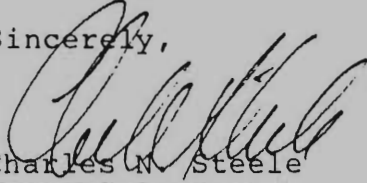
Dear Governor Brown:

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, the Commission has voted to close its file on this matter.

Sincerely,


Charles N. Steele
General Counsel

Enclosures

30747184112

30743184113

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Jerry Brown
Governor
State of California
Sacramento, California

Re. MUR 1046

Dear Governor Brown

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971 as amended, has been committed with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments P.L. 89-486 § 8(a) 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly the Commission has voted to close its file on this matter.

Sincerely,

KHS
3/5/80

Charles W. Steele
General Counsel

Enclosures



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 5, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis Wm. Barnett
530 East Cypress
Glendale, California

Re: MUR 1046

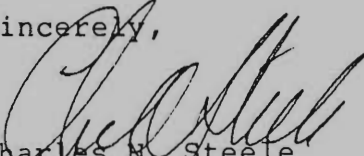
Dear Mr. Barnett:

The Federal Election Commission has reviewed the allegations of your complaint dated October 1, 1979, and determined that on the basis of the information provided in your complaint, there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, §8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, upon my recommendation, the Commission has decided to close the file in this matter. For your information, I am enclosing a copy of the First General Counsel's Report which contains my recommendations and the basis therefor.

Should additional information come to your attention which you believe establishes a violation of the Act, please contact me. The file reference for this matter is MUR 1046.

Sincerely,


Charles N. Steele
General Counsel

Enclosure

30747184114

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis Wm. Barnett
530 East Cypress
Glendale, California

Re: MUR 1046

Dear Mr. Barnett

The Federal Election Commission has reviewed the allegations of your complaint dated October 1, 1979 and determined that on the basis of the information provided in your complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended has been committed with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975 the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments P.L. 89-486, §8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly upon my recommendation the Commission has decided to close the file in this matter. For your information I am enclosing a copy of the First General Counsel's Report which contains my recommendations and the basis therefor.

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Sincerely,

enclosure

Charles W. Steele
General Counsel

KHS
3/5/80



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 5, 1980

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Re: MUR 1046

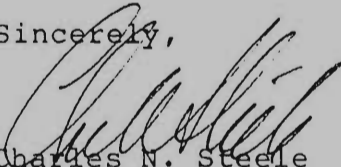
Dear Mr. Bustamante:

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

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Sincerely,


Charles N. Steele
General Counsel

Enclosures

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RETURN RECEIPT REQUESTED

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139-43 88th Avenue
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Re: MUR 1046

Dear Mr. Bustamante

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Accordingly the Commission has voted to close its file on this matter.

Sincerely,

Charles H. Steele
General Counsel

KHS
3/5/80

Enclosures

BEFORE THE FEDERAL ELECTION COMMISSION

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

MUR 1046

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on March 5, the Commission decided by a vote of 6-0 to send the letters attached to the Memorandum to the Commission dated March 3, 1980, in lieu of the letters appended to the First General Counsel's Report dated December 31, 1979 regarding MUR 1046.

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

Attest:

3/5/80

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

Received in Office of the Commission Secretary: 3-3-80, 11:03
Circulated on 48 hour vote basis: 3-3-80, 4:00

March 3, 1980

MEMORANDUM TO: Marjorie W. Emmons
FROM: JJane Colgrove
SUBJECT: MUR 1046

Please have the attached Memo to the Commission on
MUR 1046 distributed to the Commission on a 48 hour
tally basis.

Thank you.

20041184119



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

COPIED 3 11:03

March 3, 1980

MEMORANDUM TO: The Commission

FROM: Charles N. Steele *CS*
General Counsel

SUBJECT: MUR 1046 - (Bustamante/Brown)
Revised Letters for Complainant
and Respondents

Upon the recommendation of Commissioner Friedersdorf, we have redrafted the notification letters so that Mr. Barnett will receive a copy of the First General Counsel's Report recommending no reason to believe, which recommendation was approved by the Commission on January 4, 1980.

We recommend that the Commission authorize the sending of the attached letters in lieu of those originally appended to the Report.

Attachments

Letters to: Honorable Jerry Brown
Mr. Carlos Bustamante
Mr. Louis Wm. Barnett

10040134120



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Jerry Brown
Governor
State of California
Sacramento, California

Re: MUR 1046

Dear Governor Brown:

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The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, the Commission has voted to close its file on this matter.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

30040184121



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Carlos Bustamante
139-43 86th Avenue
Jamaica, New York 11435

Re: MUR 1046

Dear Mr. Bustamante:

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, the Commission has voted to close its file on this matter.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

100-134122



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis Wm. Barnett
530 East Cypress
Glendale, California

Re: MUR 1046

Dear Mr. Barnett:

The Federal Election Commission has reviewed the allegations of your complaint dated October 1, 1979, and determined that on the basis of the information provided in your complaint, there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, §8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, upon my recommendation, the Commission has decided to close the file in this matter. For your information, I am enclosing a copy of the First General Counsel's Report which contains my recommendations and the basis therefor.

Should additional information come to your attention which you believe establishes a violation of the Act, please contact me. The file reference for this matter is MUR 1046.

Sincerely,

Charles N. Steele
General Counsel

Enclosure

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Jerry Brown)
Carlos Bustamante)
1046

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on January 4, 1980, the Commission decided by a vote of 4-0 to take the following actions regarding the above-captioned matter:

1. Find NO REASON TO BELIEVE that Jerry Brown violated 2 U.S.C. § 441e or former 18 U.S.C. § 613 with respect to acts alleged to have occurred after December 31, 1974.
2. Find NO REASON TO BELIEVE that Carlos Bustamante violated 2 U.S.C. § 441e or former 18 U.S.C. § 613 with respect to acts alleged to have occurred after December 31, 1974.
3. Take no action as to alleged statutory violations occurring prior to January 1, 1975.

(Continued)

33010134129

CERTIFICATION

Page 2

MUR 1046

First General Counsel's Report

Dated: December 31, 1979

4. Close the file.
5. Send the letters attached to the above-named report.

Voting for this determination were Commissioners

Aikens, Friedersdorf, Reiche, and McGarry.

Attest:

1-4-80

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

Received in Office of the Commission Secretary: 12-31-79, 2:57
Circulated on 48 hour vote basis: 1- 2-80, 11:00

33010184125



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE *mwe*
FROM: MARJORIE W. EYMONS/MARGARET CHANEY *me*
DATE: JANUARY 4, 1980
SUBJECT: COMMENTS REGARDING MUR 1046

Attached is a copy of Commissioner Friedersdorf's
vote sheet with comments regarding the First General
Counsel's Report dated December 31, 1979 on MUR 1046.

ATTACHMENT:
Copy of Vote Sheet

20041184126



FEDERAL ELECTION COMMISSION

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

80 JAN 3 10:32

Date and Time Transmitted: 1-2-80

11:00

Commissioner FRIEDERSDORF, AIKENS, TIERNAN, McGARRY, REICHE, HARRIS

RETURN TO OFFICE OF COMMISSION SECRETARY BY: 1-4-80

11:00

MUR No. 1046 First General Counsel's Report dated 12-31-79☒ I approve the recommendation☐ I object to the recommendationCOMMENTS: Recommend full report be sent to
Complaintant, Barnett.

Date: 1-3-79

Signature: Max L. Friedersdorf

THE OFFICE OF GENERAL COUNSEL WILL TAKE NO ACTION IN THIS MATTER UNTIL THE APPROVAL OF FOUR COMMISSIONERS IS RECEIVED. PLEASE RETURN ALL PAPERS NO LATER THAN THE DATE AND TIME SHOWN ABOVE TO THE OFFICE OF COMMISSION SECRETARY. ONE OBJECTION PLACES THE ITEM ON THE EXECUTIVE SESSION AGENDA.

30047184137

ye

December 31, 1979

MEMORANDUM TO: Marjorie W. Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 1046

Please have the attached First GC Report on MUR 1046
distributed to the Commission on a 48 hour tally basis.

Thankyou,

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

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL
BY OGC TO THE COMMISSION 12-31-79

MUR # 1046
DATE COMPLAINT RECEIVED
BY OGC 10/16/79

STAFF MEMBER Kevin Smith

COMPLAINANT'S NAME: Louis Wm. Barnett

RESPONDENT'S NAME: Jerry Brown and
Carlos Bustamante

RELEVANT STATUTE: 2 U.S.C. § 441e
Former 18 U.S.C. § 613

INTERNAL REPORTS CHECKED: None

FEDERAL AGENCIES CHECKED: None

I. SUMMARY OF ALLEGATIONS

This MUR arises out of a complaint received October 16, 1979, from Louis Wm. Barnett, individually and as chairman of the National Foundation to Fight Political Corruption. The respondents are named as Mr. Carlos Bustamante and Governor Jerry Brown of California, who are alleged to have respectively made and received contributions which were allegedly illegal because of Mr. Bustamante's citizenship status. The allegations involved were the subject of an earlier complaint filed by the same individual on March 22, 1979, (MUR 935) on which the Commission found "no reason to believe" on June 5, 1979. This new complaint, according to its author, is being filed "to cure the legal technicalities which you raised in rejecting my original complaint." The new complaint differs from the original complaint in only three material respects:

(1) It states "I herein do adopt as a matter of my own belief and knowledge the charge contained in the attached [original complaint with attached newspaper articles]."

