BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
The National Congressional Club)

SUPPLEMENTAL RESPONSE OF
THE NATIONAL CONGRESSIONAL CLUB

This is the supplemental response of The National Congressional Club ("NCC") to certain interrogatories and requests for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29 Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, R. E. Carter Wrenn, Treasurer of The National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the production of the document submitted herewith.

I. ORDER TO SUBMIT WRITTEN ANSWERS AND SUBPOENA TO PRODUCE DOCUMENT (December 1, 1983)

Item 1.h. Please state the names of all political committees (other than those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

Response: NCC made two types of in-kind contributions through JMI: (1) services provides by JMI employees and (2) expenses paid by JMI for which NCC reimbursed JMI in the same amount (e.g., an Audiophonics bill). The 1982 in-kind contributions for JMI services and expenses were:

Attachment L

8 8 0 4 0 6 0 1 6 7 3

CANDIDATES	SERVICES	EXPENSES	TOTAL
Gene Johnston for Congress P. O. Box 9089 Greensboro, NC 27408	$2,391.09	$1,350.84	$3,741.93
Ann Bagnal for Congress P. O. Box 438 Winston-Salem, NC 27102	4,941.74		4,941.74
Harris Blake for Congress P. O. Box 1982 Southern Pines, NC 28387	5,185.09		5,185.09
Tom Gibson for Congress P. O. Box 1030 Lumberton, NC 28358	353.08	299.41	652.49
Henden for Congress Box 123 Asheville, NC 28803	1,700.26	1,144.34	2,844.60
Bill Ress for Senate P. O.Box 472 Doner, OH 44622	1,076.85		1,076.85
Bill Cobey for Congress P. O. Box 1982 Chapel Hill, NC 27514	5,671.51		5,671.51
Red McDaniel for Congress P. O. Box 160 Dunn, NC 28334	3,723.45	69.71	3,793.16
Jack Marin for Congress P. O. Box 8600 Durham, NC 27707	4,768.38	38.62	4,807.00
Peter Dominici 4239 Dirksen Senate Office Washington, D.C. 20510	348.13	486.47	834.60*/
Ed Johnson for Congress P. O. Box 1589 Lumberton, NC 28358	356.31	927.89	1,284.20

*/ Senator Dominici was not a candidate for reelection in 1982, and the in-kind contributions were neither made to any political committee nor reported as contributions to a candidate or committee. They are reported here in order to give the Commission the fullest picture possible, consistent with a broad reading of the spirit of this question.

2 6 0 4 0 5 0 1 6 7 4

Item 1.k(3). [Please specify] the identify of all JMI clients, other than Gibson, represented in the larger bill [of which the $353.08 for the services of Earl Ashe and Susan Cashwell was a part].

Response: This item contains two erroneous premises. First, it assumes that NCC was billed $353.08 by JMI for the services of Susan Cashwell and Earl Ashe. This is incorrect; $353.08 represents the value of NCC's in-kind contribution of those services, as determined by Carter Wrenn. JMI did not calculate a separate charge for these services, or for any other project undertaken by JMI employees for NCC in 1982.

Second, the question implies that the Gibson Committee and other committees in whose favor NCC made in-kind contributions of JMI services were JMI's clients. It is probably more accurate to regard NCC as JMI's client, because NCC received and paid the bill from JMI for JMI's services, not the political committees.

Political committees (other than NCC) in whose favor NCC made in-kind contributions of JMI services covered by the monthly bill that also included the services of Ms. Cashwell and Mr. Ashe on behalf of the Gibson Committee are:

Jack Marin for Congress
P. O. Box 8600
Durham, NC 27707

Bill Cobey for Congress
P. O. Box 1982
Chapel Hill, NC 27514

Item 4.a(9). Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;

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(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

Response: NCC cannot answer this question precisely as it is framed. The Commission assumes that this time buy was performed on a gross-to-buyer/net-to-station basis, which it was not. Instead, JMI simply purchased time (for net) from the station, and was paid a fee by NCC. The time buy was performed by Ms. Cashwell, a JMI employee, and JMI included those services in its monthly bill to NCC, which NCC paid.

Because JMI did not bill for its services to NCC on a project-by-project basis, but rather on a cost-plus-fixed-percentage basis for all of its costs each month, it is impossible to determine the amount of JMI's monthly NCC bill to JMI that should be allocated for Ms. Cashwell's efforts on this time buy. The JMI bill was paid by NCC with a series of checks between May 28 and July 26, 1983. NCC reported its in-kind contributions of these services to the Gibson Committee in its regularly filed reports to the Federal Election Commission. The value of Ms. Cashwell's services in connection with this particular time buy was part of the $353.08 reported by NCC.

II. MISCELLANEOUS REQUESTS FOR DOCUMENTS AND RESPONSES

1. At Mr. Wrenn's deposition on September 14, 1983, the Federal Election Commission asked for a legible copy of Biggs Exhibit 14 (see FEC Petition for Order to Show Cause, Exhibit J, item 5.) A copy of Biggs Exhibit 14 is attached as Exhibit A hereto.

2. Also during Mr. Wrenn's deposition, the Commission asked whether a $35.00 charged noted in Wrenn Exhibit 3 was part of a larger in-kind contribution to the Gibson Committee. It was not. It appears that, through clerical error, the $35.00 in-kind contribution has not yet been reported by NCC. NCC will amend the appropriate report to rectify this error.

* * *

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

R. E. Carter Wrenn
R. E. CARTER WRENN
by TWM

4/10/84
Date

Sworn and subscribed to before me
this 10th day of April 1984.

Lois R. Robert
NOTARY PUBLIC

My Commission Expires December 14, 1984

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Exhibit A

1. Expense reports paid $279.45 100% L. Kud

2. Stop time paid 100%

3. direct mail

4. Printouts

739-2871

Bo Peggy

Lawn + yard svc + 2nd mow pay + yard svc

Lawn + yard svc

$100

EXHIBIT 0056178

RECEIVED AT THE FEC
84 JUL 30 P 1:
cc: Bader Paar Andersen Sphansen Gross Steele Noble

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N.W.
P. O. BOX 7566
WASHINGTON, D.C. 20044

TELEPHONE
(202) 662-6000
WRITER'S DIRECT DIAL NUMBER

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CABLE: COVLING

July 26, 1984

Charles N. Steele, Esquire
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C. 20463

Re: MUR 1503 (Raleigh News and Observer Documents)

Dear Mr. Steele:

This is in response to your letter of May 31, stating the Commission's willingness to "treat the [Raleigh News and Observer] documents as internal 'trade secret or business records' under our March 21, 1984, stipulation." Jefferson Marketing, Inc. does deem it desirable to treat these documents as you have described. I would appreciate it if Rick Bader and Ken Gross, as well as others who are handling either this MUR or Congressman Rose's current (a)(8) suit could be apprised of this agreement.

Sincerely yours,

Thomas W. Mayo

/owt

8604065374

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N.W.
P.O. BOX 7566
WASHINGTON, D.C. 20044

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84 JUL 30 P1:35

Charles N. Steele, Esquire
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C. 20463

RECEIVED AT THE FEC.

84 JUL 27 A11 : 47

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WASHINGTON, D.C. 20036
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†P.C. IN NEW YORK AND WASHINGTON, D.C. ONLY

July 26, 1984

FCC #4176

Ms. Lee Ann Elliott
Chairman
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Dear Chairman Elliott:

Over the past few months several newspaper accounts have been published in The Raleigh Times and The News and Observer[1/] which raise additional questions about the relationship between The National Congressional Club and Jefferson Marketing Inc. Because of the probative value of the information revealed by I. Beverly Lake and the pattern of practice demonstrated by these organizations in state election campaigns, I wanted to bring this information and the following concerns to your attention.

First, the April 18 Raleigh Times article raises the issue of whether there are violations of both state and federal election laws including a violation of 2 U.S.C. 441b and 11 C.F.R. 114.2, which prohibits corporations from donating cash or services to political candidates. There appears to be documentation that Jefferson Marketing Inc. continued to provide campaign services to Lake despite clear recognition, well before the 1980 election, that the accruing campaign debts could not be paid.

Second, the candidate himself was unable to distinguish any differences between The National Congressional Club and Jefferson Marketing Inc., which lends credence to a recog-

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1/ See enclosed articles from The Raleigh Times dated April 18, April 19, April 25, June 5, and June 8 and The News and Observer articles of April 19, May 23, June 6, and June 9.

84 JUL 27 P1:25

nition that organizationally, the two entities are one and the same. According to the April 18 newspaper account, Lake indicated that he had direct contact only with and through The National Congressional Club for his campaign organization and advertising work. Jefferson Marketing Inc., on the other hand, prefers not to recognize that direct link by stating that the Campaign Committee, an operating division of Jefferson Marketing Inc., provided all work for the Lake campaign. It is unfathomable that the candidate himself could be unclear about who ran his campaign.

Third, the series of newspaper articles document that Jefferson Marketing Inc. apparently forgave a $21,338.86 debt of William J. Cobey, Jr. in exchange for a mailing list and other unspecified assets from his unsuccessful 1980 campaign for Lieutenant Governor and settled a $75,229.39 debt of I. Beverly Lake from his 1980 gubernatorial campaign in exchange for the Lake campaign list of supporters. Clearly a significant legal issue is whether this exchange violates Federal Election Commission Regulation 11 C.F.R. 114.10 which allows a corporate creditor to forgive a debt only after pursuing its remedies in a manner similar in intensity to that employed by the corporation in pursuit of a non-political debtor, including lawsuits if filed in similar circumstances. Not only do these debt settlements raise a question about the legitimacy of accepting lists which Jefferson Marketing Inc. already owned, but they also underscore questions about the propriety of infrastructural relationships among the campaigns, Jefferson Marketing Inc., The Campaign Committee and The National Congressional Club.

Finally, Lake purportedly stated that he was "concerned that some of his contributions ended up in the campaign coffers of other club-backed candidates," although he perceived such incidents as unintentional. In the June 8 Raleigh Times article, Lake described some of his contributors as receiving acknowledgments from other candidates. It would seem that investigation is warranted as to whether this is reflective of a few sloppy bookkeeping errors or representative of a pattern of practice which would violate federal election laws.

We believe the enclosed articles indicate that there are additional collateral issues which should be addressed as part of your ongoing investigation and new probative evidence of state campaign law violations that parallel questions raised by our case and are directly applicable to the issues before you. Again, we are concerned that fairness to all candidates

dictates that the investigatory process be expedited in order to resolve outstanding issues and inform the public well in advance of the November elections.

Sincerely,

William C. Oldaker

WCO:kb

Enclosure

8504060168 2

HOT
Sunny, humid through tomorrow. Low, near 70. High, low 90s. Details, page 3A.

THE RALEIGH TIMES

FINAL

Vol. 98, No. 137 | Phone 829-4500 | Raleigh, North Carolina | Afternoon, June 8, 1984 | 60 Pages | 25¢

Lake feels like [illegible] holding bag

By MICHAEL WHITELEY
Times staff writer

In 1979, the prospects of a strong team of Republican candidates, an efficient fund-raising organization and a $2 million war chest were enough to lure a veteran Wake County state senator away from the Democratic Party and convince him to run against incumbent Gov. James B. Hunt Jr.

But little more than a year later, I. Beverly Lake Jr. said, he faced a pile of campaign bills and a stack of unfulfilled promises. And he began to question his decision to turn Republican and let his campaign be run by the National Congressional Club, which has funneled millions dollars into conservative causes and candidates.

"In many important and critical instances it was very frustrating," Lake said.

Lake said the Congressional Club is run firmly by Thomas F. Ellis, a Raleigh attorney who is the club chairman, and R.E. Carter Wrenn, the club executive director.

"The Club proper consists of two people — that's Tom (Ellis) and Carter. They're the only people that I'm aware of who have a vote or can hire or fire or make any decisions," Lake said. "It don't think there was any question . . . that it was Tom Ellis' baby."

Lake said that during his gubernatorial campaign, he became disenchanted with the Congressional Club's emphasis on direct mail fund-raising and its lack of interest in the grassroots traditions of North Carolina politics.

He said he was concerned that some of his contributions ended up in the campaign coffers of other club-backed candidates, although he said he believed such incidents were unintentional.

Furthermore, he said he drew no distinction between the Congressional Club and Jefferson Marketing Inc., the firm that does advertising, direct mailing and consulting work for the club.

An inquiry into the relationship between JMI and the Lake campaign prompted Lake's decisions this week to discuss his experiences as a Congressional Club-backed candidate.

Lake agreed to be interviewed after he delivered a letter asking Wake Dist. Atty. J. Randolph Riley to use the subpoena power of his office to obtain documents from JMI and the Congressional Club relating to the settlement of a $75,229.39 debt from his 1980 campaign.

Riley was asked last month by the state Board of Elections to investigate whether JMI may have violated a state law that prohibits corporations from donating cash or services to political candidates.

The elections board asked Riley to investigate after reviewing documents that formed the basis for a story in The Raleigh Times that in 1982 JMI settled the debt in exchange for the Lake campaign list of supporters.

The Times also reported that JMI forgave a $21,338.86 debt to William W. Cobey Jr., another Congressional Club-backed candidate, in exchange for the mailing list and other unspecified assets from his unsuccessful 1980 campaign for lieutenant governor.

Lake said he did not know of the debt settlement in his campaign.

See LAKE, page 2-A



I. Beverly Lake Jr.
'It was very frustrating'

Lake: Controversy 'leaves me holding the bag'

Continued from page 1-A

But he said controversy surrounding its disclosure has hurt his family and damaged his Raleigh law practice.

"I know it leaves me holding the bag so to speak," Lake said.

"The public perception is rather obvious — that's the indication I get both from my clients and my friends," Lake said. "They're concerned that something possibly unethical was done and that I may have participated."

Asked for comment on Lake's version of his Congressional Club campaign, Wrenn issued this statement, "I don't think any good will be served by making a comment. A lot of people worked very hard for Beverly in 1980, and I regret that he feels the way he does."

Ellis could not be reached for comment despite repeated attempts to contact him.

Lake said his problems with the campaign began almost as soon as he agreed to run for governor.

"I was aware that we were in (financial) trouble . . . early on, he said. "We didn't raise but about $330,000. The assurance that I got when I was persuaded to make the change was $2 million with no problem."

Lake said the promise of $2 million came from Ellis, the founder of the Congressional Club and a political adviser to Sen. Jesse A. Helms, R-N.C.

Ellis recruited Lake and East Carolina University professor John P. East to form a state federal team run by the Congressional Club to follow the political coattails of Ronald Reagan into office. East won. Lake didn't.

But the number of Congressional Club candidates grew, the bank account dwindled and Lake said he waged a series of clashes with Ellis over money and politics.

"I would be spending 8 to 10 hours on the telephone calling people and making contacts all over the state," he said. "We didn't have the kind of help we needed to convince Tom that there was one person even better than the candidate for raising money.

"When the help came it was too late."

Lake said his gubernatorial campaign had its beginnings in the summer of 1979 while he was considering running for attorney general against Rufus L. Edmisten.

At a meeting on a hot summer Sunday afternoon at Ellis' Lakeview Drive home, Lake charted a different course for his political future.

Lake said he met with Ellis and Wrenn and discussed an assault on Democratic politics featuring Lake and East versus Hunt and Sen. Robert B. Morgan, D-N.C.

The arrangement, Lake said, was that the Congressional Club, through a division called the Campaign Committee, would run the Lake and East campaigns with an emphasis on combining the talents and appeal of club candidates, Lake said.

Lake said they promised support, organization and the ability to raise $2 million. Lake thought about it for two months before he decided to leave the Democratic Party.

"We had some discussion about whether I should run for the U.S. Senate or run for governor," he said.

"I was persuaded to take the rougher road . . . and I don't want to leave the impression that I was beguiled into doing something that I didn't know I was doing.

"I knew it was going to be long shot and an uphill fight all the way . . . but I thought if we could raise $2 million then we had a good shot at it. If we had raised anything like that, I think we would have won."

At first it was fun.

"I would say generally, it was a very exciting, exhilarating and pleasurable experience," he said.

But Lake said he resisted later in the campaign when the Congressional Club recruited Cobey, the University of North Carolina athletic director, as a candidate for lieutenant governor against incumbent Jimmy C. Green, and when the club started pushing Helms for vice president on the Reagan ticket.

Lake said he had hoped to attract conservative Green supporters who shared philosophies with him and with East.

"I found that in many instances they were combining us in certain events and running Bill Cobey in after me in a crowd that it wasn't appropriate for Bill to be there," Lake said. "What he said hurt him

"They kept separate books, but we had a lot of joint functions and it just had to be difficult from a bookkeeping standpoint (for them to appropriately allocate the services for one man, for example, and the time that he spent."

"I have had a number of people say, for example, that contributions they made to me were never acknowledged by me but they got a 'Thank you' letter from John East," Lake said.

Lake said perhaps eight or 10 contributors told him they had received thank-you letters from East.

"And I know a number of my volunteers went down to headquarters to try to work and they were given Cobey material or East material . . . they were told to call for Cobey or East."

"It was not a well-thought-out concept as I view it now," he said. "The volunteers got quite upset."

Lake said he suspected that funds were being shared by the campaign committee among candidates. But he said he believed that if that happened, it was accidental.

Records of Lake's campaigns show that JMI officials returned a check from a Schlitz Brewing Co. political action committee to East in 1981 and said they had inadvertently deposited it in Lake's campaign.

Asked specifically this week to comment on handling of the team's campaign money, Wrenn said the accounts were strictly separated.

"Those campaigns were handled separately," Wrenn said. "As a lawyer, Beverly knows how to keep separate books. He has to do that for his clients."

Lake said he brought his own staff to the campaign in the form of campaign co-managers Bernard Harrell and Richard Titus, Raleigh lawyers, and E.H. Bridger, a Raleigh CPA.

"We were all given to understand after the campaign got going . . . that they were going to handle things administratively," he said.

But he said it soon became clear that "they would be more or less after the fact, when I did not like and they did like either. But that's the position we got . . . locked into after certain decisions were made. You've announced," he said.

Lake said he and Ellis argued repeatedly over campaign tactics and control and over the big-spending style of the Congressional Club.

Lake said he was surprised, because grassroots politics had been Ellis' strong suit when Ellis helped run the ill-fated gubernatorial primary campaign of I. Beverly Lake Sr. against Gov. Terry Sanford in 1960.

"It's really a direct mail advertising type organization," Lake Jr. said. "They know how to do that. They do it very well. But in the kind of race that I was involved in, you've got to develop some local organization."

"I would have thought with Tom involved very heavily in my father's 1980 organization for governor that Tom would have understood that," Lake said. "But his theory was that if you've got the bucks you can win."

Lake said the Congressional Club briefings that preceeded campaign stops left him unprepared for the questions of local reporters.

He said he was dumbfounded in Wilmington when a local reporter questioned the prospects of getting an oil refinery that was considering moving to the area. Lake said he later protested to club officials that he should have been briefed on potential questions.

"Tom Ellis and I had some rather warm discussions and differences of opinion about strategy and tactics," Lake said. "It occurred to me quite a bit later that the source of my major difficulty with the club . . . is that it became pretty clear early in the campaign that I was my own man."

While Lake was struggling to raise funds in the summer of 1980, the Hunt committee was gliding toward a campaign total of $3.1 million.

The Club's Barrett Drive headquarters was a madhouse.

"It was just a mass of humanity and confusion . . . it was about as wild as anything you can imagine. It was hard finding a place just to sit down to discuss something with somebody and having a minute or two to do it in."

Lake was finding Hunt a tough competitor on issues. In June, 1980, Lake's attempt to attack Hunt over state employee's pay raises backfired. When Lake complained that Hunt was trying to "bribe" state workers for votes, it was disclosed that Lake had introduced pay hikes exceeding Hunt's recommendations during Lake's term in the Senate.

Lake said relations with the Congressional Club were damaged that summer at the GOP National Convention, when he was trapped between club forces and moderate state Republicans aligned with former Gov. James E. Holshouser.

"The delegation split right down the middle and I was in neither camp," Lake said. "I made a speech at a closed caucus on that point. It seemed to pull people together until the end of the convention, and then we all came home on separate trains or planes."

Back in Raleigh, with the help of his father, Lake formed a campaign committee of Democrats working independently of the Club.

Lake at the time denied reports the Campaign Committee was shifting its emphasis to East and Cobey.

But Lake said this week there was a "decided difference" following the Detroit convention.

"I knew very clearly — anybody who even is knowledgeable about politics — could see they'd pulled away from the Lake campaign and were focusing on East and Cobey, which to a certain extent I can understand," Lake said.

"When you're fighting a war and you've got an opportunity to break through here and here, and you've got no real opportunity to break through on this front, you've got to put your resources where you think they can be most effective.

"I can understand what they were doing as long as they were doing it fairly and appropriately," he said.

Lake said the Congressional Club failed to raise money for a last-minute television blitz intended to swing the tide.

In early October, in a last ditch effort, he sent out a letter soliciting $315,000 in contributions. The letter promised that without the extra money, he would lose to Hunt.

Lake said his campaign never raised the extra money.

On Nov. 4, East stunned the state with a narrow victory over Morgan. Green defeated Cobey. And Hunt thrashed Lake, winning 62.3 percent of the vote.

Lake said this week he regrets switching parties.

"In many respects, I regret now and regretted at the time leaving the Democratic Party and moving over . . . " he said. "I did a whole lot of soul-searching and it was very difficult decision from that standpoint."

"I think if I had not done it, I would be in the state Senate now and also the Democratic nominee for attorney general," he said.

He said he decided to go to Dist. Atty. Riley after Congressional Club officials did not provide adequate documentation for the nearly $300,000 that JMI and the Campaign Committee billed his campaign in 1979 and 1980.

Wrenn said JMI complied with Lake's requests to the extent that it has available records. And he said he had talked with Lake about the debt before and after Lake's defeat by Hunt.

Wrenn said that JMI and not the Congressional Club was paid to run Lake's campaign. JMI is a private corporation that lists the Campaign Committee as one of its operating divisions.

JMI, which is housed in a Barrett Drive office building shared by the Club, also has shared Club employees. In July, its stock was bought by Educational Support Foundation Inc., a private, non-profit civic league whose two directors are Wrenn and Ellis.

Lake said he still admires the idea that Ellis and Wrenn had for the elections of 1980. But he says he is confused about the reaction Club officials have had to his requests for information.

"I have a lot of respect for Tom Ellis. He's got a lot ability. He's a very courageous, patriotic man. He believes fully in American and he believes fully in his philosophy," Lake said.

Cobey's '82 debts to club-linked firms remain unpaid

By MICHAEL WHITELEY
Times staff writer

William W. Cobey Jr.'s 1982 congressional campaign ran up more than $94,000 in debts to two private corporations tied to the National Congressional Club, Cobey's campaign reports show.

In an interview yesterday, Thomas M. Fetzer, who manages Cobey's 1984 congressional campaign, said much of the 1982 debt remains unpaid. He also said Cobey failed to file a year-end 1983 report listing the debts.



Cobey

"It was my responsibility to file the (December 1983) report. It was just a mental lapse," Fetzer said.

Fetzer, a former Congressional Club official, said he is preparing a report that will show payment of a portion of the debts for the last half of 1983. But he said it would not reflect a "substantial reduction" of the debt.

"We are going to make a continuing effort to retire that debt," he said. "The oldest debts are the hardest to retire. It's harder to raise money."

APR 25 '84 T

Cobey lost the 1980 race to Lt. Gov. James C. Green and challenged incumbent Ike Andrews for the U.S. House seat in 1982. He raised nearly $700,000 in his losing 1982 effort against Andrews.

A report filed in August, covering the first six months of 1983, showed that the Cobey for Congress in '82 Committee still owed $122,841.56 to private companies. Forty-one percent of that money was owed to Jefferson Marketing Inc., a Raleigh-based advertising firm whose stock is owned by Congressional Club officials.

Cobey's 1982 campaign owed another $43,865.07 to Bedford Printing Co., a Raleigh-based printing house that has served Congressional Club-backed candidates. Cobey's campaign also owed $33,709 to Arthur J. Finkelstein Associates Inc., a Mount Kisko, N.Y., company that performs political surveys.

Bedford Printing, chartered in Raleigh in 1975, is owned by Archie B. Bedford. Bedford is a founding member of the Congressional Club.

Bedford said he and other North Carolinians paid $500 each in 1973 to form the club to retire the campaign debts of U.S. Sen. Jesse Helms, R-N.C.

The club since has expanded its role to support conservative candidates and causes.

Bedford said he continues to be a dues-paying member of the Congressional Club. But he said his company has done printing work for candidates of many political stripes.

He said he had debts outstanding with several Congressional Club candidates.

"This one (the Cobey campaign) has been the worst," Bedford said. "It's a high-risk business. If a candidate did win, you may have a problem. If he didn't win, you definitely have a problem."

Bedford said he normally carries bad debts on his books from 90 to 180 days before they are paid or he tries to collect them.

Federal campaign regulations specify that "an extension of credit by any person for a length of time beyond normal business or trade practice is a contribution, unless the creditor has made a commercially reasonable attempt to collect the debt."

FEC Public Affairs Director Frederick Eiland said Thursday that the FEC requires the debt to be paid or a settlement submitted to the FEC for approval. But Eiland said the codes do not say how long candidates may go without paying for services provided by private companies.

"We require them to report those debts regularly until the time they are paid," Eiland said. "We want to ensure that those debts are not contributions from the companies."

Cobey also did not include the outstanding debts in a spending report filed last week in his 1984 race against Democrat Andrews.

Eiland said the failure to file the report violates campaign regulations, and the FEC will send Cobey a letter requesting that the report for the last half of 1983 be filed.

Cobey said he was unaware of that the proper documents had not been filed with the FEC.

Fetzer disputed claims that the debt should have been carried over to the new campaign.

"Those are two separate campaigns and two separate committees," Fetzer said.

Ties between the National Congressional Club and JMI are under investigation by the FEC, stemming from a 1982 complaint by Rep. Charles G. Rose III, D-5th District, that JMI provided cut-rate advertising to two of his opponents in the 1982 races. Rose charged that the Congressional Club used JMI as a contributing arm despite the state and federal ban on corporate giving.

The state Board of Elections plans May 21 to discuss deals made in which JMI wrote off debts owed by Cobey's 1980 campaign for lieutenant governor and the 1980 gubernatorial campaign of I. Beverly Lake Jr. The debts were erased in exchange for campaign mailing lists from the Lake and Cobey campaigns.

Both state and federal laws prohibit corporations from donating cash or services to political candidates.

SUNNY
Clearing skies with warmer temperatures. Low tonight, upper 30s; high tomorrow, mid 60s. Details, page 3A.

THE RALEIGH TIMES

FINAL

Vol. 98, No. 93 | Phone 829-4500 | Raleigh, North Carolina, Wednesday Afternoon, April 18, 1984 | 112 Pages | 25¢

Deals by Helms groups raise contribution questions

By MICHAEL WHITELEY
Times staff writer

Organizations tied to U.S. Sen. esse A. Helms, R-N.C., have nade campaign financing agreements with one another that raise questions whether state laws banning corporate political contributions have been violated.

The questions arise at a time when the Federal Election Commission is investigating the relationship between the National Congressional Club and Jefferson Marketing Inc., an advertising agency whose stock now is owned by the Educational Support Foundation Inc. The latter is a nonprofit, tax-exempt organization controlled by two officials of the Congressional Club — Thomas F. Ellis, chairman, and R.E. Carter Wrenn, executive director.

JMI took these actions under the agreements:

• Wrote off a $75,229.39 campaign debt in 1982 owed by I. Beverly Lake Jr. in exchange for Lake's campaign mailing list. Lake's 1980 gubernatorial candidacy was backed by the club.

• Wrote off a $21,339 debt from William W. Cobey Jr., the 1980 Republican lieutenant governor candidate, in exchange for his mailing list, a list of volunteer workers and other, unspecified assets of his campaign.

A memo given to The Raleigh Times that bears the name of an accountant who audited JMI's books says JMI continued to provide services to Lake during the 1980 campaign, although club officials said the campaign debt could not be paid. State law and federal election regulations prohibit corporations to give cash or services to political candidates.

Wrenn acknowledged in an interview that the Lake and Cobey mailing lists had been accepted by JMI in lieu of the full amounts of the outstanding debts. Wrenn said no one outside the Congressional Club had appraised the lists.

Wrenn maintained that JMI had done nothing to violate state or federal election laws that forbid corporate contributions to candidates.

Ruth T. Semaschko, a state Board of Elections member from Hendersonville, said JMI's handling of the Lake debt could have constituted an illegal campaign contribution. She said she would ask the board to investigate the matter at its next meeting, scheduled May 21 in Raleigh.

"It seems to be a definite contribution," she said. "You mean they thought a mailing list was worth $75,000?"

William G. Oldaker, former general counsel of the Federal Election Commission, agreed with her conclusion.

"That would be a pretty clear violation (of prohibitions on corporate giving)," Oldaker said in a telephone interview. "If you had JMI giving services to candidates for which it knew it could not be paid, that would be a contribution."

Oldaker, now practicing law in Washington, has been hired by U.S. Rep. Charles G. Rose III of Fayetteville to handle a 1982 complaint by Rose that JMI provided a cut-rate television advertisement to his opponents during the 1982 elections. It was Rose's complaint that led to the FEC inquiry.

The Congressional Club was formed in 1972 by Helms and Thomas F. Ellis, a Helms strategist. Its purpose was to retire the debts from Helms' 1972 campaign. The club since has grown into a political action committee, which funnels millions of dollars to conservative causes and the cam-

See DEALS, page 2-A



I. Beverly Lake Jr.



William W. Cobey Jr.

Deals by Helms groups raise contribution questions

Continued from page 1-A

paigns of conservative candidates.

JMI, a private corporation, handles advertising for political campaigns and provides consulting services to candidates. Both the Congressional Club and JMI have offices at 3825 Barrett Drive in Raleigh.

Papers that appear to be accounting records of JMI covering the period from December 1979 to September 1983 were given to The Raleigh Times by a person who expressed concern about the apparent links the records show between JMI and the Congressional Club. The person asked not to be identified.

The Times showed the records to officials of Ernst and Whinney, an accounting firm that has worked for JMI, and to Congressional Club attorneys and officials. They neither would confirm nor deny the authenticity of the records.

But in interviews, Wrenn, Lake and Cobey verified the accuracy of some of the records that detail campaign debts owed to JMI.

Lake and Wrenn gave different answers to who ran Lake's 1980 gubernatorial campaign.

Lake said he had depended on the Congressional Club to operate his campaign. "I don't know if there was a debt," Lake said. "The Congressional Club handled the advertising and the organizational work. I just worked through the Congressional Club."

Wrenn, in a separate interview, said the Lake campaign had been operated by the Campaign Committee, listed in JMI's books as an operating division of JMI.

Lake's campaign reports filed with the state Board of Elections show that during 1979 and 1980 he paid JMI and the Campaign Committee $143,000 for mailing, consulting, computer runs and other services.

Wrenn said JMI had proposed accepting Lake's mailing list in place of the campaign debt and that Lake signed an agreement to that settlement.

Wrenn said JMI now rents the mailing list to the Congressional Club. He refused to say how much JMI is paid for the rental.

The Lake and Cobey mailing lists turned over to JMI were compiled by JMI as part of its services to the two campaigns, Wrenn acknowledged.

But he denied that the settlements involved JMI accepting lists that it already owned.

"Jefferson didn't pay for creating the list," he said. "The actual development of it, the cost, would have been borne by Lake." The lists belonged to the Lake and Cobey campaigns until turned over to JMI, he said.

Wrenn said JMI had drawn the names on the Lake list from several sources, including contributors to the gubernatorial campaigns of Lake's father, I. Beverly Lake, and petitions signed by supporters of conservative causes Lake backed while a state legislator.

A memorandum included in the papers given to The Times says that before JMI accepted the mailing list from Lake, Congressional Club officials worried that doing so could raise questions about ties between JMI and the campaigns. The memo bears the name of P. Ann Buddenhagen, an accountant who worked at the time in the Raleigh office of Ernst and Whinney.

The memo says its purpose is to detail a conversation with Katherine Hardison Waldrop, the Congressional Club bookkeeper, and Rick Miller, a former club employee. The conversation concerned proposed methods for removing Lake's debt from JMI's list of accounts receivable, or unpaid bills.

The memo says the meeting took place on Sept. 25, 1980. That was a little more than a month before the November general election in which Lake lost to Democrat James B. Hunt Jr.

In the meeting, Mrs. Waldrop and Miller rejected the idea of setting up a reserve fund for the Lake debt, the memo says.

"Cathy (Kathy Hardison Waldrop) and Rick were both hesitant to set up such a reserve due to the delicate relationship between JMI and the campaigns," the memo says.

"They feared JMI would be accused of non-arms-length transactions because they continued to provide services for the Lake campaign even after it could no longer pay the invoiced billings."

Another memo to the files, dated Sept. 2, 1982, and bearing Miss Buddenhagen's name, recounts a conversation with Wrenn, the Congressional Club's executive director.

The memo says Wrenn rejected the idea of removing the Lake bill as a bad debt.

"Carter Wrenn does not wish to take the bad debt deduction for the $75,000 because he is afraid that such a large bad debt deduction will trigger an audit of JMI, which could in turn disclose the relationship between the campaigns and JMI," the memo says.

When called at home, Miss Buddenhagen said she would have no comment on the memos or the financial records. Ernst and Whinney officials advised her it would be unethical to discuss client business, she said.

Officials of JMI and the Congressional Club at first refused to be interviewed about the matter. But Wrenn agreed to an interview last week, after The Times showed the records to him, Mrs. Waldrop and club attorneys.

Wrenn would not verify the validity of the records but confirmed that he had repeatedly discussed the Lake campaign debt with Miss Buddenhagen.

Of the memo, Wrenn said, "That wasn't my language. That was Ann's summation."

Asked whether Miss Buddenhagen's summary was accurate, Wrenn said, "I don't even remember. I couldn't begin to reconstruct it.

"It struck me as just peculiar language in that everything gets reported," he said. "So how the heck can you not disclose a relationship where you're reporting the contributions?

"You put me in the position of where in a way you want me to in essence say Ann may not have reported truthfully," Wrenn told a reporter. "I don't want to say that. I think maybe in her summation she just summarized it inaccurately."

Wrenn said Miller and Mrs. Waldrop were being cautious about JMI's status with its campaign clients when they talked to Miss Buddenhagen.

"The club and Jefferson Marketing ... have to right much ... go two steps beyond what may be necessary in order to protect their credibility and not be ques-

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tioned," Wrenn said.

The 1982 memo says that Miss Buddenhagen made another suggestion to Wrenn — that JMI swap its debt for something of value from the Lake campaign.

The memo says that Miss Buddenhagen had suggested the Lake mailing list be valued by an independent appraiser.

Wrenn said that JMI had not had the list appraised because the list was not used for tax purposes.

He said JMI had accepted the lists in full payment for the debts.

Wrenn said JMI officials had conferred with attorneys from the Washington law firm of Covington and Burling about how to dispose of the campaign debts.

Wrenn said club officials had been told that FEC regulations allow private companies to settle debts with candidates after attempts were made to collect them.

He said North Carolina laws, while they prohibit private, profit-making companies from contributing to candidates, do not speak to how companies must collect their debts. (See story above on this page.)

Wrenn said that he had been involved in discussions about accepting the mailing list but that the decision ultimately had been left to Douglas M. Davidson, JMI president, and other JMI officials.

In a separate interview, Davidson said the JMI board would have made the decision.

"I was working for JMI, but I was not on the board at the time," Davidson said.

He refused to comment when asked who had made the decision to accept the mailing lists.

Asked if Wrenn had been an officer or director of JMI at the time, Davidson said he didn't know.

Davidson said he and Elizabeth W. Smith, JMI treasurer, now serve as the only officers and directors of JMI.

The charter establishing JMI, filed in 1978 with the N.C. Secretary of State, listed no officers or directors.

Charles B. Neely Jr., an attorney with Ellis' law firm, and Alejandro Castellanos of Arlington, Va., who has worked for the Congressional Club, were listed as resident agents. Resident agents, commonly attorneys, normally are not decision-makers in a corporation.

Wrenn said neither Ellis nor Helms was involved in the decision to settle Lake's debt.

"I don't think Jesse Helms knows about any of this," Wrenn said.

Claude Allen, spokesman for the Helms re-election campaign, also said Helms was unaware of the debt settlements. "He knows nothing about the operations of JMI, period," Allen said in an interview. "He has nothing to do with that organization."

JMI is wholly owned by Educational Support Foundation Inc., a non-profit tax-exempt organization chartered as a civic league with the Internal Revenue Service, Wrenn said.

The foundation was chartered in North Carolina in July 1983, after the Lake and Cobey mailing lists were accepted by JMI.

In September, Wrenn told the FEC that the foundation was controlled by a board composed of him; Ellis, the Congressional Club chairman, and Terrence Boyle, Ellis' son-in-law who has been nominated for a federal district judgeship.

Wrenn said the foundation was established to eliminate any appearance that profits from JMI were going to Congressional Club officials.

Boyle said he served on the board from July 1983 until January, when he stepped down. Boyle said he was not aware that JMI had accepted the Lake and Cobey mailing lists.

Helms nominated Boyle, an Elizabeth City lawyer, for the federal judgeship. Boyle's nomination was approved Thursday by the Senate Judiciary Committee and is expected to receive approval soon by the full Senate.

Federal campaign finance reports filed by the Congressional Club and Wrenn's testimony before FEC attorneys last year, show that an increasing percentage of the club's expenditures goes to JMI.

Of the $5.5 million the club spent in 1981, it paid $787,000 — or 14 percent — to JMI and the Campaign Committee, the JMI operating division.

In 1982, JMI's share of the $4.4 million spent by the club grew to 17 percent.

Last year JMI received 37 percent — or $825,000 — of the $2.3 million spent by the club, most of it to prepare for Helms' re-election bid this year against Gov. James B. Hunt Jr.



Raleigh Times p. 1-A
April 19 '84

Board is expected to study write-off of campaign debt

By MICHAEL WHITELEY
Times staff writer

Alex K. Brock, state Board of Elections director, today said he expects the board to order a review of the settlement of two 1980 campaign debts by organizations tied to Sen. Jesse A. Helms, R-N.C.

Brock said he will discuss with board members the writing-off of almost $100,000 in campaign debts by Jefferson Marketing Inc. in exchange for two campaign mailing lists.

"If they (members) want an investigation — and I anticipate they will — then we need to determine what they will want me to do between now and the (May 21) board meeting," Brock said.

JMI, an advertising firm, dropped the campaign debts in exchange for the mailing lists of the 1980 campaigns of I. Beverly Lake Jr., who ran for governor, and William W. Cobey Jr., who ran for lieutenant governor.

JMI's stock is owned by Educational Support Foundation Inc., a tax-exempt civic league that is controlled by officials of the National Congressional Club, a political action committee. The club, formed in 1972 to retire Sen. Helms' campaign debts, supports conservative candidates and causes.

R.E. Carter Wrenn, Congressional Club executive director, acknowledged that JMI had swapped the debts for unappraised mailing lists from the two campaigns. But he denied that the exchange had violated state laws, which forbid corporations to donate cash or services to political candidates.

U.S. Rep. Charles G. Rose III said today he will seek to make sure investigators for the Federal Election Commission review documents detailing the settlement of

See BOARD, page 2-A

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RALEIGH, 6/6/84, p. 1A.

Former candidate asks Riley to investigate debt

By DANIEL C. BOOVER
Staff Writer

J. Beverly Lake Jr., 1980 Republican candidate for governor, has asked the Wake County district attorney to undertake a "thorough investigation" into the settlement of a $76,220 debt by his campaign to an arm of the National Congressional Club.

In letters to District Attorney J. Randolph Riley and Charles P. Neely, attorney for Jefferson Marketing Inc., Lake requested documentation that would establish that such a debt existed.

"I thought there was no debt whatsoever," Lake, a Raleigh attorney, said in an interview Tuesday. "The (campaign finance) reports indicate that."

Riley said, however, that he had no plans for an investigation. In an interview, he said he had told Lake that if Lake failed to receive the information he requested from Neely by late this month, he would allow Lake access to his files containing copies of the documents given him by the State Board of Elections.

After the 1980 election, Jefferson Marketing wrote off the Lake debt in exchange for the Lake campaign's mailing list. The organization also wrote off a $31,220 debt owed by the campaign of William W. Cobey Jr., the 1980 GOP candidate for lieutenant governor, in exchange for the Cobey mailing list.

The transactions were detailed in confidential documents published in April by The Raleigh Times and The News and Observer.

Lake said he requested Riley's intervention after officials of the Congressional Club and Jefferson Marketing, the club's advertising arm, failed to respond to his requests for documentation of the debt.

See GOP, page 6A



J. Beverly Lake Jr.

GOP candidate for governor in '80 asks Riley to probe debt settlement

Continued from page 1A

In a May 24 letter to Neely, which Lake made public Tuesday, he requested:

- Complete copies of all interoffice memos between the club and Jefferson Marketing pertaining to the Lake campaign.
- A detailed listing of all services and the cost of each service provided the Lake campaign by JMI and copies of all invoices submitted to the campaign committee.
- Copies of the settlement agreement and mailing list used in settlement of the debt.
- Certified copies of each financial statement and finance report prepared for the Lake committee by JMI and the club.

For Lake, the letter to Riley represented a public break with the club.

Lake said his agreement to let the club oversee his 1980 campaign was "a mistake. You can be assured I wouldn't do that (again)."

Lake said his disenchantment with the club began just after the 1980 Republican National Convention in Detroit.

"Yes, I came to that conclusion right after the national convention. (When) I realized our finances were not up to expectations at that point," he said.

Lake said he thought the club's leaders reached a conclusion that he could not win and gradually turned off financial and logistical support.

"They assured me that was not the case," Lake said.

"Any novice in politics would have seen the difference in the approach" after the convention, he said.

"It was very obvious to everybody. In fact, a number of the employees at the Congressional Club told me they were pulling back or they were being ordered to pull back and away from the Lake campaign and to concentrate on East and Cobey."

He referred to Republican Sen. John P. East, who defeated former Sen. Robert B. Morgan, a Democrat, and William W. Cobey Jr., who was defeated by Democratic Lt. Gov. James C. Green in the 1980 general election.

Lake said he had turned over to his gubernatorial campaign in 1980 mailing lists from his state senate campaigns and his father's 1960 and 1964 campaigns for the Democratic nomination for governor. (J. Beverly Lake Sr. was defeated in those campaigns.)

In the letter to Riley, Lake said news articles about the debt settlement agreement had "created embarrassment to me and to my family and will continue to do so until the charges are completely investigated by your office and appropriate action is taken by you."

Lake contended that news articles had conveyed a public impression that he was personally liable for any campaign debts and that the settlement might have violated state laws.

"Both these representations are completely false," Lake wrote.

Lake said in the interview Tuesday, "I didn't know there was an agreement" until he was asked about it by a reporter.

He said he had reviewed state campaign finance reports and found that his committee took in more money than it spent, with no indication of any debts.

Lake said that he received a letter from Neely Tuesday in which Neely said the Lake campaign's had been discarded but that finance reports could be reviewed at the State Board of Elections office. He said Neely's letter contained a copy of the settlement agreements, signed by Richard Titus and Bernard Harrell, the two Raleigh lawyers who managed Lake's 1980 campaign.