(2) It encloses a photostatic copy of a cancelled check numbered 154 in the amount of \$20,000.00 which appears to be drawn on American City Bank account number 507036060 by the Brown for Governor Committee, made payable to Carlos Bustamante, and dated November 30, 1974. Although

the endorsements on the back of the check are not completely legible on the copy provided, it appears to have been endorsed by Carlos Bustamante and initially deposited in a Mexican bank; it does not appear that the check was actually paid by American City Bank until January of 1975.

(3) It encloses a copy of a "Committee's Campaign Statement" filed with the California Secretary of State on October 11, 1974, by the Brown for Governor Committee for the period from July 6, 1974, to October 8, 1974; this report appears to list Carlos Bustamante as the contributor of \$500.00.

II PRELIMINARY LEGAL ANALYSIS

A. Post-1974 Activity

Other than the purported "adoption" of the newspaper articles, the complaint herein gives no more information or evidence than the complaint in MUR 935 with respect to activity from 1975 to the present. Therefore, unless complainant's "adoption" has some significance, the Commission, consistent with its action on MUR 935, must find no reason to believe that Brown or Bustamante violated 2 U.S.C. § 441e with respect to post-1974 activity.

The only allegations in the newspaper articles concerning post-1974 violations is contained in one sentence of the Jeff Garth article of March 11, 1979, in the New York Times:

"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 token amount in 1978."

The same article notes that no Bustamante contributions were listed in Brown campaign records for 1978. Assuming arguendo that complainant's "adoption" of the articles places this sentence on a plane higher than an ordinary newspaper allegation, the article states merely that "some of Mr. Bustamante's associates say" that Bustamante gave "a token amount in 1978." The article does not purport to be quoting these unnamed "associates." Therefore, all that is known is that a reporter named Garth alleges that persons he believes to have been "associates" of Bustamante made statements which he paraphrased by the term "token amount." It is not known whether the "associates" personally witnessed this act. It is also not known whether they actually said "token amount of money;" as paraphrased, however, this would be the logical implication.

If complainant's "adoption" of these twice-removed hearsay allegations would be sufficient to justify a Commission investigation, the Commission would be unable to adequately conduct such an investigation unless Mr. Garth were willing to name the "associates." It follows, however, that if Mr. Garth were interested in having the government investigate this matter, he would have stepped forward already. Issuing a subpoena to Mr. Garth will, we believe, result in protracted litigation with Mr. Garth who will almost certainly claim a reporter's right to withhold relevant evidence from a lawful investigation. The only other alternative would be for the Commission to attempt to find the alleged "associates" itself; considering the extent of Mr. Bustamante's overall activities and the sheer number of individuals who are perceived to have been "associated" with him at one time or another, this effort would undoubtedly be both expensive and futile.

We conclude that the Commission should find no reason to believe that Bustamante or Brown violated 2 U.S.C. § 441e with respect to alleged 1978 activity.

B. Pre-1975 Activity

The present complaint does at least give the Commission reason to believe that Carlos Bustamante made contributions to the 1974 gubernatorial campaign of Jerry Brown, since the enclosed campaign report lists one such contribution. According to the newspaper articles, neither Bustamante nor Brown deny this. The issue is whether that constitutes a statutory violation over which the Commission can and should exercise its jurisdiction.

All of the alleged illegal acts took place during 1974. 1/ The only relevant federal statute which was in existence in 1974 was the former 18 U.S.C. § 613 created by the Foreign Agents Registration Act-Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966). 2/ That statute was strictly criminal and provided in pertinent part as follows:

1/ The cancelled check repaying the \$20,000 Bustamante "loan" was written on November 30, 1974. Although some of the bank endorsements in the negotiation process appear to have been in the first few days of 1975, we have no evidence to indicate that the check was not sent to Mr. Bustamante in 1974, on or about the date it appears to have been written.

2/ The section was later amended by FECA Amendments of 1974 and repealed by the FECA Amendments of 1976 which transferred its functions to 2 U.S.C. § 441e.

"Whoever, being an agent of a foreign principal ... knowingly makes any contribution ... in connection with an election to any political office ...; or

Whoever knowing solicits, accepts, or receives any such contribution from any such agent of a foreign principal or from such foreign principal ...
Shall be fined ... or imprisoned ... or both."

Id. The term "agent of a foreign principal" was defined as follows:

"Any person who acts as an agent, representative, employee, or servant, or any person who acts in any other capacity at the order, request, or under the direction or control, of a foreign principal or of a person any substantial portion of whose activities are directly or indirectly supervised, directed, or controlled by a foreign principal."

Id. The term "foreign principal" is defined by incorporating by reference the definition contained in the Foreign Agents Registration Act of 1938, as amended (22 U.S.C. § 611(b)), but excluding therefrom any citizen of the United States. That provision defines "foreign principal" to include:

"(1) a government of a foreign country and a foreign political party; (2) a person outside of the United States, unless it is established that such person is an individual and a citizen of and domiciled within the United States, or that such person is not an individual and is organized under or created by the laws of the United States or of any State or other place subject to the jurisdiction of the United States and has its principal place of business within the United States; and (3) a partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country."

22 U.S.C. § 611(b). Thus, the statute as it existed in 1974 did not technically prohibit foreign citizens from making political contributions unless they were also "agents of" a foreign citizen, foreign government, or foreign organization. In other words, a foreign citizen who made political contributions

on his own account could not be successfully prosecuted under the statute. 3/ The legislative history of the FECA Amendments of 1974, which amended the statute 4/ to cover "foreign nationals," indicates the problem with the pre-1975 statute. In his statement introducing the 1974 amendment to 18 U.S.C. § 613, Senator Bentsen stated as follows:

The law is ambiguous and confusing. The Department of Justice was asked to make an interpretation. Congress thought it had taken care of the matter long ago, but the Department of Justice said that the law, when it refers to foreign principals, applied only to those who had agents within this country. Therefore, this left a giant loophole for contributions to be made by foreign individuals.

Federal Election Commission, Legislative History of the Federal Election Campaign Act Amendments of 1974, at 264 (1975) [hereinafter "FECA History 1974"]. The Senator then presented a letter from L. Fred Thompson, then director of the Office of Federal Elections at GAO, which stated:

"We have been advised by the Department of Justice that the term 'foreign principal' as used in section 613 does not have the same meaning as 'foreign national.' The Department's view is that to be a foreign principal within the meaning of section 613 it is essential to have an agent acting or operating within the United States. Therefore, in the opinion of the Department, the mere acceptance of a political contribution from a 'foreign national' without evidence to establish that such foreign national is a 'foreign principal' having an agent within the United States would not constitute a violation of the statute."

Id. at 264. Therefore, in order for Bustamante to have been prosecuted under 18 U.S.C. § 613, the government would have to prove that he acted in the United States not on his own account but as the agent of some other foreign principal. It is not difficult to understand why there are no reported prosecutions under that statute.

3/ Our research indicates that there is not one reported case of a prosecution under 18 U.S.C. § 613 from the time of its enactment through 1974.

4/ Effective January 1, 1975.

Two further statutory problems would remain, however, in an attempt to proceed against Brown under the old statute. The first is that the definition of "foreign principal," as it applies to an individual, requires that such individual be "a person outside of the United States." 22 U.S.C. § 611(b)(2). It is not clear what this means, whether outside of the United States when the contribution is made, normally found outside of the United States, domiciled outside of the United States, having citizenship outside of the United States, or any number of other possible constructions. As applied to Bustamante, the California campaign report shows his "City" as San Diego and his "place of business" as Suite 234, U.S. Grant, 326 Broadway. If he was indeed in San Diego when he made the \$500.00 contribution, there is serious doubt whether he could be considered "a person outside of the United States." We do not know and complainant has alleged no facts indicating where

Bustamante was physically located when either the \$500.00 contribution or the \$20,000.00 loan was made by Bustamante. This definitional and factual problem is even more serious considering that the statute only made it a crime to solicit, accept, or receive such a contribution knowingly. Thus, if Brown had been unaware of some of the facts which determine whether Bustamante was or was not a "foreign principal," he would appear to have had a complete defense under the statute. 5/

200418135
The plethora of statutory construction issues discussed -- the meaning of "outside of the United States," the question of whether the contribution must come from a foreign national having an agent in the United States, the question of whether the contribution must have been initially made or promised by an agent of the foreign principal, and the nature and scope of the "knowingly requirement" -- suggest the strong possibility that the statute could be held to have been unconstitutionally vague. Proponents of its constitutionality would not be helped by the availability of information concerning the Justice Department's position on its meaning, the legislative debates in regard to its subsequent amendment, and the lack of any reported prosecutions in the fourteen years since its enactment. Considering those facts as well as the fact that the statute has already been repealed, the courts would probably not be very reluctant to declare it unconstitutional today.

For all of the reasons discussed above, this office is of the opinion that any attempt to pursue Brown or Bustamante under 18 U.S.C. § 613 as it existed in 1974 would be ill-advised, irrespective of whether or not either or both may have violated the statute as interpreted by this office.

There are additional reasons why the Commission should take no further action in this matter even assuming arguendo that Brown and Bustamante violated 18 U.S.C. § 613 in 1974 and further assuming that the statute was constitutional. First, this office believes that the Commission does not have civil jurisdiction over violations of former 18 U.S.C. § 613 which occurred prior to January 1, 1975. This must be sharply distinguished from the position taken in MUR 524(78) (Earl Brian). That matter involved former 18 U.S.C. § 610 and § 614 (now 2 U.S.C. § 441b and § 441f) which were made subject to the civil jurisdiction of the Commission by the 1974 FECA Amendments without amendment or alteration. In

5/ 2 U.S.C. § 441e contains no "knowingly" requirement for civil enforcement purposes.

concluding that the Commission could exercise civil jurisdiction over pre-1975 violations of 18 U.S.C. § 610 and § 614, our report in that case emphasized two points: (1) that the 1974 amendments did not create or alter sections 610 and 614; and (2) that courts have held that a change or addition to a remedy, such as reducing the remedy from criminal to civil, can be applied to events transpiring prior to the change in the statute. The situation with respect to former section 613 is far different. It was altered by the 1974 FECA Amendments; all references to "agents of a foreign principal" were changed to "foreign national" and that new term was defined to include not only a "foreign principal" as defined by 22 U.S.C. § 611(b), but also any person not a U.S. citizen and not admitted for permanent residence within the United States. Thus, when the 1974 amendments empowered the Commission to "seek to obtain compliance with ... respect to ... sections 608, 610, 611, 613, 614, 615, 616, and 617 of Title 18, United States Code," 6/ it was not referring to all former versions of those statutes but instead to the versions in effect on the date the Commission was to receive civil jurisdiction over them and as amended thereafter. 7/ The 1974 amendments to 18 U.S.C. § 613 did not, as with respect to §§ 610 and 614, merely change the remedy. Therefore, the Commission does not have civil jurisdiction over violations of the Foreign Agents Registration Act -- Amendments, P.L. 89-486, § 8(a), 80 Stat. 248 (1966) (codified as 18 U.S.C. § 613), committed prior to the effective date of the FECA Amendments of 1974.

This office's report in MUR 524(78) (Earl Brian) also urged that the Commission give special scrutiny to bringing an action for any violation occurring prior to January 1, 1975. One of the reasons for that advice was and is that such cases afford the worst possible context for a court test of our position that there is no statute of limitations applicable to the civil enforcement powers of the Commission. The strong possibility of such a court test, the myriad of other complicated legal issues involved in this case, and the fact that all of the alleged violations were in state elections, cause this office to conclude that this case should not be pursued further. This conclusion is partly supported by the long-standing policy of this

6/ Pub. L. No. 93-443, Title II, Sec. 208(a), §§ 310(b), 314(a)(7), 88 Stat. 1281, 1285 (1974).

7/ Congress was well aware of the distinction when it provided that no criminal proceeding could be brought for an act which was a violation of section 613 "as in effect on December 31, 1974," if the act did not violate section 613 "as amended by the [FECA] Amendments of 1974." P.L. 93-443, Title III, Sec. 301, § 406(b)(2), 88 Stat. 1290 (1974).

office that, unless special circumstances exist, violations which occurred prior to January 1, 1975, will not be pursued; it is also strongly supported by our conclusions with respect to the legal issues discussed in this report.

III. RECOMMENDATIONS

The Office of General Counsel recommends that the Commission take the following actions:

1. Find no reason to believe that Jerry Brown violated 2 U.S.C. § 441e or former 18 U.S.C. § 613 with respect to acts alleged to have occurred after December 31, 1974.
2. Find no reason to believe that Carlos Bustamante violated 2 U.S.C. § 441e or former 18 U.S.C. § 613 with respect to acts alleged to have occurred after December 31, 1974.
3. Take no action as to alleged statutory violations occurring prior to January 1, 1975.
4. Close the file.
5. Send the attached letters.

Attachments

Complaint

Proposed letters to Louis Wm. Barnett, Governor Jerry Brown and Carlos Bustamante

377181137

60075 375
National Foundation To Fight Political Corruption

RECEIVED
FEDERAL ELECTION COMMISSION
530 EAST CYPRESS • GLENDALE, CALIFORNIA 91205 TEL 213-244-8373

Louis Wm. Barnett • Chairman

'79 OCT 16 PM 12:04

October 1, 1979

Federal Elections Commission
William C. Oldaker
General Counsel
1325 K Street NW
Washington, D. C. 20463

Dear Mr. Oldaker:

Please consider this a new complaint regarding the matter of Mr. Carlos Bustamante and Governor Jerry Brown. I hope herein to cure the legal technicalities which you raised in rejecting my original complaint.

First, I herein do adopt as a matter of my own belief and knowledge the charge contained in the attached letter (see letter dated March 22, 1979 from myself to the FEC).

Second, I have included herein a copy of a campaign report which lists a Mr. Carlos Bustamante as a contributor.

Third, I wish to note that Mr. Bill Loughley, Deputy Staff Director of the FEC stated on August 20, 1979 to a large room full of people in our state Capitol that reporting violations are discovered "through newspapers." I know that this statement is a fact because I was there and I heard him say it. (Please note that one of the reasons which you used to reject my original complaint is that I had used newspapers as sources.)

This time, my complaint is being filed on behalf of both myself and on behalf of the National Foundation to Fight Political Corruption... of which I am currently the Chairman.

Regarding your statement that the time period "presents possible procedural problems;" (1) my original complaint was filed over a half year ago, (2) I do allege that there has been at least one unreported contribution made by Mr. Bustamante to Mr. Stephen S. Gillis according to Mr. Bustamante himself, (3) I am unaware of any statute of limitations in the law, and (4) your brochure "The FEC and the Federal Campaign Finance Law" makes no reference to such a statute.

Mr. Oldaker, would you please answer the following question for me. What "procedural problems" did my original complaint present? As I understand these things, it either did or it did not present procedural problems. I hope that you know the answer.

Next, why are there two "First General Counsel's Reports" on file at the FEC? The one dated April 25, 1979 recommended that the FEC

RECEIVED
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GENERAL COUNSEL

National Foundation To Fight Political Corruption

530 EAST CYPRESS • GLENDALE, CALIFORNIA 91205 • 213-244-8373

Louis Wm. Barnett • Chairman

-2-

"Find reason to believe that Carlos Bustamante and Jerry Brown are in violation of 2U.S.C. §441e." The one dated May 20, 1979 recommended the opposite. Who directed the preparation of the second report and why?

Likewise, why was I only given the second report when you wrote to me on August 1, 1979? Why did you fail to tell me of the existence of the first report?

Looking forward to a speedy consideration of this matter, I am

Cordially yours,


Louis Wm. Barnett

Encl: Letter dated March 22, 1979 and attachments
Brown for Governor campaign statement

cc: Congressman Carlos Moorhead
Congressman John Rousselot
Mr. Gary Cohn

LWB:me



Mary D. Salerno - notary



FORM 703
COMMITTEE

COMMITTEE'S
CAMPAIGN STATEMENT

(Election Code Sections 11500-11614)

RECEIVED
AND FILED
In the office of the Secretary of State
of the State of California
OCT 11 1974
MURD G. BROWN JR., Secretary
Hand Del/LA

Name of Committee BROWN FOR GOVERNOR-SAN DIEGO I.D. Number 7417375
Address U.S. GRANT HOTEL, SUITE 1028, SAN DIEGO, CA 92101
Telephone number 239-9721
Name of Treasurer WALLACE R. PECK
Residential address 5984 ELDERSGARDENS Business address 2022 CAMINO DEL RIO NO
SAN DIEGO, CA 92120 SAN DIEGO, CA 92108
Residential telephone number 582-7911 Business telephone number 291-0843
Date of Election NOV 5 1974 Type of Election (Primary, General or Special) GENERAL
Statement covers period from 7-6-74 to 10-8-74

ALLOCATION OF EXPENDITURES BY CANDIDATES AND MEASURES

(Allocate the total of Schedules E and F by candidate or measure)

NAME OF CANDIDATE AND OFFICE AND NAME OF BALLOT MEASURE AND BALLOT NUMBER OR LETTER		AMOUNT OF EXPENDITURES THIS PERIOD	AMOUNT OF CUMULATIVE EXPENDITURES
<u>EDMUND G. BROWN, JR - GOVERNOR</u>	SUPPORT ☒ OPPOSE ☐	<u>26214⁴⁵</u>	<u>26214⁴⁵</u>
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		

ATTACH ADDITIONAL INFORMATION ON APPROPRIATELY LABELED CONTINUATION SHEETS.

VERIFICATION

I declare under penalty of perjury that this campaign statement is true, correct and complete and that I have used all reasonable diligence in its preparation.