Neely said in an interview Tuesday that he had no personal knowledge that Lake was aware of the debt and that Lake had no personal liability for the campaign debt.

Asked about the campaign reports not showing a debt, Neely said state law does not require a listing of debts or liabilities in campaign finance reports.

Settlements of debts between creditors and losing campaign organizations are a common practice around the nation, Neely said.

"Losing campaigns generally have debts they can't pay," he said.

Neely said any other comment would have to come from R.E. Carter Wrenn, the club's executive director.

Wrenn said Lake had been aware of the debt, although he didn't know whether Lake was aware of the negotiations to settle it.

"He was absolutely aware of (the debt)," Wrenn said. "I discussed it with him before and after the (1980) election."

The settlement was negotiated by Harrell and Titus.

In 1980, Lake was a Democratic state senator who changed his registration and ran unsuccessfully as a Republican against Democratic Gov. James B. Hunt Jr.

Lake's campaign, and those of several other conservative Republicans, was run by the Campaign



J. Randolph Riley

Committee, which was created for that purpose by Jefferson Marketing. Jefferson Marketing was a spinoff of the National Congressional Club, which is the political organization of U.S. Sen. Jesse A. Helms. The club is headed by Thomas F. Ellis, chairman, and Wrenn, executive director.

In April, Frank Daniels Jr., publisher of The News and Observer and The Raleigh Times, turned over to the State Board of Elections the documents detailing the settlement of the Lake and Cobey debts.

On May 21, the board asked Riley to investigate whether the agreements violated state laws prohibiting corporate contributions to political candidates.

Riley, the district attorney, said Tuesday, "In terms of the (current) investigation, it (Lake's letter) doesn't add to or diminish the referral of these matters by the state Board of Elections."

He added that his review of the documents indicated no liability or unethical conduct on Lake's part.

Lake had second thoughts about candidacy

The Associated Press

I. Beverly Lake Jr., who lost to Gov. James B. Hunt Jr. in the 1988 governor's race, says that after dealings with the National Congressional Club during the campaign, he had several thoughts about having abandoned the Democratic Party.

"In many important and critical instances it was very frustrating," said Lake, a former state senator from Wake County.

In an interview with The Raleigh Times, Lake said that during his gubernatorial campaign he became disenchanted with the club's emphasis on direct mail fund-raising and its lack of interest in the grass-roots traditions of North Carolina politics.

He said he was concerned that some contributions to his campaign went instead to the campaign coffers of other club-backed candidates, although he said he believed such incidents were unintentional.

The National Congressional Club has funneled millions of dollars into conservative causes and candidates. Lake said it is run by two men — Raleigh attorney and club chairman Thomas F. Ellis and the club's executive director, R.R. Carter Wrenn. Ellis is U.S. Sen. Jesse A. Helms' top political adviser, and the club originally was organized to pay off Helms' campaign debts.

Lake said he drew no distinction between the club and its advertising arm, Jefferson Marketing Inc.

"An inquiry into the relationship between Jefferson Marketing and the Lake campaign prompted Lake's decision this week to discuss his experiences as a club-backed candidate.

Lake said he has asked Wake County District Attorney J. Randolph Riley to subpoena documents from the club and Jefferson Marketing relating to the settlement of a $70,000 debt from his 1988 campaign.

Last month the State Board of Elections asked Riley to investigate whether Jefferson Marketing violated a state law prohibiting corporations from donating cash or services to political candidates.

That request followed a report in The Raleigh Times that in 1988 Jefferson Marketing settled Lake's debt in exchange for a list of his campaign supporters.

The Times also reported that Jefferson Marketing forgave a $50,000 debt of Bill Cobey Jr., another candidate backed by the National Congressional Club, in exchange for the mailing list and other unspecified assets from his unsuccessful 1988 bid for lieutenant governor.

Lake said he did not know about the debt settlement. But the controversy surrounding its disclosure has hurt his family and damaged his law practice in Raleigh, he said.

"I know it leaves me holding the bag, so to speak," Lake said. "The public perception is rather obvious — that's the indication I get both from my clients and my friends. They're concerned that something possibly unethical was done and that I may have participated."

Lake said his problems with the campaign began almost as soon as he agreed to run for governor.

"I was aware that we were in trouble from that standpoint early on," he said. "We didn't raise but about $330,000. The assurance that I got when I was persuaded to make the change was $2 million with no problem."

Lake said Ellis, the club's founder, promised the $2 million.

Ellis could not be reached for comment.

Wrenn issued a short statement: "I don't think any good will be served by making a comment. A lot of people worked very hard for Beverly in 1988, and I regret that he feels the way he does."



I. Beverly Lake Jr.

Riley asked to probe Helms-linked group

From Newspapers Late Editions

By BOB CHRISTENSEN
Staff Writer

The State Board of Elections has asked Wake District Attorney J. Randolph Riley to investigate whether laws were violated when an organization with ties to Sen. Jesse A. Helms wrote off nearly $60,000 in campaign debts for two Republican candidates in 1980.

Emerging from a closed, 1½-hour meeting Monday evening, the five-member board announced that questions involved in the case were beyond its legal scope and should be handled by Riley.

The board reviewed documents quoted last month in The Raleigh Times and The News and Observer showing that JMI forgave debts owed by the 1980 campaigns of J. Beverly Lake Jr. for governor and William W. Cobey Jr. for lieutenant governor.

The board made no finding of whether there was any impropriety, said Alex K. Brock, state elections director.

"This was sent totally without prejudice for the simple matter it contained legal questions that this board did not feel competent to address," Brock said in an interview after the meeting.

Brock said the board did not want to "trespass upon (Riley's) area of responsibility."

Riley has declined substantive comment until he reads the documents. "All I know about it is what I read in the newspapers," he said. "That is hardly any basis on which to make a rational judgment." He said he could not estimate how long it might take to reach a decision in the case.

The controversy revolves around JMI, a private corporation that operates as the advertising, direct-mail and consulting arm of the National Congressional Club, a conservative political action committee with ties to Helms, R-N.C.

The firm is owned by the Educational Support Foundation Inc., a non-profit, tax-exempt organization controlled by two NCC officials — Thomas F. Ellis, chairman, and R.E. Carter Wrenn, executive director.

Jefferson Marketing retired in 1980 a $36,319.39 debt owed by the Lake campaign committee. In exchange, Jefferson Marketing was given Lake's campaign mailing list — a list that the company had prepared for the Lake campaign.

Jefferson Marketing also wrote off a $22,500 debt owed by the Cobey campaign in exchange for his mailing list, a list of volunteer workers and other, unpublished parts of the campaign.

Brock said the board thought it was not qualified to determine the key question of whether the lists "amounted to fair compensation to cancel the debt."

"It is a matter for the courts," Brock said.

JMI representatives have defended the transactions as "perfectly legal." On Monday, Lil Murray, a spokeswoman for the firm, told The Associated Press that the only person who could comment on the board action was company president Douglas Davidson, who was out of town and couldn't be reached.

Brock said the elections board considered the matter as a result of a state Democratic Party petition filed last week asking for an investigation. In an interview with United Press International, Democratic Party Chairman David E. Price called the board's decision an "entirely appropriate move."

"We just hope that we're going to get to the bottom of this Helms network and apparent dubious financial practices," Price said.

Brock said he expected the Democratic Party to file a civil suit asking for a court to review the legality of the debt settlement. An attorney is "considering our best course of action," said party spokesman M. Ann Hubbard.

Documents outlining the transaction with the Lake campaign and mentioning Cobey's campaign were obtained last month by The Raleigh Times and The News and Observer. The documents were turned over to the state elections board by Frank Daniels Jr., publisher of The News and Observer and The Raleigh Times.

Brock said the materials were kept sealed until Monday, when the board voted to examine the 45 pages of documents. After examining them, the board voted to reseal them and turn them over to Riley.

Last month, an attorney for JMI asked the state elections board to return the firm's documents, saying they were private property. Brock said Monday that he thought sending the documents to the district attorney's office would satisfy all parties involved.

JMI and the National Congressional Club are under investigation in another case by the Federal Elections Commission, which is looking into whether the two are a single entity and whether they have violated federal election laws.

Brock said state law did not adequately address the issue of the retirement of campaign debts. He said he might ask the General Assembly to examine the issue to determine whether there were any laws that should be changed.

In another matter, Brock disclosed that he had handed over to Riley on May 16 a complaint that the National Rifle Association had violated a state election law.

The NRA had mailed letters to its North Carolina members last month urging them to defeat Democratic gubernatorial candidate H. Edward Knox because he had supported legislation requiring people to obtain a permit to carry a handgun outside their home or business.

Brock said it was his opinion that the NRA had violated the law when it failed to register as a state political action committee. But the NRA said it was only corresponding with its North Carolina members and, therefore, was not required to register as a state PAC.

Riley said he was reviewing the NRA case and expected to have a decision today.

Board expected to review campaign debt write-offs

Continued from page 1-A

the campaign debts.

"I feel very strongly that this is all part of a pattern of operations for the Congressional Club ...that has become the central focus of the FEC investigation," said Rose, a Democrat from Fayetteville. "Even though these documents may not reveal violation of a federal law, they do tend to shed light on the overall nature of the Jefferson Marketing-National Congressional Club relationship."

The FEC is investigating a complaint by Rose that JMI provided cut-rate advertising services to his opponents in the 1982 election.

"If there were any doubts in the Federal Election Commission that my complaint was valid, this revelation should banish that thought once and for all," Rose said.

Documents that appear to be accounting records of JMI were given to The Raleigh Times by a person who asked not to be identified.

The records were turned over yesterday to the state Board of Elections by Frank Daniels Jr., publisher of The Raleigh Times and The News and Observer.

In a cover letter, Daniels said he believed the records belonged either to JMI or Ernst and Whinney, an accounting firm that worked for JMI, or both. Officials of both firms had viewed the records, but did not claim them.

Daniels said that since the records involved election matters, he decided to send them to Brock.

Daniels sent copies of the records to the Federal Elections Commission.

Brock said he will wait to review the documents until he talks to the five elections board members.

Brock said that if the board doesn't want him to conduct a review of the records, it could request the State Bureau of Investigation to conduct an investigation.

Brock said Elections Board Chairman Robert W. Spearman today withdrew himself from deliberation on the documents. Spearman is an attorney in the law firm of Sanford, Adams, McCullough & Beard, which represents The News and Observer Publishing Co. in some legal matters.

Lake said this morning he was concerned by the disclosure that his campaign had owed JMI $75,000. He said he may ask JMI to make an accounting of the services it provided his losing gubernatorial campaign.

"I didn't even know there was a debt," Lake said.

Lake said the National Congressional Club handled details of his campaign.

The story in The Raleigh Times yesterday incorrectly said that Lake and others confirmed the validity in some materials contained in the records. Lake did not confirm anything in the records.

Sen. Helms, through a spokesman, said he had no knowledge of the operations of JMI or of the 1980 campaign settlements.

Gov. James B. Hunt Jr., Helms' opponent in the 1984 Senate race, said yesterday Helms could not divorce himself from what Hunt termed the senator's "personal political empire."

"Disturbing questions have been raised at the state and local levels about the activities of Sen. Helms' personal political empire," Hunt said in a statement.



Rep. Charles G. Rose III
'documents ...shed light'

"Sen. Helms owes the people of North Caorlina an explanation of whether or not organizations affiliated with him are involved in illegal corporate campaign contributions.

"It is not enough for him to say that he knows nothing about the activities of the National Congressional Club and its affiliated organizations. They exist solely to advance his political ambitions, and he is fully responsible for making sure they operate within the laws of our state and nation."

Claude Allen, Helms' campaign aide, said Hunt's statement was proof his campaign is behind the FEC investigation.

"The whole purpose (of Rose's initial complaint) was to reflect on Sen. Helms," Allen said. "This was an attempt by Gov. Hunt and his people."

Raleigh Times, 1/18/01
C: 2-A

Rule on collecting debts cites 'reasonable' efforts

State election officials require private companies to make every "commercially reasonable" effort to collect their bills from political campaigns, said Rosemary Haddock, director of campaign finance for the state Board of Elections.

Although state law does not specifically address the settlement of debts, the state uses federal regulations as a test to determine whether private companies have violated the state ban on corporate giving, Mrs. Haddock said.

Federal Elections Commission Regulation 114.10 allows a corporate creditor to settle or forgive a debt only after it "has pursued its remedies in a manner similar in intensity to that employed by the corporation in pursuit of a non-political debtor, including lawsuits, if filed in similar circumstances."

Mrs. Haddock was interviewed in light of the disclosure that Jefferson Marketing Inc. — an advertising agency owned by Education Support Foundation Inc., a non-profit, tax-exempt organization controlled by officials of the National Congressional Club — had dropped a $75,229.39 campaign debt from the I. Beverly Lake Jr. campaign in exchange for his campaign mailing list. Lake, the unsuccessful Republican candidate for governor in 1980, was backed by the club.

Also, JMI swapped a $21,339 debt from William W. Cobey Jr. for the campaign mailing list and other assets of the campaign. Republican Cobey ran unsuccessfully for lieutenant governor in 1980.

Asked whether she believed canceling the Lake and Cobey debts in return for the mailing lists constituted a violation of state law, Mrs. Haddock said, "Without knowing the value of the mailing lists or the facts in the case, I couldn't say for sure. But once those matters were established, I think the debt would be questioned."

Mrs. Haddock said elections board officials could perform an initial inquiry then request an investigation by the Wake County district attorney, J. Randolph Riley. Mrs. Haddock said any North Carolina citizen could petition a Superior Court judge to appoint a special prosecutor in cases in which the district attorney declined to prosecute.

State law provides civil and criminal penalties for campaign law violations, with the maximum fine being $1,000 and the maximum prison term one year.

R.E. Carter Wrenn, Congressional Club executive director, maintained in an interview that settling debts from campaigns without cash payments is not unusual.

"Most political campaigns I've ever dealt with have been in debt," he said.

Wrenn said JMI did not hire a collection agency or pursue court action against Lake and Cobey — primarily because there was nothing to be gained.

"You beg. You plead. You try to come up with a way to raise the money. You arm-twist," Wrenn said.

If JMI had gone to court and won, Wrenn said, it would have ended up with only the mailing list anyway.

"There was no more blood to be gotten out of that stone," he said.

Given the relationship among JMI and the Lake and Cobey campaigns, a court fight over the debts would have pitted Jefferson Marketing against itself.

Wrenn said the Lake and Cobey campaigns were operated by the Campaign Committee, listed in JMI's books as an operating division of JMI.

Lake's campaign reports filed with the state Board of Elections show that during 1979 and 1980 he paid JMI and the Campaign Committee $143,000 for mailing, consulting, computer runs and other services. Cobey also paid JMI to run his campaign.

Bernard A. Harrell, a Raleigh attorney and a co-manager of Lake's 1980 campaign, said no state law was violated in the settlement of the Lake campaign debt.

"I was aware that at the end of the campaign there was a settlement," Harrell said in an interview. "We were unable to pay for the services, but there was never an understanding that the campaign was broke and that we would continue to receive services."

Harrell acknowledged that it would be difficult to say whether Lake's list was worth the price of the debt to JMI.

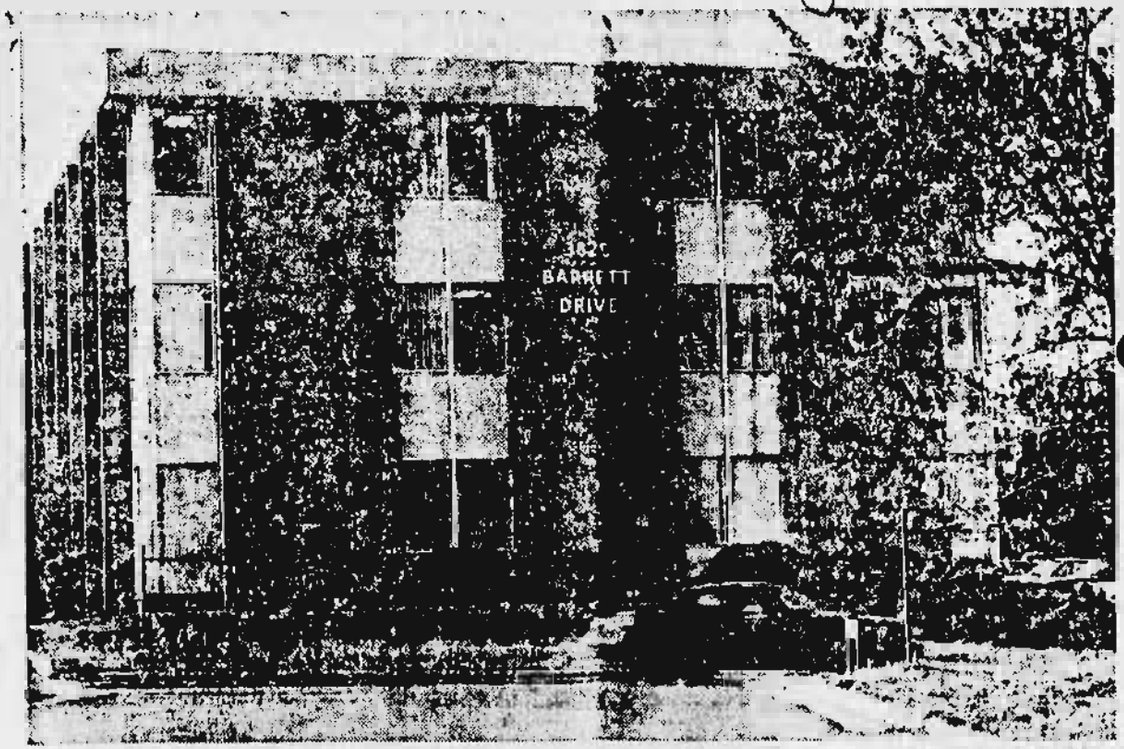
"That's an intangible," he said. "It might have been worth more. It might have been worth less. There were a hell of a lot of names of contributors on that list."

Cobey, who this year is trying for the second time to unseat U.S. Rep. Ike F. Andrews of Cary, said he was aware of the swap and felt it was an even trade.

"Yes, I do, in consideration of the fact that the Cobey campaign spent a lot of money with them," Cobey said in an interview. "Of course, it was their willingness to settle the debt that was outstanding that made it agreeable."

Cobey was beaten in 1980 by Lt. Gov. James C. Green.

—MICHAEL WHITELEY



Times photo by Jonathan Wiggs

Office building at 3825 Barrett Drive

both National Congressional Club and Jefferson Marketing Inc. have offices in the building

8504050169

THE RALEIGH TIMES

A. C. SNOW
Editor

MIKE YOPP
Managing Editor

CURT PHIPPS
Circulation Manager

Thursday, April 19, 1984

Opinion of The Times

Light on twilight zone

In the twilight zones where campaign finance laws are written and the still murkier regions where they are interpreted, clear statements of what will and will not do, what is and is not legal are scarce as flashlights.

We cannot, therefore, shine a beam labeled either "legal and perfectly okay!" or "illegal and disgraceful!" on the generous arrangements made by Jefferson Marketing Inc., the National Congressional Club's offshoot marketing arm, for getting rid of the unpaid 1980 campaign debts of defeated Republican candidates I. Beverly Lake Jr. and William W. Cobey Jr.

But the State Board of Elections can and should shine that light on this questionable arrangement in a prompt and thorough investigation.

It should ask why the Lake and Cobey campaign name lists were accepted in lieu of dollar repayments. Andy why they were accepted as payments without first being appraised by outside appraisers. And whether the whole arrangement constitutes an illegal campaign contribution by a corporation.

Why did JMI value the Lake mailing list at precisely the $75,229.39 Lake's campaign owed JMI, and value Cobey's mailing list, volunteer list and other unspecified campaign assets at $21,339, the Cobey campaign's exact debt to JMI?

Adding to the mystery surrounding the arrangement is the fact that the lists JMI accepted as payment of debts had been prepared largely by JMI itself.

At some point in time, the legality of all this is going to have to be determined. That point should be now. After all, the Congressional Club and JMI are nationwide leaders in raising and spending campaign money, looked to by other campaign consultants as trailblazers in exploring the tricks of the campaign trade.

For that reason and because of the deep CC-JMI involvement in current North Carolina campaigns, it is in the public interest to settle as soon as possible whether anything about the way these organizations have been operating violates the law.

In recent years, this state has followed a healthy trend toward opening up campaign spending records to the public, requiring candidates to list donors and amounts donated. That sunshine should extend to campaign organizations as well.

The Federal Elections Commission, which has full subpoena power, is already checking into Congressional Club-JMI links in an investigation begun after other complaints from U.S. Rep. Charlie Rose of Fayetteville. Because that probe is secret, no one knows how far and thoroughly the FEC is pressing it. It needs to be very thorough indeed.

But the North Carolina Board of Elections also has investigatory powers which it should put to work fully and promptly. The law says that if the Elections Board finds that a criminal investigation and prosecution may be warranted, it must turn the probe over to the Wake District Attorney, who is responsible for all such state-level investigations.

Not only for the sake of the Congressional Club, JMI and the candidates directly concerned, but also to clarify the law for other present and future campaigns, both the state board and the FEC need to press these investigations with vigor and dispatch.

Congressional Club-marketing firm link investigated

In a decision that crossed party lines, the Federal Election Commission (FEC) voted 4-2 last year to investigate "the entire relationship" between the National Congressional Club, a political action committee, and Jefferson Marketing Inc., an advertising firm.

The FEC has six appointed members — three Democrats and three Republicans. It regulates campaign spending and investigates allegations of improprieties.

The FEC is empowered to levy civil fines for campaign law violations. It can refer cases, when it deems they involve "willful" intent, to the U.S. Justice Department for criminal prosecution.

The investigation involves a complaint by U.S. Rep. Charles G. Rose III of Fayetteville that JMI gave reduced rates on a television advertisement critical of a trip Rose took to Brazil to his Democratic and Republican opponents in the 1982 primary and general elections.

In an interview, Rose said that JMI's prior refusal to disclose its finances sent a clear public signal that JMI is taking a loss to help the Congressional Club's slate of candidates.

"What does Jefferson Marketing do when it doesn't get paid?" Rose asked. "Does it write it off as a bad debt? Does it report it as an in-kind contribution? Or does it accept something from the candidate that inflates the value of it in such a way that the accountants can say it is a match-up?"

JMI is owned by Education Support Foundation Inc., which is a non-profit, tax-exempt organization listed with the Internal Revenue Service as a civic league and social welfare organization.

Directors of the foundation are Thomas F. Ellis, the Congressional Club chairman, and R.E. Carter Wrenn, the club's executive director.

Ties between the club and JMI are at the heart of the FEC investigation.

"It's possible that certain divisions of Jefferson Marketing are more profitable than others," FEC attorney R. W. (Lee) Andersen said in a court proceeding in September.

Andersen and other FEC officials this week refused to discuss their investigation. But during a deposition taken Sept. 14, he said JMI's profits were a focal point of the investigation.

"And it's possible," he said, "that certain of those divisions ...could be subsidizing the services they provide to political candidates."

FEC attorneys asked a Raleigh federal judge in March to compel further testimony from Wrenn, the Congressional Club executive director; Katherine Hardison Waldrop, club bookkeeper; and Douglas M. Davidson, president of JMI.

The three refused to provide a detailed financial statement of JMI's profits and losses and refused to provide financial contracts between JMI and the club.

With the case pending before federal District Judge Franklin T. Dupree Jr., the firms agreed last month to provide limited disclosure to FEC attorneys — avoiding a public court fight.

In an interview published in Congressional Quarterly March 6, 1982, Wrenn was quoted as saying about JMI, "The books are set up to have an absolute minimal break-even situation, and there's never been any profits or dividends. Nobody's ever made any money out of the thing."

Faced with FEC attorney Andersen's argument that a profitless JMI would be an illegal tool of the club, Wrenn told the FEC that JMI does operate to make a profit.

During the Sept. 14, deposition, Wrenn said that club officials wanted to insure "that they (Jefferson Marketing) charge market rates, that they made a profit."

Wrenn said his comments to Congressional Quarterly had been misunderstood.

"The point I was trying to make ...was that I personally or no individual I knew made a profit out of Jefferson Marketing," Wrenn said.

"The point I was trying to make was that I had not made a profit and did not have any sort of a conflict of interest in that situation."

Contacted by telephone, FEC spokesmen refused to discuss the status of the investigation. Neither would they comment about records given to The Raleigh Times that show JMI accepted a campaign mailing list from 1980 gubernatorial candidate I. Beverly Lake Jr. in lieu of a $75,229.39 debt. Also, JMI wrote off a $21,339 debt from William W. Cobey Jr., a 1980 lieutenant governor candidate, in exchange for his mailing list and other assets of his campaign.

Sharon Snyder of the FEC public relations office said the agency forbids FEC officials to discuss the matters under investigation. She would not say whether the agency was aware of other potential federal violations beyond those detailed in Rose's complaint.

The Times also attempted to contact officials in the Public Integrity Section of the U.S. Justice Department who investigate and prosecute cases in which the FEC has found intent to violate campaign financing laws. Donald Santo, a Justice Department lawyer in charge of handling campaign investigations, and members of the agency's Public Information office did not return telephone calls.

MIKE WHITELEY

The News and Observer

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Weather details, page 2A

Helms' group wrote off Cobey, Lake campaign debts

By ELIZABETH LELAND
Staff Writer

The advertising arm of an organization with political ties to Republican Sen. Jesse A. Helms wrote off almost $100,000 in campaign debts incurred by two statewide Republican candidates in 1980 in exchange for the candidates' mailing lists.

A member of the state Board of Elections said Wednesday that she would call for an investigation of whether the deals settling the debts violated a state law that prohibits corporate campaign contributions.

Jefferson Marketing Inc., a private corporation that operates as the National Congressional Club's advertising, direct mail and consulting arm, retired in 1982 a $75,229.39 campaign debt owed by I. Beverly Lake Jr., the Republican candidate for governor in 1980.

In exchange, Jefferson Marketing was given Lake's campaign mailing list — a list that the company itself had prepared for Lake during the campaign. Jefferson Marketing now rents the list to the National Congressional Club, which is the mainstay of Helms' political organization.

Jefferson Marketing also wrote off a $21,339 debt owed by William W. Cobey Jr., the GOP candidate for lieutenant governor four years ago, in exchange for his mailing list, a list of volunteer workers and other, unspecified assets of his campaign.

Documents detailing the transactions were obtained by The Raleigh Times from a source The Times said asked not to be identified, and portions were published by the newspaper Wednesday. Included in the 84 pages of material provided to the newspaper were memos quoting discussions by club employees about ways to retire the debts without raising questions about the club's relationship with Jefferson Marketing.

The documents were turned over to the state elections board by Frank Daniels Jr., publisher of The News and Observer and The Raleigh Times.

Ruth Semashko of Hendersonville, a member of the five-member state elections board, said she would ask the board to investigate the transactions at its May 21 meeting in Raleigh.

"I don't know enough about the legality or illegality of it, but it seems to me it is definitely a campaign contribution, and a corporation can't give a campaign contribution," Mrs. Semashko said Wednesday in a telephone interview.

Asked whether she thought a campaign list could be worth $75,000, Mrs. Semashko said: "Not unless it covered the whole United States. It would depend on how extensive his (Lake's) mailing list was."

Douglas Davidson, president of Jefferson Marketing, defended the exchanges.

"What we did was perfectly legal," Davidson said. "There have been no complaints filed against us. You go look at half the candidates in this country, and they have campaign debts."

The club and Jefferson Marketing are under investigation in another case by the Federal Elections Commission, which is looking into whether the two are a single entity and whether they have violated federal election laws.

Jefferson Marketing is owned by the Educational Support Foundation Inc., a non-profit, tax-exempt

See HELMS' GROUP, page 7A

Helms' group wrote off Cobey, Lake campaign debts

Continued from page 1A

organization controlled by two officials of the Congressional Club — Thomas F. Ellis, chairman, and R.E. Carter Wrenn, executive director. Ellis is Helms' top political adviser.

The foundation was chartered as a civic league with the Internal Revenue Service, Wrenn told The Raleigh Times. It was chartered in North Carolina in July 1983, after the Lake and Cobey mailing lists were accepted by Jefferson Marketing.

Lake and Cobey were backed by the club and relied on political services provided by Jefferson Marketing during their campaigns.

Rep. Charles G. Rose III, D-N.C., who filed a complaint in October 1982 with the FEC that led to the federal investigation, said he would make sure the commission became aware of the information in the documents.

"I think it's very doubtful that the mailing list of a defeated Republican candidate for governor would be worth $8,000, much less $80,000," Rose said. "I think somebody needs to check very carefully to see if this amounts to a willful and knowing violation of election law."

Rose's attorney, William C. Oldaker, a former general counsel of the FEC, said he thought the exchanges were violations of North Carolina election laws.

He cited two factors: that Jefferson Marketing had continued to work for Lake even though the company knew that Lake couldn't pay for the work, and that Jefferson Marketing later eradicated the debt with something of unequal value. Colum continues [illegible]

James B. Hunt Jr., said he deliberately didn't want to know about the dealings of the National Congressional Club.

"That's simply apart from my campaign," he said.

Hunt, however, issued a statement calling for an explanation from Helms.

"Disturbing questions have now been raised at the state and local levels about the activities of Sen. Helms' personal political empire," the statement said. "It is not enough for him to say that he knows nothing about the activities of the National Congressional Club and its affiliated organizations.

"They exist solely to advance his political ambitions, and he is fully responsible for making sure they operate within the laws of our state and nation."

Hunt defeated Lake in the 1980 gubernatorial race.

Before Lake's mailing list was accepted by Jefferson Marketing as payment for the campaign debt, club employees expressed concern that questions might be raised about ties between Jefferson Marketing and the club, according to the documents.

"They feared JMI would be accused of non-arms-length transactions because they continued to provide services for the Lake campaign even after it could no longer pay the invoiced billings," the Sept. 25, 1980 memorandum said.

Another memo, dated Sept. 2, 1982, recounted a conversation with Wrenn.

"Carter Wrenn does not wish to take the bad debt deduction for the $75,000 because he is afraid that such a large bad debt deducation will trigger an audit of JMI, which could in turn disclose the relationship between the campaigns and JMI," the memo said.

Both memos were signed by P. Ann Buddenhagen, an accountant who worked in the Raleigh office of Ernst and Whinney, an accounting firm that has worked for Jefferson Marketing.

In the 1982 memo she wrote to the accounting firm's file, Miss Buddenhagen said she had suggested that Jefferson Marketing could remove the debt from its books by swapping the debt for something of value from the Lake campaign — specifically, the mailing list.

She suggested that the list should be appraised by an independent appraiser before Jefferson Marketing accepted it. Wrenn told The Raleigh Times that the list had not been appraised.

Wrenn also said that the memo did not reflect "his language" in the discussion with Miss Buddenhagen.

"The club and Jefferson Marketing ... have to right much ... go two steps beyond what may be necessary in order to protect their credibility and not be questioned," Wrenn said.

Daniels, president of The News and Observer Publishing Co., said in a cover letter to elections director Alex K. Brock that the company had concluded that the documents probably belonged to Ernst and Whinney or Jefferson Marketing, or both.

Daniels said that the newspaper company told both firms that it would return the documents to them but that neither claimed them. Because the documents included material related to campaigns, Daniels said he decided to forward them to Brock.

Daniels also sent a copy of the documents to the FEC.

FEC spokesman Frederick Eiland declined to comment Wednesday when asked in a telephone interview whether the agency had found the debt writeoffs in its investigation, or whether the agency would be interested in the documents.

"We don't discuss anything involving an ongoing investigation," he said.

Asked whether the activities involving the state campaigns would come under the federal agency's jurisdiction, Eiland said: "I would question that .... We don't go below the federal level."

Brock said he had written the five members of the elections board, including three Democrats and two Republicans, seeking instructions on what to do with the documents.

Brock declined to speculate as to whether any state laws might have been violated. He noted that North Carolina law prohibited corporate contributions, but he said the law did not address debt settlement.

"That, I presume, would reside in civil actions in the court," he said.

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Page 3
(continuation of 1st Column
p. 2

A memo that bore the name an accountant who audited Jeffe son Marketing's books said th Jefferson Marketing continued provide services to Lake's 19 campaign even though club of cials said the debt could not b paid.

Wrenn was quoted by The R leigh Times as saying that th mailing lists were compiled b Jefferson Marketing as part of it services to the two campaigns.

Wrenn acknowledged in the in terview that the mailing lists wer accepted by Jefferson Marketin in lieu of the outstanding debts bu denied that the agency had accept ed lists that it already owned.

Wrenn could not be reached b The News and Observer for com ment Wednesday, despite repeat ed telephone calls to his office. Ellis also could not be reached for comment.

Davidson, the president of Jefferson Marketing, declined to answer most questions.

"We just want to stay in the background on this," he said. "Our position is that we're going to treat it like a bank. If you want information on a client, you'll have to contact the client."

Lake said in a brief telephone interview that he was not aware of any debt stemming from the 1980 race or that a debt had been written off by Jefferson Marketing.

Davidson, informed of Lake's comments, laughed and then said: "I can't comment on that. That's his business."

Cobey could not be reached for comment. Thomas Fetzer, an aide in Cobey's current campaign for the 4th Congressional District seat, said that he was aware that a debt with Jefferson Marketing had been settled but that he didn't know details.

Helms said that he was unaware of the debts or the exchanges and that he no longer had any connection with the club, having resigned his honorary chairmanship more than a year ago.

"My reaction as I read it (in The Raleigh Times) was that if a campaign is over and the candidate has no money, what are you going to do, sue him?" Helms said. "There are corporations that extend credit to all politicians, I suppose. I remember people who gave credit to Jack Kennedy. They wrote off millions of dollars of debts."

Helms, who faces a re-election battle against Democratic Gov.

'Aggriev Lake asks D.A. probe of debt deal

By MICHAEL WHITELEY
Times staff writer

6/5/84

I. Beverly Lake Jr. yesterday asked Wake Dist. Atty. J. Randolph Riley to conduct a "thorough investigation" into the settlement of a $75,229.39 debt from his 1980 gubernatorial campaign by a Raleigh-based advertising firm tied to the National Congressional Club.



Lake

In a letter dated June 1 and delivered yesterday, Lake asked Riley to use his subpoena power to obtain specific documents from Jefferson Marketing Inc. that relate to his 1980 campaign expenses. Lake said he had tried unsuccessfully to obtain the documents from officials of the Congressional Club and JMI.

Publicity about the debt settlement "has caused embarrassment to me and to my family and will continue to do so until the charges are completely investigated by your office and appropriate action is taken by you," Lake wrote Riley.

The state Board of Elections, saying it did not have jurisdiction in the matter, last month asked Riley to investigate whether state laws were broken by the campaign debt settlements between JMI and the campaigns of Lake and of William W. Cobey Jr., who lost the lieutenant governor race in 1980.

JMI forgave the debts of both campaigns in exchange for the unappraised lists of campaign supporters. State law prohibits private corporations from donating cash or services to political campaigns.

"I am really very aggrieved by what the club has done here," Lake said in an interview. "Something was not handled properly, it seems to me, and I don't know what it is or what it was. But whatever it may be, I'm afraid it's going to be stuck in the public mind as having come out of the campaign that I was involved in."

See LAKE, page 2-A

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Lake calls for D.A. probe of campaign debt deal

Continued from page 1-A

Lake said he had no knowledge of the campaign debt settlement with JMI.

Riley said he wrote Lake that his personal integrity was not a question in the investigation.

Riley said he had conferred with attorneys for the Congressional Club and the Democratic Party and told them he would take as much time as necessary to conduct a full investigation.

Riley said it is too early in the investigation to say whether he will submit the case to the grand jury.

"I can understand Mr. Lake's concern," Riley said. "But our intent is not in getting him personal vindication. We're not going to lend him assistance of subpoena power and so forth."

Lake asked Riley to use the subpoena power of his office to obtain:

- Complete copies of internal memos and communications between the Congressional Club and JMI relating to the Lake for Governor Campaign.
- A detailed listing of all services rendered with dates of the services and the JMI workers who performed them.
- A certified copy of the settlement agreement, which Lake said he had not seen.
- A copy of the mailing list for which JMI settled the $75,000 debt.
- A certified copy of the financial statement and campaign financing report submitted by JMI for Lake's campaign to the state Board of Elections.

The Congressional Club is a political action committee formed in 1973 to retire the 1972 campaign debts of Sen. Jesse A. Helms, R-N.C. JMI is a corporation formed in the late 1970s. It is owned by a private foundation whose directors are club officials.

Lake denied any knowledge of the campaign debt or a 1982 decision to cancel in exchange for a mailing list from his campaign.

Lake said he decided to go to Riley following refusals by R. Carter Wrenn, the club's executive director, and other officials to provide him with a detailed accounting of the debt and the services rendered.

Lake included with his letter a copy of a May 24 certified letter seeking documention about the debt. He said he has not received that information and that a meeting with Wrenn on Memorial Day failed to provide an adequate explanation.

Charles B. Neely Jr., who represents JMI and the Congressional Club, said today he had sent a letter to Lake addressing requests for each of the items.

He said Lake now has been provided with a copy of the debt settlement, and he said JMI has made an effort to secure information still available from Lake's campaign.

And he said that while Lake may have been unaware of the debt, the co-managers of his campaign approved the settlement.

"The debt settlement between JMI and the Lake for Governor committee was hammered out between employees of Jefferson Marketing and Bernie Harrell and Dick Titus, Lake's campaign managers," Neely said.

"Whether or not Lake had any personal knowledge of that debt settlement we just do not know," he said.

In the letter to Riley, Lake said Congressional Club staffers controlled his books throughout the campaign and never alerted him to an outstanding debt.

Neely said Lake had failed to make a distinction between JMI and Congressional Club workers. Neely said Lake's campaign was handled by JMI and not the Congressional Club.

"I have not signed or otherwise participated in any settlement agreement to transfer to Jefferson Marketing Inc., or any of its affiliates or representatives, any list of names of contributors or political supporters in settlement of any alleged campaign debt or otherwise," Lake wrote Riley.

In an interview in April, Wrenn said Lake had signed an agreement to trade the mailing list for the debt.

While Lake has said he knew nothing of the settlement, Bernard Harrell, Lake's former campaign co-manager, said he had signed an agreement to settle the debt.

Harrell declined to discuss the matter this morning. In a previous interview, he said the debt had been settled and that it did not violate state law.

"I don't think he was around when that settlement agreement was signed," Harrell said today. "I am certain that he did not sign that piece of paper. But I feel we probably discussed it at a later time."

At Lake's request, Wrenn sent a letter to The Raleigh Times last week saying he was misunderstood when he said Lake had signed a settlement agreement.

"When I said 'what Lake signed,' in referring to the Lake campaign debt settlement, I meant by 'Lake,' the Lake campaign and not Ster Lake personally," Wrenn said in the letter.

"I felt it was best to clarify that I was using Lake in the sense of the Lake campaign," he said.

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Charles N. Steele, Esquire
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Thomas Wm. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RVR 5/29/84

Dear Mr. Mayo:

This is in response to your telephone request of April 19, 1984, and letter of April 20, 1984, asking for the return of certain documents in the Commission's possession. The Commission received those documents on April 26, 1984, and after considering your request, declines to return them to you at the present time.

The Commission has received no original documents, only copies of those already sent by the Raleigh News and Observer to the North Carolina State Board of Elections, the accounting firm of Ernst & Whinney and your client, Jefferson Marketing, Inc. If you deem it desirable, the Commission will treat the documents as "trade secret or business records" under our March 21, 1984, stipulation.

Sincerely,

Charles N. Steele
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON D C 20463

MEMORANDUM TO: CHARLES STEELE, GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JODY C. RANSOM JCR

DATE: MAY 17, 1984

SUBJECT: ADDITIONAL OBJECTION - MUR 1503
Memorandum to the Commission
dated May 14, 1984

The above-named document was circulated to the Commission on Monday, May 14, 1984 at 4:00.

Objections have been received from the Commissioners as indicated by the name(s) checked:

Commissioner Aikens	X
Commissioner Elliott	
Commissioner Harris	
Commissioner McDonald	
Commissioner McGarry	
Commissioner Reiche	X

This matter will be placed on the Executive Session agenda for Tuesday, May 22, 1984.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE, GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/ SUSAN M. TEIR SMT

DATE: MAY 16, 1984

SUBJECT: OBJECTION - MUR 1503, MEMORANDUM TO THE COMMISSION dated May 14, 1984

The above-named document was circulated to the Commission on May 14, 1984 at 4:00.

Objections have been received from the Commissioners as indicated by the name(s) checked:

Commissioner Aikens	_____
Commissioner Elliott	_____
Commissioner Harris	_____
Commissioner McDonald	_____
Commissioner McGarry	_____
Commissioner Reiche	X

This matter will be placed on the Executive Session agenda for Tuesday, May 22, 1984.

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: May 14, 1984

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
Jefferson Marketing Inc,)
et al.)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of May 22, 1984, do hereby certify that the Commission decided by a vote of 6-0 to take the following actions in MUR 1503:

1. Retain the copies of the documents received from the Raleigh News and Observer.

2. Approve the letter to counsel for Jefferson Marketing, Inc. and the National Congressional Club, as recommended in the FEC General Counsel's report dated May 14, 1984.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

Attest:

5-23-84
Date

Marjorie W. Emmons
Secretary of the Commission

8604017 03

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 31, 1984

Thomas Wm. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Dear Mr. Mayo:

This is in response to your telephone request of April 19, 1984, and letter of April 20, 1984, asking for the return of certain documents in the Commission's possession. The Commission received those documents on April 26, 1984, and after considering your request, declines to return them to you at the present time.

The Commission has received no original documents, only copies of those already sent by the Raleigh News and Observer to the North Carolina State Board of Elections, the accounting firm of Ernst & Whinney and your client, Jefferson Marketing, Inc. If you deem it desirable, the Commission will treat the documents as "trade secret or business records" under our March 21, 1984, stipulation.

Sincerely,

Charles N. Steele
General Counsel

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SENSITIVE

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OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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May 14, 1984

MEMORANDUM

TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503

I. BACKGROUND

On April 19, 1984, counsel for Jefferson Marketing, Inc. ("JMI") and the National Congressional Club ("NCC"), Thomas Wm. Mayo, informed the Office of General Counsel that it was to receive certain documents belonging to his client from the Raleigh News and Observer. Mr. Mayo stated that the Raleigh News and Observer had reported that these documents had been turned over to the Commission. On April 20, 1984, Mr. Mayo requested in writing the return of the documents. Attachment A. However, the Office of General Counsel had not communicated with anyone from the newspaper, and, in fact, received no documents until April 26, 1984, at which time a package of some 85 pages arrived from the newspaper. Attachment B. (Only the cover letter addressed to the North Carolina State Board of Elections is attached.) The package consists of copies of certain notes concerning JMI and NCC apparently made by employees of JMI's accountants, Ernst & Whinney, and copies of various financial statements relating to JMI.

In its cover letter, the Raleigh News and Observer states that a person requesting that his or her identity not be disclosed delivered the documents to the newspaper, unsolicited. The newspaper concluded that the documents were the property of JMI or Ernst & Whinney, or both and permitted JMI to inspect them. Then, the newspaper determined to send copies of the documents to the State Board of Elections and the Commission, as well as JMI and Ernst & Whinney. The newspaper further offered to return the documents to anyone willing to acknowledge ownership and receipt of the documents in writing. According to Mr. Mayo, neither JMI nor Ernst & Whinney have made such acknowledgement, although they have reported the documents stolen to local law enforcement authorities and the FBI.