Executed on Oct 9, 1974 at San Diego CA
Date Place
Wallace R. Peck
Signature of Treasurer

MONETARY CONTRIBUTIONS

Instruction Manual for direct
and examples)

1. DRUM, FOR

2. 10-8-74

SUMMARY

Statement covers period from

1. Total monetary contributions of \$100 or more this period
(must be itemized on this schedule)

2. Total monetary contributions under \$100 this period
(need not be itemized)

3. TOTAL MONETARY CONTRIBUTIONS THIS PERIOD. (Lines 1 + 2.
Enter this total on Line 1, column 8 of Summary Page.)

26,670

1,235

27,905

7. Number
committee)

742375

FULL NAME **	CITY (and State if not California)	OCCUPATION	EMPLOYER (Place of business if self-employed)	AMOUNT THIS PERIOD	CUMULATIVE AMOUNT
JOHN W. CULLINGTON	SAN DIEGO	INVESTOR	AM. GEAR & FINANCE 110 W. A ST 92101	500	500
JOHN ZUMWALT	"	ATTORNEY	1957 3 rd AVE	500	500
JOHN A. ZIMM	"	"	914 SAN ANTONIO TRAIL	500	500
JOHN L. LUTHERMAN	WILMINGTON 90740	OWNER	AIRWAYS METALS 1025 H. FARLAND AVE	500	500
JERRY LUTIG	SAN DIEGO	ATTORNEY	2323 CROCKER CLE	600	600
JOHN D. RUBENSTEIN	"	OPHTHALMOLOGIST- M.D.	6505 FLAVIA RD	550	550
JOHN C. LEE	VISTA 92081	OWNER	LEE'S IRON & METALS 212 GRAPEVINE RD	500	500
JOHN SANDROTTI	NAT'L CITY 92102	DIRECTOR	SCRAP DISPOSAL 1700 CLEVELAND AV	500	500
JOHN R. MISCHAEFFER	SAN DIEGO 92101	ATTORNEY	SUITE 234 U.S. COURT 326 BROADWAY	500	500
JOHN H. HENNINGSEN	" 92101	"	110 LAUREL ST	500	500
JOHN H. HENNINGSEN	"	"	1540 8 th AVE	500	500
JOHN H. HENNINGSEN	"	"	411 BROADWAY	300	300
JOHN H. HENNINGSEN	"	"	110 WEST C ST	510	510
JOHN H. HENNINGSEN	LA JOLLA 92037	"	8559 LA JOLLA SPRING	500	500
JOHN S. HENNINGSEN	SAN DIEGO 92101	"	1140 UNION ST	250	250
JOHN S. HENNINGSEN	"	INVESTOR	SUITE 234 U.S. COURT 326 BROADWAY	500	500
JOHN S. HENNINGSEN	LA JOLLA 92037	ATTORNEY	911 SKYLARK DR	500	500
JOHN S. HENNINGSEN	SAN DIEGO 92101	OWNER	FISCHER AVE. ST. 13 1245 CAMINO DEL RIO	500	500
JOHN S. HENNINGSEN	" 92101	FURNITURE SALES	1231 CAMINO DEL RIO, SOUTH	500	500
JOHN S. L. GUNPENS	" 92101	ATTORNEY	2170 4 th AVE	500	500
JOHN S. L. GUNPENS	LOS ANGELES 90023	OWNER	ECHO METALS BLDG 2777 E. WASHINGTON	500	500
JOHN S. L. GUNPENS	SAN DIEGO 92101	OWNER	BAYAR CONTRACTING CO 3246 GOVERNOR DR.	500	500
JOHN S. L. GUNPENS	SAN ANTONIO 78205	REALTOR	SURFSIDE REALTY 107 S. ACACIA	100	100
JOHN S. L. GUNPENS	DEL MAR 92014	ATTORNEY	RFD M-2	600	600
JOHN S. L. GUNPENS	SAN DIEGO 92101	UNION REPRESENTATIVE	LOCAL 542 TEAMSTERS 4602 KENNELLY ST	500	500
JOHN S. L. GUNPENS	"	ATTORNEY	1900 So. CAL. ST. NATL. BANK BLDG	1505	1505

See additional information on page 4.

SUBTOTAL THIS PAGE \$

13,715

*If the contributor is a committee, list the committee's name and I.D. number (or full name and
street address of treasurer). Indicate if the contribution was made by an intermediary and provide
information for both the intermediary and the principal contributor.

Louis Wm. Barnett

March 22, 1979

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

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:

Louis Mm. 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.

0 3 1 3 4 1 4 4

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 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 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 by 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. 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."

The New York Times

BURBANK PUBLIC LIBRARY

THE WEATHER

Metropolitan area: Partly cloudy today and tonight. Partly sunny tomorrow. Temperature range: today 33-39; yesterday 45-52. Details on page 31.

"All the News That's Fit to Print"

VOL. CXXVII No. 44,153

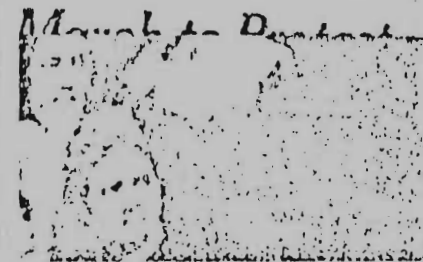
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— NEW YORK, SUNDAY, MARCH 11, 1979 —

\$1.10 beyond 5¢ rate from New York City
In other cities, 10¢ per copy

85 CENTS

Iranian Women



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

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

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For more information, see the Index to Subjects on page 32.

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Gov. Brown Supporting Projects That Aid a Mexican Contributor

By JEFF GERTH

Gov. Edmund G. Brown Jr. of California, attempting to persuade Mexico to sell its energy products to California companies, has in the process been lending 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 some Brown aides show.

The Governor has been courting Mexican officials, including President Jose 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 in which Mr. Bustamante and his family, the Tijuana-based owners

of 11 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 relationships with Americans other than Governor Brown include one with a California energy products company which has the \$50-million investment in a new refinery. The company is owned by a family of a

Continued on Page 10, Column 1

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 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 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 forecast "significant rewards," including reduced industrial pressures, more efficient production and more export markets. But in the region, distribution of benefits, to Southern, Western and Middle Western areas would prove at the expense of the Northeast. And additional workers, especially women and members of minorities, would be hurt the most.

The report, published today, sets the

Continued on Page 15, Column 1

PRESIDENT IN ISRAEL,

today's issue of the *New York Daily Mirror*, carried explosive implications for South African domestic politics and for the country's relations with the major Western powers.

The 44-year-old Mr. Rhoadie, 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. Rhoadie 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 was necessary to send a man on holiday to the

Continued on Page 15, Column 1

Plan for a Taiwan-China Meeting Reported by Olympic Committee

By SAMUEL ARI

Special to the New York Times

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. L. Lo, S. C. Cheng and Z. L. Lin that 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

Continued on Page 10, Column 1

Gov. Brown Supporting Energy Projects That Would Aid Mexican Contributor

Continued From Page 1

Grand jury investigation in San Francisco and the Federal Bureau of Investigation is conducting a separate preliminary investigation into allegations that Mr. Brown's 1974 campaign for Governor led 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 State agencies. Governor Brown described his meetings with the Mexican officials as an effort to call attention to the need of the Carter Administration to initiate an energy program with Mexico.

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

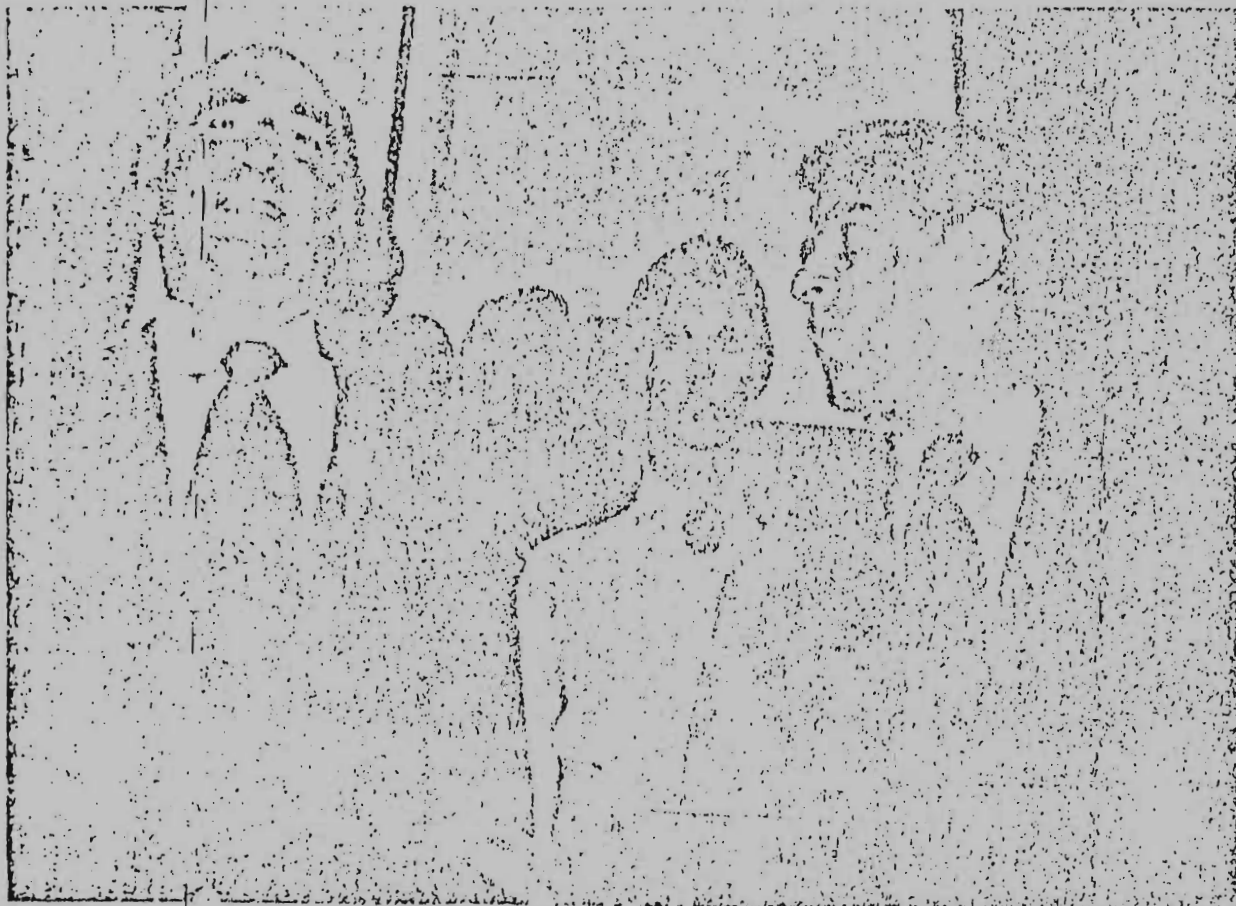
Deals With Brown Associates

The Governor would not discuss his relationship with the Bustamantes, but Mr. Davis, his chief of staff, said there is "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 to his father's business interests. His father and his father's associates have contributed sizable sums to his campaigns, however.

Before Governor Brown's first meeting with Mr. López Portillo, in April 1977, the State Administration's statements on oil and gas needs did not mention 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. López Portillo met in Mexico City and Tijuana. Members of Mr. Brown's cabinet, including Richard



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

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 loans."

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 \$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 1974 and a token 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 just a little lip service in 1978."

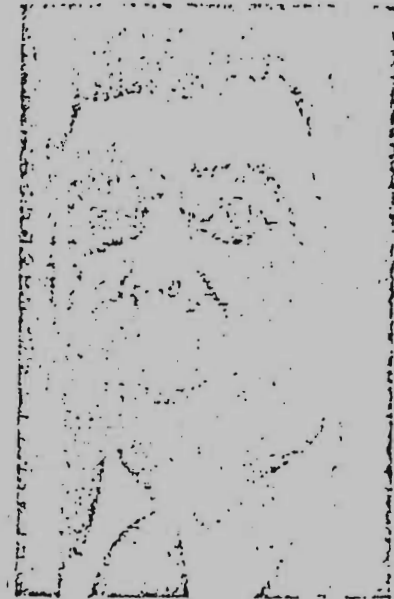
Allegations of \$10,000 Gift

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 \$10,000 to the 1974 Brown campaign, according to law enforcement officials.

One of the allegations, which reportedly include 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, said top Mexican oil officials have told him that they could not sell gas to the State of California and were therefore plying all the trips of Brown officials to see them.

Tomorrow: The Bustamantes' relationships with American businesses.



SPRING
SPECIAL

Ladies

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 nonofficial person present, according to participants.

Baja 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. 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 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

refinery.

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 years old, and his two sons, Alfonso Jr., 36, 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 loaned it \$800 in dinner tickets because Mr. Brown was a friend but that he was not involved in the 1976 election campaign.

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

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Bustamante

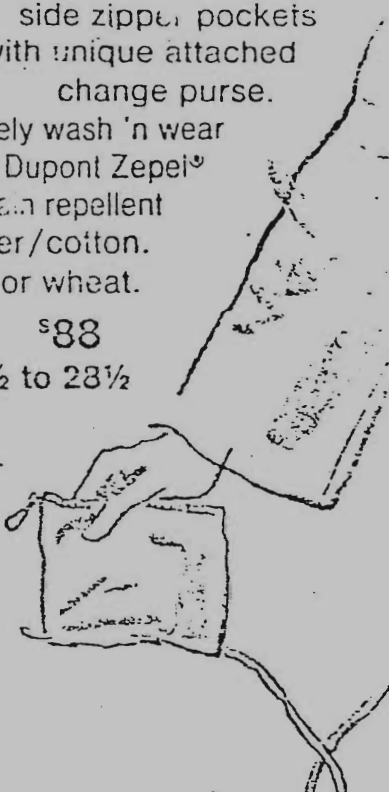
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Variable cloudiness today with 20 percent chance of showers tonight. High today near 70. Overnight low in the mid-50s. Details A-6.

HERALD EXAMINER

8 STAR
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Bustamante Interests Scrutinized

By JEFF GERTH
N.Y. Times News Service

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

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 and 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 campaigns for senate and governor in 1976 and 1977, and de la Madrid was administrative director

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.

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Edward T. Butler, who was later

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

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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 that 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 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 instinctively 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 chest and while someone called for 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)

...they pay me this money. I'm 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: Ever 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 woman I played but I thought I could bring some complexity and depth to her, which I think we succeeded in doing.

"The 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 bludgeoning us with cynicism. That I can not

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

NEWS FOCUS

Paranoia: Experts Divided on Its Origins

We have met the enemy and ...

But 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

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.

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.

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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 \$40,000 to the 1974

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

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 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 oil drilling and welding "was

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

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 \$2,000 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 owned 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. I carried his bags for him."

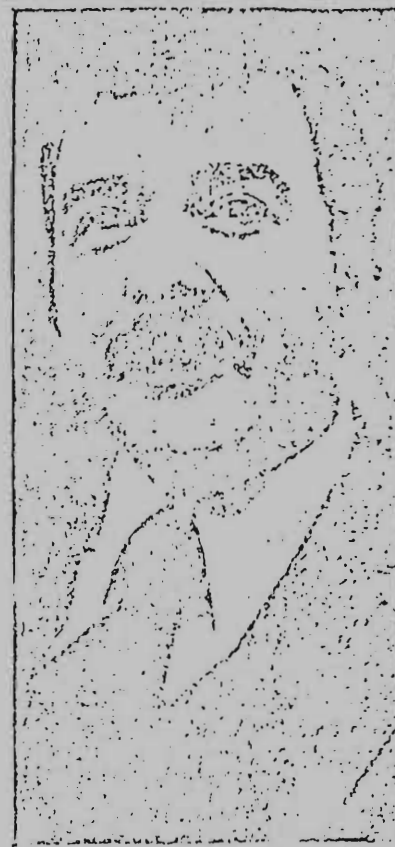
Of Brown's oil policy, Karr said, "He tried to get the Mexican government to drill for natural gas in Baja. He talked with Bustamante about this."

Mexico's nationalized oil agency, Pemex, has turned down the Brown proposal, favoring gas exploration 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 pushed "out of the wings of Brown officials" to sell 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 approach and even though Texas gas companies were negotiating with the Mexicans.

Briscoe said he felt energy was "entirely a matter between the



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 \$13 million commercial fishing deal he and Bustamante are putting together in Baja. They are also



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

Taffy 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 and 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 McGan... 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. McGan... wanted the dog back as a Christmas present for her children. So, ex-husband, with whom she reunited, called the Hughes to ask for the animal.

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

LOS ANGELES

Stormy Weather

Showers and chance of thunderstorms, ending by evening. High in the days and low in the night. See Details A-12

HERALD EXAMINER

8 STAR
Noon Stocks
TUESDAY

And there are other things, for example, the interview. The interview is very important, but very 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)



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

on the Carter compromises, 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

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 noted 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

This is the third in a series of articles.

By JEFF GERTH

New York Times News Service

Tijuana, Mexico — The dealings of two California companies with powerful Mexican families 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:

Bustamante Ties to California Firms Probed

Gov. Brown's Mexican Connection: Part III

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 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 tie exists any longer for unofficial go-betweens. He said he has 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.

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 rebated 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

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companies between 1971 and 1976. 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 85 cents. The difference allegedly went into the Bustamantes' personal bank accounts as a kickback.

In a rebuttal, 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," he said. 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,"

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.

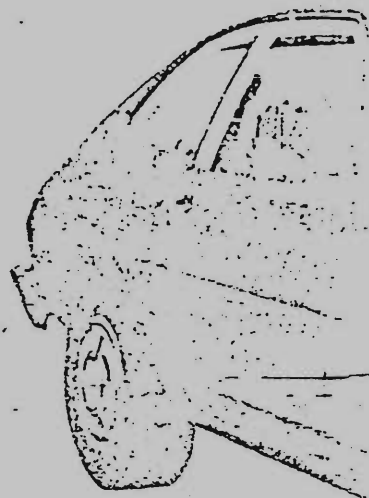
"Carlos has set up so many different things, I can't keep them all straight," said Wilson, who is involved with a Louisiana group seeking Mexican oil contracts through the Bustamantes.