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II. DISCUSSION

Some of the financial information contained in the documents appears to be cumulative of that received from JMI and NCC in their April 10, 1984, supplementary document production made pursuant to the settlement of the Commission's subpoena enforcement action. It can be used by the Commission to check the accuracy of financial data already submitted to the Commission by JMI and NCC. Other, new information is pertinent and material to the nature of the relationship between JMI and NCC and suggests additional sources of facts for investigation.

In considering JMI's request for return of the documents, it should be noted that the Commission is not in possession of original documents. Furthermore, the North Carolina State Board of Elections, JMI and Ernst & Whinney have been given copies of the documents by the newspaper, and JMI can apparently retrieve the originals simply by acknowledging ownership in writing. Thus the primary purpose of JMI's demand for the Commission's return of its copies of the documents is not the return of "stolen property," but rather to deprive the Commission's investigation of relevant information and probably to prevent the future public release of certain information at some future date. 1/

First, it is by no means certain at this juncture that the originals were in fact stolen from JMI or Ernst & Whinney. They may have been released to the newspaper by a person having legitimate access to them. Second, even if it were to be shown that the original documents were taken from JMI or Ernst & Whinney files illegally, the Commission is not implicated in the obtaining of the documents. The Commission did not request the Raleigh News and Observer or anyone else to procure documents from JMI, NCC or Ernst & Whinney. In fact, no one from the General Counsel's office has ever spoken to the newspaper about this matter. As far as we can determine, there was no government

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1/ If JMI is concerned over eventual public release of "trade secret or business record" information that might be contained in the documents, the Commission can agree to provide JMI with notice and opportunity to oppose the release under the same procedures agreed to in the Commission/JMI stipulation of March 21, 1984.

involvement in obtaining the documents at any level. 2/ Third, the North Carolina State Board of Elections is reportedly undertaking its own investigation of JMI based upon the documents forwarded to that body by the Raleigh News and Observer. Attachment C. Thus, little purpose would be served by the Commission's returning the copies in its possession to JMI. Therefore, the General Counsel recommends that the Commission retain the copies of the documents received from the Raleigh News and Observer and send the attached letter to Mr. Mayo declining to return the copies at the present time.

III. RECOMMENDATION

The General Counsel recommends that the Commission retain the copies of the documents received from the Raleigh News and Observer and approve the attached letter to counsel for JMI and NCC.

Attachments

2/ That neither the Commission nor any other government agencies were involved in obtaining the documents could become important if the admissibility of evidence gleened from the documents were to be challenged. Where there is no governmental involvement in the illegal obtainment of evidence, the Fourth Amendment protections of the exclusionary rule have no application since there is no deterrent effect. See U.S. v. Janis, 428 U.S. 433 (1976); Tirado v. C.I.R., 689 F. 2d 307, 314 (2d Cir. 1982).

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The News and Observer ▲ THE RALEIGH TIMES

MORNING AND SUNDAY
SERVING EASTERN NORTH CAROLINA AND THE RESEARCH TRIANGLE

AFTERNOON
SERVING THE CAPITAL AREA

215 SOUTH McDOWELL STREET · RALEIGH, NORTH CAROLINA 27602 · TEL. 919/829-4500



April 18, 1984

Mr. Alex Brock
Executive Director
State Board of Elections
Post Office Box 1166
Raleigh, North Carolina 27602

Dear Alex:

Enclosed are 84 pages of documents that were recently delivered to The Raleigh Times by a person who has requested that his or her identity not be disclosed.

These documents were not requested or solicited by The Raleigh Times or by anyone acting on behalf of The News and Observer Publishing Company.

Upon inspection of the documents, we concluded that they probably were the property of Ernst and Whinney, Jefferson Marketing, Inc., or both. They each inspected the documents and we informed them that we would turn over the documents to anyone who would acknowledge ownership and receipt for them in writing. However, to date neither has claimed ownership of the documents, and we are unable to determine whose documents they are.

Since some of the documents on their face relate to campaigns regulated by the State Board of Elections, we hereby deliver them to you for such disposition as the Board may deem appropriate. Since some of the documents also appear to relate to the relationship between the National Congressional Club and Jefferson Marketing, Inc., we also are sending copies of this letter and of the documents to the Federal Elections Commission.

Cordially,

Frank Daniels, Jr.
President and Publisher

FDjr/wc
Enclosures

cc: Federal Elections Commission
Ernst & Whinney
Jefferson Marketing, Inc.

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GCG#2220

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April 20, 1984

Kenneth A. Gross, Esq.
Associate General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Dear Ken:

This letter is to confirm the substance of our conversation yesterday afternoon concerning certain documents sent to the FEC by the Raleigh News & Observer. It is our understanding that the News & Observer has sent the Commission a number of documents concerning Jefferson Marketing, Inc., The National Congressional Club, and the campaign committees for Beverly Lake and Bill Cobey, candidates for North Carolina Governor and Lieutenant Governor, respectively, in 1980. Based on my client's review of documents at the News & Observer, it is our belief that these documents were stolen from Jefferson Marketing or its accountants, Ernst & Whinney, or both. Despite the fact that these are obviously private documents that have been stolen, the News & Observer has seen fit to turn them over to the Commission.

We certainly do not condone, nor do we claim even to understand, such reprehensible conduct on the part of the News & Observer. It is our hope that the Commission, unlike the News & Observer, does not traffic in stolen property that has crossed state lines.

That is why I asked you yesterday, and repeat my request in this letter, for the return of the documents to their rightful owner: Jefferson Marketing. If you feel it is necessary first to obtain a sworn statement from an officer of Jefferson Marketing, based on his or her review of these documents, that can certainly be arranged.

Attachment 17

In light of Jefferson Marketing's serious claims concerning the source of these documents, I have also asked you to ensure, as best you can, that these documents are not placed in the public record or distributed throughout your office as other filed documents may be in the normal course.

I would appreciate it if you would give this matter your serious attention and give me a prompt response to these requests.

Sincerely yours,

Thomas Wm. Mayo
Attorney for Jefferson
Marketing, Inc.

TWM:lms

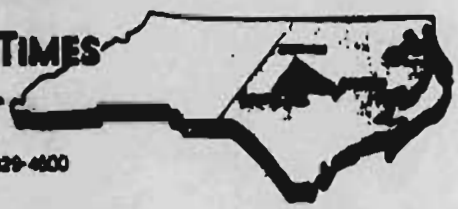
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The News and Observer ▲ THE RALEIGH TIMES

MORNING AND SUNDAY
SERVING EASTERN NORTH CAROLINA AND THE RESEARCH TRIANGLE

AFTERNOON
COVERING THE CAPITAL AREA

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Cordially,

Frank Daniels, Jr.
President and Publisher

FDjr/wc
Enclosures

cc: Federal Elections Commission
Ernst & Whinney
Jefferson Marketing, Inc.

Attachment 15

Raleigh Times p. 1-A
April 19 '84

6 cc #301
MUR 1503
Anderson

311 P 3:31

Board is expected to study write-off of campaign debt

By MICHAEL WHITELEY
Times staff writer

Alex K. Brock, state Board of Elections director, today said he expects the board to order a review of the settlement of two 1980 campaign debts by organizations tied to Sen. Jesse A. Helms, R-N.C.

Brock said he will discuss with board members the writing-off of almost $100,000 in campaign debts by Jefferson Marketing Inc. in exchange for two campaign mailing lists.

"If they (members) want an investigation — and I anticipate they will — then we need to determine what they will want me to do between now and the (May 21) board meeting," Brock said.

JMI, an advertising firm, dropped the campaign debts in exchange for the mailing lists of the 1980 campaigns of I. Beverly Lake Jr., who ran for governor, and William W. Cobey Jr., who ran for lieutenant governor.

JMI's stock is owned by Educational Support Foundation Inc., a tax-exempt civic league that is controlled by officials of the National Congressional Club, a political action committee. The club, formed in 1972 to retire Sen. Helms' campaign debts, supports conservative candidates and causes.

R.E. Carter Wrenn, Congressional Club executive director, acknowledged that JMI had swapped the debts for unappraised mailing lists from the two campaigns. But he denied that the exchange had violated state laws, which forbid corporations to donate cash or services to political candidates.

U.S. Rep. Charles G. Rose III said today he will seek to make sure investigators for the Federal Election Commission review documents detailing the settlement of

See BOARD, page 2-A

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Board expected to review campaign debt write-offs

Continued from page 1-A

the campaign debts.

"I feel very strongly that this is all part of a pattern of operations for the Congressional Club ...that has become the central focus of the FEC investigation," said Rose, a Democrat from Fayetteville. "Even though these documents may not reveal violation of a federal law, they do tend to shed light on the overall nature of the Jefferson Marketing-National Congressional Club relationship."

The FEC is investigating a complaint by Rose that JMI provided cut-rate advertising services to his opponents in the 1982 election.

"If there were any doubts in the Federal Election Commission that my complaint was valid, this revelation should banish that thought once and for all," Rose said.

Documents that appear to be accounting records of JMI were given to The Raleigh Times by a person who asked not to be identified.

The records were turned over yesterday to the state Board of Elections by Frank Daniels Jr., publisher of The Raleigh Times and The News and Observer.

In a cover letter, Daniels said he believed the records belonged either to JMI or Ernst and Whinney, an accounting firm that worked for JMI, or both. Officials of both firms had viewed the records, but did not claim them.

Daniels said that since the records involved election matters, he decided to send them to Brock.

Daniels sent copies of the records to the Federal Elections Commission.

Brock said he will wait to review the documents until he talks to the five elections board members.

Brock said that if the board doesn't want him to conduct a review of the records, it could request the State Bureau of Investigation to conduct an investigation.

Brock said Elections Board Chairman Robert W. Spearman today withdrew himself from deliberation on the documents. Spearman is an attorney in the law firm of Sanford, Adams, McCullough & Beard, which represents The News and Observer Publishing Co. in some legal matters.

Lake said this morning he was concerned by the disclosure that his campaign had owed JMI $75,000. He said he may ask JMI to make an accounting of the services it provided his losing gubernatorial campaign.

"I didn't even know there was a debt," Lake said.

Lake said the National Congressional Club handled details of his campaign.

The story in The Raleigh Times yesterday incorrectly said that Lake and others confirmed the validity in some materials contained in the records. Lake did not confirm anything in the records.

Sen. Helms, through a spokesman, said he had no knowledge of the operations of JMI or of the 1980 campaign settlements.

Gov. James B. Hunt Jr., Helms' opponent in the 1984 Senate race, said yesterday Helms could not divorce himself from what Hunt termed the senator's "personal political empire."

"Disturbing questions have been raised at the state and local levels about the activities of Sen. Helms' personal political empire," Hunt said in a statement.



Rep. Charles G. Rose III
'documents ...shed light'

"Sen. Helms owes the people of North Caorlina an explanation of whether or not organizations affiliated with him are involved in illegal corporate campaign contributions.

"It is not enough for him to say that he knows nothing about the activities of the National Congressional Club and its affiliated organizations. They exist solely to advance his political ambitions, and he is fully responsible for making sure they operate within the laws of our state and nation."

Claude Allen, Helms' campaign aide, said Hunt's statement was proof his campaign is behind the FEC investigation.

"The whole purpose (of Rose's initial complaint) was to reflect on Sen. Helms," Allen said. "This

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Thomas Wm. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Dear Mr. Mayo:

This is in response to your telephone request of April 19, 1984, and letter of April 20, 1984, asking for the return of certain documents in the Commission's possession. The Commission received those documents on April 26, 1984, and after considering your request, declines to return them to you at the present time.

The Commission has received no original documents, only copies of those already sent by the Raleigh News and Observer to the North Carolina State Board of Elections, the accounting firm of Ernst & Whinney and your client, Jefferson Marketing, Inc. If you deem it desirable, the Commission will treat the documents as "trade secret or business records" under our March 21, 1984, stipulation.

Sincerely,

Charles N. Steele
General Counsel

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Work 1503 Tarrant Anderson Julie Rose BCC# 3064

Relationships - personal

The deposftions are not that helpful in terms of establishing now who came to know who when. Of all of the depositions, Hardison's is probably the most useful in terms of describing her relationship to Carter Wrenn.

Submissions from Covington and Burling in response to requests for information on past and present directors from NCC and for information on past and present directors as well as shareholders from JMI are helpful in describing the mobility between the organizations and the Helms for Senate Committee.

The following information is also relevant to the idea that JMI and NCC are affiliated. Douglas Davidson, President and Treasurer of JMI at the present time, worked in the Helms for Senate Committee in 1978/'79 (January), then worked at the NCC ('79), and then moved onto JMI in 1979. Past directors of JMI have included: Alex Castellanos, credited with founding JMI in '79; he served as President and Treasurer in 1979, worked in the Helms for Senate campaign and also has received disbursements from the NCC as late 1983. Castellanos' father served as Secretary in 1979. Carter Wrenn served as Secretary in 1979. Richard Miller was President and Treasurer in 1979 after Castellanos.

The Educational Support Foundation whose three principal shareholders are Tom Ellis, Carter Wrenn and Terrence W. Boyle, owns JMI at the current time. Boyle worked for Jesse Helms in 1973 for about 8 months as a Legislative Assistant. He is now nominee for a^federal judge and also Tom Ellis' son-in-law. (Senate Judiciary Committee unanimously approved his nomination.)

The incorporator of JMI is also a member of the expanding "family," he is Charles Neely, a partner in Ellis' law firm and

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1 contd

it is important to note that NCC pays this law firm for legal services of some kind.

Elizabeth Smith was the Treasurer of the National Congressional Club from 1977-79 and she becomes the Secretary of JMI from 1979 and continues serving in this post at the present time. * See Davidson's comments on Eliz Smith. #18, 19

Richard Miller was Chairman of the NCC from 1977 to 1979, the time when Ellis and Wrenn are on a leave of absence for the Helms campaign. Richard Miller became President / Treasurer of JMI in 1979 when the chairman and his assistant returned from the battlefield.

In the Wrenn depsoition #3 Carter Wreen says that he doesn't know how he first heard about the NCC. #13 After Castellanos left JMI in 1979, Wrenn "thinks" that he was Secretary for a short time of JMI. #23 Asked when he, Wrenn, first became aware of the Gibson campaign, Wrenn says that in was in 1982. (Wrenn, however, was involved with both Gibson and Johnson in the Conservative group run out of the same post office box as the campaigns, and in the gas tax movement.) 1980-81 #24 Wrenn admits to discussing Gibson running for office but he doesn't remember when that was, and there seems to be some contrary statements to when this was discussed and decided in the Freeman deposition.

In the Davidson deposition #5 when Davidson was asked who he worked for in 1979, Davidson said that he couldn't remember. Then with some help, he remembers that he worked for the Helms for Senate campaign in 1979.

In the Hardison deposition #22 Hardison says that she first heard of the Club in '77, but as to how, is not followed up. #23 She can't remember who it is that she worked with in setting up the

8504017 21

books at the NCC in 1971, but she remembers that it wasn't a lawyer, wasn't a CPA firm, or any of the Directors or Managers from NCC. She doesn't remember whetner or not she had conversations with any of the employees of NCC. #97 Hardison worked formerly at a radio station #112 Hardison admist to discussing bookkeeping information on JMI with Carter Wrenn who is not an employee or Director of JMI and she has no reservations about doing this. #102 She nas known Wrenn for 6 and 1/2 years, said that she first made his acquaintance at the Congressional Club when he was the"person who hired me."

The area of relationships that each party may nave to each other and how far these relationships go back in time, and who it was that introduced A to B, is not really explored to any length. It is clear tnat Ellis has had little to do with JMI except for owning it---ne has not had any official responsibilities for tne running of it. Wrenn does spend time as an officer, and Richard Miller who takes over at NCC when Wrenn and Ellis are working for Helms is rewarded with tne President's post at JMI. Elizabeth Smith has served time at both insitutions, but from the Davidson deposition it apperas as though her jobs are not of substance. The organizations have been rather freely held, as apparently the circumstances warranted, and there is quite a bit of internal mobility. Certain individuals like Ellis, Wrenn, and Miller --- and possibly Castellanos appear to be the most trusted with the operational aspects of these organizations.

For individuals whose entire adult life has been spent within one organization, Davidson and Wrenn have no excuse for failing to remember who hired them, or how they first heard of NCC/JMI.

8504017 22

II The Formation of Jefferson Marketing

The formation of JMI is less clear than the formation of the Club and probably so because there was never any separate formation. From what Richard Viguerie says in his book (discussed in the affiliation section) it appears as though JMI is just an offshoot and no separate history is necessary on JMI. The depositions also tend to point out the vagueness of the whole formation and how and why JMI is formed becomes more obscure as more information is gathered.

From the Congressional Quarterly article Wrenn is quoted as saying that Covington and Burling helped set up the current system. But as to whose idea it was at what point in time, there just doesn't seem to be anything more than a circular answer.

In the Wrenn deposition #8 Wrenn says that JMI was formed in December 1978. He also said that he had nothing to do with the formation of JMI. He also evaded the answer to the question whether or not he had discussed the idea of forming an entity such as JMI with anyone. #9 is a continuation of this discussion. #10 Wrenn says that it was Alex Castellanos' idea to form JMI and then later he says that he discussed this with Alex Castellanos. He also says that he discussed with Castellanos the idea of NCC becoming a client of JMI. #11 He says that NCC was doing direct mail and that Castellanos was interested in taking this over for the NCC. He said that it was CAstellanos who suggested that some Club employees might be transferred over to JMI..#12 Wrenn doesn't remember if he discussed the business of JMI with Castellanos. He doesn't remember if JMI and NCC were in the same building at the time of formation. #14 Wrenn makes a statement on the 1980 election which helps explain

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the reasons behind the formation of JMI; he discusses the idea of running candidates as a group. "We were looking for a way that a group of people could be involved in several campaigns." The discussion also points out that Wrenn thinks of JMI as an agency (AGENT) for the NCC. #15 Wrenn says that he was paid by JMI as to how they should structure their operations, what they should or shouldn't do, etc. #17 Wrenn discusses his expertise in the area of media buying with respect to the Helms for Senate Campaign in '78 and the Reagan Campaign in '76. #19 According to Wrenn JMI moved to the same building as NCC prior to the 1980 Election but he can't remember when. #58 Wrenn says that NCC didn't provide any of the start up money for JMI and he really doesn't know where they got the money from.

Davidson says #6 when he worked for NCC he provided liaison with computer service bureaus and did some administrative/political type services. #10 He denies that JMI was his idea. #9 He says tha he discussed JMI with Wrenn but he isn't sure whether it was before or after JMI existed. #10 Davidson says that Castellanos was not working for NCC at the time that JMI was formed, admits to knowing Castellanos, and working with CAstellanos on specific projects. #11 As to who ran the NCC when he joined it he doesn't know. "Thinks" that he and Rick Miller joined JMI at the same time. Davidson thinks #12 that the purpose of JMI was commercial to give direct mail services to various clients. #13 He admits that the majority of persons employed at JMI were previously employed by the Club. #14 He cannot remember who hired him at JMI: "This might sound funny but I really can't."

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Hardison #8 says that she first heard of JMI in '79 and she was President of Hardison Corporation at that point in time performing bookkeeping services for NCC at that time. #14 She admits to havin the aquthroity to sign checks for JMI but #15 doesn't know how long, but is sure that she hasn't had this since the beginning of JMI. #16 Doesn't recall setting up the books for JMI, says that the books were already set up. #18 Admits that she would be the one involved in recommending changes for the books at JMI but #19 she doesn't know wno had the information or who would have set up the books at JMI.

While Carter Wrenn appears to give the official date of the formation of JMI as December 1978, Kathie Hardison the bookkeeper doesn't hear of JMI until 1979. Nor does it appear for that matter as though Douglas Davidson did either.

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see also Wrenn: cash flow #69 → capitalization of JMI by NCC

There is evidence of a serious failure to observe the requisite corporate formalities. No relevant discussion is available from the depositions and this is important re: "sham" corporation.

(A) Capitalization of JMI -- no adequate/significant discussion

(B) Formalities – Board of Directors meetings

(C) Value of shares (mentioned somewhat - Wrenn's deposition, Davidson deposition)

(D) Adequate assets/capitalization to cover liabilities

(E) Discussion of Campaign Committee (merely another name under which JMI does business -- Hardison #1: 30-34; Wrenn - #52)

III Relationship of JMI and the NCC

a) Who pays the bills?

In the Wrenn deposition, #68 with respect to bill payment by JMI, Wrenn admits to discussing with JMI payments for services and that in terms of setting up the flow of cash, the advice to JMI has been to bill on the high side.

Douglas Davidson #7 says that he has access to the bookkeeping and acconting where it relates to those items he is working on(possibly billing) #17 Davidson's additional responsibilities include bookkeeping, payroll, more or less financial matters. #33 While Robert Holden manages the advertising portion of JMI, Davidson's responsibities include the responsiblity of signing checks when JMI buys time.

Hardison says that #50 Carter Wrenn decides when a given number of invoices accumulate from JMI at NCC that it is time to write a check. #14 Hardison has the authority to sign checks for JMI but NOT for NCC.

Davidson also signs checks for JMI – for time buying - but doesn't remember if he did so in Gibson campaign #34

Failure to follow "normal" business practices re: billing see Davidson #53

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III Relationship of JMI to the NCC

d) In-kind contributions pg.[1]

Carter Wrenn says that #26 expense items paid in in-kind contribution memo re: Tom Gibson could include: "a variety of expensable items, it could have been an advance payment for something. It could have been anything." In-kind memorandum on Gibson with respect to $353.08 staff time paid was for "time Jefferson employees spent on the Gibson campaign that the Congressional Club paid and in-kind donated to Gibson." He knows the name of the individuals whose services are in this memorandum. #45 Wrenn says that they decided to make in-kind support of the Gibson campaign in respect to the videotape and they requested that JMI bill them. He doesn't remember discussing this with Gibson. #46 Wrenn says that after Rose made his complaint he contacted Gibson about the Audiofonics bill. Audiofonics indicated to him that there was a bill outstanding, Gibson was vague. #47 Wrenn remembers Gibson sending him the invoices as though he intended that Wrenn should raise the money to pay them; thse invoices sat on his desk for several months; Wrenn asked Audiofonics to rebill Gibson after Rose filed the complaint; said that he personally raised the money and that the Club contributed $3,500 at some point---he doesn't know whether or not this was after he had seen the complaint. He also raised other monies. #51 Memo to CArter Wrenn:"C.A.:Gibson did not pay. Janette then billed to NCC." invoice was sent to Carter Wrenn, it was marked as in-kind contribution by the Club #52 invoice from JMI to NCC for $35 marked as in-kind contribution****Wrenn is supposed to find out what it is. #53 The $35 in-kind contribution has not been reported specifically by the Club. #55 Wrenn worked with Johnson campaign people, but doesn't remember whether or not he

Janette Pennington Hardison employee who is Davidson bookkeeper

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III contd

d) in-kind contributions contd page 2

discussed the strategy of the videotape with Johnson campaign workers. #56 FEC requests information with respect to the in-kind contribution and the Johnson Committee.

Douglas Davidson describes the JMI to NCC in-kind referral system. #30 "MBXXXXMr. Wrenn might call me up and say he has a candidate that he has a candidate we might consider doing business with." #39 DAvidson says that they don't keep track of candidates who receive in-kind contributions from the NCC. #55 Davidson describes the in-kind system: "We have brought to the attention of the Club that bills are outstanding, and The Club...they assist the candidate in mailings." Davidson admits that Club has used the services of JMI with regard to mailings that are aimed at reducing a candidates debt to JMI. #57 Davidson says that NCC from time to time requests to be billed for certain services that JMI provides to candidates. #58 Davidson indicates that when a bill is outstanding it is placed in the JMI ledgers and if the Club indicates that they want to pay it the then they just send it to the Club and mark it off the JMI ledgers. As to how the Club indicates to JMI that they want to make this kind of in-kind contribution Davidson says normally "just tell us." Davidson says that he normally hears from Carter Wrenn or that he might hear from Wrenn's assistant, Tom Fetzer. #59

Hardison says that the usual practice in entering an in-kind contribution in the NCC books is to mark it as such.#45 #46 The usual practice with respect to recording an in-kind contribution to a candidate committee is to record them in the Political Dvision Ledger of the NCC book. There is some discussion as to

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III contd

d) in-kind contribution contd page 3

when an item might be accidentally ommited as where the in-kind annotation is omitted. #53 There appears to be some kind of problem regarding the use of in-kind annotation on the entries in the ledger, it apparently has not been consistently employed, and the problem seems to arise in that the invoice is not marked as being "in-kind." #64 With respect to the repayment of loans, Hardison doesn't know off hand whether the repayments are made in cash or services. #80 In the Political Division ledger of the NCC Hardison says that in-kind contributions are not designated in any particular fashion, and she cannot tell by looking at them/ #81 In-kind contributions may be split off and part recorded while part is not, even though they are part of the same transaction at the same time. Part of an in-kind contribution may be paid and/or declared at one time, and part at a later date. #100 The chrage for the time buying for Gibson as an in-kind charge was paid for by the Club but she doesn't know how much it was.

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The area of in-kind contributions and the practice for handling these contributions at both the JMI/NCC referral level and the bookkeeping level appears not to be consistent, or done in any kind of standard way. The in-kind transactions appear to be very loose and informal and can be taken care of with a simple phone call from Douglas Davidson to Carter Wrenn, or vice-versa. Evidentially eitner direction works in the system.

Some questions arise as to the manner in which in-kind contributions are recorded in Hardison's books. At one point she seems insistent that in-kind contributions are routinely marked as such in NCC ledger books, and at another, it appears as though this is not done as a

III contd

d) in-kind contribution contd page 4

routine matter. Because in-kind donations may be split off---that is part of a single transaction may be broken down into several pieces, it seems as though there is some kind of endless hole in this area. How do you know whether the whole transaction ever gets reported?

The in-kind contribution system also demonstrates the relative ease with which Carter Wrenn and Douglas Davidson communicate and/or act in concert. Tom Fetzer is also apparently able to communicate or give the o.k. on something that becomes an eventual in-kind contribution.

The approach looks as though cash for campaigns is not required because if you really got stuck paying your bills, JMI would not only sit on them in the books, it might manage to lose part of the invoice, or get you financial aid eventually where you were unable to pay your bills.

The issue of when Carter Wrenn raised the money for Gibson and when the Club made a contribution to Gibson (pre or post Rose complaint) also seems to be important. Was it only after a violation was discovered that anyone felt it was necessary to go through the motions of paying bills?

In-kind contributions as they relate to volume discounts, passed on from JMI to NCC to individual candidates
Davidson deposition # 50, 51

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III Relationship of JMI to the NCC

e) Affiliation--is JMI established, controlled, or maintained by NCC?

Carter Wrenn an employee and Director of NCC "thinks" he was Secretary of JMI after Castellanos left. He says that he did nothing, and he says that in mid 1980 JMI offered other services than direct mail. #13 Wrenn provides advice to Jefferson Marketing on what they should or shouldn't do and how they should structure their operations, what they could or couldn't do in campaigns. #15 #19 JMI moved to the same building as NCC prior to the 1980 campaign but not at a time that Wrenn can recall for certain. #20 There are no formal board of directors meetings for the National Congressional Club according to Wrenn. He says that he is responsible for the day to day management of the NCC ,and reports to Tom Ellis . Ellis provides guidance on policy development at NCC if Wrenn seeks it. Sometimes Ellis just offers advice. #27 A reference to staff time in a memo on Tom Gibson---Wrenn says that could include a reference to staff time paid to JMI as an in-kind contribution by NCC. #29 When Wrenn discusses what the JMI employees did for the Gibson Committee in terms of services, he knows exactly who these employees are and what they did. #30 When he was asked how the NCC valued the time of JMI employees Wrenn says that no one at JMI reported the time the employees spent to him. #31 Wrenn thinks that JMI sent NCC a bill for this, but it wouldn't have been itemized---it would have been part of a total bill. #32 When Wrenn is asked how the NCC knew to list the certain figure for staff time Wrenn replies "it is a proration of the time the individual provided services to Jefferson---I mean the Jefferson employees to the Club. An estimate of the sort of analysis of what the time value was to Gibson."

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III Relationship of JMI to the NCC

e) Affiliation contd

page two

contrast this w/ Davidson's statements re: $50/hr rate; #48,49, and his retraction of these statements #49 cross: p.83

#33 Wrenn says that it is the Club's analysis of the JMI employees time spent on the spcific campaign. When he asked what the analysis is based on, he discusses employees salaries.#35 When asked if he has a record on the amount of hours involved, he says that he thinks he does, then he doesn't, and then he admits that he probably doesn't have records (written) on the amount of hours involved. #36 Wrenn says that he doesn't know of any written substantiation for the staff time spent on various projects. #37 Wrenn says that the rate is computed on a project basis not an hourly basis. #38 There is no one at JMI that would be able to supply further information on the staff time involved, nor is there anyone at the NCC that could supply this information. He states again that it was the NCC that established the figure for the staff time of JMI employees. #40 Wrenn doesn't remember who referred whom to JMI for the production of the Gibson videotape; says that at some point, he or the NCC reimbursed JMI for the videotape. #51 A memo to Carter Wrenn--exhibit 3---invoice from JMI sent to Carter Wrenn with notation: CW: Gibson did not pay, Janette then billed to NCC. #57 Wrenn says that he didn't know how many staffers left NCC to go to JMI. #59 Wrenn doesn't know if there was any money loaned from NCC to JMI at the startup. #62 Wrenn shows his knowledge of the Campaign Committee; he basically describes JMI's second name under which it can do business as ---an account in the books. "These debits and credits indicate something going through the books. Now specifically what they are, I don't know looking at them. The Campaign itself was a ---I don't know what the proper legal term

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III Relationship of JMI to the NCC

e) Affiliation contd, p.3

was. It was a subsidiary of JMI that operated as a part of JMI."

#64 The relationshp between JMI and NCC is explored with respect to the issue of services and NCC's possible veto of services in particular cases. Wrenn admits to counselling persons at JMI with respect to providing services to candidates, but he says that he doesn't know whether or not his advice was ever heeded. He cites a particular candidate which JMI did provide services for which he had counselled them against helping--congressional race.

#65 He says that he has no knowledge of JMI's profits but he states that he knows that they are in business to make profits. Then he starts to say he knows that they have made past profits. (Curious because he is a shareholder).

#66 Wrenn says that he knows JMI made a profit in 1982. #68 Wrenn discusses advice he has given to JMI with respect to charging for various services, and he admits that he has been advised to counsel with respect to this ---which advice he then passes on to indidividuals at JMI. #69 "I have always advised them in their dealings...that they always be sure to operate with a profit in dealing with a politcial committee (contradicts CQ article). Wrenn understood these to be "legal facts that they had to adhere to strictly."

#70 JMI and NCC are in the same building. As to whether or not Wrenn moves freely between the offices Wrenn says "it depends on whether or not I am working on something with someone at JMI." It's no set rule, it varies."

#71 Wrenn discusses non Congressional Club candidates with Davidson who are using JMI services.

#75 The Congressional Club Foundation purchased the stock in JMI after Richard Miller's ownership. Its a 501(c)(4) organization which is operated under Wrenn's direction.

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III Relationship of JMI to the NCC

e) Affiliation contd p.4

#76 Wrenn relates the purchase of the JMI stock by the Educational Support Foundation which he says is a not for profit corproation, not a part of JMI. He, Tom Ellis, and Terry Boyle are the Directors of the Educational Support Foundation. He is very circumspect with what he says about Terry Boyle, usually giving one word answers to questions he is asked about Boyle.

#77When Wrenn is asked about the value of the shares, when bought and currently, counsel instructs Wrenn not to answer.

In the Davidson deposition, #5 Davidson works for the Helms for Senate Committee in 1979, moves to NCC('79) and then moves to JMI ('79); can't remember when he heard of JMI when working for either NCC or Helms for Senate. #14 Davidson cannot remember who hired him at JMI. #15 He believes that he assumed the Presidency of JMI in August 1982; his duties changed only slightly from the duties he had before he assumed the Presidency. His duties previously,#16 were production oriented, letters and copmuter printouts---he managed production of these areas.

#20 Davidson says that Wrenn and Ellis are not involved in the day to day operation of JMI. #21 He qualifies his answer on Wrenn and says that Wrenn oversees some of the operations of JMI. He says that Wrenn is " one of our chief clients, so from a client standpoint he is very much interested in getting the best production from whatever we produce. So he is right intimately involved in our direct mail and advertising."

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III Relationship of JMI to the NCC

e) Affiliation contd p. 5

#22 NCC is one of JMI's biggest clients according to Davidson. He has no idea as to what percent of JMI's business is Club related. #30 The NCC to JMI referral system is rather informal. #36 Davidson says he sets the business policies of JMI and he consults with his department heads in doing this. He also consults with Carter Wrenn. #40 Davidson discusses with persons at NCC what in-kind contributions will be made to individuals who are clients of JMI. #57 From time to time NCC requests to be billed for services that JMI has provided to candidates.

#67 According to Davidson the NCC doesn't pay any of the overhead of JMI, or any of the bad debts of JMI, or any of the salaries of JMI employees. He is not aware of any NCC employees ever being assigned to work temporarily for JMI. #68 When Davidson is asked whether JMI employees perform services, i.e. work, for the NCC, at any time, Davidson goes into a long winded explanation of how JMI is a service bureau, and as a service bureau, JMI is in the business of selling services and a certain amount of that time is not compensated. He says that this is a fairly standard practice in this business.

#69 When asked about the JMI Foundation, Davidson says that he doesn't know anything about it, and as far as he knows it doesn't exist.

#70 When asked about whether the shares of stock in JMI have remained constant in value, Davidson says that he doesn't know the present value of the stock (implies that it hasn't remained the same in value) and he doesn't know whether or not the original number of shares of stock has remained the same from the original 100 issued.

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III Relationship of JMI to the NCC

e) Affiliation contd p.6

#/1 All that he (Davidson) knows about the Educational Support Foundation is that it is a blind trust. Says that he doesn't know any of the persons that have anything to do with the Education Support Foundation (the owner of JMI)..

p.83 in the Davidson Deposition (redirect), Davidson says that the NCC pays for all services provided by all employees working for and being paid by JMI. (contradicts earlier inferences)

In the Hardison Deposition, #9 Hardison says that employees of the Hardison Corporation are allocated specifically to certain clients. * Davidson calls Janette Pennington - Hardison employee - his bookkeeper #23 Hardison says that she has three employees working on JMI and two allocated to NCC. She has a total of eleven employees, and she also has clients in private business. #10 Approximately 25% of her corporation's (Hardison's) work is JMI business and the NCC business. (Note that while NCC and JMI account for 25% of her work, 50% of her employees are allocated specifically to these accounts). She is also involved in NCC and JMI accounts.

#11 Hardison says that the bookkeeping services her company provides are also performed for non profit organizations and foundations. She will not classify her corporation's business as a general accounting practice outside of the work she does for JMI and NCC. #12 When asked how her corporation differs from a general accounting practice, she says that it is a bookkeeping service only.

#13 Hardison says that she is not "personally" an employee of the NCC, not a member of the Board of Directors, not an employee of JMI nor a member of the Board of Directors of JMI.

#14 Hardison has the authority to sign checks for JMI but not for the NCC. * Davidson also has this authority #15 Doesn't know how long she has had the authority

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III Relationship of JMI to the NCC

e) Affiliation contd p./

to sign checks for JMI, but knows that it hasn't been since JMI was started.

#17 Hardison says that she has sat dowon with some of the managers from JMI to discuss how the accounts are working.

#20 Hardison explains her having the authority to sign checks for JMI so that " the check can be good...cashed, deposited, whatever." #21 She goes on to say (as with respect to why she was given this authority) "we needed a signature that was easily available."

#30 Hardison doesn't know the purpose behind setting up the Campaign Committee account (the other name under which JMI may do business) intbe NCC ledger, although she was involved in changing the structure of the NCC ledger. When asked what the function of the account is she says: "it's just an account." When asked why the account was closed she said that it was consolidated into JMI. #31 She doesn't know who made the decision to consolidate the account. into JMI. See Wrenn's comments: Campaign Committee #62

#32 When Hardison is asked who at the NCC is responsible for making decisions as to whether or not to consolidate one account with another she replies: "I would be."

#34 She doesn't know w-ether or not there is a particular person at JMI who oversees the particular activity associated with the Campaign Committee account.

#37,38 When she asked what two particular accounts mean she says that they denote separate accounts.

#42 When she is asked if she or her employees have any responsibility for determining under which account invoices coming into the NCC should

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III Relationship of JMI to the NCC

e) Affiliation cont'd p. 8

be paid she responds "Yes."

#49 Hardison notes that it is correct that one check is not necessarily written to cover each specific invoice.

#52 When she is asked to explain the JMI Club Division account, which she says reprsent invoices from the JMI Club Division, she says that she has no idea what the Division does.

#57,58 Hardison discusses advance accounts and she says that she doesn't know what the purposes for these accounts are. #59,60,61 Hardison discusses why there are advance accounts with the names Eberle (Right Wing Direct Mail) and Viguerie on them. She says that these are bank accounts that belong to the NCC. She discusses the purposes of these accounts as "for the depositing of funds generated from two different efforts and also for the disbursing of the expenses of those efforts generally speaking."

#73 Hardison discusses the prepayment accounts. She says that these are funds paid in advance by the NCC to "various." She is positive that these are not limited to prepayments made to JMI. She said that some of these prepayments made be for expenses, but there is no way to narrow these down. #74

#90 There is a debt listed in the Foundation Division of JMI of $33K to the NCC.

#93 Hardison claims not to know who owns the building that she and the other groups rent from. #94 She does know that JMI has other rental space in Raleigh. #95 She knows from the forms that were sent in to the FEC who are the other tenants in the building with her.

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III Relationsnip of JMI to the NCC

e) Affiliation contd p.9

#103 Hardison says tnat Carter Wrenn would know wno at JMI was in charge of time buying during the summer of 1982. The question she answered was" who do you know at JMI tnat would be in charge of time buying."

#104 HArdison doesn't know who at JMI is in charge of tne JMI day to day operations. When asked who she would report to at JMI to discuss tne services her corporation provides to JMI she replies "go to two people. I would go to Doug Davidson and I would go to Carter Wrenn." #106 When asked wny sne goes to Carter Wrenn who is not an employee or a director of JMI she says "because he asks me to.

#109 Hardison claims that sne has knowledge of the profitability of the various divisions of JMI. #110,111, 112 When Hardison is asked whether it is o.k. with Douglas Davidson or whether she shas any hesitation in discussing JMI with Carter Wrenn, she replies that she has no reservations about tnis. She says tnat Carter wrenn provides her with assistance in resolving problems she encounters with respect to JMI and that she has no nesitation whatsoever in discussing bookkeeping data on JMI witn Carter Wrenn which may be confidential. #113 She doesn't know wnat the normal procedure is in the business world in this kind of situation. #114 She says tnat she is asked to discuss these things witn Wrenn and that Davidson is aware of this as President of tne Corporation.

#115 Hardison says that she discusses bookkeeping problems sne may have witn NCC with Douglas Davidson.

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III Relationship of JMI to the NCC

e) Affiliation contd p.10

#119 Hardison has known Carter Wrenn for 6 and 1/2 years because he is the person that hired her.

SUMMARY

The issue of control both in terms of the ownership of JMI by NCC principals and in terms of management of day to day operations is addressed in these depositions. The Hardison Corporation appears be controlled by both JMI and NCC, particularly in terms of management of its day to day operations and allocation of employees time.

On the issue of whether or not JMI was established by the NCC Richard Viguerie's comments in his book: The New Right: We're Ready to Lead are illuminating. "The Jesse Helms operation in Raleigh, North Carolina has to be seen to be believed. Called The Congressional Club, it has seven departments, ranging from administration to advertising, a permanent staff of 40 (150 in an election year) and an annual budget that will hit $5 million in this election year of 1980. The Club's honorary chairman and guiding spirit is Senator Helms. The chairman is Tom Ellis and the treasurer is Carter Wrenn- two of the most effective New Right leaders in America. In 1980, the Congressional Club will help about 30 Congressional and Senatorial candidates as well as a number of state legislative candidates. It is also running an independent expenditure campaign for Ronald Reagan. It has its own computer operation, its own mailing operation, and its own printing shop. The Congressional Club in my opinion, is the first of many such New Right operations which will spring up around the country in the 1980's." p. 108, 109 These comments are also relevant to the issue of control and maintenance.

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III Relationship of JMI to the NCC

e)Affiliation cont'd p.11

As far as Richard Viguerie is concerned there is only one shop, and Hardison's statements in her deposition tend to confirm this. Hardison, who reports to Carter Wrenn, has the authority to sign checks for JMI but not for the NCC. She reports to Carter Wrenn on bookkepping problems she may have with JMI just because she was told to by him. She also reports to Davidson, President of JMI, on problems that she has with NCC acounts. She sees nothing wrong with this procedure and addresses it in a matter of fact manner.

While Hardison knows nothing of the purposes of most of the accounts for which she is reponsible, both in terms of maintaining and reorganizing in particular cases, she does know the purpose and the distinction between prepayment and advance accounts. From her deposition it is clear that there are a number of accounts kept in a rather unusual fashion, i.e. the Viguerie and Eberle accounts. The issue could be raised whether or not they have access to these accounts, and why is that there is no documentation, as Hardison noted, for the services that are eventually performed for certain of the prepayment or advance accounts?

In Hardison's deposition her comments on the landlord situation are particularly interesting. She knows to whom the checks are paid, but apparently would have claimed ignorance of the other tenants in the building if she hadn't seen submissions to the FEC. The issue of who the Commercial Investment Management Firm is, and who actually owns the building thatHardison, JMI, and NCC share hasn't been satisfactorily addressed. (perhaps another "blind trust" providing "cut rate" rent?)

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III Relationship of JMI to the NCC

e) Affiliation contd p.12

As far as can be determined from Kathie Hardison's deposition, the day to day management of NCC and JMI is the same people or person.

The valuing of JMI employee time by NCC is a rather curious practice. This is a feature of the relationship which sheds considerable light on the control issue as well as the maintenance issue. In addition, the in-kind procedure detailed in an earlier section, and mentioned in this current section, also demonstrates something of an unusual or extraordinary business relationship. There is no separateness to the transactions, sending a bill to one entity, may result in an answer from the other. "Hi, we're calling to tell you that we've decided to make an in-kind contribution of the videotape JMI and Audiofonics did for you."

Wrenn's knowledge of advertising far outstrips Davidson's, as a matter of fact Davidson says that Wrenn is "right intimately involved in our direct mail and advertising." But the question can be asked whether a client should dictate the salaries or charges for the services it receives, and from the depositions, it is clear that most often it is the client that values the services and employee time, directly opposite to established business practices. Davidson appears to be a technical type, a computer jockey, who supplements Wrenn's political, advertising, and direct mail expertise. Davidson's depsotion lends support to the idea that he must clear things through his chief client, Carter Wrenn, at least in certain areas.

Wrenn is also right intimately familar with the manner in which JMI computes fees for services, particularly because it appears that NCC computes the value of JMI services.

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III Relationship of JMI to the NCC

e) Affiliation contd p. 13

Wrenn also seems to serve as a super lawyer for JMI in that he advises them of what the lawyers (Loving) have told him NCC and JMI can and cannot do with respect to services. This also raises interesting questions about the billing and payment of legal fees by NCC and JMI. Who pays for the join advice? Is it just passed on? Are the questions asked by only one party since there really is only one party asking the qeustions?

Wrenn's involvement as an owner of JMI has been continuous since Richard Miller sold his shares to the Congressional Club Foundation. His involvment even predates that period of time because he was a coworker of Castellanos, may even (most likely) have been involved in designing JMI, and also a coworker of Richard Miller's. Additionally he seems to have been the expert in the areas of direct mail and advertising.

Davidson's discussion of the setting of business policy, etc., within JMI and questions as to the ownership of JMI, leave the feeling that he really doesn't know much about the business world or for that matter, very much about his own corporation. I would think it is highly unusual that the President doesn't know the owners of the corporation, or for that matter, the value of the shares of stock in the corporation.

The contradictions in statements made by Hardison and Davidson to Wrenn's statements---with respect to management, policy, and guidance---stick out quite a bit. The fact that Wrenn was present at all of the depositions, etc. only tends to support the conclusion that the NCC [redacted] has a vested interest in JMI (i.e. debt listed in Hardison deposition) and [redacted] JMI.

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IV The Issue of Legal Representation

Who is Representing Whom: Who is paying for the defense?

There are several firms involved in the present /past history of both the NCC and JMI as well as the representation of Gibson and Johnson. First is Baker and Hostetler, in the person of William Schweitzer, seondly, Covington and Burling, specifically Mayo and Gilbert as well as Claggett; third, Neely, Mopus, and Ellis, although their connection is not established. The Ellis firm does receive payments for legal expenses from the NCC. ('83 End Year Report-NCC)

A comparison of the counsel present at the depositions shows that Mayo and Gilbert were present for Wrenn's deposition and Wrenn is the only respondent present at this deposition. During the Davidson deposition, the counsel for the respondents are Mayo and Schweitzer, and Wrenn is also appearing as a representative of the National Congressional Club. During the Hardison deposition, Mayo and Gilbert are present, and Schweitzer, and Carter Wrenn is also present during the taking of this deposition. Hardison's deposition appeared to be the first in the series, and counsel for the FEC notes that the presence of Wrenn is causing them trouble.

In the Davidson deposition #1 there is an interesting exchange between Davidson and FEC counsel concerning who is representing Davidson at the depsoition. They go off the record because Davidson is unsure of whether or not Schweitzer is also representing him, and when they return, Davidson now knows that Schweitzer is representing him. #4 Schweitzer says that " The Gibson Committee and the Johnson Committee restate their position for the record here, and that position is the same position that was stated in the Freeman deposition thi

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representing Gibson and Johnson.

In the Hardison Deposition #5 When Hardison is asked if Schweitzer is also representing her, she says that Mayo and Gilbert are representing her and she doesn't know if Schweitzer is. #6 The FEC counsel notes on the record that Schweitzer has rejoined the deposition. #107 Ten page exhange between the lawyers on the issue of profitability and in #108 Schweitzer discusses the issue of profitability.

The question of who is representing whom and how are these individuals being paid is important for several reasons. First, with respect to the relationship of JMI and NCC it would either substantiate the claim or lend credence to the theory that they are not related to know whether or not there are separate billing procedures here. The question of whether the defense of NCC is so mixed up in the defense of JMI that the services cannot be separated, also sheds some light on the relationship issue. This information is also useful with respect to the Hardison Corporation.

As to the Gibson and Johnson Committees unless they are being represented pro bono some questions arise as to how they can afford to defend themselves, whether or not they are filing this information, and what is their lawyer, Schweitzer, doing representing Hardison and JMI and NCC?

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v The Tie-in to Jesse Helms

Background // Relationship to Other New Right Entities like NCC

In the 1950 Graham/Smith race Jesse Helms was a radio announcer and after Smith's election Helms goes to Washington as Smith's Administrative Assistant. In 1953 Helms returns to North Carolina and serves as Executive Director of the North Carolina Bankers Association for several years, and he also served two terms on the Raleigh City Council during this period.

In 1960 Helms bought a part interest in a television station in the Raleigh/Durham area and became its Vice President in charge of Public Affairs programming. The station called itself the Voice of Free Enterprise, it was owned by a wealthy conservative Raleigh family. He did daily commentaries on the tv station as well as on the affiliated Tobacco Radio Network.

His commentaries were aimed at the so-called left and particularly were directed at the Civil Rights movement. In 1972 he ran for the Senate and was elected. He had changed his registration from Democratic to Republican two years earlier when as the President of the Rotary Club, he claimed that pressure began to build for him to run in the Senate race.

Helms, Ellis and Viguerie worked together to form the National Congressional Club (originally the Congressional Club of North Carolina)to pay off Helms' election debt. Ellis had also worked in the Graham/Smith race and apparently met Jesse Helms at that point in time.

Post 1972 Helms' National Congressional Club and Jesse Helms himself assisted various new Right Leaders in forming groups concentrating on single issues and also working in New Right campaigns.

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Additionally Helms recruited individuals to run for Congress and in particular, the Denton race is cited as one example in Elizabeth's article. Helms worked with Jerry Falwell on this race.

Helms has always disavowed any knowledge or involvement in the NCC's negative tactics. He told Robert Morgan that he had nothing to do with the Club's tactics in Morgan's race. When Elizabeth Drew asked Helms about the Club's activites he said "I know almost nothing about the Congressional Club in terms of its day to day activities." Then he added " Tom Ellis comes up to see me about once a week." When he was asked what he wanted the Club to stand for he gave the pat reply he usually gives about it being a fair organization, etc. And then he says: "When I went into 22 states last fall, for the most part the Club paid my expenses. I have an understanding that I'm not going into any state and attack any senator. When I went into Idaho I didn't mention Frank Church's name."

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The Coalition for Freedom is a non profit entity started by Ellis that according to Carter Wrenn is "just another vehicle." When Elizabeth Drew asked Helms about the Coalition for Freedom, Helms said: "You're going to have to get Tom to explain that for you. I think that they figured they could be more effective in raising money if they didn't have a letter every week from the Congressional Club." Then he laughed and said: "As a matter of fact I didn't know about the Coalition for Freedom until I got a letter signed by John East." Helms is listed as one of the honorary co-chairmen of this group.

In 1976 when Reagan was in trouble in the primary in North Carolina, Helms and Ellis put their machinery at the disposal of

Reagan and helped produce a victory. Viguerie also credits Helms and Ellis with making North Carolina Reagan territory.

In 1976 Helms was in Kansas City threatening to throw James Buckley's name into the nomination process, some supposed as punishment for Reagan because he had chosen Schweiker as a running mate. John East was a member of the platform committee at this point in time. Helms was successful in getting many changes in the platform and seconded the nomination of Reagan, later withdrawing his name from the vice-presidency race.

In 1980 Helms was again working on the platform committee and made a number of important substantive changes in the Republican Party platform. Helms name was on the New Hampshire ballot as a potential vice-presidential candidate. Ellis said that Helms let them put his name on the ballot and that Helms basically had nothing to do with this process.

Richard Viguerie discusses a number of parallels between Reagan and Helms---both are willing to let others do things on their behalf and both are very willing to delegate.

James Lucier, Helms top legislative staffer and a former Thurmond staffer says that Helms is "not Right Wing. He's not even political." John Carbaugh, another former Thurmond staffer, recruited by Lucier to work for Helms played a very important role in both Helms' Club's satellite spinoffs and policy formation in the Helms office in its early years.

As to Jesse Helms relationship to those who work for him Elizabeth Drew offers the following insight: "Carbuagh and Lucier are Helms agents and enforcers and are generally considered to

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have an unusually high degree of independence even as congressional aides go. People often cannot tell when Helms actions are of his own violition and when they are instigated by Lucier and Carbugh, or when Lucier and Carbaugh are acting on Helms authority or when they are freelancing."

Jesse Helms network extends to a number of tax exempt foundations or not for profit corporations that are specifically aimed at dealing with certain issues and the development and dissemination of specific policy objectives. Carbaugh and Lucier have been involved not only in the structure of these organizations, but they have also held posts within these organizations (as have other Helms staffers)

Jesse Helms relationship to the very network he helped create and which he oversees in a round about fashion, is very difficult to document and only appears once all of the new stories and other pieces in the paper trail are put together. While the assumption can be made that he must have knowledge because of his association with these organizations and relationship with actors in these groups, it must be documented and his comments collected in order to establish the link.

When Helms was asked about the foundations by Elizabeth Drew he said that he didn't know much about them and he didn't even know how many there were.

But Helms' comments to Elizabeth Drew later in the same article on the federal government make a good case for the proposition that he is not a beneficient observer in the whole process. "Look, I don't consider myself a bluenose, I'm no Elmer Gantry, I've been in the Navy. I've heard it all and seen it all. But a person becomes part of that with which he is surrounded."

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The concept that Jesse Helms retains ultimate accountability for all of these actions could be explored in terms of a principal/agent relationship. However, this idea is problematic because of the issue of ratification of the agents' actions. Even if these individuals could be considered to be agents of the principal(Helms) the question arises whether or not the principal could be said to have implicitly or explicitly ratified actions which are illegal.

Neither acts purportedly done on behalf of the principal nor acts which the principal could not have (authorized) ratified in the first place because they are illegal or against public policy may become effective through ratification. And the policies and practices which are talking about here are illegal and against public policy, and therefore the agent would be viewed as acting on his own behalf in terms of liability in a traditional agency relationship.

The depositions of Carter Wrenn, Douglas Davidson and Kathie Hardison shed little light on the relationship that Helms occupies to the Club or JMI or them for that matter.

The incorporator of JMI is Charles Neely, a law partner of Tom Ellis. Many of the individuals listed as past and present directors of the Club and JMI (as well as past and present shareholders) either worked in the Helms for Senate Campaign or moved through the joint JMI/NCC structure. Ellis and Helms worked togehter in the 1950 Graham Smith race and Ellis and Wrenn worked on the Helms for Senate race in 1978, both taking a leave of absence from their official positions with the Club.

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The Wrenn depsoition provides the following insights: #4 Wrenn's first involvlement with the NCC was to help raise funds by organizing a dinner aimed at paying off Senator Helms reelection debt. #10 Alex Castellanos, a compatriot of Wrenn's and the official founder of JMI, worked with Wrenn in the Helms for Senate Campaign. #21 While Carter Wrenn is ultimately responsible for deciding which candidates might receive assistance from the Club, Wrenn admits that Ellis may propose some individuals and he admits that Helms makes some suggestions "occasionally" as to which candidates should receive assistance. However there really is no formal process here.

In the Mayo (C&B Laywer) redirect Wrenn says that Helms is not involved in any way in the NCC. From the first of this year Wrenn says that Helms has had no title, purpose, or function* with respect to the Club. (*Not true since Helms signs fundraising letters; returns go to a JMI NCC Post office box → he is also mentioned in their mailing

Douglas Davidson is just as circumspect with respect to his relationship with Senator Helms. #5 In january of 1979 Davidson was employed by the Helms for Senate Committee and he cannot remember whether he heard of any of the affiliated organizations at that time. He later works for the Club in the same year, and then finds employement with JMI---also in 19/9.

Also- NCC may be payin for Helm trips on behalf c other candidc

Katnie Hardison, the President of Hardison Corporation, provides bookkeeping services for NCC and JMI and other private clients. #22 She first heard of the Club in 1977 and assisted in setting up the NCC books as they presently exist. #97 When she was asked about the distinction in net and gross time buying billing, she says that she knows what this means because "at one time I worked with a radio station."

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From the depositions it is possible to see that the Helms relationship is pursued slightly, but dropped for whatever reasons. The answers given by the respondents are vague at the same time Wrenn makes a point of denying any relationship with Jesse Helms. Perhaps Jesse's relationship is a Spring/Winter romance, something that is only commented upon in an off election year, but more than likely it is continuous and ongoing, contrary to Carter Wrenn's statement (i.e. Helms statement in the Elizabeth Drew article regarding Ellis' weekly visits.)

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VI The Farreaching Consequences of a Full-Scale Investigation or "What Have They Really Got to Lose, Anyhow?"

It is no surprise that the largest personal political action committee in the nation, The National Congressional Club, (NCC) would have Covington and Burling as its architect and chief defender. The NCC has a sizeable business reputation and future to protect and sizeable resources with which to do just this. Covington and Burling has a certain longstanding ideological and financial interst in the outcome of the current FEC action. (There was an individual at Covington and Burling who formerly offered low rate or discount rate services to the NCC because of his keen interest in the Club and the programs it was involved in.)

But it is surprising that Baker and Hostetler, the law firm which also represents the RNC, would come to the aid of Tom Gibson and Ed Johnson, two very minor candidates from North Carolina. So the first question that must be posed here, is what are the interests of Baker and Hostetler in the Rose complaint? First, it could be argued that Jesse Helms is more than just a spokesman for the New Right---he is the "hot" media property of the New Right and therefore, the Republican Party itself. The New Right forces provide the Republican cause with significant amounts of press and funds and are highly successful at mass mailings. Therefore, the RNC could be said to have some kind of vested interest in matters which affect the name or association of the name, Jesse Helms.

While this possiblity is a highly plausible explanation for the involvement of Baker and Hostetler, there is more here to the legal involvement of Baker and Hostetler, consequences which can affect the very structure of many Right Wing groups and the

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VI contd

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RNC itself.

If we go back to the origins of this organization and how its interests are also the interests of the Republican party at large, as well as the relationship between this particular organization and numerous tax exempt foundations and satellite campaign organizations which were started after the National Congressional Club, the importance of an attack on the NCC with respect to other groups becomes clear.

The best place to start in this analysis is with the 1972 election, in terms of seeing how the various Right Wing or single issue groups relate, and how Richard Viguerie has had a hand, along with Jesse Helms in the formation and organization of each of these groups.

Elizabeth Drew in her article on Jesse Helms (July 20, 1981) notes that following the 1972 Election Helms retained the services of Richard Viguerie, a direct mail entrepenuer who works for Right Wing candidates and causes to retire debts and/or provide other fundraising efforts for these candidates. Richard Viguerie in his book "The New Right: We're Ready to Lead," notes that he is proud "of having helped elect fine conservatives like Jesse Helms, Strom Thurmond..." which lends credence to the theory p. 54 that Viguerie's services were retained before the 1972 election and also demonstrates another link to Helms' staffers, Carbaugh and Lucier, who were formerly Thurmond staffers.

With respect to the retention of Viguerie, Tom Ellis becomes an important actor. Elizabeth Drew notes that it was Ellis, Helms and Viguerie who actually got together and worked together. Ellis

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has a long association with Helms---he and Helms worked together on the Graham/Smith race in North Carolina in 1950. Both Helms and Ellis were Democrats at that point in time and this campaign was one of the most overtly racial and bitter campaigns that North Carolina has seen in recent history.

Helms changed his registration to the Republican Party in 1970 two years before he ran for the Senate from North Carolina.

Viguerie and Ellis worked closely together to build the direct mail fundraising apparatus called the Congressional Club of North Carolina after the 1972 Election. Viguerie had been in the direct mail business in Washington, D.C. since the early 1960's and was pioneering this business.

When Jesse Helms reached the Senate he became known for basically two things---his knowledge of parliamentary procedures and the offering of highly emotional amendments, which fit quite nicely into a mass mail scheme. The amendments served several important functions in addition to providing fodder for the mass mail machine which was beginning to gain size and momentum at this time. These amendments served to gain him publicity, outline the Right Wing agenda, and make him an important political asset to the Party---in a reverse kind of fashion, but more importantly, make him an asset to the New Right faction of the Party which was just beginning to develop its national agenda.

It is no mere coincidence that at this point in time a number of Right Wing activists are beginning to form groups similar to the National Congressional Club (or the Congressional Club of North Carolina as it is known at that point in time.) Elizabeth Drew in

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VI contd

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her article on Jesse Helms quotes Terry Dolan, the Chairman of NCPAC, on the role that Jesse Helms and the National Congressional Club played in the organization and origin of his group. "Not only did Helms organization work with others that are in philosophical agreement, but he helped found and fund some of them." Terry Dolan notes that" for a time Helms was on everyone's fundraising letters and helped establish conservative organizations, ours being one of them."

NCPAC was established in 1975 and goes on to be the largest political action committee in 1978, followed only by the National Congressional Club. The link between the Club and NCPAC is important because it appears with respect to almost every major conservative group established post-1972. The groups that are established post-The National Congressional Club receive assistance from the National Congressional Club, either in the form of a warm ear, sometimes in the form of funding,usually in the form of a direct mail piece signed by Jesse Helms.

Dolan goes on to say in the same article "Any conservative organization with any respectability from 1972 on, he was signing letters for them. The Public Service Research Council which opposes public sector bargaining, the National Right to Work Committee, you name it." Dolan notes that Jesse Helms was "the kind of person that based his decision on whom we should support on whether he was our kind of person."

NCPAC and the National Congressional Club also worked closely together on the independent expenditure campaign in 1980, according to Dolan. "That they shared polling data and had worked together

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VI contd

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on concepts and ads, on behalf of the Reagan Committee, the campaigns against NCPACS targeted Senators and other specific campaigns. Among those were one in North Carolina which Helms protegee John East defeated Robert Morgan, and the campaign of Alfonse D'Amato, the new Republican Senator from New York.

A New York consultant, Arthur Finklestein, ("the brightest guy we have," Dolan said) worked for Helms Senate campaigns in '72 and '78 and helped out in the East and D'Amato races in 1980.

Richard Viguerie says "Helms and Ellis saw real quick what you could do with direct mail. Jesse has an organized army, if he sees something he doesn't like, he's got nearly a half million people that he can appeal to who will follow his lead. There isn't another politician in the country who has that."

There are other groups which share some of the similar feelings and relationship with the National Congressional Club besides NCPAC. These groups are linked to the Club no less strongly than NCPAC and they all play important roles with respect to the Republican campaign machine---of which the NCC is the prototype or model.

Another organization that Jesse helped found is the Conservative Caucus. This group was established in 1975, the same year as NCPAC, by Howard Phillips who was working for Helms as a consultant at the time with respect to the Legal Services Corporation. The Conservative Caucus claims over some 300,000 contributors and an annual budget of almost 3 million dollars (as of July 20, 1981). This group concentrates on rallying conservative grass roots support on certain issues.

Another organization is the Committee for a Survival of a Free Congress founded in 1974 through the financial help of Joseph

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Coors, the brewer and right wing business leader. CSFC raises money for campaigns and trains campaign operatives. Paul Weyrich headed the Committee as of the date of the Drew article.

Viguerie has done direct mail for Weyrich's organization and the Conservative Caucus as well as the Helms' Congressional Club. Viguerie told Elizabeth Drew that " we each have our speciality". In his book, Viguerie explains how these different organizations work together along with Jerry Falwell's Moral Majority and pro gun and antiabortion groups, as well as with business political action committees. (1) "The result is an interlocking set of organizations out to change the politics of the nation." (Elizabeth Drew) Their political leader and chief instrument is Jesse Helms.

The Congressional Club has sent out nationwide mailings and run television ads in the District of Columbia to promote Reagans Economic Program. The NCC has been heavily involved in the Draft Reagan movement and the primary in North Carolina(Viguerie credits Jesse Helms and Tom Ellis with saving Ronald Reagan in North Carolina).where Reagan won a decisive victory. Carter Wrenn the Executive Director of the NCC has also played an important role in the Reagan Campaign, and the Citizens for Reagan group received the largest expenditures from the National Congressional Club of any other group in 1983. Additionally, Charles Black, a "political director" in Reagan's Campaign, has been listed as a cofounder of NCC along with Tom Ellis.

The actors involved either directly or indirectly in the NCC and the satellite organizations which either the NCC controls or which the NCC, namely in the person of Jesse Helms, has been responsible for funding and/or starting up, are some of the most

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the biggest and most prestigious New Right campaign oriented groups in this nation. The paper trail and the resulting guilt by association scenerio here is tremendous, and the centerpiece of the machine appears to be the NCC.

If the NCC is not the centerpiece, it is atleast the prototype or model for these other New Right organizations, and the result of a successful FEC investigation, pointing out some of the practices used with respect to JMI and NCC, would shed light on what I believe are common practices throughout all of these organizations.

B) THE SOFT MONEY MACHINE

Today's corporate contributions are limited to those contributions coming from PAC's (Political Action Committees). There are reporting requirements associated with the giving and the receipt of these contributions and there are limits on how much a PAC can give for a primary ($5K) and a general election campaign ($5K). Most business oriented PAC's give a disproportionate share of their PAC money to Republicans, and the question arises, what manner or methods are there for insuring that the business oriented candidate is successful in the long run. In other words, how can you give more than the maximum with the minimum amount of detection?

An amendment offered by Helms to the FECA regarding union contributions and the requirement that none of the union dues could be placed in PACS to be used for contributions sheds some light on the philosophy Republicans have in this area. There was no mention made by Mr. Helms of limiting the amount of corporate contributions in a similar fasnion, and obviously there doesn't appear to be the perception that there is a problem with corporate giving.

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5) contd THE SOFT MONEY MACHINE

A suggested resolution of the problem, how to give over the maximum without detection is the following: You are Frank Smith, a wealthy oilman. As Frank Smith you own a corporation which has a PAC, and you have personal money with which to make contributions as well. You give the maximum to a candidate in both the primary and the general, your corporation gives the maximum in both the primary and the general, and you of course give the maximum to your party. You also make a $400,000 contribution to the X Conservative Group. Result: You take everything off your taxes to the maximum extent possible, and your candidate or desired group of candidates receives the maximum amount of assistance permitted, as well as a $400,000 bonus.

The $400,000 bonus works in the following fashion: The X Conservative Group is involved in political campaigns, to what extent it does not matter. The X Conservative Group contracts with Richard Viguerie or Jefferson Marketing to have a mass mailing done, perhaps even to be signed by the candidate in question, and at this time the X Conservative Group overpays the vendor, JMI or Viguerie. The overpayment is available to provide reduced cost services to a particular candidate of your dreams, or the X Conservative Group may even use staff resources or other resources to provide the conservative candidate with information (opposition research) or staff necessary to win a particular election.

The possibilities of how the soft money could wind up in a particular campaign are limitless, yet it is convenient to suppose that there is a third party somewhere involved in the transaction

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e) contd THE SUFT MONEY MACHINE

which provides the necessary "duck blind" between your corporation and the candidate. (see the attached article on Meese and his wife's employment and the attached article: "Loophole Lets Hard Raise [illegible])

Nevertheless, the opportunity is there and there is a strong possibility that some of the soft money moves in this fashion, particularly in light of the manner in which Jefferson Marketing and the National Congressional Club share their books, and in which fashion the Viguerie group provides services for various committees.

Contrary to what the popular perception might be, while hard money obtained through direct mail is a good source of campaign cash, soft money is an even better source of campaign cash, and will supplement and expand the limitless possibilities associated with direct mail fundraising in a grand manner.

C) Profitability-The Non Issue

While on the surface the issue of profitability, that is whether Jefferson Marketing Incorporated is a separate and truly profitable business enterprise, appears to be of great import, perhaps it is worth looking at as a part of the whole scenerio, but not as the chief or most important issue.

Clearly it is possible for Jefferson Marketing to establish that it is a profitable enterprise if push comes to shove, but during the push and shove period the attention of the investigation becomes focused more on the bookkeeping arrangements and less on what these bookkeeping arrangements truly say in terms of relationships with third parties and the overall structure of the Republican Party campaign machine and the issue of soft money.

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C) contd Profitability

Therefore, while the issue of profitability should be considered, it is also important that thought be given to the expansion of this investigation, particularly in regard to the area of bank accounts and the relationship of the bookkeeping documents to these accounts. The bank accounts will shed some light on the issue of profitability, but more importantly will also demonstrate some link with the relationships between other Right Wing groups and services as well as the issue of soft money.

D) Summary

What they really have to lose is an extensive network of organizations and service organizations that has apparently figured out some way to get around the limitation placed on corporate contributions in a number of ways.

If Jefferson Marketing(and the Congressional Club)is viewed as a rung in the ladder with other similar organizations and/or service organizations occupying the same rung or another rung in the ladder---with the individual candidate representing the bottom rung in the whole process, there are still other rungs in the process which will exist between the candidate and the individual or corporate giver even if Jefferson Marketing is removed. The tax exempt or non profit corporations will still be there, the organizations that provide services at a reduced rate to other Right Wing candidates will still be there, and a new arm will spring up in the place of Jefferson Marketing, if and when it is collapsed into the Club.

The goal sought should be viewed in a larger scheme of

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Richard Viguerie, The New Right: We're Ready to Lead, 1980, p.111-112

"I want to say something here about the internal dynamics of how we do things.

Some people think we are a big conspiracy. Others think we meet and vote on everything we do. Others think I give orders to everyone. These are all false ideas.

I have helped start a number of New Right groups, but I don't "control" any of them.

When we get together, we never vote on anything. Usually someone leads the discussion, but he has no more authority than anyone else present.

We exchange information. We brainstorm new ideas. Some people volunteer to do something or commit their organizations to do specific things. But no one gives orders like a commander-in-chief, or a Godfather.

Some gatherings are weekly, some twice a month, some annually, and so forth. But the majority are ad hoc.

We meet to work on special projects...We meet as often as is necessary to do the best job we can for the conservative side of the issue.

...We are creative in convincing different groups that their interests are the same as ours in particular battles.

Our informal way of operating is very frustrating to liberals who would love to have us tied up in formal organizations which would be easier to attack. But how do you use guilt by association against informal, ad hoc discussion groups?"

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Foundation Tied to Pollster, PR Firm

Meese's Wife Works for GOP-Linked Group



By Mary Thornton—The Washington Post

Meese hearings halted pending financial investigation

By Mary Thornton
Washington Post Staff Writer

Nearly 40 percent of the earned income of attorney general-designate Edwin Meese III and his wife in the past two years has come from an obscure foundation set up by a Texas oil man which has also paid thousands of dollars to Republican pollster Richard B. Wirthlin and to Gray & Co., the Republican-oriented public relations firm here.

Ursula Meese was named executive director of the William Moss Institute at the recommendation of Robert Gray, who heads Gray & Co. and was co-chairman of President Reagan's inauguration committee. Her annual pay is $40,000 and Meese's salary as counselor to the president is slightly over $80,000.

The foundation, which now has a staff of five, was set up in early 1982 to study the future. Its founder is William Moss, a wealthy Dallas businessman who has long been active in Republican Party politics.

Under the federal tax laws, the foundation has qualified for tax-exempt status, which means that Moss can deduct at least some of his contributions to it from his taxable income.

Mrs. Meese was chosen for the job in early 1982 when the family was heavily in debt. Meese had not been able to sell his house in La Mesa, Calif., and had fallen 12 months behind in payments on it.

The Meese nomination for attorney general has been put on hold by the Senate Judiciary Committee while an independent counsel, Washington lawyer Jacob A. Stein, investigates questions about Meese's finances and other matters.

Major topics of the investigation will be an interest-free $15,000 loan that Meese failed to list on his annual financial disclosure form and his role, if any, in obtaining federal jobs for eight people associated with individuals and banks that assisted Meese financially.

The most recent Internal Revenue Service records available indicate that in 1982 the Moss Institute paid out a total of $313,386, including $67,800 to Decision Making Information, Wirthlin's firm, and $116,933 to Gray & Co.

The payment to Gray & Co. was described in IRS documents as, "Institute set up costs: costs incurred to plan surveys and coordinate activities in connection with identifying and implementing the institute's research and educational activities."

Gray said Friday that he recommended Mrs. Meese because he considered her well qualified for the job. "I've known Mr. Meese for many, many years, since the early 1970s . . . . I had met her," Gray said, adding that he still sees the Meeses socially.

Gray said Moss had come to him in 1981, when he was thinking of setting up the institute, to seek recommendations for executive director. Asked about the Meese family's financial problems, Gray

See MEESE, A3, Col. 3

Mrs. Meese Employed By GOP Oil Man's Obscure Foundation

MEESE, From A4

said, "No. I didn't know there was a financial problem . . . but people, when they come to government service, usually have a hard time making ends meet."

He said he saw no conflict in having Mrs. Meese receiving business in his company after he recommended her for the job.

Wirthlin said he was brought into the project by Gray & Co. and that he had conducted two surveys with a total sample of 2,500 persons "to find out how interested people were in the future and what things about the future intrigue Americans." He said he has not done any further work for the institute.

The Moss Institute is affiliated with American University here, and Moss announced last year that he would provide the university $150,000 in scholarship aid over the following two years.

Moss did not return a telephone call yesterday.

American University President Richard Berendzen confirmed that Moss has served for about two years as a member of the university's National Advisory Board and that Mrs. Moss has served since last year in a more important position as a member of the university board of trustees. Both positions are unpaid.

Meese has said he will make no further comments until Stein completes his investigation. A source close to Meese said he considered questions about his wife's job and his relationship with American University to be a "total non-story."

Berendzen said that, when Gray recommended Mrs. Meese, "I raised the question of whether it would raise too many political questions." But he said she was hired because she was considered qualified.

"Do you not permit her to have a job because her husband has a job somewhere? That sounds like discrimination," the university president said. "If you stretch your imagination in this town, you can see politics under every leaf."

(excerpt)

Loophole Lets Parties Raise Millions From Firms, Unions

By Thomas B. Edsall
Washington Post Staff Writer

Officials of both the Republican and Democratic parties are preparing to exploit a loophole in federal law that enables corporations and unions to funnel millions of dollars to presidential candidates through the state and national parties.

The funds, known as "soft money," would be illegal if contributed directly to federal candidates, but there is no limit on the amount that can be raised or spent for party activities such as voter identification and turnout programs. While it is [illegible] candidates at all levels, local theorists [illegible] the money is being raised with the clear intent of helping the major party presidential nominees.

In Florida, for example, VIVA '84, a national organization seeking to mobilize Hispanic voters for President Reagan's reelection, will become a subsidiary of the state Republican Party for one basic reason: to accept corporate campaign contributions.

"It will be chartered as a subcommittee of the state Republican Party so they can use the benefits of the state," said Rockie Pennington, executive director of the Florida GOP. The state Republican Party, in contrast to federal parties and political committees, has "no limitation on the size of contributions. We can take a check for $1 million. We can take corporate checks," he said.

If VIVA '84 were a campaign committee registered with the Federal Election Commission, federal law would prohibit it from accepting money from corporations and unions and the maximum single contribution it could receive would be $5,000. But as an adjunct of the state party, VIVA '84 plans to raise and spend at least $1 million, most of which will be used to register and mobilize Republican voters in the Cuban-American community.

There is no question as to its primary purpose, however.

"What is at stake is the reelection of President Reagan," Carlos Perez, chairman of the Florida VIVA chapter, said. "What is at stake is finishing a revolution that started in 1980."

Nationwide, the GOP Hispanic drive plans to spend $2.5 million, including large amounts in California, which, like Florida, has no state restrictions on the size or source of campaign money.

VIVA '84 is just a small part of a drive by both major parties to sidestep the federal limits on corporate, union and individual contributions to federal campaigns.

Democrats, who have been raising soft money for the past two years, are preparing to collect $20 million to $25 million, which, after fund-raising costs, leave $12 million or more to channel through state Democratic parties into the general election drive.

"We've got the accounts in place, the legal opinions in place," he said.

Corporate and union money has been an essential part of the DNC's own budget. Steed said unions have been giving a total of about $2.5 million a year to the DNC, although other sources said the volume of union support is declining.

Conversely, Steed pointed out, in 1981 the DNC started a Business Council with a $10,000 minimum for membership. Now, he said, "there are approximately 200 members, and most of it is soft money," indicating that the DNC is approaching $2 million a year in corporate soft money.

The DNC has been working on developing a soft-money drive with Walter F. Mondale's campaign for over a month, and many recently officials of Sen. Gary Hart's campaign have joined them.

"You have someone willing to give $250,000," said Tim Finchem, Mondale's finance director. "He gives $25,000 to federal"—thereby making out. "He gives $25,000 to a '501c3' for voter registration, and he gives 10 $20,000 contributions to state parties. It's a very effective."

(501c3 voter registration organizations are private groups conducting non-partisan registration, and contributions to them generally are tax deductible. Many are registering in black and poor neighborhoods, which are predominantly Democratic.)

In 1980, officials of the Reagan-Bush campaign and the Republican National Committee pioneered the use of soft money, raising $10 million to $15 million. The program was conducted almost entirely in secret, and did not become known until after the election was over.

This year, officials of both the Reagan-Bush '84 committee and the RNC contend they have no plans for a major, centralized soft-money drive. But the committee has selected many 1980 soft-money veterans to serve in the 1984 campaign structure.

In addition, the Reagan-Bush finance committee is committed to raise at least $4 million for state parties; the RNC has a regular soft-money program producing $1.5 million to $2 million annually for party headquarters and for aid to state parties, and there is the VIVA '84 program.

Interviews with officials of a number of state Republican parties all point toward extensive GOP use of soft money in the general election campaign.

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EPSTEIN BECKER BORSODY & GREEN, P. C.
ATTORNEYS AT LAW
1140 19TH STREET, N. W.
WASHINGTON, D. C. 20036

Mr. Lee Anderson
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

MEMORANDUM

TO: The File

FROM: Kenneth A. Gross

SUBJECT: Documents Obtained Concerning MUR 1503

On April 27, 1984, I called Tom Mayo, counsel for JMI and NCC, informing him that on April 26, 1984, we received documents which he referred to in an April 19 telephone conversation to me which were allegedly stolen documents concerning Ernst and Whinney and JMI. I informed Mr. Mayo that we had received those documents and that we would be getting back to him as to what we would be doing with them. I made reference to a letter that the Federal Election Commission, JMI and Ernst and Whinney received which indicated that to date neither JMI nor Ernst and Whinney have claimed the documents according to the president and publisher of the News and Observer and the Raleigh Times. I asked him if that was still the case. He indicated that as far as he knew that was still the case and I further questioned whether either JMI or Ernst and Whinney has in fact indicated that they are their documents that were stolen. He said that he did not know whether they have clearly stated that they are their documents or have claimed them.

Mr. Mayo said that the alleged theft of the documents was reported to the Raleigh police department and the FBI. They are

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still looking into the matter but have issued no statements as to the claims made. Mr. Mayo further offered any assistance that we may need in securing statements from his clients and said that he would inform us of any change in circumstance relevant to this situation.

cc: Charles N. Steele
Lawrence M. Noble
Gary Johansen
Rick Bader
Lee Andersen

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MUR 1503 Cc# 3018
Anderper

SUNNY
Clearing skies with warmer temperatures. Low tonight, upper 30s; high tomorrow, mid 60s. Details, page 2A.

THE RALEIGH TIMES

FINAL

Vol. 98, No. 93 | Phone 829-4500 | Raleigh, North Carolina, Wednesday Afternoon, April 18, 1984 | 112 Pages | 25c

Deals by Helms groups raise contribution questions

By MICHAEL WHITELEY
Times staff writer

Organizations tied to U.S. Sen. Jesse A. Helms, R-N.C., have made campaign financing agreements with one another that raise questions whether state laws banning corporate political contributions have been violated.

The questions arise at a time when the Federal Election Commission is investigating the relationship between the National Congressional Club and Jefferson Marketing Inc., an advertising agency whose stock now is owned by the Educational Support Foundation Inc. The latter is a non-profit, tax-exempt organization controlled by two officials of the Congressional Club — Thomas F. Ellis, chairman, and R.E. Carter Wrenn, executive director.

JMI took these actions under the agreements:

• Wrote off a $75,229.39 campaign debt in 1982 owed by I. Beverly Lake Jr. in exchange for Lake's campaign mailing list. Lake's 1980 gubernatorial candidacy was backed by the club.

• Wrote off a $21,339 debt from William W. Cobey Jr., the 1980 Republican lieutenant governor candidate, in exchange for his mailing list, a list of volunteer workers and other, unspecified assets of his campaign.

A memo given to The Raleigh Times that bears the name of an accountant who audited JMI's books says JMI continued to provide services to Lake during the 1980 campaign, although club officials said the campaign debt could not be paid. State law and federal election regulations prohibit corporations to give cash or services to political candidates.

Wrenn acknowledged in an interview that the Lake and Cobey mailing lists had been accepted by JMI in lieu of the full amounts of the outstanding debts. Wrenn said no one outside the Congressional Club had appraised the lists.

Wrenn maintained that JMI had done nothing to violate state or federal election laws that forbid corporate contributions to candidates.

Ruth T. Semaschko, a state Board of Elections member from Hendersonville, said JMI's handling of the Lake debt could have constituted an illegal campaign contribution. She said she would ask the board to investigate the matter at its next meeting, scheduled May 21 in Raleigh.

"It seems to be a definite contribution," she said. "You mean they thought a mailing list was worth $75,000?"

William G. Oldaker, former general counsel of the Federal Election Commission, agreed with her conclusion.

"That would be a pretty clear violation (of prohibitions on corporate giving)," Oldaker said in a telephone interview. "If you had JMI giving services to candidates for which it knew it could not be paid, that would be a contribution."

Oldaker, now practicing law in Washington, has been hired by U.S. Rep. Charles G. Rose III of Fayetteville to handle a 1982 complaint by Rose that JMI provided a cut-rate television advertisement to his opponents during the 1982 elections. It was Rose's complaint that led to the FEC inquiry.

The Congressional Club was formed in 1972 by Helms and Thomas F. Ellis, a Helms strategist. Its purpose was to retire the debts from Helms' 1972 campaign. The club since has grown into a political action committee, which funnels millions of dollars to conservative causes and the cam-

See DEALS, page 2-A



I. Beverly Lake Jr.



William W. Cobey Jr.

Deals by Helms groups raise contribution questions

Continued from page 1-A

paigns of conservative candidates.

JMI, a private corporation, handles advertising for political campaigns and provides consulting services to candidates. Both the Congressional Club and JMI have offices at 3825 Barrett Drive in Raleigh.

Papers that appear to be accounting records of JMI covering the period from December 1979 to September 1983 were given to The Raleigh Times by a person who expressed concern about the apparent links the records show between JMI and the Congressional Club. The person asked not to be identified.

The Times showed the records to officials of Ernst and Whinney, an accounting firm that has worked for JMI, and to Congressional Club attorneys and officials. They neither would confirm nor deny the authenticity of the records.

But in interviews, Wrenn, Lake and Cobey verified the accuracy of some of the records that detail campaign debts owed to JMI.

Lake and Wrenn gave different answers to who ran Lake's 1980 gubernatorial campaign.

Lake said he had depended on the Congressional Club to operate his campaign. "I don't know if there was a debt," Lake said. "The Congressional Club handled the advertising and the organizational work. I just worked through the Congressional Club."

Wrenn, in a separate interview, said the Lake campaign had been operated by the Campaign Committee, listed in JMI's books as an operating division of JMI.

Lake's campaign reports filed with the state Board of Elections show that during 1979 and 1980 he paid JMI and the Campaign Committee $143,000 for mailing, consulting, computer runs and other services.

Wrenn said JMI had proposed accepting Lake's mailing list in place of the campaign debt and that Lake signed an agreement to that settlement.

Wrenn said JMI now rents the mailing list to the Congressional Club. He refused to say how much JMI is paid for the rental.

The Lake and Cobey mailing lists turned over to JMI were compiled by JMI as part of its services to the two campaigns, Wrenn acknowledged.

But he denied that the settlements involved JMI accepting lists that it already owned.

"Jefferson didn't pay for creating the list," he said. "The actual development of it, the cost, would have been borne by Lake." The lists belonged to the Lake and Cobey campaigns until turned over to JMI, he said.

Wrenn said JMI had drawn the names on the Lake list from several sources, including contributors to the gubernatorial campaigns of Lake's father, I. Beverly Lake, and petitions signed by supporters of conservative causes Lake backed while a state legislator.

A memorandum included in the papers given to The Times says that before JMI accepted the mailing list from Lake, Congressional Club officials worried that doing so could raise questions about ties between JMI and the campaigns. The memo bears the name of P. Ann Buddenhagen, an accountant who worked at the time in the Raleigh office of Ernst and Whinney.

The memo says its purpose is to detail a conversation with Katherine Hardison Waldrop, the Congressional Club bookkeeper, and Rick Miller, a former club employee. The conversation concerned proposed methods for removing Lake's debt from JMI's list of accounts receivable, or unpaid bills.

The memo says the meeting took place on Sept. 25, 1980. That was a little more than a month before the November general election in which Lake lost to Democrat James B. Hunt Jr.

In the meeting, Mrs. Waldrop and Miller rejected the idea of setting up a reserve fund for the Lake debt, the memo says.

"Cathy (Kathy Hardison Waldrop) and Rick were both hesitant to set up such a reserve due to the delicate relationship between JMI and the campaigns," the memo says.

"They feared JMI would be accused of non-arms-length transactions because they continued to provide services for the Lake campaign even after it could no longer pay the invoiced billings."

Another memo to the files, dated Sept. 2, 1982, and bearin Miss Buddenhagen's name, r counts a conversation wi Wrenn, the Congressional Club executive director.

The memo says Wrenn rejecte the idea of removing the Lake b as a bad debt.

"Carter Wrenn does not wish take the bad debt deduction f the $75,000 because he is afra that such a large bad debt dedu tion will trigger an audit of JM which could in turn disclose th relationship between the can paigns and JMI," the memo says

When called at home, Miss Bu denhagen said she would have n comment on the memos or the f nancial records. Ernst and Whi ney officials advised her it woul be unethical to discuss client bus ness, she said.

Officials of JMI and the Co gressional Club at first refused t be interviewed about the matte But Wrenn agreed to an intervie last week, after The Time showed the records to him, Mr Waldrop and club attorneys.

Wrenn would not verify the va lidity of the records but confirme that he had repeatedly discusse the Lake campaign debt with Mis Buddenhagen.

Of the memo, Wrenn said "That wasn't my language. Tha was Ann's summation."

Asked whether Miss Budden hagen's summary was accurate Wrenn said, "I don't even remem ber. I couldn't begin to recon struct it.

"It struck me as just peculia language in that everything get reported," he said. "So how th heck can you not disclose a rela tionship where you're reportin the contributions?

"You put me in the position o where in a way you want me to i essence say Ann may not have re ported truthfully," Wrenn told reporter. "I don't want to say that. I think maybe in her summa tion she just summarized it inac curately."

Wrenn said Miller and Mrs Waldrop were being cautious about JMI's status with its cam paign clients when they talked to Miss Buddenhagen.

"The club and Jefferson Mar keting ...have to right much ...go two steps beyond what may be necessary in order to protect their credibility and not be ques-

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tioned," Wrenn said.

The 1982 memo says that Miss Buddenhagen made another suggestion to Wrenn — that JMI swap its debt for something of value from the Lake campaign.

The memo says that Miss Buddenhagen had suggested the Lake mailing list be valued by an independent appraiser.

Wrenn said that JMI had not had the list appraised because the list was not used for tax purposes.

He said JMI had accepted the lists in full payment for the debts.

Wrenn said JMI officials had conferred with attorneys from the Washington law firm of Covington and Burling about how to dispose of the campaign debts.