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 contend that this constituted an unfair advantage that conceivably could violate American antitrust statute.

1 1 5 3



FOR P

FOR W

Check out the sleek styling of California and destination cars. You'll find the 3-door Runabout is sticker \$976 less than the Corolla Liftback for equipped models. \$79 Pinto you get a design inside and an impressive list of equipment. All at a low price.

*Sticker, no excluded taxes

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Louis Wm. Barnett
530 East Cypress
Glendale, California

Re: MUR 1046

Dear Mr. Barnett:

The Federal Election Commission has reviewed the allegations of your complaint dated October 1, 1979, and determined that on the basis of the information provided in your complaint, there is no reason to believe that a violation of the Federal Election Campaign Act of 1971, as amended, has been committed, with respect to any acts or omissions after December 31, 1974. With respect to any acts or omissions prior to January 1, 1975, the Commission has determined that it does not have jurisdiction over alleged violations of the relevant statute in effect for that period of time, namely the Foreign Agents Registration Act -- Amendments, P.L. 89-486, §8(a), 80 Stat. 248 (1966) (formerly codified as 18 U.S.C. § 613).

Accordingly, upon my recommendation, the Commission has decided to close the file in this matter.

Should additional information come to your attention which you believe establishes a violation of the Act, please contact me. The file reference for this matter is MUR 1046.

Sincerely,

Charles N. Steele
General Counsel

cc: The Honorable Jerry Brown
Governor of California
Sacramento, California

30747184134



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Honorable Jerry Brown
Governor
State of California
Sacramento, California

Re: MUR 1046

Dear Governor Brown:

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of any statute within its jurisdiction has been committed. Accordingly, the Commission intends to close its file on this matter.

For your information, I am also enclosing a copy of the letter being sent to complainant notifying him of the Commission's action.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

3 3 7 1 . 1 8 4 1 3 5



FEDERAL ELECTION COMMISSION

WASHINGTON, D C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Re: MUR 1046

Dear Mr. Bustamante:

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

The Commission has determined that on the basis of the information in the complaint there is no reason to believe that a violation of any statute within its jurisdiction has been committed. Accordingly, the Commission intends to close its file on this matter.

For your information, I am also enclosing a copy of the letter being sent to complainant notifying him of the Commission's action.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

3 0 7 1 1 8 4 1 5 6



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MUR
1046

October 17, 1979

Mr. Louis William Barnett
National Foundation to Fight Political
Corruption
530 East Cypress
Glendale, California 20463

Dear Mr. Barnett:

This is to acknowledge receipt of your complaint of October 1, 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

37
1184137

60C* 10875-
National Foundation To Fight Political Corruption

RECEIVED
FEDERAL ELECTION COMMISSION
530 EAST CYPRESS • GLENDALE, CALIFORNIA 91201 213-244-8373

Louis Wm. Barnett • Chairman

'79 OCT 16 PM 12:04

October 1, 1979

Federal Elections Commission
William C. Oldaker
General Counsel
1325 K Street NW
Washington, D. C. 20463

Dear Mr. Oldaker:

Please consider this a new complaint regarding the matter of Mr. Carlos Bustamante and Governor Jerry Brown. I hope herein to cure the legal technicalities which you raised in rejecting my original complaint.

First, I herein do adopt as a matter of my own belief and knowledge the charge contained in the attached letter (see letter dated March 22, 1979 from myself to the FEC).

Second, I have included herein a copy of a campaign report which lists a Mr. Carlos Bustamante as a contributor.

Third, I wish to note that Mr. Bill Loughley, Deputy Staff Director of the FEC stated on August 20, 1979 to a large room full of people in our state Capitol that reporting violations are discovered "through newspapers." I know that this statement is a fact because I was there and I heard him say it. (Please note that one of the reasons which you used to reject my original complaint is that I had used newspapers as sources.)

This time, my complaint is being filed on behalf of both myself and on behalf of the National Foundation to Fight Political Corruption... of which I am currently the Chairman....

Regarding your statement that the time period "presents possible procedural problems;" (1) my original complaint was filed over a half year ago, (2) I do allege that there has been at least one unreported contribution made by Mr. Bustamante to Mr. Stephen S. Gillis according to Mr. Bustamante himself, (3) I am unaware of any statute of limitations in the law, and (4) your brochure "The FEC and the Federal Campaign Finance Law" makes no reference to such a statute.

Mr. Oldaker, would you please answer the following question for me. What "procedural problems" did my original complaint present? As I understand these things, it either did or it did not present procedural problems. I hope that you know the answer.

Next, why are there two "First General Counsel's Reports" on file at the FEC? The one dated April 25, 1979 recommended that the FEC

30747184138
19:21 9115061
FEDERAL ELECTION COMMISSION
OCT 16 1979

National Foundation To Fight Political Corruption

530 EAST CYPRESS • GLENDALE, CALIFORNIA 91205 • 213-244-8373

Louis Wm. Barnett • Chairman

-2-

"Find reason to believe that Carlos Bustamante and Jerry Brown are in violation of 2U.S.C. §441e." The one dated May 20, 1979 recommended the opposite. Who directed the preparation of the second report and why?

Likewise, why was I only given the second report when you wrote to me on August 1, 1979? Why did you fail to tell me of the existence of the first report?

Looking forward to a speedy consideration of this matter, I am

Cordially yours,

Louis Wm. Barnett
Louis Wm. Barnett

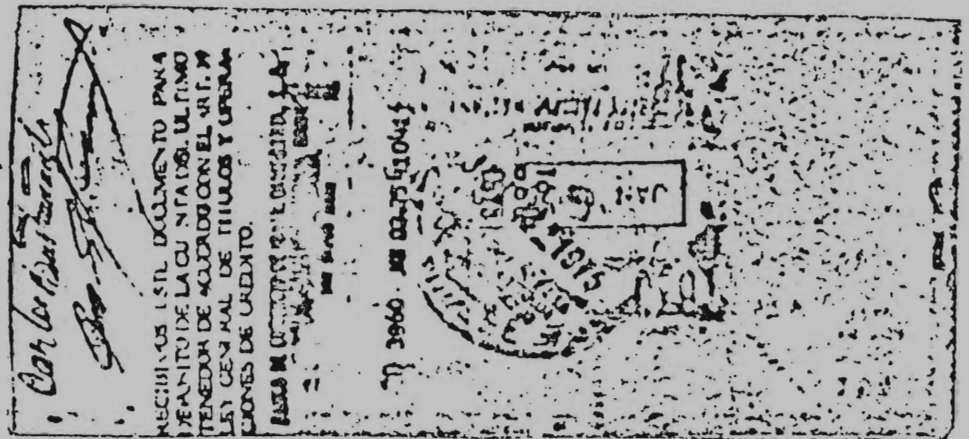
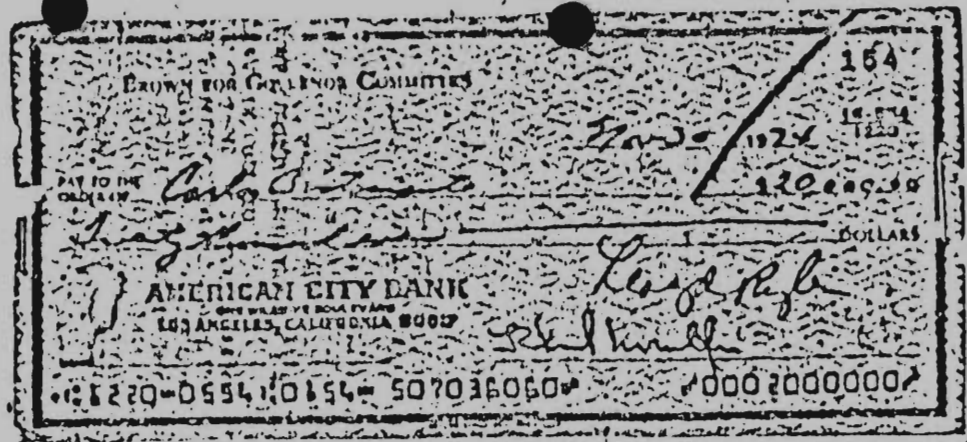
Encl: Letter dated March 22, 1979 and attachments
Brown for Governor campaign statement

cc: Congressman Carlos Moorhead
Congressman John Rousselot
Mr. Gary Cohn

LWB:me



Mary D. Salerno - notary



This check represents the Brown for Governor Committee's repayment of Carlos Bustamante's illegal campaign loan to the Brown campaign. Please note the endorsement on the back.