Wrenn said club officials had been told that FEC regulations allow private companies to settle debts with candidates after attempts were made to collect them.

He said North Carolina laws, while they prohibit private, profit-making companies from contributing to candidates, do not speak to how companies must collect their debts. (See story above on this page.)

Wrenn said that he had been involved in discussions about accepting the mailing list but that the decision ultimately had been left to Douglas M. Davidson, JMI president, and other JMI officials.

In a separate interview, Davidson said the JMI board would have made the decision.

"I was working for JMI, but I was not on the board at the time," Davidson said.

He refused to comment when asked who had made the decision to accept the mailing lists.

Asked if Wrenn had been an officer or director of JMI at the time, Davidson said he didn't know.

Davidson said he and Elizabeth W. Smith, JMI treasurer, now serve as the only officers and directors of JMI.

The charter establishing JMI, filed in 1978 with the N.C. Secretary of State, listed no officers or directors.

Charles B. Neely Jr., an attorney with Ellis' law firm, and Alejandro Castellanos of Arlington, Va., who has worked for the Congressional Club, were listed as resident agents. Resident agents, commonly attorneys, normally are not decision-makers in a corporation.

Wrenn said neither Ellis nor Helms was involved in the decision to settle Lake's debt.

"I don't think Jesse Helms knows about any of this," Wrenn said.

Claude Allen, spokesman for the Helms re-election campaign, also said Helms was unaware of the debt settlements. "He knows nothing about the operations of JMI, period," Allen said in an interview. "He has nothing to do with that organization."

JMI is wholly owned by Educational Support Foundation Inc., a non-profit tax-exempt organization chartered as a civic league with the Internal Revenue Service, Wrenn said.

The foundation was chartered in North Carolina in July 1983, after the Lake and Cobey mailing lists were accepted by JMI.

In September, Wrenn told the FEC that the foundation was controlled by a board composed of him; Ellis, the Congressional Club chairman, and Terrence Boyle, Ellis' son-in-law who has been nominated for a federal district judgeship.

Wrenn said the foundation was established to eliminate any appearance that profits from JMI were going to Congressional Club officials.

Boyle said he served on the board from July 1983 until January, when he stepped down. Boyle said he was not aware that JMI had accepted the Lake and Cobey mailing lists.

Helms nominated Boyle, an Elizabeth City lawyer, for the federal judgeship. Boyle's nomination was approved Thursday by the Senate Judiciary Committee and is expected to receive approval soon by the full Senate.

Federal campaign finance reports filed by the Congressional Club and Wrenn's testimony before FEC attorneys last year, show that an increasing percentage of the club's expenditures goes to JMI.

Of the $3.5 million the club spent in 1981, it paid $787,000 — or 14 percent — to JMI and the Campaign Committee, the JMI operating division.

In 1982, JMI's share of the $4.4 million spent by the club grew to 17 percent.

Last year JMI received 37 percent — or $825,000 — of the $2.3 million spent by the club, most of it to prepare for Helms' re-election bid this year against Gov. James B. Hunt Jr.



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WASHINGTON, D.C. 20036

94 MAY 1 AM 11:16

Lee Anderson
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Raleigh Times p. 1-A

April 19, 84

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30 P3:31

Board is expected to study write-off of campaign debt

By MICHAEL WHITELEY
Times staff writer

Alex K. Brock, state Board of Elections director, today said he expects the board to order a review of the settlement of two 1980 campaign debts by organizations tied to Sen. Jesse A. Helms, R-N.C.

Brock said he will discuss with board members the writing-off of almost $100,000 in campaign debts by Jefferson Marketing Inc. in exchange for two campaign mailing lists.

"If they (members) want an investigation — and I anticipate they will — then we need to determine what they will want me to do between now and the (May 21) board meeting," Brock said.

JMI, an advertising firm, dropped the campaign debts in exchange for the mailing lists of the 1980 campaigns of I. Beverly Lake Jr., who ran for governor, and William W. Cobey Jr., who ran for lieutenant governor.

JMI's stock is owned by Educational Support Foundation Inc., a tax-exempt civic league that is controlled by officials of the National Congressional Club, a political action committee. The club, formed in 1972 to retire Sen. Helms' campaign debts, supports conservative candidates and causes.

R.E. Carter Wrenn, Congressional Club executive director, acknowledged that JMI had swapped the debts for unappraised mailing lists from the two campaigns. But he denied that the exchange had violated state laws, which forbid corporations to donate cash or services to political candidates.

U.S. Rep. Charles G. Rose III said today he will seek to make sure investigators for the Federal Election Commission review documents detailing the settlement of

See BOARD, page 2-A

Board expected to review campaign debt write-offs

Continued from page 1-A

the campaign debts.

"I feel very strongly that this is all part of a pattern of operations for the Congressional Club ...that has become the central focus of the FEC investigation," said Rose, a Democrat from Fayetteville. "Even though these documents may not reveal violation of a federal law, they do tend to shed light on the overall nature of the Jefferson Marketing-National Congressional Club relationship."

The FEC is investigating a complaint by Rose that JMI provided cut-rate advertising services to his opponents in the 1982 election.

"If there were any doubts in the Federal Election Commission that my complaint was valid, this revelation should banish that thought once and for all," Rose said.

Documents that appear to be accounting records of JMI were given to The Raleigh Times by a person who asked not to be identified.

The records were turned over yesterday to the state Board of Elections by Frank Daniels Jr., publisher of The Raleigh Times and The News and Observer.

In a cover letter, Daniels said he believed the records belonged either to JMI or Ernst and Whinney, an accounting firm that worked for JMI, or both. Officials of both firms had viewed the records, but did not claim them.

Daniels said that since the records involved election matters, he decided to send them to Brock.

Daniels sent copies of the records to the Federal Elections Commission.

Brock said he will wait to review the documents until he talks to the five elections board members.

Brock said that if the board doesn't want him to conduct a review of the records, it could request the State Bureau of Investigation to conduct an investigation.

Brock said Elections Board Chairman Robert W. Spearman today withdrew himself from deliberation on the documents. Spearman is an attorney in the law firm of Sanford, Adams, McCullough & Beard, which represents The News and Observer Publishing Co. in some legal matters.

Lake said this morning he was concerned by the disclosure that his campaign had owed JMI $75,000. He said he may ask JMI to make an accounting of the services it provided his losing gubernatorial campaign.

"I didn't even know there was a debt," Lake said.

Lake said the National Congressional Club handled details of his campaign.

The story in The Raleigh Times yesterday incorrectly said that Lake and others confirmed the validity in some materials contained in the records. Lake did not confirm anything in the records.

Sen. Helms, through a spokesman, said he had no knowledge of the operations of JMI or of the 1980 campaign settlements.

Gov. James B. Hunt Jr., Helms' opponent in the 1984 Senate race, said yesterday Helms could not divorce himself from what Hunt termed the senator's "personal political empire."

"Disturbing questions have been raised at the state and local levels about the activities of Sen. Helms' personal political empire," Hunt said in a statement.



Rep. Charles G. Rose III
'documents ...shed light'

"Sen. Helms owes the people of North Caorlina an explanation of whether or not organizations affliated with him are involved in illegal corporate campaign contributions.

"It is not enough for him to say that he knows nothing about the activities of the National Congressional Club and its affliated organizations. They exist solely to advance his political ambitions, and he is fully responsible for making sure they operate within the laws of our state and nation."

Claude Allen, Helms' campaign aide, said Hunt's statement was proof his campaign is behind the FEC investigation.

"The whole purpose (of Rose's initial complaint) was to reflect on Sen. Helms," Allen said. "This was an attempt by Gov. Hunt and

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THE RALEIGH TIMES

A. C. SNOW
Editor

MIKE YOPP
Managing Editor

CURT PHIPPS
Circulation Manager

Thursday, April 19, 1984

Opinion of The Times

Light on twilight zone

In the twilight zones where campaign finance laws are written and the still murkier regions where they are interpreted, clear statements of what will and will not do, what is and is not legal are scarce as flashlights.

We cannot, therefore, shine a beam labeled either "legal and perfectly okay!" or "illegal and disgraceful!" on the generous arrangements made by Jefferson Marketing Inc., the National Congressional Club's offshoot marketing arm, for getting rid of the unpaid 1980 campaign debts of defeated Republican candidates I. Beverly Lake Jr. and William W. Cobey Jr.

But the State Board of Elections can and should shine that light on this questionable arrangement in a prompt and thorough investigation.

It should ask why the Lake and Cobey campaign name lists were accepted in lieu of dollar repayments. Andy why they were accepted as payments without first being appraised by outside appraisers. And whether the whole arrangement constitutes an illegal campaign contribution by a corporation.

Why did JMI value the Lake mailing list at precisely the $75,229.39 Lake's campaign owed JMI, and value Cobey's mailing list, volunteer list and other unspecified campaign assets at $21,339, the Cobey campaign's exact debt to JMI?

Adding to the mystery surrounding the arrangement is the fact that the lists JMI accepted as payment of debts had been prepared largely by JMI itself.

At some point in time, the legality of all this is going to have to be determined. That point should be now. After all, the Congressional Club and JMI are nationwide leaders in raising and spending campaign money, looked to by other campaign consultants as trailblazers in exploring the tricks of the campaign trade.

For that reason and because of the deep CC-JMI involvement in current North Carolina campaigns, it is in the public interest to settle as soon as possible whether anything about the way these organizations have been operating violates the law.

In recent years, this state has followed a healthy trend toward opening up campaign spending records to the public, requiring candidates to list donors and amounts donated. That sunshine should extend to campaign organizations as well.

The Federal Elections Commission, which has full subpoena power, is already checking into Congressional Club-JMI links in an investigation begun after other complaints from U.S. Rep. Charlie Rose of Fayetteville. Because that probe is secret, no one knows how far and thoroughly the FEC is pressing it. It needs to be very thorough indeed.

But the North Carolina Board of Elections also has investigatory powers which it should put to work fully and promptly. The law says that if the Elections Board finds that a criminal investigation and prosecution may be warranted, it must turn the probe over to the Wake District Attorney, who is responsible for all such state-level investigations.

Not only for the sake of the Congressional Club, JMI and the candidates directly concerned, but also to clarify the law for other present and future campaigns, both the state board and the FEC need to press these investigations with vigor and dispatch.

Raleigh Times, 1/15/81
B. 2-A

Rule on collecting debts cites 'reasonable' efforts

State election officials require private companies to make every "commercially reasonable" effort to collect their bills from political campaigns, said Rosemary Haddock, director of campaign finance for the state Board of Elections.

Although state law does not specifically address the settlement of debts, the state uses federal regulations as a test to determine whether private companies have violated the state ban on corporate giving, Mrs. Haddock said.

Federal Elections Commission Regulation 114.10 allows a corporate creditor to settle or forgive a debt only after it "has pursued its remedies in a manner similar in intensity to that employed by the corporation in pursuit of a non-political debtor, including lawsuits, if filed in similar circumstances."

Mrs. Haddock was interviewed in light of the disclosure that Jefferson Marketing Inc. — an advertising agency owned by Education Support Foundation Inc., a non-profit, tax-exempt organization controlled by officials of the National Congressional Club — had dropped a $75,229.39 campaign debt from the I. Beverly Lake Jr. campaign in exchange for his campaign mailing list. Lake, the unsuccessful Republican candidate for governor in 1980, was backed by the club.

Also, JMI swapped a $21,339 debt from William W. Cobey Jr. for the campaign mailing list and other assets of the campaign. Republican Cobey ran unsuccessfully for lieutenant governor in 1980.

Asked whether she believed canceling the Lake and Cobey debts in return for the mailing lists constituted a violation of state law, Mrs. Haddock said, "Without knowing the value of the mailing lists or the facts in the case, I couldn't say for sure. But once those matters were established, I think the debt would be questioned."

Mrs. Haddock said elections board officials could perform an initial inquiry then request an investigation by the Wake County district attorney, J. Randolph Riley. Mrs. Haddock said any North Carolina citizen could petition a Superior Court judge to appoint a special prosecutor in cases in which the district attorney declined to prosecute.

State law provides civil and criminal penalties for campaign law violations, with the maximum fine being $1,000 and the maximum prison term one year.

R.E. Carter Wrenn, Congressional Club executive director, maintained in an interview that settling debts from campaigns without cash payments is not unusual.

"Most political campaigns I've ever dealt with have been in debt," he said.

Wrenn said JMI did not hire a collection agency or pursue court action against Lake and Cobey — primarily because there was nothing to be gained.

"You beg. You plead. You try to come up with a way to raise the money. You arm-twist," Wrenn said.

If JMI had gone to court and won, Wrenn said, it would have ended up with only the mailing list anyway.

"There was no more blood to be gotten out of that stone," he said.

Given the relationship among JMI and the Lake and Cobey campaigns, a court fight over the debts would have pitted Jefferson Marketing against itself.

Wrenn said the Lake and Cobey campaigns were operated by the Campaign Committee, listed in JMI's books as an operating division of JMI.

Lake's campaign reports filed with the state Board of Elections show that during 1979 and 1980 he paid JMI and the Campaign Committee $143,000 for mailing, consulting, computer runs and other services. Cobey also paid JMI to run his campaign.

Bernard A. Harrell, a Raleigh attorney and a co-manager of Lake's 1980 campaign, said no state law was violated in the settlement of the Lake campaign debt.

"I was aware that at the end of the campaign there was a settlement," Harrell said in an interview. "We were unable to pay for the services, but there was never an understanding that the campaign was broke and that we would continue to receive services."

Harrell acknowledged that it would be difficult to say whether Lake's list was worth the price of the debt to JMI.

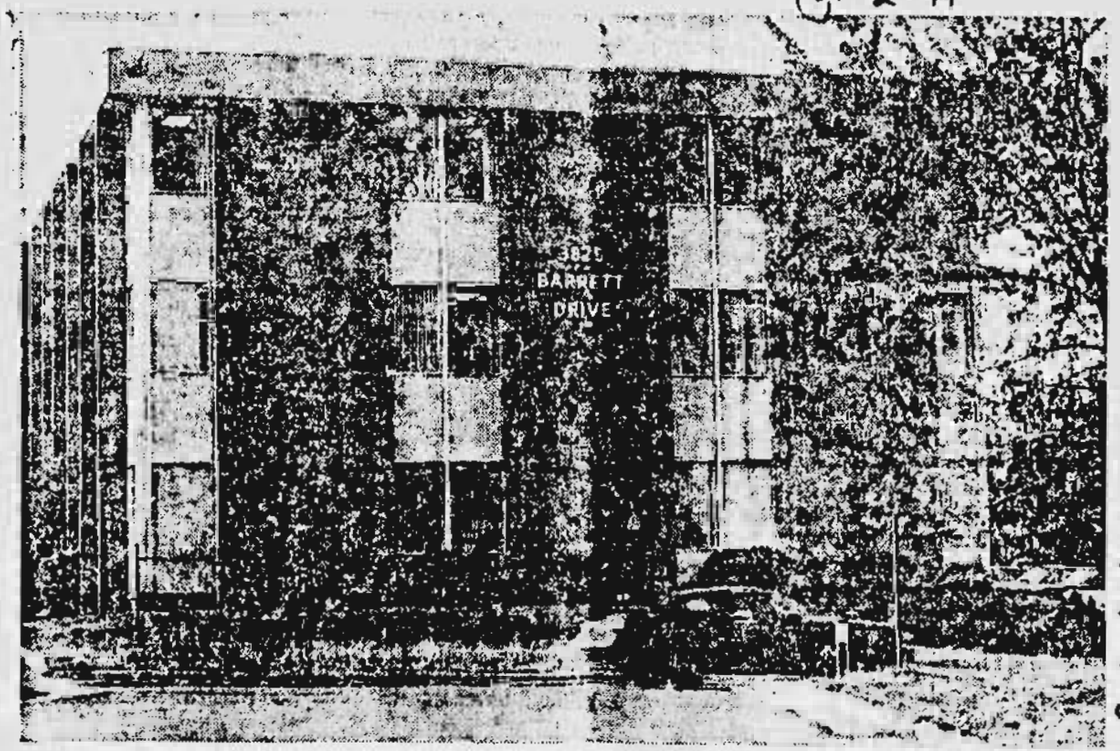
"That's an intangible," he said. "It might have been worth more. It might have been worth less. There were a hell of a lot of names of contributors on that list."

Cobey, who this year is trying for the second time to unseat U.S. Rep. Ike F. Andrews of Cary, said he was aware of the swap and felt it was an even trade.

"Yes, I do, in consideration of the fact that the Cobey campaign spent a lot of money with them," Cobey said in an interview. "Of course, it was their willingness to settle the debt that was outstanding that made it agreeable."

Cobey was beaten in 1980 by Lt. Gov. James C. Green.

—MICHAEL WHITELEY



Times photo by Jonathan Wiggs

Office building at 3825 Barrett Drive

both National Congressional Club and Jefferson Marketing Inc. have offices in the building

Congressional Club-marketing firm link investigated

In a decision that crossed party lines, the Federal Election Commission (FEC) voted 4-2 last year to investigate "the entire relationship" between the National Congressional Club, a political action committee, and Jefferson Marketing Inc., an advertising firm.

The FEC has six appointed members — three Democrats and three Republicans. It regulates campaign spending and investigates allegations of improprieties.

The FEC is empowered to levy civil fines for campaign law violations. It can refer cases, when it deems they involve "willful" intent, to the U.S. Justice Department for criminal prosecution.

The investigation involves a complaint by U.S. Rep. Charles G. Rose III of Fayetteville that JMI gave reduced rates on a television advertisement critical of a trip Rose took to Brazil to his Democratic and Republican opponents in the 1982 primary and general elections.

In an interview, Rose said that JMI's prior refusal to disclose its finances sent a clear public signal that JMI is taking a loss to help the Congressional Club's slate of candidates.

"What does Jefferson Marketing do when it doesn't get paid?" Rose asked. "Does it write it off as a bad debt? Does it report it as an in-kind contribution? Or does it accept something from the candidate that inflates the value of it in such a way that the accountants can say it is a match-up?"

JMI is owned by Education Support Foundation Inc., which is a non-profit, tax-exempt organization listed with the Internal Revenue Service as a civic league and social welfare organization.

Directors of the foundation are Thomas F. Ellis, the Congressional Club chairman, and R.E. Carter Wrenn, the club's executive director.

Ties between the club and JMI are at the heart of the FEC investigation.

"It's possible that certain divisions of Jefferson Marketing are more profitable than others," FEC attorney R. W. (Lee) Andersen said in a court proceeding in September.

Andersen and other FEC officials this week refused to discuss their investigation. But during a deposition taken Sept. 14, he said JMI's profits were a focal point of the investigation.

"And it's possible," he said, "that certain of those divisions ...could be subsidizing the services they provide to political candidates."

FEC attorneys asked a Raleigh federal judge in March to compel further testimony from Wrenn, the Congressional Club executive director; Katherine Hardison Waldrop, club bookkeeper; and Douglas M. Davidson, president of JMI.

The three refused to provide a detailed financial statement of JMI's profits and losses and refused to provide financial contracts between JMI and the club.

With the case pending before federal District Judge Franklin T. Dupree Jr., the firms agreed last month to provide limited disclosure to FEC attorneys — avoiding a public court fight.

In an interview published in Congressional Quarterly March 6, 1982, Wrenn was quoted as saying about JMI, "The books are set up to have an absolute minimal break-even situation, and there's never been any profits or dividends. Nobody's ever made any money out of the thing."

Faced with FEC attorney Andersen's argument that a profitless JMI would be an illegal tool of the club, Wrenn told the FEC that JMI does operate to make a profit.

During the Sept. 14, deposition, Wrenn said that club officials wanted to insure "that they (Jefferson Marketing) charge market rates, that they made a profit."

Wrenn said his comments to Congressional Quarterly had been misunderstood.

"The point I was trying to make ...was that I personally or no individual I knew made a profit out of Jefferson Marketing," Wrenn said.

"The point I was trying to make was that I had not made a profit and did not have any sort of a conflict of interest in that situation."

Contacted by telephone, FEC spokesmen refused to discuss the status of the investigation. Neither would they comment about records given to The Raleigh Times that show JMI accepted a campaign mailing list from 1980 gubernatorial candidate I. Beverly Lake Jr. in lieu of a $75,229.39 debt. Also, JMI wrote off a $21,339 debt from William W. Cobey Jr., a 1980 lieutenant governor candidate, in exchange for his mailing list and other assets of his campaign.

Sharon Snyder of the FEC public relations office said the agency forbids FEC officials to discuss the matters under investigation. She would not say whether the agency was aware of other potential federal violations beyond those detailed in Rose's complaint.

The Times also attempted to contact officials in the Public Integrity Section of the U.S. Justice Department who investigate and prosecute cases in which the FEC has found intent to violate campaign financing laws. Donald Santo, a Justice Department lawyer in charge of handling campaign investigations, and members of the agency's Public Information office did not return telephone calls.

MIKE WHITELEY

GCG#2220

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MUR 1503

April 20, 1984

Kenneth A. Gross, Esq.
Associate General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Dear Ken:

This letter is to confirm the substance of our conversation yesterday afternoon concerning certain documents sent to the FEC by the Raleigh News & Observer. It is our understanding that the News & Observer has sent the Commission a number of documents concerning Jefferson Marketing, Inc., The National Congressional Club, and the campaign committees for Beverly Lake and Bill Cobey, candidates for North Carolina Governor and Lieutenant Governor, respectively, in 1980. Based on my client's review of documents at the News & Observer, it is our belief that these documents were stolen from Jefferson Marketing or its accountants, Ernst & Whinney, or both. Despite the fact that these are obviously private documents that have been stolen, the News & Observer has seen fit to turn them over to the Commission.

We certainly do not condone, nor do we claim even to understand, such reprehensible conduct on the part of the News & Observer. It is our hope that the Commission, unlike the News & Observer, does not traffic in stolen property that has crossed state lines.

That is why I asked you yesterday, and repeat my request in this letter, for the return of the documents to their rightful owner: Jefferson Marketing. If you feel it is necessary first to obtain a sworn statement from an officer of Jefferson Marketing, based on his or her review of these documents, that can certainly be arranged.

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In light of Jefferson Marketing's serious claims concerning the source of these documents, I have also asked you to ensure, as best you can, that these documents are not placed in the public record or distributed throughout your office as other filed documents may be in the normal course.

I would appreciate it if you would give this matter your serious attention and give me a prompt response to these requests.

Sincerely yours,

Thomas Wm. Mayo
Attorney for Jefferson
Marketing, Inc.

TWM:lms

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MUR 1503 perm file

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 20, 1984

J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
P.O. Box 25670
Federal Building
Raleigh, North Carolina 27611

Re: Federal Election Commission v. Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, 84-29-Misc.-5 (filed February 21, 1984).

Dear Mr. Leonard:

Enclosed please find an original and two copies of Petitioner Federal Election Commission's Motion to Dismiss, Memorandum of Points and Authorities, and Order. Please file the original with the court (an extra copy has been included for your files if needed) and date-stamp and return the other copy to the Commission in the enclosed, self-addressed envelope.

If you should have any problems or questions, please call me at (202) 523-4143.

Sincerely,

Gary L. Johansen

Gary L. Johansen
Assistant General Counsel

Enclosures

8504501781

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	84-29-Misc.-5

MOTION OF THE
FEDERAL ELECTION COMMISSION
TO DISMISS

Petitioner, Federal Election Commission, respectfully moves this court to enter an order dismissing without prejudice the Commission's petition for an order to show cause against Respondents Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison.

Petitioner submits a Memorandum of Points and Authorities in Support of its Motion to Dismiss.

Respectively,

Charles N. Steele
General Counsel

9504017782

Richard Bader
Assistant General Counsel

Gary L. Johansen
Assistant General Counsel

April 20, 1984
Date

R. W. Lee Andersen by DBg.
R. W. Lee Andersen
Attorney

Counsel for Petitioner

Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4143

8504051783

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
	)	
Petitioner,	)	
	)	
v.	)	
	)	
JEFFERSON MARKETING, INC.,	)	
	)	84-29-Misc.-5
NATIONAL CONGRESSIONAL CLUB,	)	
	)	
R. E. CARTER WRENN,	)	
	)	
DOUGLAS M. DAVIDSON,	)	
	)	
S. KATHERINE HARDISON,	)	
	)	
Respondents.	)	

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MEMORANDUM TO POINTS AND AUTHORITIES
IN SUPPORT OF FEDERAL ELECTION COMMISSION'S
MOTION TO DISMISS

Petitioner, Federal Election Commission, filed a petition with the court on February 16, 1984, for an order to show cause why subpoenas to produce documents and orders to answer written questions issued to Respondents Jefferson Marketing, Inc. and the National Congressional Club and why subpoenas to appear for oral depositions and to answer questions issued to Respondents R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, should not be enforced. On February 21, 1984, the court signed the Order to Show Cause and a briefing schedule was established.

Subsequently, Petitioner and Respondents met in an attempt to settle this matter. On March 27, 1984, a Joint Stipulation and Order was filed with the court which set forth an agreement between Petitioner and Respondents on the production of documents

and the answering of questions. The Joint Stipulation and Order was signed by the court on March 27, 1984.

Pursuant to the Joint Stipulation and Order Respondents, Jefferson Marketing, Inc. and National Congressional Club, filed with the Commission on April 10, 1984,*/ on April 13, 1984, and on April 20, 1984, responses in which they produced documents and answered written questions.

The Petitioner has reviewed the responses of the Respondents and it appears that Respondents have complied with the terms of the Joint Stipulation and Order. Accordingly, the Petitioner, Federal Election Commission, moves the Court to dismiss the Petition to Show Cause against the Respondents, Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison, without prejudice to filing a new petition if a dispute should develop on any future request for production of evidence.

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Respectively,

Charles N. Steele
General Counsel

*/ An "Errata" to the April 10, 1984, submission was filed with the Commission on April 12, 1984.

Richard Bader
Assistant General Counsel

Gary D. Johansen
Assistant General Counsel

April 20, 1984
Date

R. W. Lee Andersen
Attorney

Counsel for Petitioner

Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4143

R5040501780

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

ORDER

The court, having fully considered Petitioner Federal Election Commission's Motion to Dismiss, it is this day of April 1983,

ORDERED, that the motion of Petitioner, Federal Election Commission, to dismiss without prejudice the petition to show cause against Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison is hereby granted.

United States District Court Judge

9504501787

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

CERTIFICATE OF SERVICE

I hereby certify that on the 20th day of April 1984, I caused to be served by first class mail a copy of a Motion to Dismiss, a Memorandum of Points and Authorities, and an Order in the above captioned matter on the following counsel:

Thomas Wm. Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Gary L. Johansen
Assistant General Counsel
Federal Election Commission

April 20, 1984

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8600060U17899

Thomas Wm. Mayo

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106

Kenneth A. Gross, Esq.
Associate General Counsel
Federal Election Commission
1325 K Street, N.W.

By Hand

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GCC#2221
MUR 1503

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April 20, 1984

Gary Johansen, Esq.
Assistant General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Gary:

Enclosed are two documents for the above-referenced file. First, as we discussed today, is a Second Supplemental Response from NCC concerning documents relating to contracts, etc. between JMI and NCC. Second, I have drafted a letter that I hope summarizes our understanding concerning Items 1.g, 1.k(3) and 7.c. If there is anything in the letter that gives you pause, please do not hesitate to call and we can discuss your concerns.

Sincerely yours,

Thomas Wm. Mayo

/pt

Enclosures

R5040501790

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April 20, 1984

Gary Johansen, Esq.
Assistant General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Gary:

This is to confirm our conversation today concerning the obligations of The National Congressional Club ("NCC") and Jefferson Marketing, Inc. ("JMI") under the Joint Stipulation and Order filed in Civil Action 84-29 Misc. 5 (E.D.N.C.). Our mutual understanding is as follows:

a. Item 1.g (Order to Submit Written Answers and Subpoena to Produce Documents, December 1, 1983) has been answered in JMI's response to Items 4.a(5), 4.b(5), 4.c(5) and 4.d(8).

b. JMI cannot answer Item 1.k(3) (id.). NCC, however, has answered this question.

c. As to Item 7.c (id.), it was the intent of the parties at the time we agreed to the Joint Stipulation and Order that JMI would not respond to this question.

Sincerely yours,

Thomas Wm. Mayo

/pt

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CCC# 2221

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
The National Congressional Club)

83 MAY 25 P3:05

SECOND SUPPLEMENTAL RESPONSE OF
NATIONAL CONGRESSIONAL CLUB

This is a second supplemental response of The National Congressional Club ("NCC") to a request for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29, Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, R. E. Carter Wrenn, Treasurer of NCC, has personal knowledge of the matters discussed herein.

Subpoena to Produce Documents and Order
to Submit Written Answers (June 2, 1983)

Request No. 3. NCC has reviewed its files and has found no documents or materials which relate, refer or pertain to any contracts, agreements or understandings between JMI and NCC other than those documents and materials that have already been produced to the Federal Election Commission.

8504017992

* * *

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

R.E. Carter Wrenn
R.E. Carter Wrenn
by TWM

Dated: April 20, 1984

Sworn and subscribed to before me this 20th day of April, 1984.

Notary Public

My Commission Expires October 31, 1987

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NCC#2221

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
The National Congressional Club)

SECOND SUPPLEMENTAL RESPONSE OF
NATIONAL CONGRESSIONAL CLUB

This is a second supplemental response of The National Congressional Club ("NCC") to a request for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29, Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, R. E. Carter Wrenn, Treasurer of NCC, has personal knowledge of the matters discussed herein.

Subpoena to Produce Documents and Order
to Submit Written Answers (June 2, 1983)

Request No. 3. NCC has reviewed its files and has found no documents or materials which relate, refer or pertain to any contracts, agreements or understandings between JMI and NCC other than those documents and materials that have already been produced to the Federal Election Commission.

9504017794

* * *

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

R.E. Carter Wrenn
R.E. Carter Wrenn
by TWM

Dated: April 20, 1984

Sworn and subscribed to before me
this 20th day of April, 1984.

Notary Public

My Commission Expires October 31, 1987

8504060179

MEMORANDUM TO THE FILES: Jefferson Marketing, Inc.

FROM: Ann Buddenhagen 2400 Laurel Ct DATE: September 2, 1982
Arthur Buddenhagen 787-7103

At December 31, 1981, Jefferson Marketing, Inc., had total receivables from the Lake for Governor Committee amounting to $75,229.39. Although bad debts from political campaign committees cannot be written off by most corporations, if the corporation normally does at least 30% of their business with political campaigns they may take such a bad debt deduction.

JMI does qualify to take bad debt deductions from political committees. However, Carter Wrenn does not wish to take the bad debt deduction for the $75,000 because he is afraid that such a large bad debt deduction will trigger an audit of JMI, which could in turn disclose the relationship between the campaigns and JMI. In the past, we recommended that JMI could negotiate with the Lake Committee for items of value to be received in lieu of the receivable. We specifically suggested that the mailing list would be such an item of value. We also suggested that the mailing list should be valued by an independent, outside appraiser before JMI accepted it in lieu of its receivable.

On Friday, August 27, 1982, the bookkeeper for JMI called me to ask my assistance in booking an entry to record receipt of the mailing list from the Lake Committee. I asked her what value had been placed on the list, and she replied that it was the same as the outstanding receivable from the Lake Committee. She also asked if the mailing list could be amortized or if it had to remain on the balance sheet as a capital item. The purpose of this memorandum is to set forth the alternatives available to JMI in this situation.

There are three cases dealing with the amortization of newspaper subscription lists as close as we could get to mailing lists on record. The first is The Danville Press, Inc. This case is considered the origin of the Mass Asset Rule and has been cited time and again to support the denial of amortization. In fact, the case was not an amortization case at all. The second case, Successful Farming Publishing Company, is more to the point. It concluded that the circulation list was an asset which continually has new subscriptions replacing those that are lost. The list, therefore, is in the nature of perminent capital asset which has no ascertainable life, and is, therefore, not deductible.

The third case is the Houston Chronicle Publishing Company case. It involves the acquisition by one newspaper of all the assets of a competing newspaper. The purchasing paper engaged the services of an evaluation firm to place a value on all assets purchased, including the subscription list. The purchasing paper estimated the useful life of the list was limited to a period not in excess of five years for the reason that the lists were not self-generating since there was no intention of continuing publication of the old paper. Although the government argued the "Mass Asset" rule, the court in its opinion stated that this rule is not a rule per se of nondeductibility so long as the taxpayer meets the burden of establishing that the intangible asset has an ascertainable value separte from goodwill

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and has a limited useful life that can be measured with reasonable accuracy. The court concluded that the taxpayer had meet that burden. The facts in this case can be construed to be very similar to the facts in our situtation. A major point is whether or not the mailing lists were valued by an independent, outside expert. Since The Lake for Governor Committee is no longer in existence, and it is impossible to predict wether or not Lake will run for another political office, we could use a similar arguement to the one used in this case for the fact that the list has a ascertainable useful life for five years.

The service could argue that the list has no ascertainable value for JMI because JMI's prime function is to provide mass mailing services for outside organizations which provide their own mailing lists. Therefore, JMI would have no use for a mailing list of its own. We would have to determine to what use JMI intendes to put the mailing list. They could conceivably sell or rent the list to other political organizations. A caution in this regard is that JMI must be sure to charge each time the list is used by a political organization. Otherwise, the use of the list could be construed as a political contribution.

* Another alternative JMI could pursue is a partial bad debt deduction combined with amortization of the mailing list. This could be use if the value placed on the mailing list by an outside appraiser is less than the $75,000 receivable from the Lake Committee. In this case, both the amortization amount and the bad debt deduction amount would be less than if either alternative were pursued singly.

* Another alternative would be for JMI to leave the receivable on its books for an indefinite period. Since no audit is performed on JMI's books, there would by no serious objection to leaving an unrecoverable receivable on the books.

One final solution would be for JMI to take a bad debt deduction for financial statement purposes but not for tax purposes. In this case, the $75,000 deduction would be in M-1 item on the tax return which would require some explanation, though minimal. Such a large M-1 item could attract the attention of the Service as easily as a large bad debt deduction or a large amortization item.

Will Creech and I will meet with Carter Friday, September 3, to discuss these alternatives with him. A memo on that meeting will be dictated later.

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Expirations, subscription lists, "dailies," and other insurance records are not, as a matter of law, indistinguishable from goodwill, possessing no determinable life. The depreciation or amortization of these items is a factual question, the determination of which rests on whether the taxpayer establishes that the assets (1) have an ascertainable value separate and distinct from goodwill, and (2) have a limited useful life whose duration can be ascertained with reasonable accuracy.[28]

In decisions handed down before the IRS softened its stand in *Rev. Rul. 74-456* (footnote 20), the Tax Court and the Third, Fifth, Ninth Circuits, and a district court in the Sixth Circuit said that such insurance expiration records are nondepreciable "mass assets" with an indefinite life from which the purchaser can expect to secure renewal business for an indeterminite period. It was so held in the case of expirations for:

. . . Health and accident insurance.[21]

. . . Fire, casualty, automobile and life insurance.[22]

. . . Insurance for large commercial clients handled by a broker specializing in customizing insurance to clients' needs and placed with various insurance companies, notwithstanding taxpayer's contention that payment was made chiefly for 6 large commercial accounts.[23]

. . . Consumer finance insurance.[24]

. . . General insurance agency.[25]

And the Tax Court disallowed amortization of fire and automobile insurance expirations inherited by the taxpayer.[26]

But district courts in the Eighth and Tenth Circuits allowed depreciation of insurance expirations in the following special circumstances:

. . . The purchaser of an agent's "dailies" record of casualty insurance kept a separate record of the purchased dailies (apart from his own prior insurance records) and the renewal commissions earned on them and offset his cost for the purchased dailies against the income from them.[27]

. . . Seller of fire and casualty insurance expirations, with a 5-year covenant not to compete, had a unique faculty of retaining information about his customers and their insurance needs without resort to records, and could have successfully solicited back to himself most of the insurance business were it not for the covenant. In these circumstances, the court allowed the purchaser to amortize the expiration records over 5 years.[28]

. . . The court found a 5-year life for fire, casualty, and automobile insurance expirations based on industry statistics and the taxpayer's own experience.[29]

L-7773. Renewal commissions purchased.

Five-year term fire and casualty insurance is often sold on an installment basis under which the insured pays one-year's premium when the policy is issued and a renewal premium in each of the next 4 years. The price paid for an insurance agency business which sells insurance on this basis will usually include an amount in payment for commissions on the renewal premiums on such policies which the buyer will collect. In such cases the buyer is allowed to amortize the cost of such renewal commissions over the period during which they will be earned.[30]

L-7775. Customers' lists, supply or service contracts or accounts and location rights.

When a business is purchased one of the assets paid for may be a list of customers to whom sales may have been made in the past or current customers' accounts or uncompleted contracts or leases to do business at certain locations. Such lists, contracts or accounts, and location rights, because they often are individually small in amount but great in numbers, are generally referred to as "mass assets."[31]

The acquisition of "mass assets" are most often not separately bargained-for, and are ordinarily "indivisible" from the purchased goodwill. When to these is added the additional factor that they are not susceptible to valuation or susceptible to a reasonable determination of their useful life, IRS invariably prevails.[32]

Basically, however, depreciation or amortization of a "mass asset" (or part of it) is a factual question, the determination of which rests on whether the taxpayer establishes that the assets (1) have an ascertainable value separate and distinct from good-

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20. Rev Rul 74-456, 1974-2 CB 65; Richard S. Miller & Sons, Inc. 6/16/76, Ct Cl.
21. Rev Rul 65-173, 1965-2 CB 61, S. S. Bolin Agency, Inc v. Com., (1971, CA3) 446 F2d 554, affg TC Memo 1969-203; Marvin, TC Memo 1968-295.
22. Solomon, Sr v. U.S., (1968, CA5) 395 F2d 950, affg 7/18/67, DC Tex; Ingram v. U.S., (1966, DC Cal) 269 F Supp 597; Blume, Sr v. U.S., (1971, CA5) 441 F2d 917, revg and remg 11/15/69, DC Tex, cert den (1971) 404 US 952, 30 L Ed 2d 269; Penn, Elwin & Co v. Com., (1970, CA9) 431 F2d 1332, affg TC Memo 1968-237; Hodgin, (1968) 50 TC 428(A); Fletcher, TC Memo 1965-273; Thomas, (1968) 50 TC 247; Phillips v. U.S., 7/6/73, DC Fla affd 3/1/74, CA5.
23. Marsh & McLennan, Inc v. Com., (1969, CA3) 420 F2d 667, affg (1968) 51 TC 56.
24. Tomlinson, (1972) 58 TC 570, affd (1974, CA9) 507 F2d 723.
25. Chappelle Insurance Service, Inc v U.S., 6/25/76, DC-Ky.
26. Grimm, TC Memo 1970-123.
27. Wagner v. U.S., 6/16/66, DC Okla.
28. Stewart v. U.S., 2/25/65, DC Okla.
29. Vanlee Insurance, Inc v. U.S., 1/8/68, DC N Dak.
30. Hodgin, (1968) 50 TC 428(A); Lamendrouse, (1956) 26 TC 318(A), affd (1957, CA7) 243 F2d 577, cert den 355 US 830, 2 L Ed 2d 43.
31. Houston Chronicle Publishing Co v U.S., (1971, CA5) 481 F2d 1240, Thriftcheck Service Corp v. Com., (1961, CA2) 287 F2d 1, Marsh & McLennan, Inc v Com., (1969, CA3), Com v Seaboard Finance Co, (1966, CA9) 367 F2d 646 affg TC Memo 1964-253, Skillen v Com., (1969, CA6) 430 F2d 366, Toledo Blade Co v Com., (1950, CA6) 180 F2d 357 affg 11 TC 1079, Northern Natural Gas Co v O'Malley, (1960, CA8) 277 F2d 128, Manhattan Co of Virginia, Inc, (1968) 50 TC 78(A)
32. Rev Rul 65-175, 1965-2 CB 61, Rev Rul 65-180, 1965-2 CB 279, Thriftchech Service Corp v. Com., (1961, CA2) 287 F2d 1, Bar, (1961) 35 TC 720 affd (1962, CA9) 307 F2d 339, Rainbart Oil News Co v. Com., 369 F2d 692, Skillen v. Com., (1966, CA6) 430 F2d 366, Klein v Com., (1966, CA2) 372 F2d 261 affg TC Memo 1965-207, Credit Bureau of Erie, Inc, (1970) 54 TC 726; Danville Press, (1925) 1 BTA 1171.

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will, and (2) have a limited useful life whose duration can be ascertained with reasonable accuracy.[33]

For deductibility of loss on termination of mass location leases, see ¶M-2514.

For tax treatment of seller of mass assets, see ¶I-5106 *et seq.*

For the allocation of a lump-sum purchase price to individual assets, see ¶P-1230 *et seq.*

observation: Before the IRS softened its stand in *Rev. Rul. 74-456* (footnote 33), it often argued that "mass assets" were in the nature of, or "indivisible" from, goodwill and were, therefore, non-depreciable as a matter of law. But the courts generally didn't agree.

recommendation: In mass asset cases, the taxpayer may be able to establish a definite exhaustible life on the basis of its own experience where it keeps appropriate records. In cases where there is a trade association or similar group for the industry, it may be possible to obtain industry statistics establishing a definite exhaustible life for the particular mass assets.

L-7776. Examples permitting or denying amortization or depreciation for customers' lists service or supply contracts, and location rights.

In the following cases, the requirements discussed at ¶L-7775 were applied in allowing or denying amortization or depreciation deductions for the "mass assets" discussed at ¶L-7775.

Allowed. In the following cases the two factual prerequisites discussed at ¶L-7775 were met and therefore depreciation or amortization deduction was allowed for:

. . . wholesale grocer's franchise contracts with retail grocers licensing them to sell wholesaler's products where franchising corporation's experience showed average life of franchise to be 86 months.[34]

. . . retail fuel customer accounts where purchaser established that he lost approximately 9% of his customers each year. The Sixth Circuit agreed with the Tax Court that on the facts of the case, the particular customer list was a wasting asset 75% of the cost of which could be amortized. (The remaining 25% was a residual value.)[35]

observation: While the tax Court opinion mentioned the fact that *Holden's* sales force made up the loss of customers, the Sixth Circuit didn't refer to this. It concentrated exclusively on the shrinkage of the purchased customer list.

. . . credit information files where an independent appraiser determined that approximately 98% of the information about the individuals in the files would be removed and updated within 6 years.[36]

. . . medical record cards of a veterinary hospital. The Tax Court fixed their useful life at 7 years.[37]

. . . medical histories (patients' charts) of an obstetrician-gynecologist. The charts had a determinable useful life (6 years) because the practice was located in an oil town with a fast population turnover, and also because women ordinarily have their babies in a relatively short period of time. Both these factors indicated the charts would be useless after six years. However, the court allocated 10% of the purchase price of the charts to nondepreciable goodwill.[38]

. . . newspaper subscription list.[39]

. . . customers' list of a linen and towel supply business where evidence showed that the business lost about 15% of the customers each year or 100% in 6.7 years.[40]

. . . laundry customer accounts where about 20% of the customers would be lost each year.[41]

. . . uncompleted architectural contracts acquired by a partner from his architectural firm.[42]

. . . government war contracts acquired by a partnership;[43]

. . . highway advertising service contracts acquired with a highway advertising company;[44]

. . . vending machine leases for specified period without provision for renewal.[45]

Denied. In the following cases the two factual prerequisites discussed at ¶L-7775 weren't met and therefore depreciation or amortization deduction was denied for:

. . . collection agency's customer structure.[46]

. . . Cable TV subscribers' list.[47]

. . . unfilled contracts (to sell to customers) acquired with a business where the contracts were not more favorable than could have been made when the taxpayer purchased the business and the taxpayer

33. Rev Rul 74-456, 1974-2 CB 65, Holden Fuel Oil Co v. Comm., (1973, CA6) 479 F2d 613; Computing & Software, Inc. (1975) 64 TC 223; Houston Chronicle Publishing Co v. U.S., (1973, CA5) 481 F2d 1240; Nat'l Service Industries, Inc v. U.S., (1973, DC Ga) 379 F Supp 831; Los Angeles Central Animal Hospital, Inc. 60 TC No. 36(A); Manhattan Co of Va, Inc (1968) 50 TC 78(A)
34. Super Food Services, Inc v. U.S., (1980, CA7) 416 F2d 1236
35. Holden Fuel Oil Co v. Comm., (1973, CA6) 479 F2d 613 affg TC Memo 1972-65.
36. Computing & Software, Inc. (1975) 64 TC 223.
37. Los Angeles Central Animal Hospital, Inc, 60 TC 269.
38. Johnson, Jr. v. U.S., 2/24/81, DC-Tex.
39. Houston Chronicle Publishing Co. v. U.S., (1973, CA5) 481 F2d 1240, cert den 414 US 1129, 38 L Ed 2d 754
40. Nat'l Service Industries, Inc v. U.S., (1973, DC Ga) 379 F Supp 831
41. Manhattan Co of Va. Inc, (1968) 50 TC 78(A).
42. Silling, (1937) 27 TC 701(A).
43. Thompson, (1954) 21 TC 648, affd (1955, CA3)) 223 F2d 893, on remand from (CA3)) 205 F2d 73, revg (1952) 18 TC 361
44. North American Service Co, Inc, (1960) 33 TC 677(A), rvsd pars in comp 3/22/61, CA7
45. Hoffman, (1967) 48 TC 174.
46. Credit Bureau of Erie, Inc, (1970) 54 TC 726.
47. General Television, Inc v. U.S., (1977, DC Minn) 449 F Supp 609, affd 6/8/79, CA-8.

SEE DEVELOPMENTS AT END OF CHAPTER

CODE & REGS PRECEDE DEVELOPMENTS

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expected to continue the business and enjoy the benefit of future orders from the same customers. The Second Circuit reasoned that what the taxpayer acquired was an inexhaustible and, therefore, a non-depreciable asset.[48]

. . . 200 five-year renewable contracts with banks covering use of the "Thrifti-Check" accounting system. However, the Second Circuit indicated that if the customer contract permits allocation of part of the price to performance of that contract over its remaining term, a deduction might be allowed.[49]

. . . unexpired newspaper subscriptions;[50]

. . . long-term contract to supply milk.[51]

. . . medical service contracts.[52]

. . . window cleaning accounts;[53]

. . . janitor service contracts;[54]

. . . vending machine location leases, which could be renewed indefinitely;[55]

. . . circulation structure of a publisher;[56]

. . . car leasing contracts;[57]

. . . exterminator's unexpired pest control contracts;[58]

. . . exterminating service contracts for services on a month-to-month basis and renewable or terminable at will.[59]

L-7777. Customers' lists, accounts, supply or service contracts separately valued by buyer.

The first of two hurdles a taxpayer faces when claiming a depreciation or amortization deduction for "mass asset accounts" is the requirement that the particular "mass account" in question, such as customers' list, borrowers' list, etc., have some additional element of value separable from its self-renewing goodwill or business-generating value. (¶ L-7775)

A relevant factor for determining whether goodwill was segregated out of the purchase price paid for the mass assets so that a determination can be made that only the wasting or exhaustible portion of the total cost is left, is whether or not the price of the individual accounts within the "mass" was separately negotiated before the business was bought.[1] Taxpayer, in the case establishing this rule, acquired a number of small loan companies by purchasing their outstanding loan accounts. Every single loan account was examined. A definite cost was assigned to each and many were valued in excess of face amount, considering the possibility of renewal and the effective yield. These separate values were totalled to get the purchase price. In each purchase, taxpayer paid more than the face value of the loans outstanding plus fixed assets acquired. Taxpayer then amortized and deducted the premium in excess of face value over the life of the loans, including estimated renewal periods. The amortization periods averaged from 3 to 5 years. IRS barred any deductions because it treated the premium as paid for goodwill represented by one indivisible mass asset, the accounts as a whole.

But the Ninth Circuit and Tax Court disagreed. While a small portion of the price, which the courts estimated to be 30%, was paid for goodwill and going concern value, the other 70% was paid for the specific individual loans and was therefore amortizable.[2]

The individual-account-valuation rule isn't met when the purchase price, before the valuation of the individual accounts is undertaken, is agreed to by the parties. Thus, where the buyer of a customers' list of an oil distributorship agreed to pay 4 cents per gallon multiplied by the total gallonage purchased by each list customer for the year, before each customer on the list was known or evaluated by taxpayer, the rule wasn't met. This formula, said the Ninth Circuit, ". . . reveals the hand of the tax planner rather than the economic realities of the purchase."[3]

Recommendation: When buying a mass asset like a customer list, try to value each asset or customer separately on some reasonable basis and keep records as each separate one is lost.

For deductibility of loss on termination of mass assets, see ¶ M-2514.

For tax treatment of seller of mass assets, see ¶ I-5106 *et seq.*

For the allocation of a lump-sum purchase price to individual assets, see ¶ P-1230 *et seq.*

L-7778. Supply requirement contracts.

Included among the assets of a purchased business may be materiel, or service-requirement contracts, for a specified term. This means, that the buyer of the business also buys the right to supply to the other parties to the contracts their materiel or service needs for the number of years specified in the contracts. The factors for the depreciation or amortization of these types of intangible assets are as those discussed at ¶ L-7775 *et seq.*, whether: (1) such a contract is a wasting asset, and (2) whether it has

48 U.S. Industrial Alcohol Co. v. Helvering, (1943, CA2) 137 F2d 511, aff'g (1940) 42 BTA 1323.
49 Thriftichek Service Corp. v. Comm., (1961, CA2) 287 F2d 1, aff'g (1960) 33 TC 1038.
50. Danville Press, 1 BTA 1171.
51. Dairy Home Co. v. U.S., (1968, DC Minn) 289 F Supp 92.
52. Rev. (1961) 35 TC 720, aff'd (1962, CA9) 307 F2d 339.
53. Anchor Cleaning Service, Inc., (1954) 22 TC 1089.
54. Dunes Products, Inc., TC Memo 1962-52.
55. Rev. Rul 67-155, 1967-1 CB 59; Scalish, TC Memo 1962-46; Skillen, (1969, CA6) 420 F2d 266.
56. Rinehart Oil News Co. v. Comm., 369 F2d 692, aff'g TC Memo 1965-178.
57. Commercial Credit Industrial Corp. (formerly Auto Plan Leasing, Inc.), (1966) 47 TC 296.
58. Arwell, Inc., TC Memo 1964-126.
59. Kline v. Comm., (1966, CA2) 372 F2d 261 aff'g TC Memo 1965-207.
1 Comm. v. Seaboard Finance Co., (1966, CA9) 367 F2d 646 aff'g TC Memo 1966-253.
2 Comm. v. Seaboard Finance Co., (1966, CA9) 367 F2d 646 aff'g TC Memo 1966-253.
3 Sunset Paul Co. v. U.S., (1975, CA9) 519 F2d 781 rev'g & rem'g 395 F Supp 1011.

Ron,

I have attached copies of fin. stmts. thru 6-30-80 for NCEL, IMI & CC. RHJ promised Carter that we would meet with Kathie in late September to review & plan for -0- income taxes.

Let's get together ASAP.

Kathie
8-20-80

8604040018

Check 8-1-80

North Carolina Congressional Club
Statement of Financial Position
June 30, 1980

ASSETS

Cash in bank-First Citizens Bank	$ 27,528.23	
Cash in bank-Eberle	266.29	
Cash in bank-Vignerie	39,226.67	
Savings-general	16,162.03	
Merrill Lynch Ready Assett	15,577.70	
Loans Receivable-N.C. Republican Party	4,576.00	
Loans Receivable-East for Senate	4,000.00	
Loans Receivable-Citizens Advocate	2,500.00	
Loans Receivable-Jones for Vice President	5,000.00	
Accounts Receivable-returned checks	1,521.02	
Total Assets		$116,377.94

LIABILITIES AND EQUITY

Accounts Payable	40,754.16	
Fica withheld and accrued	(10.49)	
State Income Taxes withheld	627.40	
Hospital Insurance	.12	
Futa Taxes Payable	74.78	
Federal Taxes Payable	200.00	
Total Liabilities		41,645.97

EQUITY

Equity beginning of year	13,100.27	
Excess of revenues over expenses	61,631.70	
Total Equity		74,731.97
TOTAL LIABILITIES AND EQUITY		$116,377.94

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Congressional Club

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For the Month Ending June 30, 1980

	MONTH				YEAR-TO-DATE			
FUNDRAISING	Income	Expend.	Reagan Expend.	Total Expend.	Income	Expend.	Reagan Expend.	Total Expend.
N.C. Finance	7,085.00	5,603.40	5,835.29	11,528.69	46,645.00	23,116.12	5,835.29	28,951.41
National Finance	6,500.00	203.00	1,365.00	1,568.00	6,500.00	2,582.07	1,365.00	3,947.07
PAC	140.00	-0-	-0-	-0-	1,233.41	-0-	-0-	-0-
Direct Mail - DMI	238,090.02	(20,936.09)	72,691.94	51,755.85	539,015.30	242,392.63	72,691.94	315,084.57
- Viguerie	90,743.71	23,698.45	18,364.06	42,062.51	121,040.21	91,687.91	18,364.06	110,051.97
- Eberle	67,710.35	33,493.14	49,429.42	82,922.56	106,403.13	64,755.71	49,429.42	114,185.13
Telephone Bank - North	22,371.00	12,823.65	1,471.23	14,294.88	325,444.80	106,552.09	1,471.23	108,023.32
- Barrett	005.00	511.00	2,743.50	3,254.50	24,715.99	3,506.22	2,743.50	6,249.72
- D.C.	-0-	-0-	-0-	-0-	1,691.00	1,578.62	-0-	1,578.62
Telemail	2,050.00	-0-	-0-	-0-	7,705.00	-0-	-0-	-0-
General Finance	-0-	4,779.95	400.07	5,189.02	-0-	7,942.79	400.07	8,351.86
Premiums	-0-	369.46	-0-	369.46	-0-	8,216.02	-0-	8,216.02
Total Fundraising	430,495.08	60,615.96	152,309.51	212,925.47	1,180,995.90	552,310.18	152,309.51	704,619.69
Other Income					200.00			
Interest Income	57.67				491.94			
Transfers in from Helms					6,214.78			
TOTAL FUNDRAISING & OTHER INCOME	430,552.75	60,615.96	152,309.51	212,925.47	1,187,903.52	552,310.18	152,309.51	704,619.69
OPERATING								
Administration		58,827.05	10,630.95	69,458.03		236,430.03	10,630.95	246,960.98
Advertising		(220.68)	2,345.44	2,124.76		23,397.39	2,345.44	25,742.83
Computer Services		18,207.38	2,474.71	20,682.09		61,985.79	2,474.71	64,460.50
Organization		(7,536.99)	38,628.08	31,091.09		15,227.40	38,628.08	53,855.48
Press		703.66	293.00	1,086.66		6,444.55	293.00	6,737.55
Research		2,691.00	1,005.00	3,696.00		7,671.42	1,005.00	8,676.42
Scheduling		1,037.00	-0-	1,037.00		3,936.73	-0-	3,936.73
Campaign Management		3,083.12	1,229.00	4,312.12		9,953.64	1,229.00	11,182.64
Total Operating		76,851.57	56,606.18	133,457.75		365,045.95	56,603.18	421,651.13
TOTAL FUNDRAISING & OPERATING	430,552.75	137,467.53	208,915.69	346,383.22	1,187,903.52	917,356.13	208,915.69	1,126,271.82

6/11/84

CHART OF DEPTS.

Fund Raising

0010 (01) - NC Finance
0200 (02) - National Finance
0300 (03) - PAC
0400 - Direct Mail - General
0410 (04) - Direct Mail - JMI
0435 (14) - Direct Mail - Viguerie
0450 (24) - Direct Mail - Eberle
0500 - Telephone Bank - General
0510 (05) - Telephone Bank - Mertz
0520 (15) - Telephone Bank - Barrett
0530 (25) - Telephone Bank - DC
0600 (06) - Tele-Mail
1100 - General Finance
1200 - Premiums

Operating

2100 - Administration
2200 - Advertising
2300 - Computer Operations
2400 - Organization
2400 - Organization - Field
2400 - Organization - Ladic
2500 - Press
2600 - Research
2700 - Scheduling
2800 - Campaign Management
(Campaign Committee Only)

CHART OF ACCOUNTS

Asset

11100 - Cash in Bank - FCBT (regular)
11105 - Cash in Bank - FCBT (Viguerie)
11110 - Cash in Bank - FCBT (Eberle)
11300 - Savings - FCBT (general)
12000 - Notes Receivable
12110 - Accounts Receivable
12130 - Accounts Receivable (returned Cks.)
13000 - Employees Travel Advances
13100 - Employees Loans
14100 - Contributions-In-Kind
14500 - Advanced Postage - JMI
14501 - Advance Postage - Epsilon
15100 - Payroll Clearing
15200 - Payroll Gross Offset
15300 - Clearing
15400 - Project Control
16400 - Suspense

Liabilities

22100 - Accounts Payable
22400 - Notes Payable
23500 - Federal Income Taxes Withheld
23600 - FICA Taxes Withheld and Accrued
23700 - State Income Taxes Withheld
23900 - Miscellaneous Employee Withholding
24100 - Federal Unemployment Taxes Payable
24200 - State Unemployement Taxes Payable
28900 - Equity - Beginning of Year

Income

30100 - N.C Finance
30200 - National Finance
30300 - PAC
30400 - Direct Mail
30500 - Telephone Bank
30600 - Tele-Mail
30200 - Refunds and Rebates
32100 - Other
32200 - Interest

Expenses

60100 - Advances
60200 - Advertising
60400 - Auto Leasing
60680 - Bookkeeping Computer
60700 - Bookkeeping Service
61110 - Collateral - Books
61120 - Collateral - Brochures
61130 - Collateral - Other
61300 - Commissions
61500 - Computer Services
61710 - Contributions
61711 - Contributions Refunds
61720 - Contributions - Political
61730 - Contributions-In-Kind
61740 - Contributions-Pol In Kind
61900 - Deposits
62000 - Dinners - Luncheon

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CHART OF ACCOUNTS CON'T

Expenses

62100 - Direct Mail
62720 - Equipment Rental & Supplies
63500 - Furniture, Equipment, & Fixtures
63600 - General
64000 - Insurance
64300 - License, fees & Misc. Taxes
64500 - Mailing List Purchases
64600 - Mailing List Rentals
65110 - Payroll Taxes-FICA
65120 - Payroll Taxes-FUTA
65130 - Payroll Taxes-SUTA
65200 - Plane Leasing
65300 - Polls
65405 - Postage Advanced-DUMI
65406 - Postage Advanced-JMI
65407 - Postage Advanced-EPSILON
65408 - Postage Advanced-EBERLE
65410 - Postage
65420 - Postage - Business Reply
65500 - Premiums
65600 - Printing
65710 - Production-General Media
65720 - Production-Newspaper
65730 - Production-Radio
65740 - Production-Television
65850 - Professional Fees
65910 - Purchased Media-General
65920 - Purchased Media-Newspaper
65930 - Purchased Media-Radio
65940 - Purchased Media-Television
66100 - Reception
66500 - Rent
67100 - Salaries & Wages
67120 - Salary-Fund Coordinators
67400 - Supplies
68300 - Telephone & Telegraph
68520 - Travel & Lodging

Rick
Can you give
PAO any ideas
because I posted
state, they must be
* 8 would be
most tempting
* ever

discussed w/ RVH & RHS on 9/30/80 RWS

Memo to the File
JMI 1/5

I met with Rick Willes & Cathy Nardecchia on 9/25/80 to discuss JMI's taxes for the year ending 12/31/80. An annualization of the 8/31/80 income & expenses from per the attached schedules shows an estimated taxable income of $52,392.29 with combined federal & state income taxes of $13,311.88. We discussed the following options to reduce the tax liability:

1 - accruing all payables
JMI is already accruing payables in its monthly statements. I emphasized the importance of being sure all payables were accounted for.

2 - stockpiling supplies
JMI does not carry any supplies inventory on its books. I suggested they consider ordering supplies in early December for 3 or 4 months so that the payable could be accrued. JMI's usage of such materials is limited however.

3 - accelerated depreciation on new assets
Through 8/31/80 less than $2,000 of new assets has been purchased. We will take accelerated depreciation on these assets, but the benefit will not be considerable.

4 - purchase of large asset before 12/31/80
We discussed the benefits of purchasing a large asset using the example I prepared on the

PAB 9/25/85

Memo to the File

JMI 2/5

attached schedule. JMI's cash position is extremely low with few prospects for improvement before 12/31/80. We also discussed a financing purchase, but the necessity of monthly payments would also be a drain on cash flow.

5 - raise salaries

We discussed the possibility of raising salaries selectively. I suggested such a move be accomplished as soon as possible & pointed out that a three month raise followed by a decrease in January would not look good.

6 - bonuses based on net income

We discussed the possibility of year-end bonuses for officers & selected employees. I pointed out the possibility of the IRS declaring the bonus was really a dividend. To avoid such a determination, I suggested a definite formula for bonuses be adopted & detailed in the minutes. We discussed various aspects of such a formula, including a minimum net income figure, stated percentages for bonuses per employee, maximum bonuses, & the fact that the formula as originally set up could be amended. I pointed out that the bonus could be accrued as of 12/31/80 & not paid for a maximum of 2 1/2 months into 1981 thus deferring the individual's tax on the bonus for 1 year. I also pointed out that as

PAB 9/23/86

Memo to the File
JMI 3/5

estimated only $2400 of JMI's taxable income will be in the 30% bracket. Thus paying a bonus could switch the tax from a 20% corporate rate to a higher individual rate.

7- "election" bonus
We discussed possibly paying an "election day" bonus to certain employees who had worked a great deal of overtime. Such a plan would have the advantage of not needing to be repeated each year. This could also turn out to be a disadvantage as well should JMI be in a situation of wanting to pay a bonus next year. I again pointed out that even this bonus plan should be set out in the minutes.

8- adjusted billings
We discussed the possibility of re-evaluating JMI's billings to its clients to determine if any were overbilled for services. Any adjustments could be offset against retainers for the remaining months of the year. JMI staff members have already begun this task in September with the result of several reductions. Further re-evaluations will be considered.

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PAL 9/2/86

Memo to the File

JMI 4/5

9 - reserve for bad debts

During our discussion of adjusted billings, it was mentioned that JMI's cash flow is so bad because approximately $70,000 of billings to the Lake campaign, which are already included in revenue, are still in A/R because the Lake campaign is broke. Rick stated there was very little chance of the majority of the receivable being collected. I suggested a reserve be set up for part or all of the receivable. Depending on the amount chosen, this would substantially reduce or eliminate JMI's net income for the year.

(NOTE: although the code states that bad debts from political organizations cannot be deducted there are 2 exceptions to this rule, one of which is by accrual-basis taxpayers who are in the business of providing goods + services to political campaigns + candidates. JMI should have no problem qualifying as such a taxpayer.)

Cathy + Rick were highly hesitant to set up such a reserve due to the delicate relationships between JMI + the campaigns. They feared JMI would be accused of non-arms length transactions because they continued to provide services for the Lake campaign even after it could no longer pay the invoiced billings. We discussed the possibility of the services rendered the Lake campaign being determined a political

8504050181 0

PAB 9/23/80

Memo to the File
JMI 5/5

contribution in kind. As such, the expenses incurred would not be deductible for tax purposes + might seriously jeprodise the legal status of the corporation.

No final decision was reached as to what action to be taken. Rick intends to confer with Carter Wrenn + with their attorneys as to the problem of the receivables from the Lake campaign. They will let us know the decision sometime before 12/31/80.

P. Glenn Buddenhagen

8504050181 1

T#2 9/1.

4 Annualized Income Stat.

		Annualized
JMI		
Net income thru 8/31/80	3299803	4949795
Campaign Comm. Inc.		
Net income thru 8/31/80	415902	623853
Estimated taxable income for year		5573648
NC tax @ 6%		(334419)
Fed. TI		5239229
Total Tax:		
Fed. tax		996769
NC tax		334419
Estimated total taxes		1331188

Options to reduce Tax:

1. accrue all payables
2. order supplies, etc. in early December
3. accelerated depreciation on new assets
4. raise salaries
5. bonus
   - must be set out in minutes
   - have definite formula
   - careful of "dividends"
   - can accrue as long as pay w/in 2½ months
   - advantage for individual - defer taxes for 1 year
6. buy large asset

8504050181 2

WL 9-22-82
RWT
RWH

MEMORANDUM TO THE FILES: JEFFERSON MARKETING, INC.

DATE: SEPTEMBER 13, 1982

FROM: PAB

Will Creech and I met today with Carter Wrenn and Cathy Hardison to discuss the tax implications of the acceptance of mailing lists and other files from the Lake for Governor Committee in payment of the outstanding recievable. We outlined all the problems detailed in my memorandum of September 2, 1982. In particular, we emphasized that JMI should have the mailing lists and other files valued by an independent, outside expert. They should also make every effort to determine the applicable industry statistics for what portion of the mailing lists to amortize per year.

Carter had difficulty understanding why there was a problem in amortizing the mailing lists. After considerable effort on our part to explain the circumstances, he stated that he did not want to consider the issue again unitl after the November elections. We will set up a meeting with him and Cathy for mid-November to again discuss this issue.

One possible solution to the problem which was not discussed at this meeting is as follows:

1 - JMI would obtain an outside appraisal of the value of the mailing lists and other information;

2 - JMI would set up the mailing lists on its books at its appraised value;

3 - The difference between this value and the total receivable would be set up on JMI's books as legal services;

4 - JMI would then ~~sale~~ sell both the mailing lists and the prepaid legal expenses to the National Congressional Club (this step is necessary since the Club will definitely have more need for the mailing lists, and probably will have more occasion to use legal services than will JMI);

5 - The Club can amortize mailing lists over their useful life with no tax consequences, and can amortize the asset for legal services as those services are used.

Since the two assets (the mailing lists and the legal services) will be sold to the Club at their book value, there will be gain or loss to JMI on the transaction. This solution serves the purpose of getting the outstanding receivable off JMI's books, and also getting the mailing lists off the books without taking an amortization deduction for tax purposes. We will discuss this solution with Carter and Cathy at our meeting in mid-November.

no gain or loss

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FWT 9/20/83

Life of List of Contributors
Jefferson Mktg

Jefferson Marketing acquired in aug 82 as payment of over $75,000 in accts receivable due from Bev Lake campaign lists of donors.

no amortization of this amount was claimed in 1982

The question has been raised over what life the list can be amortized.

Current 8-1-80

Jefferson Marketing, Inc.
Balance Sheet
June 30, 1980

ASSETS

Current Assets:	
Cash in Bank - FCBT	$ 17,814.65
Account Receivable - trade	30,243.69
Postage Escrow - bulk meter	20.00
Postage Escrow - first class meter	10.00
Salary Advance	900.00
Total current assets	48,988.34
Property & Equipment:	
Office Equipment	19,452.95
Office Furniture	155.42
Less Accumulated Depreciation	(2,567.29)
Total property & equipment	$ 17,041.08
Total Assets	$ 66,029.42

LIABILITIES

Current Liabilities:	
Account Payable	$ 14,153.80
Payroll Taxes Withheld and Accrued	8,869.60
Postage Escrow - clients	1,898.98
Insurance Withheld	(3.20)
Federal Income Tax	1,614.00
N. C. Income Tax	-0-
Total current liabilities	$ 26,533.18
Stockholder's Equity:	
Capital Stock	100.00
Retained Earnings	39,396.24
Total Liabilities	$ 66,029.42

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Jefferson Marketing, Inc.
Statement of Earnings
June 30, 1980

	Monthly Revenue 6-30-80	Monthly Cost of Sales 6-30-80	Year-to-Date Revenue 6-30-80	Year-to-Date Cost of Sales 6-30-80
INCOME				
Consultant fees	$26,500.00	$ -0-	$ 98,350.00	$ -0-
List rental fees	1,039.20	-0-	19,654.60	-0-
Mailing fees	-0-	-0-	44.45	139.20
Production				
Personalization	-0-	3,910.13	5,840.87	10,239.58
inserter	-0-	-0-	589.69	84.75
labeling	-0-	-0-	42.74	-0-
mailroom	-0-	-0-	680.37	-0-
Printing fees	(762.30)	(777.30)	15.00	-0-
Computer fees	-0-	129.00	223.33	595.30
Other revenues	-0-	-0-	50.00	-0-
Miscellaneous fees	-0-	-0-	-0-	-0-
TOTAL REVENUE & COST OF SALES	$26,776.90	$3,261.83	$125,491.05	$11,058.83
GROSS PROFIT	$23,515.07		$114,432.22	

R50405018152

Jefferson Marketing, Inc.
Statement of Earnings
June 30, 1980

	Monthly Expense 6-30-80	Year-to-Date Expense 6-30-80
OPERATING		
Advertising	$ -0-	$ 29.71
Bookkeeping	-0-	3,162.36
Dues & Subscription	-0-	24.00
Insurance	37.06	220.26
Insurance - liability	-0-	(30.00)
Legal	-0-	-0-
Office	-0-	-0-
Payroll taxes	482.71	3,245.97
Postage	-0-	-0-
In-House first class	(576.17)	(1,287.55)
In-House stamps	6.00	648.13
In-House BRE	-0-	-0-
In-House bulk meter	222.40	1,437.47
Rent	403.33	3,844.98
Salaries and Wages	3,964.50	28,047.82
Supplies	66.09	89.86
Telephone	164.53	1,176.53
Travel and Entertainment	74.47	1,274.24
Publications	-0-	-0-
Equipment rental	4,841.97	15,604.47
Consulting	3,333.32	19,999.92
Interest and Finance	64.13	389.90
Shipping	25.75	565.04
Computer services	(2,553.83)	5,319.55
Equipment supplies	-0-	2,169.13
Depreciation	247.46	1,484.76
Professional fees	-0-	1,450.00
Repairs & Maintenence	(66.20)	-0-
Utilities	-0-	459.00
Federal & State income taxes	3,270.79	3,270.79
TOTAL OPERATING EXPENSES	$14,008.31	$92,596.34
NET PROFIT	$ 9,506.76	$21,835.88

3504081817

Jefferson Marketing, Inc.
Accounts Receivable
June 30, 1980

Aldridge for State House	$ 254.33
Boy Scouts of America	558.35
Campaign Committee	12,229.82
Coalition for Freedom	607.22
Cobey for Lt. Governor	4,354.91
Conservative Caucus Foundation	43.32
East for Senate	(286.56)
Jesse for Vice President	(2,000.00)
Lake for Governor	18,172.62
Lake Task Force	3,353.68
Mr. Bob Vallois	163.36
N. C. Congressional Club	(13,535.33)
N. C. Conservative Union	388.49
N. C. FIR	132.05
N. C. Fund for Individual Rights	15.00
N. C. GOP	1,340.61
Rodenhizer for Mayor	2,544.73
Sands Investments	150.00
SEE Fund	1,422.01
Sports Publications	50.00
Tarheel Magazine	285.08
	$ 30,243.69

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Jefferson Marketing, Inc.
Account Payable
June 30, 1980

Automatic Data Processing	$ 55.00
Bedford Printing	3,970.68
Burroughs Corp.	1,310.40
Carolina Data Supplies	159.65
Computer Management Corp	2.29
Ernst & Whinney	2,450.00
Hardison Corp	(2,535.00)
IBM	3,159.74
Maupin Travels	234.00
Pitney Bowes	186.90
A. Williams	10.65
Southern Bell	5,149.49
	$ 14,153.80

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Check 8-1-80

Campaign Committee
Division of Jefferson Marketing, Inc.
Balance Sheet
June 30, 1980

ASSETS

Current Assets:	
Cash in bank - FCBT	$ 3,369.59
Accounts receivable	26,782.37
Expense account advance	180.00
Total current assets	30,331.96
Property & Equipment:	
Office equipment	1,005.59
Less accumulated depreciation	(106.43)
	$ 899.16
Total Assets	$ 31,231.12

LIABILITIES

Current Liabilities:	
Accountspayable	$ 18,994.24
Payroll taxes withheld & accrued	5,623.05
Employee insurance withheld	302.68
Total current liabilities	$ 24,919.97
Stockholders Equity:	
Retained Earnings	6,311.15
Total Liabilities	$ 31,231.12

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Campaign Committee
Division of Jefferson Marketing, Inc.
Income Statement
June 30, 1980

	Monthly Income 6-30-80	Monthly Expenditures 6-30-80	Year-to-Date Income 6-30-80	Year-to-Date Expenditures 6-30-80
PERATING				
Administration	$19,015.00	$20,202.30	$ 96,328.04	$110,509.69
Organization	4,166.00	4,769.90	23,583.14	20,530.74
Ladies	838.00	700.00	4,732.28	3,987.44
Fields	17,212.00	14,962.17	26,113.00	25,408.93
Press	3,832.00	5,040.80	15,334.31	17,180.07
Advertising	1,336.00	900.00	6,491.73	4,951.40
Research	4,433.00	3,054.63	14,346.40	12,779.92
Telephone Bank	-0-	-0-	-0-	702.88
Mertz	984.00	837.50	8,425.47	6,794.10
Barrett	2,649.00	1,087.14	7,528.00	7,374.48
N. C. Finance	6,067.00	5,440.12	26,270.36	24,838.43
Field	4,579.00	5,550.00	21,073.54	20,119.20
General Finance	-0-	-0-	6,341.69	3,714.82
Computer	4,741.00	3,225.05	14,928.36	15,439.93
National Finance	1,965.00	1,460.24	7,766.00	8,547.93
Campaign Management	4,575.00	4,087.24	17,101.00	17,949.74
Scheduling	3,651.00	5,457.91	12,845.00	12,393.39
Other	123.40	-0-	1,947.15	-0-
TOTAL OPERATING	$80,166.40	$76,775.00	$311,155.47	$313,223.09
TOTAL NET PROFIT	$ 3,391.40		($ 2,067.62)	

Campaign Committee
Division of Jefferson Marketing, Inc.
Accounts Receivable
June 20, 1980

Cobey for Lt. Governor Committee	$ 9,028.86
The Congressional Club	(61,291.88)
East for Senate Committee	22,765.69
Lake for Governor Committee	56,279.70
	$ 26,782.37

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Campaign Committee
Division of Jefferson Marketing, Inc.
Accounts Payable
June 30, 1980

ADP	$ 2,584.15
Alfred Williams & Company	1,669.60
Asheville Citizens Time	42.60
Aero Charter Corp.	328.25
Bedford Printing	335.69
Carolina Clipping Service	849.09
Greensboro Record	41.77
Hardison Corp.	(548.17)
Jefferson Marketing (Inter-Company)	11,628.97
Moore Business Forms	599.14
Moore & Johnson Insurance	30.74
S.C. Keypunch	725.05
Stephens Center, Inc.	34.00
Tab Products	556.35
Xerox Corporation	117.01
	$ 18,994.24

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JEFFERSON MARKETING, INC.
Coalition Division
Statement of Revenues and Expenses
Three Months Ended March 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$ -0-	$ -0-	$ 4.43
Advertising	2,357.23	2,357.23	2,357.23	2,357.23
Bookkeeping	-0-	-0-	508.15	-0-
Total Revenues and Expenses	2,357.23	2,357.23	2,865.38	2,361.66
Net Income	$ -0-		$ 503.72	

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JEFFERSON MARKETING, INC.
Foundation Division
Statement of Revenues and Expenses
Three Months Ended March 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$3.35	$ -0-	$11.07
Bookkeeping	-0-	-0-	108.15	-0-
Total Revenues and Expenses	-0-	3.35	108.15	11.07
Net Income	$(3.35)		$ 97.08	

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JEFFERSON MARKETING, INC.
Political Division
Statement of Revenues and Expenses
Three Months Ended March 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$ -0-	$ -0-	$ .89
Advertising	6,259.00	6,259.00	16,927.00	16,927.00
Total Revenues and Expenses	6,259.00	6,259.00	16,927.00	16,927.89
Net Income	$ -0-		$ (.89)	

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JEFFERSON MARKETING, INC.
Political Division
Schedule of Account Receivable
March 31, 1982

National Congressional Club	$109.00

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Income Statement
Three Months Ended March 31, 1982

	Month Revenues	Month Expenses	Year-to-Date Revenues	Year-to-Date Expenses
Production Fee-Conversion	$ -0-	$ -0-	$ 148.34	$ -0-
Production Fee-Folding	-0-	-0-	13.76	-0-
Production Fee-System 6	-0-	-0-	39.30	-0-
Production Fee-Insert	256.67	-0-	369.98	-0-
Production Fee-Label	256.67	-0-	505.95	-0-
Production Fee-Bulk	256.66	-0-	300.79	-0-
Production Fee-List Procurement	-0-	-0-	25.00	-0-
Bank Charge	-0-	-0-	-0-	.19
Computer	-0-	-0-	43.94	-0-
Consulting	-0-	-0-	-0-	1,000.00
Printing	630.00	-0-	630.00	-0-
Total Revenues and Expenses	$1,400.00	$ -0-	$2,077.06	$1,000.19
Net Income	$1,400.00		$1,076.87	

MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Account Receivable
March 31, 1982

Ward Transformer	$2,676.28

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MANAGEMENT ENTERPRISES, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Payable
March 31, 1982

Jefferson Marketing, Inc.	$ 78.60
Charles Shaw	150.00
Total	$228.60

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JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
March 31, 1982

ASSETS

Current Assets:

Cash in Bank - JMI - Business	$ 129.44	
Cash in Bank - JMI - Club	1,798.13	
Cash in Bank - JMI - Coalition	502.05	
Cash in Bank - JMI - Foundation	93.27	
Cash in Bank - JMI - Political	1,131.19	
Cash in Bank - JMI - Postage Escrow	12,023.62	
Cash in Bank - Campaign Committee	352.51	
Cash in Bank - Management Enterprise	269.92	
Accounts Receivable - JMI - Club	119,507.61	
Accounts Receivable - JMI - Political	109.00	
Accounts Receivable - Management Enterprise	2,676.28	
Loan Account - JMI	8,885.25	
Loan Account - Management	2,000.00	
Deposit - JMI	50.00	
Postage Stamps - JMI	11,829.74	
Postage Meters - JMI	2,806.88	
Postage Advance - JMI	409.10	
Postage Advance - Management Enterprise	1,506.82	
Deferred Interest - JMI	5,557.66	
Total Current Assets		$171,638.47
Property and Equipment:		
Office Equipment and Furniture	83,501.48	
Less: Accumulated Depreciation	(45,827.10)	
Net Property and Equipment		37,674.38
Total Assets		$209,312.85

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JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
Page 2

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:

Accounts Payable - JMI - Club	$ 6,827.38	
Accounts Payable - JMI - Political	142.00	
Accounts Payable - Management Enterprise	228.60	
Notes Payable - JMI	46,099.12	
NCC Advance Payable - JMI	38,995.69	
Fed. & State Corp. Income Taxes Payable - JMI	455.00	
Payroll Taxes Withheld and Accrued - JMI	6,853.80	
Insurance Withheld - JMI	257.11	
Postage Escrow - Clients - JMI	26,660.24	
Postage Escrow - Clients - Management Enterprise	1,506.82	
Total Current Liabilities		$128,025.76

Stockholder's Equity:

Capital Stock - JMI	100.00	
Retained Earnings (3-1-82)	73,033.36	
Current Earnings	8,153.73	
Total Stockholder's Equity		81,287.09
Total Liabilities and Stockholder's Equity		$209,312.85

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JEFFERSON MARKETING, INC.
Club Division
Statement of Revenues and Expenses
Three Months Ended March 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ 9,137.00	$ 8,102.97	$ 16,504.00	$ 19,060.11
Advertising	5,991.50	5,828.91	17,596.50	17,287.29
Bookkeeping	1,390.00	1,298.15	3,753.00	3,597.40
Computer #1 & 2	18,210.00	14,683.21	54,094.00	46,933.56
Direct Mail	3,085.00	2,956.23	8,768.00	8,507.42
Mail Production #2	7,075.00	8,207.18	28,034.00	26,886.77
Total Revenues and Expenses	44,888.50	41,076.65	128,749.50	122,272.55
Net Income	$ 3,811.85		$ 6,476.95	

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Receivable
March 31, 1982

Boy Scouts of America	$ 558.35
Cobey for Lt. Governor	21,338.86
Conservative Caucus Foundation	43.32
Lake for Governor	75,229.39
Bob Vallois	163.36
Management Enterprise	78.60
National Congressional Club	16,948.42
NC Conservative Union	388.49
NCFIR	426.80
NC GOP	1,340.61
People for Chase White Committee	246.68
Rodenhizer for Mayor	2,544.73
Sands Investments	150.00
Sports Publication	50.00
Total	$119,507.61

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Payable
March 31, 1982

Burrough	$ 306.73
Federal Express	114.00
Hardison Corp	1,960.00
IBM	781.41
Mimsco	40.00
Moore & Johnson Agency	1,294.00
Pitney Bowes	89.85
Safeguard Business Sys.	76.41
United Parcel Services	4.43
Watkin Flower Shop	34.70
Alfred William & Co.	2,125.47
Total	$6,827.38

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JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
January 31, 1982

ASSETS

Current Assets:		
Cash in Bank - JMI - Business	$ 103.94	
Cash in Bank - JMI - Club	3,199.20	
Cash in Bank - JMI - Foundation	.38	
Cash in Bank - JMI - Coalition	510.69	
Cash in Bank - JMI - Political	1,098.19	
Cash in Bank - JMI - Postage Escrow	58.43	
Cash in Bank - Campaign Committee	352.51	
Cash in Bank - Management Enterprise	457.56	
Accounts Receivable - JMI - Club	114,227.95	
Accounts Receivable - JMI - Foundation	108.15	
Accounts Receivable - Management Enterprise	1,307.33	
Loan Account - JMI	3,000.00	
Loan Account - Management Enterprise	2,000.00	
Deposit - JMI	50.00	
Postage Meters - JMI	1,224.60	
Postage Advance - Management Enterprise	226.69	
Deferred Interest - JMI	6,469.51	
Prepaid Insurance - JMI	108.60	
Expense Advance - JMI	50.00	
Salary Advance - JMI	100.00	
Total Current Assets		$134,653.73
Property and Equipment :		
Office Equipment and Furniture	82,890.38	
Less: Accumulated Depreciation	(29,777.21)	
Net Property and Equipment		53,113.17
Total Assets		$187,766.90

JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
Page 2

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts Payable - JMI - Club	$ 9,730.61	
Accounts Payable - JMI - Foundation	8.15	
Accounts Payable - JMI - Coalition	8.15	
Accounts Payable - Management Enterprise	1,000.00	
Notes Payable - JMI	43,283.15	
NCC Advance Payable - JMI	43,995.69	
Payroll Taxes Withheld and Accrued - JMI	966.46	
Insurance Withheld - JMI	390.34	
Postage Escrow - Clients - JMI	681.02	
Postage Escrow - Clients - Management Enterprise	20.49	
Total Current Liabilities		$100,084.06
Stockholder's Equity:		
Capital Stock - JMI	100.00	
Retained Earnings (1-1-82)	86,887.54	
Current Earnings	695.30	
Total Stockholder's Equity		87,682.84
Total Liabilities and Stockholder's Equity		$187,766.90

Purchase order outstanding as 2/16/82 - JMI	$ 520.95
Invoices in-house but not on books as of 2/16/82 - JMI - Club	8,469.66
Invoices in-house but not on books as of 2/16/82 - JMI - Political	5,334.00
TOTAL	$14,324.61

8 6 0 4 0 5 0 1 8 3 8

JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Receivable
January 31, 1982

Boy Scouts of America	$ 558.35
Cobey for Lt. Governor	21,338.86
Conservative Caucus Foundation	43.32
Lake for Governor	75,229.39
Bob Vallois	163.36
National Congressional Club	10,325.35
NC Conservative Union	388.49
NCFIR	426.80
NC GOP	1,340.61
People for Chase White Committee	246.68
Rodenhiser for Mayor	2,544.73
Sands Investments	150.00
Sports Publication	50.00
SBE Fund	1,422.01
Total	$114,227.95

8 6 0 4 0 6 0 1 8 3 9

JEFFERSON MARKETING, INC.
Club Division
Statement of Revenues and Expenses
One Month Ended January 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ 3,472.00	$ 4,078.77	$ 3,472.00	$ 4,078.77
Advertising	5,681.00	5,580.92	5,681.00	5,580.92
Bookkeeping	1,240.00	1,123.97	1,240.00	1,123.97
Computer #1 & 2	14,502.00	14,227.57	14,502.00	14,227.57
Direct Mail	2,929.00	2,765.82	2,929.00	2,765.82
Mail Production #2	9,274.00	8,563.52	9,274.00	8,563.52
Total Revenues and Expenses	37,098.00	36,340.57	37,098.00	36,340.57
Net Income	$ 757.43		$ 757.43	

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Payable
January 31, 1982

Brown Industries, Inc.	$ 23.65
Bedford Printing Co.	145.08
Burrough	4,329.24
Federal Express	189.00
Hardison Corp.	1,960.38
IBM	1,296.50
Moore & Johnson Agency	217.00
Pitney Bowes	147.65
Safeguard System	38.50
Southern Bell	297.92
United Parcel Services	5.50
U.S. Monitor Service	128.60
Watkin Flowers Shop	20.20
Alfred William & Co.	931.39
TOTAL	$9,730.61

8 5 0 4 0 5 0 1 8 4 1

JEFFERSON MARKETING, INC.
Foundation Division
Statement of Revenues and Expenses
One Month Ended January 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$3.96	$ -0-	$3.96
Bookkeeping	108.15	-0-	108.15	-0-
Total Revenues and Expenses	108.15	3.96	108.15	3.96
Net Income	$104.19		$104.19	

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JEFFERSON MARKETING, INC.
Foundation Division
Schedule of Account Receivable
January 31, 1982

Congressional Club Foundation	$ 108.15

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JEFFERSON MARKETING, INC.
Foundation Division
Schedule of Account Payable
January 31, 1982

Robertson Stamp & Seal	$ 8.15

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JEFFERSON MARKETING, INC.
Coalition Division
Statement of Revenues and Expenses
One Month Ended January 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$3.94	$ -0-	$3.94
Bookkeeping	508.15	-0-	508.15	-0-
Total Revenues and Expenses	508.15	3.94	508.15	3.94
Net Income	$504.21		$504.21	

8 5 0 4 0 5 0 1 8 4 5

JEFFERSON MARKETING, INC.
Coalition Division
Schedule of Account Payable
January 31, 1982