FORM 703
COMMITTEE

8 0 0 4 0 1 4 1 5 1

**COMMITTEE'S
CAMPAIGN STATEMENT**
(Election Code Sections 11500-11614)

RECEIVED
AND FILED
In the office of the Secretary of State
of the State of California
OCT 11 1974
MURD G. BROWN JR., Secretary
Hand Del/LA

Name of Committee BROWN FOR GOVERNOR-SAN DIEGO I.D. Number 747375
Address U.S. GRANT HOTEL, SUITE 1028, SAN DIEGO, CA 92101
Telephone number 239-9721
Name of Treasurer WALLACE R. PECK
Residential address 5984 ELDER RANDENS Business address 2022 CAMINO DEL RIO No
SAN DIEGO, CA 92120 SAN DIEGO, CA 92105
Residential telephone number 582-7911 Business telephone number 291-0240
Date of Election NOV 5 1974 Type of Election (Primary, General or Special) GENERAL
Month Day Year
Statement covers period from 7-6-74 to 10-8-74

ALLOCATION OF EXPENDITURES BY CANDIDATES AND MEASURES

(Allocate the total of Schedules E and F by candidate or measure)

NAME OF CANDIDATE AND OFFICE AND NAME OF BALLOT MEASURE AND BALLOT NUMBER OR LETTER		AMOUNT OF EXPENDITURES THIS PERIOD	AMOUNT OF CUMULATIVE EXPENDITURES
<u>EDMUND G. BROWN JR - GOVERNOR</u>	SUPPORT ☒ OPPOSE ☐	<u>26214⁴⁵</u>	<u>26214⁴⁵</u>
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		
	SUPPORT ☐ OPPOSE ☐		

ATTACH ADDITIONAL INFORMATION ON APPROPRIATELY LABELED CONTINUATION SHEETS.

VERIFICATION

I declare under penalty of perjury that this campaign statement is true, correct and complete and that I have used all reasonable diligence in its preparation.

Executed on October 9, 1974 at San Diego, CA
Date Place
Wallace R. Peck
Signature of Treasurer

EDULE A

MONETARY CONTRIBUTIONS

Instruction Manual for direct
and examples)

10. BROWN. FOR

11. 100-741-1160

SUMMARY

1 5 2

7-6-74

10-8-74

Statement covers period from

1. Total monetary contributions of \$100 or more this period
(must be itemized on this schedule)

26,670

2. Total monetary contributions under \$100 this period
(need not be itemized)

1,235

3. TOTAL MONETARY CONTRIBUTIONS THIS PERIOD. (Lines 1 + 2.
Enter this total on Line 1, column 8 of Summary Page.)

27,905

I.D. Number 742375

(if committee)

FULL NAME **	CITY (and State if not California)	OCCUPATION	EMPLOYER (Place of business if self-employed)	AMOUNT THIS PERIOD	CUMULATIVE AMOUNT
JOHN W. CUNNINGHAM	SAN DIEGO	INVESTOR	AM. GENERAL FINANCE 110 W. A ST 92101	500	500
JOHN J. ZUMWALT	"	ATTORNEY	1857 3 RD AVE	500	500
JOHN A. GILROY	"	"	914 SAN ANTONIO TRAIL	500	500
WILLIAM L. LEVINE	WILMINGTON 90744	OWNER	AIRWAYS METALS 1025 M. FARLAND AVE	500	500
MURRY LITIG	SAN DIEGO	ATTORNEY	2323 CROCKER BLVD	600	600
ROBERT D. RUBENSTEIN	"	OPHTHALMOLOGIST- M.D.	6505 ALVARADO RD	550	550
OSCAR C. LEE	VISTA 92181	OWNER	LEE'S IRON & METALS 212 GRAPEVINE RD	500	500
TED SANDROFF	NAT'L CITY 92160	DIRECTOR	SCRAP DISPOSAL 1700 CLEVELAND AV	500	500
ARTHUR M. SCHAFER	SAN DIEGO 92101	ATTORNEY	SUITE 234 U.S. GRANT 376 BROADWAY	500	500
BENJAMIN H. KERN	" 92111	"	110 LAUREL ST	500	500
EDWARD S. KATZ	"	"	1542 6 TH AVE	500	500
JOHN W. S. HILDE	"	"	411 BROADWAY	300	300
THOMAS E. LEAND	"	"	110 WEST C ST	510	510
ROBERT A. WARD	LA JOLLA 92037	"	8559 La Jolla Scenic	500	500
RICHARD S. HILDE	SAN DIEGO 92101	"	1140 UNION ST	250	250
WILLIAM E. HILDE	"	INVESTOR	SUITE 234 U.S. GRANT 376 BROADWAY	500	500
PAUL A. HILDE	LA JOLLA 92037	ATTORNEY	911 SKYLARK DR	500	500
WALTER F. HILDE	SAN DIEGO 92101	OWNER	FISHER METAL CO 1245 CAMINO DEL RIO	500	500
STANLEY H. HILDE	" 92101	FURNITURE SALES	1231 CAMINO DEL RIO, SOUTH	500	500
WILLIAM L. BLOOMBERG	" 92101	ATTORNEY	2170 4 TH AVE	500	500
ELI KEEBERG	LOS ANGELES 90023	OWNER	ELKO METALS (BLVD) 2777 E. WASHINGTON	500	500
HARVEY F. HILDE	SAN DIEGO 92122	OWNER	BAYAR CONTRACTING CO 3246 GOVERNOR DR.	500	500
EDWARD E. STANLEY	SAN ANTONIO 78205	REALTOR	SUNSHINE REALTY 107 S. ACACIA	100	100
ALAN E. HILDE	DEL MAR 92014	ATTORNEY	RFD M-2	600	600
WILLIAM E. HILDE	SAN DIEGO 92101	UNION REPRESENTATIVE	LOCAL 502 TEAMSTERS 4602 FENCIBLE ST	500	500
WILLIAM E. HILDE	"	ATTORNEY	1300 SO. PACIFIC BLVD BANK BLDG	1505	1505

Attach additional information on page 4.

SUBTOTAL THIS PAGE \$

13,415

**If the contributor is a committee, list the committee's name and I.D. number (or full name and street address of treasurer). Indicate if the contribution was made by an intermediary and provide information for both the intermediary and the principal contributor.

Louis Wm. Barnett

March 22, 1979

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

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:

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 on 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 hereof 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."

"All the News
That's Fit to Print"

The New York Times

BURBANK PUBLIC LIBRARY

THE WEATHER

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

VOL. CXXVII No. 44,153

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— NEW YORK, SUNDAY, MARCH 11, 1979 —

\$1.10 beyond 5¢ rule from New York City
Higher in all other cities

85 CENTS

thought over business problems, fatally
shot two persons and wounded four be-
fore killing himself. Page 33.

Today's Sections

Section 1 (2 Pages)	News
Section 2	Arts and Leisure
Section 3	Business and Finance
Section 4	The Week in Review
Section 5	Sports
Section 6	Magazine
Section 7	Book Review
Section 8	Real Estate
Section 9	Employment Advertising
Section 10	Travel
Section 11	Regional Weeklies

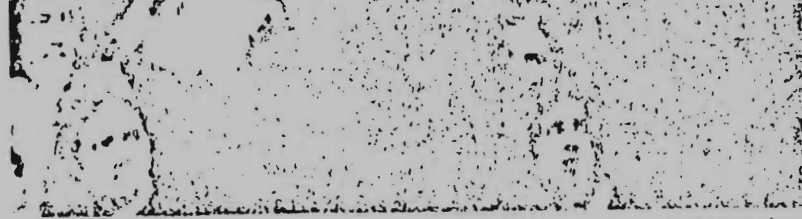
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Iranian Women

Mullahs Demand



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

Gov. Brown Supporting Projects That Aid a Mexican Contributor

By JEFF GURTH

Gov. Edmund G. Brown Jr. of California attempting to persuade Mexico to sell its energy products to California companies, has in the process been lending 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 some Brown aides show.

The Governor has been courting Mexican officials, including President Jose 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 in 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 Americans other than Governor Brown is built on one with a California petroleum products company in which more than \$10 million in kickbacks are alleged to have been paid to the Bustamantes — are the result of a

Continued on Page 15, Column 1

Continued on Page 44, Column 1

Study Says Trade Pact Could Hurt Northeast

By CLYDE H. FARNSWORTH

Special to The New York Times

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 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 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 more export markets. But in the region, distribution of benefits, to Southern, Western and Middle Western areas would pale at the expense of the Northeast. And some workers, especially women and members of minorities, would be hurt the most.

The report, published today, sets the

Continued on Page 15, Column 1

PRESIDENT IN ISRAEL,

today's issue of the *Haaretz* daily, 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 editor's wife, I should be able to do so. If it was necessary to send a man on holiday to the

Continued on Page 15, Column 1

Plan for a Taiwan-China Meeting Reported by Olympic Committee

By SAMUEL ARI

Special to The New York Times

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. Laroche S. Crispin had told him that 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 met with the Taiwanese to come to Peking for

Continued on Page 16, Column 1

Gov. Brown Supporting Energy Projects That Would Aid Mexican Contributor

Continued From Page 1

Federal grand jury investigation in San

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 export 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 López Portillo in Mexico last month, has said there is no urgency on the Mexican 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.