Robertson Stamp & Seal	$ 8.15

8 6 0 4 0 6 0 1 8 4 8

JEFFERSON MARKETING, INC.
Political Division
Statement of Revenues and Expenses
One Month Ended January 31, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	-0-	.89	-0-	.89
Advertising	$5,334.00	$5,334.00	$5,334.00	$5,334.00
Total Revenues and Expenses	5,334.00	5,334.89	5,334.00	5,334.89
Net Income	$ (.89)		$ (.89)	

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Income Statement
One Month Ended January 31, 1982

	Month Revenues	Month Expenses	Year-to-Date Revenues	Year-to-Date Expenses
Production Fee-Conversion	$ 23.46	$ -0-	$ 23.46	$ -0-
Production Fee-List Procurement	25.00	-0-	25.00	-0-
Production Fee-Label	75.70	-0-	75.70	-0-
Postage	206.20	-0-	206.20	-0-
Consulting	-0-	1,000.00	-0-	1,000.00
Total Revenues and Expenses	330.36	1,000.00	330.36	1,000.00
Net Income	$(669.64)		$(669.64)	

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Account Receivable
January 31, 1982

Raleigh Civic Center	$ 64.51
Ward Transformer	1,242.82
Total	$1,307.33

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Payable
January 31, 1982

Robert Hames	$ 350.00
Charles Shaw	650.00
Total	$1,000.00

JEFFERSON MARKETING, INC.
Club Division
Statement of Revenues and Expenses
Two Months Ended February 28, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ 3,895.00	$ 6,878.37	$ 7,367.00	$10,957.14
Advertising	5,924.00	5,877.46	11,605.00	11,458.38
Bookkeeping	1,123.00	1,175.28	2,363.00	2,299.25
Computer #1 & 2	21,382.00	18,022.78	35,884.00	32,250.35
Direct Mail	2,754.00	2,785.37	5,683.00	5,551.19
Mail Production #2	11,685.00	10,116.07	20,959.00	18,679.59
Total Revenues and Expenses	46,763.00	44,855.33	83,861.00	81,195.90
Net Income	$ 1,907.67		$ 2,665.10	

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Receivable
February 28, 1982

Boy Scouts of America	$ 558.35
Cobey for Lt. Governor	21,338.86
Conservative Caucus Foundation	43.32
Lake for Governor	75,229.39
Bob Vallois	163.36
Management Enterprise	78.60
National Congressional Club	21,935.42
NC Conservative Union	388.49
NCFIR	426.80
NC GOP	1,340.61
People for Chase White Committee	246.68
Rodenhizer for Mayor —— ?	2,544.73
Sands Investments	150.00
Sports Publication	50.00
Total	$124,494.61

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Payable
February 28, 1982

Bowen Industries, Inc.	$ 308.50
Burrough	3,001.87
Federal Express	167.50
Hardison Corp.	1,960.28
IBM	1,851.66
Maupin, Taylor & Ellis, PA	98.00
Moore & Johnson Agency	237.00
Pitney Bowes	226.98
United Parcel Services	2.75
Alfred William & Co.	1,543.32
Total	$9,387.21

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JEFFERSON MARKETING, INC.
Foundation Division
Statement of Revenues and Expenses
Two Months Ended February 28, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expen
Administration	$ -0-	$3.76	$ -0-	$7.72
Bookkeeping	-0-	-0-	108.15	-0-
Total Revenues and Expenses	-0-	3.76	108.15	7.72
Net Income	$(3.76)		$100.43	

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JEFFERSON MARKETING, INC.
Coalition Division
Statement of Revenues and Expenses
Two Months Ended February 28, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to Dat Operating Expe
Administration	$ -0-	$ .49	$ -0-	$4.42
Bookkeeping	-0-	-0-	508.15	-0-
Total Revenues and Expenses	-0-	.49	508.15	4.43
Net Income	$(.49)		$503.72	

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JEFFERSON MARKETING, INC.
Political Division
Statement of Revenues and Expenses
Two Months Ended February 28, 1982

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expenses
Administration	$ -0-	$ -0-	$ -0-	$ .89
Advertising	5,334.00	5,334.00	10,668.00	10,668.00
Total Revenues and Expenses	5,334.00	5,334.00	10,668.00	10,668.89
Net Income	$ -0-		$ (.89)	

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Income Statement
Two Months Ended February 28, 1982

	Month Revenues	Month Expenses	Year-to-Date Revenues	Year-to-Date Expenses
Production Fee-Conversion	$ 124.88	$-0-	$ 148.34	$ -0-
Production Fee-Folding	13.76	-0-	13.76	-0-
Production Fee-System 6	39.30	-0-	39.30	-0-
Production Fee-Insert	113.31	-0-	113.31	-0-
Production Fee-Label	173.58	-0-	249.28	-0-
Production Fee-Bulk	44.13	-0-	44.13	-0-
Production Fee-List Procurement	-0-	-0-	25.00	-0-
Postage	(206.20)	-0-	-0-	-0-
Computer	43.94	-0-	43.94	-0-
Bank Charge	-0-	.19	-0-	.19
Consulting	-0-	-0-	-0-	1,000.00
Total Revenues and Expenses	346.70	.19	677.06	1,000.19
Net Income	$ 346.51		$(323.13)	

MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Account Receivable
February 28, 1982

Carolina Securities Corp.	$ 134.80
Raleigh Civic Center	64.51
Sperry & Associates	128.36
Ward Transformer — ?	1,276.28
Total	$1,603.95

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Payable
February 28, 1982

Jefferson Marketing, Inc.	$ 78.60
Charles Shaw	650.00
Total	$728.60

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JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
February 28, 1982

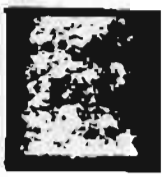
ASSETS

Current Assets:

Cash in Bank - JMI - Business	$ 129.44
Cash in Bank - JMI - Club	1,288.59
Cash in Bank - JMI - Foundation	96.62
Cash in Bank - JMI - Coalition	502.05
Cash in Bank - JMI - Political	1,098.19
Cash in Bank - JMI - Postage Escrow	508.23
Cash in Bank - Campaign Committee	352.51
Cash in Bank - Management Enterprise	442.25
Accounts Receivable - JMI - Club	124,494.61
Accounts Receivable - Management Enterprise	1,603.95
Loan Account - JMI	3,000.00
Loan Account - Management Enterprise	2,000.00
Deposit - JMI	50.00
Postage Meters - JMI	4,293.83
Postage Advance - JMI	429.46
Postage Advance - Management Enterprise	20.49
Deferred Interest - JMI	6,469.51
Total Current Assets	

Property and Equipment:

Office Equipment and Furniture	83,087.56
Less: Accumulated Depreciation	(31,245.57)
Net Property and Equipment	
Total Assets	



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JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
Page 2

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:

Accounts Payable - JMI - Club	$ 9,387.51	
Accounts Payable - Management Enterprise	728.60	
Notes Payable - JMI	43,283.15	
NCC Advance Payable - JMI	43,995.69	
Payroll Taxes Withheld and Accrued - JMI	5,671.07	
Insurance Withheld - JMI	311.21	
Postage Escrow - Clients - JMI	2,802.06	
Postage Escrow - Clients - Management Enterprise	720.49	
Advertising Escrow - Committee Against Gas Tax	725.50	
Accrued Expenses - JMI	863.67	
Total Current Liabilities		$108,688.95

Stockholder's Equipty:

Capital Stock - JMI	100.00	
Retained Earnings (1-1-82)	86,887.54	
Current Earnings	2,945.23	
Total Stockholder's Equity		89,932.77
Total Liabilities and Stockholder's Equity		$198,621.72

Purchase order outstanding as 3/12/82 - JMI		$ 385.58
Invoices in-house but not on books as of 3/12/82 - JMI - Club		1,373.85
Invoices in-house but not on books as of 3/12/82 - JMI - Political		5,334.00
Invoices in-house but not on books as of 3/12/82 - JMI - Coalition		2,357.23
	TOTAL	$ 9,450.66

JEFFERSON MARKETING, INC.
Business Division
Schedule of Administrative Expenses
Twelve Months Ended December 31, 1982

	Month	Year-to-Date
Advertising	$ -0-	$ 27.20
Bookkeeping	-0-	8,440.14
Computer Service & Supplies	-0-	25,357.22
Depreciation	-0-	8,348.81
Equipment Rental	-0-	(1,168.12)
Finance Charges	-0-	86.31
Insurance (hospitalization)	-0-	206.23
Insurance (liability)	-0-	266.32
Interest	-0-	3,049.39
License, Fees and Misc. Taxes	21.09	38.63
Leasehold Improvements	-0-	13.33
Payroll	-0-	7,510.48
Postage	60.41	1,124.47
Professional Fees	-0-	1,472.00
Provision for Federal & State Corp. Inc.	-0-	1,450.33
Printing	-0-	759.54
Repairs & Maintenance	-0-	6,104.58
Rent	-0-	5,749.99
Rental	-0-	264.75
Salaries and Wages	-0-	19,619.92
Shipping	-0-	3,216.50
Supplies	-0-	330.75
Subscriptions and Dues	-0-	534.00
Telephone	-0-	(499.48)
Travel and Entertainment	-0-	2,646.48
Utilities	-0-	833.00
Miscellaneous	-0-	2,936.40
Total Administrative Expenses	$81.50	$98,719.17

JEFFERSON MARKETING, INC.
Business Division
Schedule of Accounts Receivable
December 31, 1981

Boy Scouts of America	$ 558.35
Campaign Committee	2,407.61
Cobey for Lt. Governor	264.07
Conservative Caucus Foundation	43.32
Lake for Governor	20,839.48
Bob Vallois	163.36
National Conservative Political	1,092.68
National Congressional Club	1,784.63
NC Conservative Union	388.49
NCFIR	426.80
NC GOP	1,340.61
Rodenhizer for Mayor	2,544.73
Sands Investments	150.00
Sports Publication	50.00
SEE Fund	1,422.01
Total	$33,476.14

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Revised 2/2/82

JEFFERSON MARKETING, INC.
Club Division
Statement of Revenues and Expenses
Twelve Months Ended December 31, 1981

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expens
Administration	$ 9,428.68	$10,857.29	$ 30,712.68	$ 37,263.59
Advertising	6,072.00	6,010.92	29,638.00	29,110.28
Bookkeeping	1,140.00	1,218.18	10,612.00	10,667.08
Caging #2	-0-	-0-	402.00	374.17
Computer #1 & 2	12,315.00	11,141.78	63,484.00	56,214.93
Direct Mail	1,712.00	1,849.45	8,188.00	8,235.33
Mail Production #2	9,070.00	10,578.60	46,114.00	45,931.92
Total Revenues and Expenses	39,737.68	41,656.22	189,150.68	187,797.30
Net Income	$(1,918.54)		$ 1,353.38	

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Receivable
December 31, 1981

Campaign Committee	$ 370.24
National Congressional Club	14,697.71
People for Chase White Committee — ?	246.68
Coalition for Freedom	58.74
Total	$15,373.37

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JEFFERSON MARKETING, INC.
Club Division
Schedule of Accounts Payable
December 31, 1981

Bowen Industries, Inc.	$ 23.65
Bedford Printing Co.	145.08
Ernst & Whinney	1,150.00
Hardison Corp	3,558.76
IBM	1,200.50
Moore & Johnson Agency	217.00
Municipal Forms & Systems	34.13
Pitney Bowes	52.89
Purolator Courier	39.48
Safeguard System	37.77
Video Associates	26.00
Alfred William & Co.	1,351.73
United Parcel Services	.25
Raleigh Engraving Co.	28.60
Total	$7,865.84

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JEFFERSON MARKETING, INC.
Political Division
Statement of Revenues and Expenses
Four Months Ended December 31, 1981

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Date Operating Expens
Administration	$ -0-	$ -0-	$ -0-	$ 93.60
Bookkeeping	-0-	-0-	-0-	8.15
Total Revenues and Expenses	-0-	-0-	-0-	101.75
Net Income	$ -0-		$(101.75)	

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JEFFERSON MARKETING, INC.
Foundation Division
Statement of Revenues and Expenses
Four Months Ended December 31, 1981

	Month Revenues	Month Operating Expenses	Year-to-Date Revenues	Year-to-Datw Operating Expens:
Administration	$ -0-	$ .96	$ -0-	$ 95.66
Bookkeeping	-0-	-0-	-0-	8.15
Total Revenues and Expenses	-0-	.96	-0-	103.81
Net Income	$ (.96)		$(103.81)	

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CAMPAIGN COMMITTEE
A Division of Jefferson Marketing, Inc.
Income Statement
Twelve Months Ended December 31, 1981

	Month Revenues	Month Expenses	Year-to-Date Revenues	Year-to-Da Expenses
Administration	$ -0-	$(900.66)	$153,539.97	$164,656.9
Advertising	-0-	-0-	38,219.00	34,151.9
Computer	-0-	-0-	30,379.00	27,070.0
National Finance	-0-	-0-	13,612.00	10,812.5
NC Finance	-0-	-0-	18,332.70	17,639.9
Organization	-0-	100.00	78,768.00	70,411.4
Press	-0-	-0-	9,595.00	8,474.8
Research	-0-	-0-	16,769.00	15,790.7
Scheduling	-0-	-0-	5,717.00	5,223.1
Telephone Bank	-0-	-0-	9,960.00	8,780.8
Washington	-0-	-0-	9,192.00	8,114.3
Total Revenues and Expenses	$ -0-	$(800.66)	$384,083.67	$371,126.6
Net Income	$800.66		$ 12,956.98	

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JEFFERSON MARKETING, INC.
Foundation Division
Schedule of Account Payable
December 31, 1981

Robertson Stamp & Seal	$8.15

CAMPAIGN COMMITTEE
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Receivable
December 31, 1981

Cobey for Lt. Governor	$21,074.79
National Congressional Club	1,930.81
Lake for Governor	54,389.91
Total	$77,395.51

CAMPAIGN COMMITTEE
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Payable
December 31, 1981

Jefferson Marketing, Inc.	$2,777.85
Hardision Corp.	926.50
Total	$3,704.35

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Income Statement
Twelve Months Ended December 31, 1981

	Month Revenues	Month Expenses	Year-to-Date Revenues	Year-to-Da Expenses
Production Fee-Pre-Sort	$ -0-	$ -0-	$ 78.97	$ -0-
Production Fee-Folding	-0-	-0-	4.11	-0-
Production Fee-System 6	-0-	-0-	308.22	-0-
Production Fee-Insert	-0-	-0-	980.31	-0-
Production Fee-Label	93.47	-0-	1,409.05	-0-
Production Fee-Bulk	101.02	-0-	1,533.14	-0-
Bookkeeping	-0-	-0-	-0-	235.75
Computer	-0-	-0-	134.35	1,996.65
Direct Mail	-0-	-0-	-0-	193.94
Printing	-0-	83.20	-0-	223.76
Shipping	-0-	-0-	-0-	29.08
Supplies	-0-	-0-	-0-	377.32
Miscellaneous	-0-	-0-	96.46	-0-
Consulting	-0-	2,200.00	-0-	2,200.00
Total Revenues and Expenses	194.49	2,283.20	4,544.61	5,256.50
Net Income	$(2,088.71)		$ (711.89)	

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MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Account Receivable
December 31, 1981

NC Hosipital Assn.	$ 194.49
Ward Transformer	1,242.82
Total	$1,437.31

MANAGEMENT ENTERPRISE, INC.
A Division of Jefferson Marketing, Inc.
Schedule of Accounts Payable
December 31, 1981

Raleigh Engraving Co.	$ 83.20
S.C. Keypunch	1,996.65
Total	$2,079.85

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Jefferson Marketing, Inc.
Statement of Earnings
December 31, 1979

Operating Expenses	Marketing	Campaign	Combined
Auto leasing	$ -0-	$ 697.74	$ 697.74
Bookkeeping	6,657.06	2,702.87	9,359.93
Dues and subscriptions	274.25	106.49	380.74
Insurance	924.59	1,240.86	2,165.45
Legal	285.25	-0-	285.25
Office	33.54	-0-	33.54
Payroll taxes	2,795.79	4,034.15	6,829.94
Postage	328.41	-0-	328.41
In-House First Class	9.88	-0-	9.88
In-House Stamps	-0-	-0-	-0-
In-House BRE	100.00	-0-	100.00
Rent	2,538.66	5,835.20	8,373.86
Salaries and wages	31,530.50	65,807.89	97,338.39
Supplies	906.22	2,163.81	3,070.03
Telephone	2,372.35	-0-	2,372.35
Travel and entertainment	4,400.47	951.33	5,351.80
Publications	142.09	-0-	142.09
Equipment rental	1,009.89	-0-	1,009.89
Consulting	17,666.64	3,740.82	21,407.46
Interest	300.78	11.40	312.18
Shipping	164.64	-0-	164.64
Workshop and seminar	17.50	-0-	17.50
Contributions	1,029.03	-0-	1,029.03
License and taxes	18.26	3.67	21.93
Repairs and maintenance	468.00	-0-	468.00
Computer services	1,560.91	3,514.90	5,075.81
Equipment supplies	50.75	-0-	50.75
Depreciation	1,082.53	-0-	1,082.53
Printing	-0-	152.91	152.91
Photography	-0-	70.00	70.00
Total operating expenses	76,667.99	91,034.04	167,702.03
Net profit before taxes	22,660.36	8,378.77	31,039.13
N.C. Income tax expense	1,900.00		1,900.00
Federal Income tax expense	3,200.00		3,200.00
NET PROFIT	$ 17,560.36	$ 8,378.77	$ 25,939.13

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Jefferson Marketing, Inc.
COMBINED
Statement of Earnings
December 31, 1979

Revenues:	Marketing	Campaign	Combined
Consultant fees	$ 83,750.00	$ 99,412.81	$ 183,162.81
List rental fees	9,796.53		9,796.53
Mailing fees	824.68		824.68
Production - Personalization	10,216.42		10,216.42
- Inserter	2,721.31		2,721.31
- Labeling	1,039.30		1,039.30
- Mailroom	1,219.43		1,219.43
Printing fees	5,110.27		5,110.27
Computer fees	6,938.45		6,938.45
Other fees	1,153.91		1,153.91
Miscellaneous fees	150.00		150.00
Total revenues	$122,920.30	$ 99,412.81	$ 222,333.11
Cost of sales:			
Mailing services	953.23		953.23
Postage	1,198.55		1,198.55
Printing	3,131.49		3,131.49
Computer	7,450.26		7,450.26
Production - Personalization	8,246.56		8,246.56
- Inserter	175.00		175.00
- Labeling	30.00		30.00
- Mailroom	52.50		52.50
List rental	2,354.36		2,354.36
Total cost of sales	$ 23,591.95	-0-	$ 23,591.95
Gross profit	$ 99,328.35	$ 99,412.81	$ 198,741.16

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Jefferson Marketing, Inc.
COMBINED
Balance Sheet
December 31, 1979

ASSETS

Current Assets:	Marketing	Campaign	Total
Cash in bank - FCBT	(1,043.11)	(8,735.35)	(9,778.46)
Accounts receivable - trade	23,369.32	35,716.18	59,085.50
Prepaid postage	1,035.11	-0-	1,035.11
Postage escrow - bulk meter	10.00	-0-	10.00
Postage escrow - first class meter	10.00	-0-	10.00
Total current assets	23,381.32	26,980.83	50,362.15
Property & Equipment:			
Office equipment	19,293.30	-0-	19,293.30
Office furniture	155.42	-0-	155.42
Less accumulated depreciation	(1,082.53)		(1,082.53)
Total property & equipment	18,366.19		18,366.19
Other Assets:			
Deposits	150.00		150.00
Total Assets	41,897.51	26,980.83	68,878.34

LIABILITIES

Current Liabilities:			
Accounts payable	16,903.13	12,791.26	29,694.39
Payroll taxes withheld & accrued	836.27	5,570.22	6,406.49
Postage escrow - clients	1,387.15	-0-	1,387.15
Insurance withheld	10.60	240.58	251.18
Federal income tax	3,200.00	-0-	3,200.00
N.C. income tax	1,900.00	-0-	1,900.00
Total current liabilities	24,237.15	18,602.06	42,839.21
Stockholders Equity:			
Capital stock	100.00	-0-	100.00
Retained earnings	17,560.36	8,378.77	25,939.13
Total liabilities	41,897.51	26,980.83	68,878.34

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ADJUSTMENTS

JEFFERSON MARKETING, INC.

12-31-81

Federal income taxes payable	889.67	
Retained earnings	11,078.46	
State income taxes payable		2,130.78
Accumulated depreciation		9,837.35

To book prior year adjusting entries not made by client.

Retained earnings	2,485.55	
Miscellaneous income		2,485.55

To adjust for items expensed in prior year on return, but made into asset accounts by client after yearend.

Depreciation	3,406.39	
Accumulated depreciation		3,406.39

To record additional depreciation for the year.

Provision for Federal and State income taxes	889.67	
Federal income taxes payable		889.67

To show overpayment from prior year as estimate paid.

State income taxes payable	2,130.78	
Taxes	64.42	
Payroll Taxes		2,195.20

To correct account for payment of NC income taxes.

Federal income taxes payable	2,340.00	
Provision for federal taxes		2,340.00

To show estimates for 1981

Provision for federal and state taxes	2,950.44	
State income taxes payable		1,139.32
Federal income taxes payable		1,811.12

To book tax provision

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Revised 2/2/82

JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
December 31, 1981

ASSETS

Current Assets:		
Cash in Bank - JMI - Business	$ 138.81	
Cash in Bank - JMI - Club	1,548.36	
Cash in Bank - JMI - Foundation	4.34	
Cash in Bank - JMI - Coalition	6.48	
Cash in Bank - JMI - Political	6.40	
Cash in Bank - JMI - Postage Escrow	58.43	
Cash in Bank - Campaign Committee	1,202.01	
Cash in Bank - Management Enterprise	2,283.27	
Accounts Receivable - JMI - Business	33,476.14	
Accounts Receivable - JMI - Club	15,373.37	
Accounts Receivable - Campaign Committee	77,395.51	
Accounts Receivable - Management Enterprise	1,437.31	
Loan Account - JMI	4,000.00	
Loan Account - Management Enterprise	2,000.00	
Deposit - JMI	50.00	
Postage Meters - JMI	1,588.79	
Postage Advance - Management	20.49	
Deferred Interest - JMI	7,503.81	
Prepaid Insurance - JMI	68.60	
Total Current Assets		$149,159.12
Property and Equipment:		
Office Equipment and Furniture	86,251.66	
Less: Accumulated Depreciation	(29,398.61)	
Net Property and Equipment		56,853.05
Total Assets		$205,012.17

JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
Page 2

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts Payable - JMI - Club	$ 7,865.84	
Accounts Payable - JMI - Foundation	8.15	
Accounts Payable - JMI - Coalition	8.15	
Accounts Payable - JMI - Political	8.15	
Accounts Payable - Campaign Committee	3,704.35	
Accounts Payable - Management Enterprise	2,079.85	
Notes Payable - JMI	49,054.27	
Notes Payable - Campaign Committee	1,000.00	
NCC Advance Payable - JMI	16,031.10	
NCC Advance Payable - Campaign Committee	27,964.59	
Payroll Taxes Withheld and Accrued - JMI	2,826.35	
Insurance Withheld - JMI	276.25	
Postage Escrow - Clients - JMI	1,014.42	
Postage Escrow - Clients - Management Enterprise	20.49	
Advertising Escrow - NCC - JMI	26.72	
Accrued Expenses	5,126.85	
Unemployment Taxes Payable - JMI	1,009.10	
Total Current Liabilities		$118,024.63
Stockholder's Equity:		
Capital Stock - JMI	100.00	
Retained Earnings (1-1-81)	70,559.07	
Current Earnings	16,328.47	
Total Stockholder's Equity		86,987.54
Total Liabilities and Stockholder's Equity		$205,012.17

Purchase order outstanding as 1/29/82 - JMI	$ 757.06
Invoices in-house but not on books as of 1/29/82 - JMI	1,427.54
Invoices in-house but not on books as of 1/29/82 - Management Enterprise	1,250.00
TOTAL	$3,334.60

CONGRESSIONAL CLUB

P.O. Box 18848
Raleigh, N.C. 27619
782-5700 -01 -02 -04
ADP ID# 3332
Fed. ID# 56-1055846
State ID# 92-122002
Checking Acct. # 0861122499

JEFFERSON MARKETING, INC.

P.O. Box 18746
Raleigh, N.C. 27619
782-5431 and 782-5439
ADP ID# 4948
Fed. ID# 56-1221396
State ID# 92-17425-22
Checking Acct. # 0861143935

COALITION FOR FREEDOM

P.O. Box 19458
Raleigh, N.C. 27619
782-7332 -33
ADP ID# 2249
Fed. ID# 56-1223386
State ID# 92-17504-30
Checking Acct. # 0861144065

CAMPAIGN COMMITTEE

P.O. Box 18746
Raleigh, N.C. 27619
781-5220 - 21
ADP ID# 4948
Fed. ID# 56-1221396
State ID# 92-17425-22
Checking Acct. # 0861144241

HARDISON CORPORATION

P.O. Box 30034
Raleigh, N.C. 27622
782-6146 -48
ADP ID#
Fed. ID# 56-1222597
State ID# 92-17485-22
Checking Acct. # 1047191
(State Bank)

JESSE FOR VICE PRESIDENT

P.O. Box 28066
Raleigh, N.C. 27611
781-2892 -93
ADP ID# 3326
Fed. ID# 56-1255314
State ID# 92-18669-27
Checking Acct. # 0861144153

EAST FOR SENATE

P.O. Box 26493
Raleigh, N.C. 27611
782-7331 -32 -33
ADP ID# 2789
Fed. ID# 56-1255313
State ID# 92-18670-27
Checking Acct. # 0861144305

BEV LAKE FOR GOVERNOR

P.O. Box 1549
Raleigh, N.C. 27602
782-5751, 782-5631 -32 -34
ADP ID# 5604
Fed. ID# 56-1255470
State ID# 92-18650-27
Checking Acct. # 0861144161

COBEY FOR LT. GOVERNOR

P.O. Box 26302
Raleigh, N.C. 27611
782-7327 -28 -29
ADP ID#
Fed. ID#
State ID#
Checking Acct. # 0861151206

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Ernst & Whinney

1100 Branch Banking & Trust Building
Raleigh, North Carolina 27601

919/833-7301

March 4, 1982

Mr. Richard Miller
Jefferson Marketing, Inc.
P. O. Box 18746
Raleigh, North Carolina 27619

Dear Rick:

Under the corporation estimated income tax regulations, your corporation must deposit, by the date indicated, the following amounts to avoid a penalty for underestimating its income tax for this year:

$73.88 on or before June 15, 1982.
$455.00 on or before September 15, 1982.
$455.00 on or before December 15, 1982.

A corporation liable for estimated income tax does not file a declaration of estimated tax form with the Internal Revenue Service. It merely deposits each estimated tax payment with an authorized bank, accompanied by Depositary Form 503. This is the same procedure used for paying the regular corporate income tax. Deposits must be received by the bank before 1:00 P.M. on the above dates to be treated as deposited on time.

You will not receive a notice from the Internal Revenue Service of installments due. Be sure to mark your calendar for the due dates.

Yours very truly,

PAB

Ann Buddenhagen

PAB:pdm

R60405U1878

Twelve Months Ended December 31, 1981

	Month Revenue	Month Operating Expenses	Year-to-Date Revenue	Year-to-Date Operating Expenses
Consulting Fees	$ -0-	$ -0-	$111,859.96	$ -0-
Mailing Fees	-0-	-0-	3,819.64	-0-
Postage Fees	-0-	-0-	12,032.60	-0-
Production-System	-0-	-0-	-0-	33,416.28
Telephone	-0-	-0-	72,355.73	71,504.21
Computer	-0-	-0-	-0-	3,310.20
Refunds and Rebates	(2,000.00)	-0-	1,760.82	-0-
Other	2,108.36	-0-	8,158.34	-0-
Total	108.36	-0-	209,987.09	108,230.69
Gross Margain	108.36		101,756.40	
Adminstrative Expenses	81.50		98,719.17	
Net Income	$ 26.86		$ 3,037.23	

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Thomas Wm. Mayo

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N.W.
P.O. BOX 7566
WASHINGTON, D.C. 20044

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Gary Johansen, Esq.
Assistant General Counsel
Federal Election Commission
1325 K Street, N.W.

By Hand 7th Floor 416

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N.W.
P.O. BOX 7566
WASHINGTON, D.C. 20044

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
The National Congressional Club)

60:59 '81

SUPPLEMENTAL RESPONSE OF
THE NATIONAL CONGRESSIONAL CLUB

This is the supplemental response of The National Congressional Club ("NCC") to certain interrogatories and requests for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29 Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, R. E. Carter Wrenn, Treasurer of The National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the production of the document submitted herewith.

I. ORDER TO SUBMIT WRITTEN ANSWERS AND SUBPOENA TO PRODUCE DOCUMENT (December 1, 1983)

Item 1.h. Please state the names of all political committees (other than those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

Response: NCC made two types of in-kind contributions through JMI: (1) services provides by JMI employees and (2) expenses paid by JMI for which NCC reimbursed JMI in the same amount (e.g., an Audiophonics bill). The 1982 in-kind contributions for JMI services and expenses were:

3604061981

CANDIDATES	SERVICES	EXPENSES	TOTAL
Gene Johnston for Congress P. O. Box 9089 Greensboro, NC 27408	$2,391.09	$1,350.84	$3,741.93
Ann Bagnal for Congress P. O. Box 438 Winston-Salem, NC 27102	4,941.74		4,941.74
Harris Blake for Congress P. O. Box 1982 Southern Pines, NC 28387	5,185.09		5,185.09
Tom Gibson for Congress P. O. Box 1030 Lumberton, NC 28358	353.08	299.41	652.49
Henden for Congress Box 123 Asheville, NC 28803	1,700.26	1,144.34	2,844.60
Bill Ress for Senate P. O.Box 472 Doner, OH 44622	1,076.85		1,076.85
Bill Cobey for Congress P. O. Box 1982 Chapel Hill, NC 27514	5,671.51		5,671.51
Red McDaniel for Congress P. O. Box 160 Dunn, NC 28334	3,723.45	69.71	3,793.16
Jack Marin for Congress P. O. Box 8600 Durham, NC 27707	4,768.38	38.62	4,807.00
Peter Dominici 4239 Dirksen Senate Office Washington, D.C. 20510	348.13	486.47	834.60*/
Ed Johnson for Congress P. O. Box 1589 Lumberton, NC 28358	356.31	927.89	1,284.20

*/ Senator Dominici was not a candidate for reelection in 1982, and the in-kind contributions were neither made to any political committee nor reported as contributions to a candidate or committee. They are reported here in order to give the Commission the fullest picture possible, consistent with a broad reading of the spirit of this question.

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Item 1.k(3). [Please specify] the identify of all JMI clients, other than Gibson, represented in the larger bill [of which the $353.08 for the services of Earl Ashe and Susan Cashwell was a part].

Response: This item contains two erroneous premises. First, it assumes that NCC was billed $353.08 by JMI for the services of Susan Cashwell and Earl Ashe. This is incorrect; $353.08 represents the value of NCC's in-kind contribution of those services, as determined by Carter Wrenn. JMI did not calculate a separate charge for these services, or for any other project undertaken by JMI employees for NCC in 1982.

Second, the question implies that the Gibson Committee and other committees in whose favor NCC made in-kind contributions of JMI services were JMI's clients. It is probably more accurate to regard NCC as JMI's client, because NCC received and paid the bill from JMI for JMI's services, not the political committees.

Political committees (other than NCC) in whose favor NCC made in-kind contributions of JMI services covered by the monthly bill that also included the services of Ms. Cashwell and Mr. Ashe on behalf of the Gibson Committee are:

Jack Marin for Congress
P. O. Box 8600
Durham, NC 27707

Bill Cobey for Congress
P. O. Box 1982
Chapel Hill, NC 27514

Item 4.a(9). Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;

8504018

(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

Response: NCC cannot answer this question precisely as it is framed. The Commission assumes that this time buy was performed on a gross-to-buyer/net-to-station basis, which it was not. Instead, JMI simply purchased time (for net) from the station, and was paid a fee by NCC. The time buy was performed by Ms. Cashwell, a JMI employee, and JMI included those services in its monthly bill to NCC, which NCC paid.

Because JMI did not bill for its services to NCC on a project-by-project basis, but rather on a cost-plus-fixed-percentage basis for all of its costs each month, it is impossible to determine the amount of JMI's monthly NCC bill to JMI that should be allocated for Ms. Cashwell's efforts on this time buy. The JMI bill was paid by NCC with a series of checks between May 28 and July 26, 1983. NCC reported its in-kind contributions of these services to the Gibson Committee in its regularly filed reports to the Federal Election Commission. The value of Ms. Cashwell's services in connection with this particular time buy was part of the $353.08 reported by NCC.

II. MISCELLANEOUS REQUESTS FOR DOCUMENTS AND RESPONSES

1. At Mr. Wrenn's deposition on September 14, 1983, the Federal Election Commission asked for a legible copy of Biggs Exhibit 14 (see FEC Petition for Order to Show Cause, Exhibit J, item 5.) A copy of Biggs Exhibit 14 is attached as Exhibit A hereto.

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2. Also during Mr. Wrenn's deposition, the Commission asked whether a $35.00 charged noted in Wrenn Exhibit 3 was part of a larger in-kind contribution to the Gibson Committee. It was not. It appears that, through clerical error, the $35.00 in-kind contribution has not yet been reported by NCC. NCC will amend the appropriate report to rectify this error.

* * *

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

R. E. Carter Wrenn
R. E. CARTER WRENN
by TWM

4/10/84
Date

Sworn and subscribed to before me this 10th day of April 1984.

Lois R. Parker
NOTARY PUBLIC

My Commission Expires December 14, 1984

8604005183

Exhibit A

1. Expense reports paid $279.45 10/91 Jr. Kid

2. Step time paid 100%

3. direct mail

4. Printouts

8504050185

739-2811

Bo Beggs

Banner 5¢ + 2¢

use pay stat 5¢

Xerox & finishing

$100 + 100 misc 0900

(#100)

RECEIVED AT THE FEC

84 MAY 9 AM : 38
FILED

APR 23 1984

J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

Form 7

MUR 1503

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	84-29-Misc.-5 110 Misc O. B. #3

ORDER

The court, having fully considered Petitioner Federal Election Commission's Motion to Dismiss, it is this day of April 1983,

ORDERED, that the motion of Petitioner, Federal Election Commission, to dismiss without prejudice the petition to show cause against Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison is hereby granted.

United States District Court Judge

I certify the foregoing to be a true and correct copy of the original.
J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
By Catherine Wells
Deputy Clerk

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GCC#1986
84 MAR 30 A8:45

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

MUR 1503
open file

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

Petitioner,

v.

JEFFERSON MARKETING, INC.
3825 Barrett Drive
Raleigh, North Carolina 27619

NATIONAL CONGRESSIONAL CLUB
3825 Barrett Drive
Raleigh, North Carolina 27619

R. E. CARTER WRENN
3825 Barrett Drive
Raleigh, North Carolina 27619

DOUGLAS M. DAVIDSON
3825 Barrett Drive
Raleigh, North Carolina 27619

S. KATHERINE HARDISON
3825 Barrett Drive
Raleigh, North Carolina 27619

Respondents.

CIVIL ACTION NO. 84-29
Misc. 5

FILED
MAR 27 1984
J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

84 MAR 30 A10:18

8504061988

JOINT STIPULATION AND ORDER

Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison, by their attorneys, hereby agree as follows:

1. Respondents JMI and NCC agree to answer all outstanding questions and respond to all outstanding requests for documents in MUR 1503 within 20 days of the signing of this stipulation by the Petitioner and Respondents insofar as such questions and

requests directly concern the activities of respondents during the 1982 election cycle, with the exception of the questions and requests specified in paragraph 2 of this stipulation and order. In addition, Respondent JMI agrees to answer outstanding questions 10d and 11 of the Petitioner's order and subpoena issued to JMI on November 30, 1983, within 20 days of the signing of this stipulation by the Petitioner and Respondents.

2. Respondents JMI and NCC state that they have no information to further answer questions 1k(1), 4a(6), 4a(7), 4a(10), 4b(6), 4b(7), 4b(10), 4c(6), 4c(7), 4c(10), 4d(9), 4d(10), and 4d(13) of the order and subpoena issued to JMI on November 30, 1983; questions 1k(1), 8a(5), 8a(6), 2a, 2b, 2c, 2j and 2p of the order and subpoena issued to NCC on November 30, 1983; and request for production of documents Nos. 4 and 7 from Exhibit J attached to the Petition For Order To Show Cause. For this reason Petitioner agrees to withdraw these questions and requests; Petitioner also agrees to withdraw question C of the order and subpoena issued to NCC on June 1, 1983, from this subpoena enforcement proceeding.

3. Petitioner agrees to withdraw outstanding deposition questions specified in the Petition for Order to Show Cause at paragraphs 21, 22 and 23. Respondents R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison agree to make themselves available at a mutually convenient date and time if Petitioner hereafter reconvenes their depositions.

R604501489

4. Petitioner and Respondents agree that on the basis of this stipulation and order, Petitioner does not waive its right to submit any questions or requests for production of documents subsequent to this stipulation and order, and Respondents do not waive their right to object to any such questions and requests on any ground, including, but not limited to, relevance, burdensomeness and privilege.

5. Petitioner and Respondent JMI agree that Respondent JMI shall mark on any deposition transcript page, response, or any document that it hereafter makes available to the Petitioner in MUR 1503 and as to which it claims a trade-secret or confidential-business-matter privilege the legend "Trade Secret or Business Record/MUR 1503/JMI." With respect to documents so marked, Petitioner agrees to provide JMI with notice to be received by JMI not less than seven business days before it (a) files as a matter of public record any such documents in any court or agency proceeding, (b) offers any such documents in evidence in any court or agency proceeding which is a matter of public record, (c) releases any such document pursuant to the Freedom of Information Act, (d) discloses any such document to any person not a Commissioner or employee of the Federal Election Commission or employee or agent of JMI or NCC, or (e) makes public disclosure of any such document pursuant to 2 U.S.C. § 437g(a)(4) and 11 C.F.R. § 111.20.

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6. Petitioner agrees that within seven days of the filing by Respondents JMI and NCC of their supplemental responses pursuant to this stipulation and order, Petitioner will move for voluntary dismissal of the subpoena enforcement action.

Respectfully submitted,

Brice M. Clagett

Charles N. Steele
General Counsel

John R. Bolton

Richard B. Bader
Assistant General Counsel

Thomas Wm. Mayo

Gary Johansen
Assistant General Counsel

R. W. Lee Andersen
Attorney

COVINGTON & BURLING
1201 Pennsylvania, Ave., N.W.
P. O. Box 7566
Washington, D.C. 20044
(202) 662-6000

Counsel For Respondents

March 21, 1984

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4529

Counsel For Petitioner

SO ORDERED:

March 27, 1984
Date:

United States District Judge

I certify the foregoing to be a true and correct copy of the original.
J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
By:

8504001891

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of March 1984, I caused to be served by first class mail a copy of a Joint Stipulation and Order in the above captioned matter on the following counsel:

Thomas Wm. Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

R. W. Lee Andersen

March 21, 1984

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Per n: file
MUR 1503

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 21, 1984

J: Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
P.O. Box 25670
Federal Building
Raleigh, North Carolina 27611

Re: Federal Election Commission v. Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, 84-29-Misc.-5 (filed February 21, 1984).

Dear Mr. Leonard:

Enclosed please find an original and two copies of a Joint Stipulation and Order between Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison. Please file the original with the court (an extra copy has been included for your files if needed) and date-stamp and return the other copy to the Commission in the enclosed, self-addressed envelope.

If you should have any problems or questions, please call me at (202) 523-5071.

Sincerely,

R. W. Lee Andersen

R. W. Lee Andersen
Attorney

Enclosures

8504050189

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

Petitioner,

v.

JEFFERSON MARKETING, INC.
3825 Barrett Drive
Raleigh, North Carolina 27619

NATIONAL CONGRESSIONAL CLUB
3825 Barrett Drive
Raleigh, North Carolina 27619

R. E. CARTER WRENN
3825 Barrett Drive
Raleigh, North Carolina 27619

DOUGLAS M. DAVIDSON
3825 Barrett Drive
Raleigh, North Carolina 27619

S. KATHERINE HARDISON
3825 Barrett Drive
Raleigh, North Carolina 27619

Respondents.

CIVIL ACTION NO. 84-29
Misc. 5

8504018894

JOINT STIPULATION AND ORDER

Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison, by their attorneys, hereby agree as follows:

1. Respondents JMI and NCC agree to answer all outstanding questions and respond to all outstanding requests for documents in MUR 1503 within 20 days of the signing of this stipulation by the Petitioner and Respondents insofar as such questions and

requests directly concern the activities of respondents during the 1982 election cycle, with the exception of the questions and requests specified in paragraph 2 of this stipulation and order. In addition, Respondent JMI agrees to answer outstanding questions 10d and 11 of the Petitioner's order and subpoena issued to JMI on November 30, 1983, within 20 days of the signing of this stipulation by the Petitioner and Respondents.

2. Respondents JMI and NCC state that they have no information to further answer questions 1k(1), 4a(6), 4a(7), 4a(10), 4b(6), 4b(7), 4b(10), 4c(6), 4c(7), 4c(10), 4d(9), 4d(10), and 4d(13) of the order and subpoena issued to JMI on November 30, 1983; questions 1k(1), 8a(5), 8a(6), 2a, 2b, 2c, 2j and 2p of the order and subpoena issued to NCC on November 30, 1983; and request for production of documents Nos. 4 and 7 from Exhibit J attached to the Petition For Order To Show Cause. For this reason Petitioner agrees to withdraw these questions and requests; Petitioner also agrees to withdraw question C of the order and subpoena issued to NCC on June 1, 1983, from this subpoena enforcement proceeding.

3. Petitioner agrees to withdraw outstanding deposition questions specified in the Petition for Order to Show Cause at paragraphs 21, 22 and 23. Respondents R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison agree to make themselves available at a mutually convenient date and time if Petitioner hereafter reconvenes their depositions.

R504518

4. Petitioner and Respondents agree that on the basis of this stipulation and order, Petitioner does not waive its right to submit any questions or requests for production of documents subsequent to this stipulation and order, and Respondents do not waive their right to object to any such questions and requests on any ground, including, but not limited to, relevance, burdensomeness and privilege.

5. Petitioner and Respondent JMI agree that Respondent JMI shall mark on any deposition transcript page, response, or any document that it hereafter makes available to the Petitioner in MUR 1503 and as to which it claims a trade-secret or confidential-business-matter privilege the legend "Trade Secret or Business Record/MUR 1503/JMI." With respect to documents so marked, Petitioner agrees to provide JMI with notice to be received by JMI not less than seven business days before it (a) files as a matter of public record any such documents in any court or agency proceeding, (b) offers any such documents in evidence in any court or agency proceeding which is a matter of public record, (c) releases any such document pursuant to the Freedom of Information Act, (d) discloses any such document to any person not a Commissioner or employee of the Federal Election Commission or employee or agent of JMI or NCC, or (e) makes public disclosure of any such document pursuant to 2 U.S.C. § 437g(a)(4) and 11 C.F.R. § 111.20.