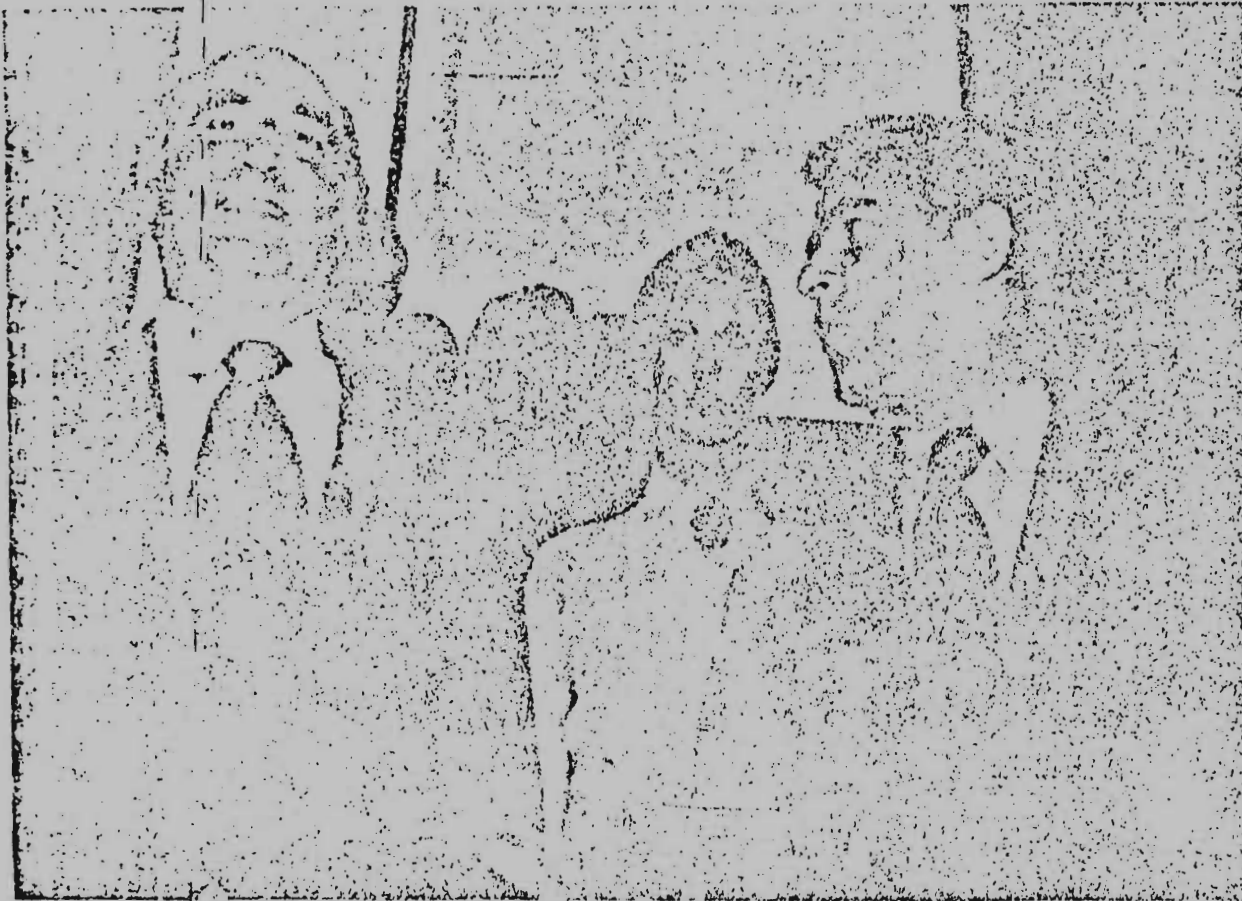
Deals With Brown Associates

The Governor would not discuss his relationship with the Bustamantes, but Gerry 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, however.

Before Governor Brown's first meeting with Mr. López Portillo, in April 1977, Brown Administration statements 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. López Portillo met with other officials in Mexico City and Tijuana and members of Mr. Brown's cabinet, including Richard Maullin, chairman of the California Energy Commission, have 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 with Mexico as "a carefully correct and

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 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 \$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 1974 and a token amount in 1978.

There is no listing of a Bustamante contribution in the 1976 Brown campaign records. And Mr. Wilson said, "Carlos helped Jerry a lot financially in 1974. He gave just a little lip service in 1978."

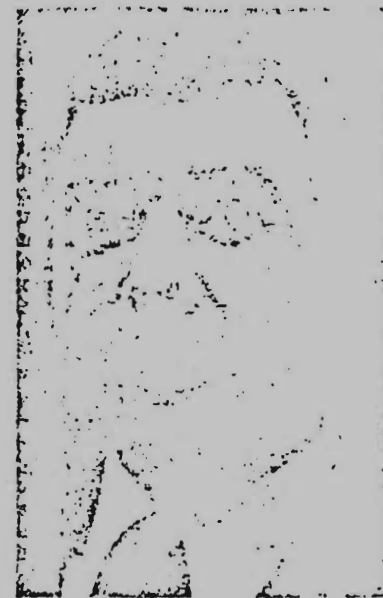
Allegations of \$40,000 Gift

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 transactions, is said to tie 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, 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 businesses



SPRING SPECIAL

Ladies

Mr. Brown and Mr. Lopez Portillo met twice last year, in Mexico City and Tepic, Jalisco, and members of Mr. Brown's cabinet, such as Richard Maullin, 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.

Baja 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. Maullin, 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. Maullin 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

California, California oil producers and

Personal Relationship Described

Mr. Maullin 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.

Woodly 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 65, and his two sons, Alfonso Jr., 30, 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 contribution in the United States."

In a subsequent interview, Mr. Bustamante said that he lent the 1974 campaign \$20,000 and bought \$1,800 in dinner tickets because Mr. Brown was a friend but that he was not involved in the 1976 election campaign.

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

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Bustamante's

Misty Harbor welcomes spring — come rain or shine

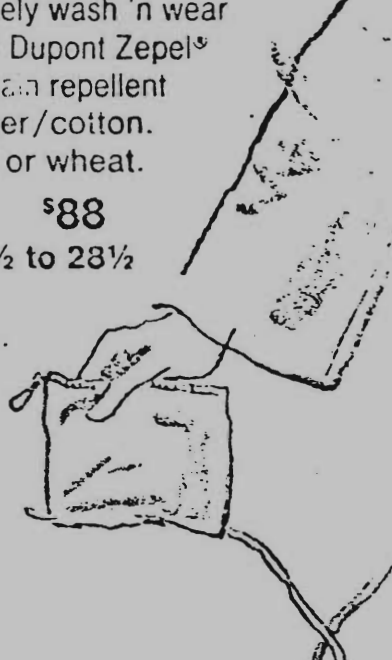
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E Monday, March 12, 1979 20 Cents

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 campaigns 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.

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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 \$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 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 chest with my hands," 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

We have met the enemy, and they are us.

Schrank had written before the assassination attempt: "Theodore

Williams feel controlled by outside forces

Williams feel controlled by outside forces

on these factors to the U.S. 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 been a

disaster, and that the country is "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 Iranian cutoff, the supply 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

serious problem" in 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-

ice 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

crises would reduce auto 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.

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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 1978.

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 \$40,000 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 1978 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 drilling and welding



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 \$13 million commercial fishing deal he and Bustamante are putting together in Baja. They are also involved in the same deal

Karr contributed \$20,000 to Brown's campaigns in 1976 and 1977 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 had 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. 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 exploration 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 the trips of Brown officials to Mexico.

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 energy 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

Taffy 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 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-

nathan, Flora McGanathan's 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.

Eve — Mrs. McGanathan wanted the dog back as a present for her children. She ex-husband, with whom she reunited, called the Hughes to ask for the animal.

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LOS ANGELES

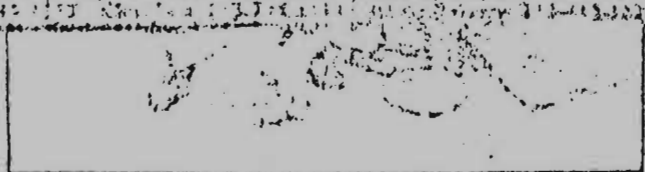
Stormy Weather

Showers and chance of thunderstorms, ending by evening. High in the days and low near 50. Details A-12

HERALD EXAMINER

8 STAR
Noon Stocks
TUESDAY

At 11:30 There are other things, for example, the interview. The interview is very important, but very 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)



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

on the Carter compromises, 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

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 said 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. 1)

NEWS FOCUS

Bustamante Ties to California Firms Probed

This is the third in a series of articles.

By JEFF GERTH

New York Times News Service

TULANA, 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 befriended California politicians.

Sunday, 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 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.

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 repaid 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

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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 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 85 cents. The difference allegedly went into the Bustamantes' personal bank accounts as a kickback.

In a 1976 trial, 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; it will be cheaper for them than bringing it from Indonesia,"

Wilson said. "The Bustamantes had conversations on this. It's not a secret. There could be a connection real 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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