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6. Petitioner agrees that within seven days of the filing by Respondents JMI and NCC of their supplemental responses pursuant to this stipulation and order, Petitioner will move for voluntary dismissal of the subpoena enforcement action.

Respectfully submitted,

Brice M. Clagett

Charles N. Steele
General Counsel

John R. Bolton

Richard B. Bader
Assistant General Counsel

Thomas Wm. Mayo

Gary Johansen
Assistant General Counsel

R. W. Lee Andersen
Attorney

COVINGTON & BURLING
1201 Pennsylvania, Ave., N.W.
P. O. Box 7566
Washington, D.C. 20044
(202) 662-6000

Counsel For Respondents

March 21, 1984

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4529

Counsel For Petitioner

SO ORDERED:

Date:

United States District Judge

8504001807

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	)	84-29-Misc.-5

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of March 1984, I caused to be served by first class mail a copy of a Joint Stipulation and Order in the above captioned matter on the following counsel:

Thomas Wm. Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

R. W. Lee Andersen

March 21, 1984

8504018 08

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
FEDERAL ELECTION COMMISSION	)	
	)	
v.	)	CIVIL ACTION NO. 84-29
	)	
JEFFERSON MARKETING, INC.	)	Misc. 5
NATIONAL CONGRESSIONAL CLUB	)	U.S.D.C. for the Eastern
R. E. CARTER WRENN	)	District of North Carolina
DOUGLAS M. DAVIDSON	)	
S. KATHERINE HARDISON	)	

CERTIFICATION

I, Marjorie W. Emmons, Recording Secretary for the Federal Election Commission executive session on March 20, 1984, do hereby certify that the Commission decided by a vote of 4-0 to approve the signing of the "Joint Stipulation and Order" attached to the FEC General Counsel's March 14, 1984, report on the above-captioned matter.

Commissioners Aikens, Elliott, McGarry, and Reiche voted affirmatively for the decision; Commissioners Harris and McDonald were not present at the time of the vote.

Attest:

3-21-84
Date

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

8604060189

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

Petitioner,

v.

JEFFERSON MARKETING, INC.
3825 Barrett Drive
Raleigh, North Carolina 27619

NATIONAL CONGRESSIONAL CLUB
3825 Barrett Drive
Raleigh, North Carolina 27619

R. E. CARTER WRENN
3825 Barrett Drive
Raleigh, North Carolina 27619

DOUGLAS M. DAVIDSON
3825 Barrett Drive
Raleigh, North Carolina 27619

S. KATHERINE HARDISON
3825 Barrett Drive
Raleigh, North Carolina 27619

Respondents.

CIVIL ACTION NO. 84-29
Misc. 5

84 MAR 20 P4:32

JOINT STIPULATION AND ORDER

Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison, by their attorneys, hereby agree as follows:

1. Respondents JMI and NCC agree to answer all outstanding questions and respond to all outstanding requests for documents in MUR 1503 within 20 days of the signing of this stipulation by the Petitioner and Respondents insofar as such questions and

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requests directly concern the activities of respondents during the 1982 election cycle, with the exception of the questions and requests specified in paragraph 2 of this stipulation and order. In addition, Respondent JMI agrees to answer outstanding questions 10d and 11 of the Petitioner's order and subpoena issued to JMI on November 30, 1983, within 20 days of the signing of this stipulation by the Petitioner and Respondents.

2. Respondents JMI and NCC state that they have no information to further answer questions 1k(1), 4a(6), 4a(7), 4a(10), 4b(6), 4b(7), 4b(10), 4c(6), 4c(7), 4c(10), 4d(9), 4d(10), and 4d(13) of the order and subpoena issued to JMI on November 30, 1983; questions 1k(1), 8a(5), 8a(6), 2a, 2b, 2c, 2j and 2p of the order and subpoena issued to NCC on November 30, 1983; and request for production of documents Nos. 4 and 7 from Exhibit J attached to the Petition For Order To Show Cause. For this reason Petitioner agrees to withdraw these questions and requests; Petitioner also agrees to withdraw question C of the order and subpoena issued to NCC on June 1, 1983, from this subpoena enforcement proceeding.

3. Petitioner agrees to withdraw outstanding deposition questions specified in the Petition for Order to Show Cause at paragraphs 21, 22 and 23. Respondents R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison agree to make themselves available at a mutually convenient date and time if Petitioner hereafter reconvenes their depositions.

8504060190

4. Petitioner and Respondents agree that on the basis of this stipulation and order, Petitioner does not waive its right to submit any questions or requests for production of documents subsequent to this stipulation and order, and Respondents do not waive their right to object to any such questions and requests on any ground, including, but not limited to, relevance, burdensomeness and privilege.

5. Petitioner and Respondent JMI agree that Respondent JMI shall mark on any deposition transcript page, response, or any document that it hereafter makes available to the Petitioner in MUR 1503 and as to which it claims a trade-secret or confidential-business-matter privilege the legend "Trade Secret or Business Record/MUR 1503/JMI." With respect to documents so marked, Petitioner agrees to provide JMI with notice to be received by JMI not less than seven business days before it (a) files as a matter of public record any such documents in any court or agency proceeding, (b) offers any such documents in evidence in any court or agency proceeding which is a matter of public record, (c) releases any such document pursuant to the Freedom of Information Act, (d) discloses any such document to any person not a Commissioner or employee of the Federal Election Commission or employee or agent of JMI or NCC, or (e) makes public disclosure of any such document pursuant to 2 U.S.C. § 437g(a)(4) and 11 C.F.R. § 111.20.

8504019002

6. Petitioner agrees that within seven days of the filing by Respondents JMI and NCC of their supplemental responses pursuant to this stipulation and order, Petitioner will move for voluntary dismissal of the subpoena enforcement action.

Respectfully submitted,

Brice M. Clagett

Charles N. Steele
General Counsel

John R. Bolton

Richard B. Bader
Assistant General Counsel

Thomas Wm. Mayo

Gary Johansen
Assistant General Counsel

COVINGTON & BURLING
1201 Pennsylvania, Ave., N.W.
P. O. Box 7566
Washington, D.C. 20044
(202) 662-6000

Counsel For Respondents

R. W. Lee Andersen
Attorney

Counsel For Petitioner

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4529

SO ORDERED:

Date:

United States District Judge

8504013203

Occ# 1818

Number MUR 1503 C

RECEIVED AT THE FEC

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

84 MAR 19 A8:17

FILED

FEDERAL ELECTION COMMISSION,

Petitioner,

v.

JEFFERSON MARKETING, INC.,
NATIONAL CONGRESSIONAL CLUB,
R. E. CARTER WRENN,
DOUGLAS M. DAVIDSON,
S. KATHERINE HARDISON,

Respondents.

MAR 16 1984

J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

84-29-Misc.-5

84 MAR 5 P4:21

19 A10:36

NOTICE AND ACKNOWLEDGMENT OF
SERVICE BY MAIL

TO: Thomas W. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044
(Attorney for respondents Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison).

The enclosed order to show cause, petition, memorandum of points and authorities and exhibits are served pursuant to Rule 4(c)(2)(C)(ii) of the Federal Rules of Civil Procedure.

You must complete the acknowledgement part of this form and return one copy of the completed form to the sender within 20 days.

You must sign and date the acknowledgement. If you are served on behalf of a corporation, unincorporated association (including a partnership), or other entity, you must indicate

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under your signature your relationship to that entity. If you are served on behalf of another person and you are authorized to receive process, you must indicate under your signature your authority.

If you do not complete and return the form to the sender within 20 days, you (or the party on whose behalf you are being served) may be required to pay any expenses incurred in serving the order to show cause, petition, memorandum of points and authorities and exhibits in any other manner permitted by law.

I declare, under penalty of perjury, that this Notice and Acknowledgement of Service by Mail was mailed on February 27, 1984.

R. W. Lee Andersen

R. W. Lee Andersen

February 27, 1984

Date of Signature

8604050190

ACKNOWLEDGEMENT OF SERVICE BY MAIL

I declare, under penalty of perjury, that I received a copy of the order to show cause, petition, memorandum of points and authorities and exhibits in the above-captioned matter at

1201 Pennsylvania Ave., NW. Washington, D.C. 20004
Address

Signature

Attorney of record for all respondents
Relationship to Entity/Authority to Receive Service of Process

3/2/84
Date of Signature

R50403U1906

OCC#1197 Com file
MUR 1503

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FILED

MAR 4 1984

J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	84-29-Misc.-5

MAR 16 P3:57

JOINT STIPULATION NO. 2

Petitioner Federal Election Commission ("Commission") and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison are now required to comply with the following briefing schedule ordered by the court on March 6, 1984, in response to the Commission's Petition for Order to Show Cause Why Subpoenas Should Not Be Enforced:

1. Respondents are to file pleadings, affidavits, motions or other papers in opposition to the Commission's petition or the order requested by March 15, 1984.

2. Petitioner is to file and serve upon the respondents papers in reply to any opposition to said petition within fifteen days after petitioner receives respondents' papers in opposition.

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3. Respondents are ordered to appear before this court on April 23, 1984, and show cause, if there be any, why an order directing them to oomply with petitioner's orders and subpoenas should not be entered.

Due to continuing settlement negotiations, the parties wish to defer the above schedule. In view of the foregoing:

IT IS HEREBY STIPULATED by petitioner Commission and respondents JMI, NCC, Mr. Wrenn, Mr. Davidson and Ms. Hardison, subject to the approval of the court, that:

1. Respondents' time to file pleadings, affidavits, exhibits, motions or other papers in opposition to the Commission's petition is extended to April 10, 1984.

2. Petitioner's time to reply to any papers in opposition to its petition is extended to no later than 15 days after petitioner receives respondents' papers in opposition.

3. Respondents shall appear on the 10TH day of May 1984, at 10:00 A.M. in court room 1 of the United States District Court for the Eastern District of North Carolina at Raleigh and show cause, if there be any, why this court should not enter an order directing respondents to comply with the petitioner's orders and subpoenas.

Dated: March 13, 1984

Charles N. Steele
General Counsel

Counsel for Petitioner

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

(202) 523-5071

8 5 0 4 0 5 0 1 0 8

Dated: March 13, 1984

John R. Bolton

Counsel for Respondents

COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

(202) 662-6000

SO ORDERED THIS 14 DAY OF March, 1984.

UNITED STATES DISTRICT JUDGE

I certify the foregoing to be a true and correct copy of the original.
J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
By Joyce W. Todd
Deputy Clerk

8504050019

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1984

MEMORANDUM

TO: THE COMMISSION

FROM: CHARLES N. STEELE
GENERAL COUNSEL

SUBJECT: MUR 1503

I. Background

In its last consideration of this matter, the Commission authorized the General Counsel to file a subpoena enforcement action against the respondents in the United States District Court for the Eastern District of North Carolina. Subpoena enforcement papers were filed on February 16, 1984, and an Order to Show Cause was issued by District Court Judge Dupree on February 21, 1984. Attorneys for respondents requested a meeting to discuss possible settlement of the subpoena enforcement action, and a meeting for this purpose was held on February 28, 1984. There was agreement at the meeting that a settlement of the lawsuit was at least possible, and subsequent meetings were held between Commission attorneys and those representing respondents on March 2, 6 and 7 to negotiate a proposed settlement for presentation to the Commission. The attached stipulation and order is the result of those negotiations. The General Counsel recommends that the Commission authorize the General Counsel to sign the agreement.

II. Discussion

As explained in the Memorandum to the Commission dated January 26, 1984, the purpose of the subpoena enforcement action filed against Jefferson Marketing, Inc. ("JMI"), the National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison was to obtain information

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concerning the following: JMI's assets and liabilities; costs and profits associated with JMI's provisions of services to their clients (in particular NCC, the Gibson Committee and the Johnson Committee); details of cost accounting procedures used by JMI; and a breakdown of JMI's gross receipts. In addition, the subpoena enforcement action sought the production of several documents that respondents agreed to submit to the Commission, but which had not been received.

Paragraph 1 of the attached stipulation provides for respondents to submit to the Commission all information requested as to profits and costs for all years of JMI operation, information as to cost accounting procedures used by JMI, all information requested for the 1982 election cycle, a statement of assets and liabilities for period covering the 1982 election cycle, and a breakdown of JMI's gross receipts for the 1982 election cycle. Respondents are required to submit this information within 20 days of the signing of the stipulation by the parties.

Paragraph 2 of the stipulation provides for the Commission to withdraw those questions concerning which JMI states there is no further information. In addition, paragraph 2 provides for the Commission to withdraw Interrogatory C of the first round of discovery asking for a general description of the relationship between JMI and NCC. (This question has been superseded by the detailed inquiries propounded to respondents in subsequent rounds of discovery).

Paragraph 3 of the stipulation provides for the Commission to withdraw outstanding depositions questions that are also superseded by respondents' agreement in paragraph 1 to provide detailed information on costs and profits.*/ Respondents have agreed to appear at a mutually convenient time if the depositions are reconvened.

Paragraph 4 of the stipulation provides that the Commission may submit to respondents, without limitation, any further written questions the Commission may determine to ask. The language also permits the Commission to resubmit any questions that have been withdrawn by this stipulation.

---

*/Two outstanding questions concerning changes in the value of JMI stock in the deposition of Mr. Wrenn will not be addressed by answers to written questions. If it is determined that answers to the questions are necessary in light of respondent's supplemental response, there is nothing in the stipulation that prevents additional questions on this point.

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Paragraph 5 of the stipulation responds to JMI's concerns about the publication of information that JMI considers to be sensitive trade or business information such as profit and loss figures or information that might be contained in a statement of assets and liabilities. The procedures outlined in paragraph 5 do not in any way limit the Commission's investigation of this matter, but require the Commission to give notice to JMI before public disclosure of such information. The agreement does not bind the Commission to agree that information so designated will be excluded from the public record, but provides that the Commission will give JMI an opportunity to make its case for protection of the information before publication.

Finally, paragraph 6 of the stipulation requires the Commission to voluntarily withdraw its subpoena enforcement action within seven days of the respondents' filing of the supplemental response called for in the previous paragraphs. This permits the General Counsel ample opportunity to determine that there has been compliance with the specific terms of the stipulation.

The proposed stipulation is a recognition of the Commission's legitimate right to obtain information concerning the activities of respondents' JMI and NCC alleged to be in violation of the FECA while recognizing that respondent JMI may have a good-faith concern over the release (through litigation or ultimate closing of the investigative files) of certain business or trade secret information to the public. The stipulation expeditiously resolves the problem of obtaining information and avoids delays that might attend litigation of the subpoena enforcement case. Moreover, the stipulation retains the framework of voluntary compliance with the Commission's investigation increasing the likelihood of receiving useful information. Attorneys for the respondents have represented to the General Counsel that respondents have authorized them to sign the stipulation, if it is approved by the Commission. Therefore, the General Counsel recommends that the Commission approve the signing of the attached proposed stipulation.

III. Recommendation

The General Counsel recommends that the Commission approve the signing of the attached "Joint Stipulation and Order."

Attachment
Joint Stipulation and Order (4 pages)

8504050912

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

Petitioner,

v.

JEFFERSON MARKETING, INC.
3825 Barrett Drive
Raleigh, North Carolina 27619

NATIONAL CONGRESSIONAL CLUB
3825 Barrett Drive
Raleigh, North Carolina 27619

R. E. CARTER WRENN
3825 Barrett Drive
Raleigh, North Carolina 27619

DOUGLAS M. DAVIDSON
3825 Barrett Drive
Raleigh, North Carolina 27619

S. KATHERINE HARDISON
3825 Barrett Drive
Raleigh, North Carolina 27619

Respondents.

CIVIL ACTION NO. 84-29
Misc. 5

8504050191 3

JOINT STIPULATION AND ORDER

Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison, by their attorneys, hereby agree as follows:

1. Respondents JMI and NCC agree to answer all outstanding questions and respond to all outstanding requests for documents in MUR 1503 within 20 days of the signing of this stipulation by the Petitioner and Respondents insofar as such questions and

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requests directly concern the activities of respondents during the 1982 election cycle, with the exception of the questions and requests specified in paragraph 2 of this stipulation and order. In addition, Respondent JMI agrees to answer outstanding questions 10d and 11 of the Petitioner's order and subpoena issued to JMI on November 30, 1983, within 20 days of the signing of this stipulation by the Petitioner and Respondents.

2. Respondents JMI and NCC state that they have no information to further answer questions 1k(1), 4a(6), 4a(7), 4a(10), 4b(6), 4b(7), 4b(10), 4c(6), 4c(7), 4c(10), 4d(9), 4d(10), and 4d(13) of the order and subpoena issued to JMI on November 30, 1983; questions 1k(1), 8a(5), 8a(6), 2a, 2b, 2c, 2j and 2p of the order and subpoena issued to NCC on November 30, 1983; and request for production of documents Nos. 4 and 7 from Exhibit J attached to the Petition For Order To Show Cause. For this reason Petitioner agrees to withdraw these questions and requests; Petitioner also agrees to withdraw question C of the order and subpoena issued to NCC on June 1, 1983, from this subpoena enforcement proceeding.

3. Petitioner agrees to withdraw outstanding deposition questions specified in the Petition for Order to Show Cause at paragraphs 21, 22 and 23. Respondents R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison agree to make themselves available at a mutually convenient date and time if Petitioner hereafter reconvenes their depositions.

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4. Petitioner and Respondents agree that on the basis of this stipulation and order, Petitioner does not waive its right to submit any questions or requests for production of documents subsequent to this stipulation and order, and Respondents do not waive their right to object to any such questions and requests on any ground, including, but not limited to, relevance, burdensomeness and privilege.

5. Petitioner and Respondent JMI agree that Respondent JMI shall mark on any deposition transcript page, response, or any document that it hereafter makes available to the Petitioner in MUR 1503 and as to which it claims a trade-secret or confidential-business-matter privilege the legend "Trade Secret or Business Record/MUR 1503/JMI." With respect to documents so marked, Petitioner agrees to provide JMI with notice to be received by JMI not less than seven business days before it (a) files as a matter of public record any such documents in any court or agency proceeding, (b) offers any such documents in evidence in any court or agency proceeding which is a matter of public record, (c) releases any such document pursuant to the Freedom of Information Act, (d) discloses any such document to any person not a Commissioner or employee of the Federal Election Commission or employee or agent of JMI or NCC, or (e) makes public disclosure of any such document pursuant to 2 U.S.C. § 437g(a)(4) and 11 C.F.R. § 111.20.

8504019

6. Petitioner agrees that within seven days of the filing by Respondents JMI and NCC of their supplemental responses pursuant to this stipulation and order, Petitioner will move for voluntary dismissal of the subpoena enforcement action.

Respectfully submitted,

Brice M. Clagett

John R. Bolton

Thomas Wm. Mayo

COVINGTON & BURLING
1201 Pennsylvania, Ave., N.W.
P. O. Box 7566
Washington, D.C. 20044
(202) 662-6000

Counsel For Respondents

Charles N. Steele
General Counsel

Richard B. Bader
Assistant General Counsel

Gary Johansen
Assistant General Counsel

R. W. Lee Andersen
Attorney

Counsel For Petitioner

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-4529

SO ORDERED:

Date:

United States District Judge

8504050916

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 14, 1984

J. Rich Leonard, CLerk
United States District Court
Eastern District of North Carolina
P.O. Box 25670
Federal Building
Raleigh, North Carolina 27611

Re: Federal Election Commission v. Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, 84-29-Misc.-5 (filed February 21, 1984).

Dear Mr. Leonard:

Enclosed please find a completed original and two copies of a signed Notice and Acknowledgement of Service by Mail in the above-captioned litigation. Please file the original with the court pursuant to Fed. R. Civ. P. Rule 4(g) and return one copy to the Federal Election Commission with the date of filing stamped on it. A self-addressed, franked evelope is attached for your convenience. (The extra copy has been included for your files if needed).

If you should have any problems or questions, please call me at (202) 523-5071.

Sincerely,

R. W. Lee Andersen

R. W. Lee Andersen
Attorney

Enclosures

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Bcc# 1818

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	)	84-29-Misc.-5

FILED
1984 MAR 5 P4:21

NOTICE AND ACKNOWLEDGMENT OF
SERVICE BY MAIL

TO: Thomas W. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044
(Attorney for respondents Jefferson Marketing, Inc., National Congressional Club, R.E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison).

The enclosed order to show cause, petition, memorandum of points and authorities and exhibits are served pursuant to Rule 4(c)(2)(C)(ii) of the Federal Rules of Civil Procedure.

You must complete the acknowledgement part of this form and return one copy of the completed form to the sender within 20 days.

You must sign and date the acknowledgement. If you are served on behalf of a corporation, unincorporated association (including a partnership), or other entity, you must indicate

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under your signature your relationship to that entity. If you are served on behalf of another person and you are authorized to receive process, you must indicate under your signature your authority.

If you do not complete and return the form to the sender within 20 days, you (or the party on whose behalf you are being served) may be required to pay any expenses incurred in serving the order to show cause, petition, memorandum of points and authorities and exhibits in any other manner permitted by law.

I declare, under penalty of perjury, that this Notice and Acknowledgement of Service by Mail was mailed on February 27, 1984.

R. W. Lee Andersen

R. W. Lee Andersen

February 27, 1984

Date of Signature

R5040501919

ACKNOWLEDGEMENT OF SERVICE BY MAIL

I declare, under penalty of perjury, that I received a copy of the order to show cause, petition, memorandum of points and authorities and exhibits in the above-captioned matter at

1201 Pennsylvania Ave., NW. Washington, D.C. 20044
Address

Signature

Attorney of record for all respondents
Relationship to Entity/Authority to Receive Service of Process

3/2/84
Date of Signature

8504030119 20

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of March 1984, I caused to be served by first class mail a copy of a signed Notice and Acknowledgement of Service by mail in the above captioned matter on the following counsel:

Thomas Wm. Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

R. W. Lee Andersen

March 14, 1984

3504051921

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 13, 1984

J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
P.O. Box 25670
Federal Building
Raleigh, North Carolina 27611

Re: Federal Election Commission v. Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, 84-29-Misc.-5 (filed February 21, 1984).

Dear Mr. Leonard:

Enclosed please find an original and two copies of Joint Stipulation No. 2 deferring the briefing schedule between Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison. Please file the original with the court (an extra copy has been included for your files if needed) and date-stamp and return the other copy of the stipulation to the Commission in the enclosed, self-addressed envelope.

If you should have any problems or questions, please call me at (202) 523-5071.

Sincerely,

R. W. Lee Andersen

R. W. Lee Andersen
Attorney

Enclosures

8504050192

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

ERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
FFERSON MARKETING, INC.,	)	
TIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
E. CARTER WRENN,	)	
UGLAS M. DAVIDSON,	)	
KATHERINE HARDISON,	)	
Respondents.	)	

JOINT STIPULATION NO. 2

Petitioner Federal Election Commission ("Commission") and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison are now required to comply with the following briefing schedule ordered by the court on March 6, 1984, in response to the Commission's Petition for Order to Show Cause Why Subpoenas Should Not Be Enforced:

1. Respondents are to file pleadings, affidavits, motions or other papers in opposition to the Commission's petition or the order requested by March 15, 1984.

2. Petitioner is to file and serve upon the respondents papers in reply to any opposition to said petition within fifteen days after petitioner receives respondents' papers in opposition.

3. Respondents are ordered to appear before this court on April 23, 1984, and show cause, if there be any, why an order directing them to comply with petitioner's orders and subpoenas should not be entered.

Due to continuing settlement negotiations, the parties wish to defer the above schedule. In view of the foregoing:

IT IS HEREBY STIPULATED by petitioner Commission and respondents JMI, NCC, Mr. Wrenn, Mr. Davidson and Ms. Hardison, subject to the approval of the court, that:

1. Respondents' time to file pleadings, affidavits, exhibits, motions or other papers in opposition to the Commission's petition is extended to April 10, 1984.

2. Petitioner's time to reply to any papers in opposition to its petition is extended to no later than 15 days after petitioner receives respondents' papers in opposition.

3. Respondents shall appear on the _____ day of _____ 1984, at _____ in court room _____ of the United States District Court for the Eastern District of North Carolina at Raleigh and show cause, if there be any, why this court should not enter an order directing respondents to comply with the petitioner's orders and subpoenas.

Dated: March 13, 1984

Charles N. Steele
General Counsel

Counsel for Petitioner

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

(202) 523-5071

8504060924

Dated: March 13, 1984

John R. Bolton

Counsel for Respondents

COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

(202) 662-6000

SO ORDERED THIS _____ DAY OF _____, 1984.

UNITED STATES DISTRICT JUDGE

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FILED
MAR - 5 1984
J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION, Petitioner, v. JEFFERSON MARKETING, INC., NATIONAL CONGRESSIONAL CLUB, R. E. CARTER WRENN, DOUGLAS M. DAVIDSON, S. KATHERINE HARDISON, Respondents.	)	84-29-Misc.-5

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JOINT STIPULATION NO. 1

Petitioner Federal Election Commission ("Commission") and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison are now required to comply with the following briefing schedule ordered by the court on February 21, 1984, in response to the Commission's Petition for Order to Show Cause Why Subpoenas Should Not Be Enforced:

1. Respondents are to file pleadings, affidavits, motions or other papers in opposition to the Commission's petition or the order requested by March 8, 1984.

2. Petitioner is to file and serve upon the respondents papers in reply to any opposition to said petition within fifteen days after petitioner receives respondents' papers in opposition.

3. Respondents are ordered to appear before this court on March 26, 1984, and show cause, if there be any, why an order directing them to comply with petitioner's orders and subpoenas should not be entered.

Due to continuing settlement negotiations, the parties wish to defer the above schedule. In view of the foregoing:

IT IS HEREBY STIPULATED by petitioner Commission and respondents JMI, NCC, Mr. Wrenn, Mr. Davidson and Ms. Hardison, subject to the approval of the court, that:

1. Respondents' time to file pleadings, affidavits, exhibits, motions or other papers in opposition to the Commission's petition is extended to March 15, 1984.

2. Petitioner's time to reply to any papers in opposition to its petition is extended to no later than 15 days after petitioner receives respondents' papers in opposition.

3. Respondents shall appear on the 23rd day of April 1984 at Raleigh NC at 10 AM in court room No. 1 of the United States District Court for the Eastern District of North Carolina at Raleigh and show cause, if there be any, why this court should not enter an order directing respondents to comply with the petitioner's orders and subpoenas.

Dated: March 2, 1984

Charles N. Steele
General Counsel

Counsel for Petitioner

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

(202) 523-5071

8604050927

Dated: March 2, 1984

Thomas Wm. Mayo

Counsel for Respondents

COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

(202) 662-6000

SO ORDERED THIS 6th DAY OF March, 1984.

UNITED STATES DISTRICT JUDGE

8604050128

Docket

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 2, 1984

J. Rich Leonard, Clerk
United States District Court
Eastern District of North Carolina
P.O. Box 25670
Federal Building
Raleigh, North Carolina 27611

Re: Federal Election Commission v. Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, 84-29-Misc.-5 (filed February 21, 1984).

Dear Mr. Leonard:

Enclosed please find an original and two copies of Joint Stipulation No. 1 deferring the briefing schedule between Petitioner Federal Election Commission and Respondents Jefferson Marketing, Inc., National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison. Please file the original with the court (an extra copy has been included for your files if needed) and date-stamp and return the other copy of the stipulation to the Commission in the enclosed, self-addressed envelope.

If you should have any problems or questions, please call me at (202) 523-5071.

Sincerely,

R. W. Lee Andersen

R. W. Lee Andersen
Attorney

Enclosures

8504501929

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

JOINT STIPULATION NO. 1

Petitioner Federal Election Commission ("Commission") and Respondents Jefferson Marketing, Inc. ("JMI"), National Congressional Club ("NCC"), R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison are now required to comply with the following briefing schedule ordered by the court on February 21, 1984, in response to the Commission's Petition for Order to Show Cause Why Subpoenas Should Not Be Enforced:

1. Respondents are to file pleadings, affidavits, motions or other papers in opposition to the Commission's petition or the order requested by March 8, 1984.

2. Petitioner is to file and serve upon the respondents papers in reply to any opposition to said petition within fifteen days after petitioner receives respondents' papers in opposition.

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3. Respondents are ordered to appear before this court on March 26, 1984, and show cause, if there be any, why an order directing them to comply with petitioner's orders and subpoenas should not be entered.

Due to continuing settlement negotiations, the parties wish to defer the above schedule. In view of the foregoing:

IT IS HEREBY STIPULATED by petitioner Commission and respondents JMI, NCC, Mr. Wrenn, Mr. Davidson and Ms. Hardison, subject to the approval of the court, that:

1. Respondents' time to file pleadings, affidavits, exhibits, motions or other papers in opposition to the Commission's petition is extended to March 15, 1984.

2. Petitioner's time to reply to any papers in opposition to its petition is extended to no later than 15 days after petitioner receives respondents' papers in opposition.

3. Respondents shall appear on the _____ day of April at _____ in court room _____ of the United States District Court for the Eastern District of North Carolina at Raleigh and show cause, if there be any, why this court should not enter an order directing respondents to comply with the petitioner's orders and subpoenas.

Dated: March 2, 1984

Charles N. Steele
General Counsel

Counsel for Petitioner

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

(202) 523-5071

8604060193 1

Dated: March 2, 1984

Thomas Wm. Mayo

Counsel for Respondents

COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

(202) 662-6000

SO ORDERED THIS _____ DAY OF _____, 1984.

_____
UNITED STATES DISTRICT JUDGE

8604050193 2

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
Petitioner,	)	
v.	)	
JEFFERSON MARKETING, INC.,	)	
NATIONAL CONGRESSIONAL CLUB,	)	84-29-Misc.-5
R. E. CARTER WRENN,	)	
DOUGLAS M. DAVIDSON,	)	
S. KATHERINE HARDISON,	)	
Respondents.	)	

CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of March 1984, I caused to be served by hand, a copy of Joint Stipulation No. 1 in the above captioned matter on the following counsel:

Thomas Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

R. W. Lee Andersen

March 2, 1984

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEDERAL ELECTION COMMISSION,	)	
	)	
Petitioner,	)	
	)	
v.	)	
	)	
JEFFERSON MARKETING, INC.,	)	
	)	84-29-Misc.-5
NATIONAL CONGRESSIONAL CLUB,	)	
	)	
R. E. CARTER WRENN,	)	
	)	
DOUGLAS M. DAVIDSON,	)	
	)	
S. KATHERINE HARDISON,	)	
	)	
Respondents.	)	

CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of March 1984, I caused to be served by hand, a copy of Joint Stipulation No. 1 in the above captioned matter on the following counsel:

Thomas Mayo, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

R. W. Lee Andersen

March 2, 1984

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FILED

UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FEB 24 1984

J. RICHARD JR., CLERK
U. S. DISTRICT COURT
E. DIST. N.C. CAR.

FEDERAL ELECTION COMMISSION,

Petitioner,

v.

JEFFERSON MARKETING, INC.,
NATIONAL CONGRESSIONAL CLUB,
R. E. CARTER WRENN,
DOUGLAS M. DAVIDSON,
S. KATHERINE HARDISON,

Respondents.

[redacted] NO. 84-29-MISC-5

P2:36

ORDER

The Federal Election Commission having petitioned this court for an order to show cause why orders and subpoenas for production of documents and answers to written questions issued to respondents Jefferson Marketing, Inc., and the National Congressional Club, and subpoenas for the attendance and testimony of witnesses issued to respondents R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison, should not be enforced, and it appearing to the court that there is good cause for entry of such order, it is hereby:

ORDERED that the Federal Election Commission's petition for order to show cause is granted.

~~IT~~ IS FURTHER ORDERED that the respondents appear on the 26th day of March, 1984 at 10:00 AM in Court room No. 1 of the United States District Court for the Eastern District of North Carolina at Raleigh and show cause, if there be any, why this court should

2 C C ltr w/2 ord. + mem

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UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FILED

FEB 16 1984

J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

Petitioner,

v.

[redacted] NO. 84-29-MISC-1

JEFFERSON MARKETING, INC.
3825 Barrett Drive
Raleigh, North Carolina 27619

NATIONAL CONGRESSIONAL CLUB
3825 Barrett Drive
Raleigh, North Carolina 27619

R. E. CARTER WRENN
3825 Barrett Drive
Raleigh, North Carolina 27619

DOUGLAS M. DAVIDSON
3825 Barrett Drive
Raleigh, North Carolina 27619

S. KATHERINE HARDISON
3825 Barrett Drive
Raleigh, North Carolina 27619

Respondents.

R50405U1936

PETITION OF THE FEDERAL ELECTION COMMISSION FOR ORDER TO SHOW CAUSE WHY ORDERS AND SUBPOENAS SHOULD NOT BE ENFORCED, AND TO ENFORCE SUCH ORDERS AND SUBPOENAS

The Federal Election Commission (hereinafter the "Commission") hereby petitions this court to issue an order to show cause why orders and subpoenas issued to Jefferson Marketing, Inc. (hereinafter "JMI") and the National Congressional Club (hereinafter "NCC"), and subpoenas issued to R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison should not be enforced, and represents to the court the following:

1. This is an action for enforcement of orders and subpoenas issued by the Commission, pursuant to 2 U.S.C. § 437d(a)(1) and (3), to JMI, NCC, R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison.

JURISDICTION

2. Jurisdiction of this court is invoked pursuant to 2 U.S.C. § 437d(b). The Commission has met all of the jurisdictional prerequisites to filing this action.

PARTIES

3. Petitioner is an agency of the United States government charged with the administration and enforcement of the Federal Election Campaign Act of 1971, as amended, 2 U.S.C. § 431 et seq. (hereinafter the "FECA"), including, inter alia, the investigations of possible violations of the FECA. The Commission's office is located at 1325 K Street, N.W., Washington, D.C. 20463.

4. Respondent JMI is registered as a corporation under the laws of the state of North Carolina and is under investigation by petitioner in Matter Under Review (hereinafter "MUR") 1503. JMI's office is located at 3825 Barrett Drive, Raleigh, North Carolina 27619, which is in this judicial district.

5. Respondent NCC is a political committee (as defined in 2 U.S.C. § 431(4)) and is also under investigation by petitioner in MUR 1503. NCC's office is located at 3825 Barrett Drive, Raleigh, North Carolina 27619, which is in this judicial district.

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6. Respondent R.E. Carter Wrenn is chairman of NCC and is a witness that has been subpoenaed by petitioner to appear and give testimony in the investigation of MUR 1503. Mr. Wrenn's office is located at 3825 Barrett Drive, Raleigh, North Carolina 27619, which is in this judicial district.

7. Respondent Douglas M. Davidson is the president of JMI and is a witness that has been subpoenaed by petitioner to appear and give testimony in the investigation of MUR 1503. Mr. Davidson's office is located at 3825 Barrett Drive, Raleigh, North Carolina 27619, which is in this judicial district.

8. Respondent S. Katherine Hardison is the president of Hardison Corporation and has overall bookkeeping responsibility for JMI and NCC. Ms. Hardison is a witness that has been subpoenaed by petitioner to appear and give testimony in the investigation of MUR 1503. Ms. Hardison's office is located at 3825 Barrett Drive, Raleigh, North Carolina 27619, which is in this judicial district.

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ORDERS AND SUBPOENAS ISSUED TO JEFFERSON MARKETING, INC.

9. On June 1, 1983, in furtherance of its investigation of MUR 1503, petitioner issued an order and subpoena to respondent JMI requiring it to produce documents and answer written questions within 20 days. All requests for production of documents and answers to written questions are relevant to the petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434.

10. Respondent JMI did not move to quash or modify the order and subpoena specified in paragraph 9 as provided for in 11 C.F.R. § 111.15 of the Commission's regulations.

11. In its response submitted on July 8, 1983 to petitioner's June 1, 1983 subpoena and order, JMI refused to comply with request for production of documents No. 2 and failed to provide complete responses to request for production No. 6. (A copy of the response is attached to the Commission's Memorandum of Points and Authorities in support of this Petition as Exhibit D).1/

12. On November 30, 1983, in furtherance of its investigation of MUR 1503, petitioner issued another order and subpoena to respondent JMI requiring it to produce documents and answer written questions within 15 days. All requests for answers to questions and production of documents are relevant to petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. § 441a, 441b, 433 and 434.

13. JMI did not move to quash or modify the order and subpoena specified in paragraph No. 12 as provided for in 11 C.F.R. § 111.15 of the Commission's regulations.

14. In its response submitted on January 16, 1984 to petitioner's November 30, 1983 order and subpoena, JMI refused to provide answers to questions 4a(5), 4b(5), 4c(5), 4d(8), 8,

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1/ For reasons of clarity and economy the exhibits referred to in this Petition are attached only to the Commission's supporting Memorandum and not to the Petition.

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9a(5), 9a(6), 10d, 11 and 12 and failed to provide complete answers to questions 1g, 1k(1), 1k(3), 4a(6), 4a(7), 4a(10), 4b(6), 4b(7), 4b(10), 4c(6), 4c(7), 4c(10), 4d(9), 4d(10), 4d(13), and 7(c). (A copy of the response is attached to the Commission's Memorandum of Points and Authorities as Exhibit L).

ORDERS AND SUBPOENAS ISSUED TO THE NATIONAL CONGRESSIONAL CLUB

15. On June 1, 1983, in furtherance of its investigation of MUR 1503, petitioner issued an order and subpoena to respondent NCC requiring it to produce documents and answer written questions, within 20 days. All requests for production of documents and answers to written questions are relevant to petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434.

16. Respondent NCC did not move to quash or modify the order and subpoena specified in paragraph No. 15 as provided for in 11 C.F.R. § 111.15 of the Commission's regulations.

17. In its response submitted on July 8, 1983 to petitioner's June 1, 1983 order and subpoena, NCC failed to provide complete responses to request for production of documents No. 3 and refused to answer written question No. C. (A copy of the response is attached to the Commission's Memorandum of Points and Authorities as Exhibit D).

18. On November 30, 1983, in furtherance of its investigation of MUR 1503, petitioner issued an order and subpoena to respondent NCC requiring it to answer questions and produce documents within 15 days. All requests for answers to

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questions and production of documents are relevant to the petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434.

19. NCC did not move to quash or modify the order and subpoena specified in paragraph No. 18 as provided for in 11 C.F.R. § 111.15 of the Commission's regulations.

20. In its response submitted on January 16, 1984 to petitioner's November 30, 1983 order and subpoena, NCC refused to provide answers to questions 1h, 8a(5) and 8a(6) and failed to provide complete answers to questions 1k(1), 1k(3), 2a, 2b, 2c, 2j, 2p and 4a(9). (A copy of the response is attached to the Commission's Memorandum of Points and Authorities as Exhibit L).

SUBPOENA ISSUED TO R. E. CARTER WRENN

21. On August 16, 1983, in furtherance of its investigation of MUR 1503, the Commission issued a subpoena to R. E. Carter Wrenn to appear at a date, time and location certain to give sworn testimony regarding his knowledge of the alleged violations of the FECA. On September 14, 1983, the witness appeared and gave testimony under oath, but refused to answer certain questions propounded by counsel for petitioner. See transcript of testimony of R. E. Carter Wrenn dated September 14, 1983, at pages 89-92, 97-99, 106 and 107. (A copy of the transcript is attached to the Commission's Memorandum of Points and Authorities in support of this Petition as Exhibit F). Mr. Wrenn has also failed to produce documents that he agreed to produce at the time of his deposition. See list identifying documents. (A copy of the list is attached to the Commission's Memorandum of Points

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and Authorities as Exhibit J). All questions which the witness refused to answer and documents which the witness has failed to produce are relevant to petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434.

SUBPOENA ISSUED TO DOUGLAS M. DAVIDSON

22. On August 16, 1983, in furtherance of its investigation of MUR 1503, the Commission issued a subpoena to Douglas M. Davidson to appear at a date, time and location certain to give sworn testimony regarding his knowledge of the alleged violations of the FECA. On September 13, 1983, the witness appeared and gave testimony under oath, but refused to answer certain questions propounded by counsel for petitioner. See transcript of testimony of Douglas M. Davidson dated September 12, 1983, at pages 34-43 and 70-73. (A copy of the transcript is attached to the Commission's Memorandum of Points and Authorities in support of this Petition as Exhibit G). All questions which the witness refused to answer are relevant to petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434.

SUBPOENA ISSUED TO S. KATHERINE HARDISON

23. On August 16, 1983, in furtherance of its investigation of MUR 1503, the Commission issued a subpoena to S. Katherine Hardison to appear at a date, time and location certain to give sworn testimony regarding her knowledge of the alleged violations of the FECA. On September 12, 1983, the witness appeared and gave testimony under oath, but refused to answer certain questions propounded by counsel for petitioner. See transcript

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of testimony of S. Katherine Hardison dated September 12, 1983, at pages 134-150. (A copy of the transcript is attached to the Commission's Memorandum of Points and Authorities in support of this Petition as Exhibit H). Ms. Hardison has also failed to produce documents that she agreed to produce at the time of her deposition. See list identifying documents. (A copy of the list is attached to the Commission's Memorandum of Points and Authorities as Exhibit J) All questions which the witness refused to answer and documents which the witness failed to produce are relevant to petitioner's statutorily authorized investigation of possible violations of 2 U.S.C. §§ 441a, 441b, 433 and 434 of the FECA.

PRAYER FOR RELIEF

24. Respondents JMI, NCC, R.E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison have failed and refused to comply fully with petitioner's orders and subpoenas.

25. WHEREFORE, the Federal Election Commission prays:

a. That an order to show cause issue forthwith directing respondents Jefferson Marketing, Inc., the National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson and S. Katherine Hardison to appear before this court on a day certain, to be fixed by said order, and to show cause, if there be any, why an order should not be issued directing respondents named above to comply fully and completely with petitioner Federal Election Commission's orders and subpoenas.

b. That, after such opportunity to show cause, an order be issued directing respondents Jefferson Marketing, Inc.,

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the National Congressional Club, R. E. Carter Wrenn, Douglas M. Davidson, and S. Katherine Hardison to comply fully with petitioner's orders and subpoenas on a mutually convenient date, but in no case later than twenty (20) days after the issuance of the court's order.

c. That petitioner Federal Election Commission be granted such further relief as may be necessary and appropriate.

26. No prior applications have been made for the relief sought herein.

Respectfully submitted,

Charles N. Steele
General Counsel

Richard B. Bader
Assistant General Counsel

Gary Johansen
Assistant General Counsel

R. W. Lee Andersen
Attorney

February 15, 1984

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

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UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NORTH CAROLINA

FILED

FEB 16 1984

J. RICH LEONARD, CLERK
U. S. DISTRICT COURT
E. DIST. NO. CAR.

FEDERAL ELECTION COMMISSION,

Petitioner,

v.

[redacted] NO. 84-29-MISC-5

JEFFERSON MARKETING, INC.,
NATIONAL CONGRESSIONAL CLUB,
R. E. CARTER WRENN
DOUGLAS M. DAVIDSON,
S. KATHERINE HARDISON,

Respondents.

MEMORANDUM OF POINTS AND AUTHORITIES
IN SUPPORT OF FEDERAL ELECTION COMMISSION'S
PETITION FOR ORDER TO SHOW CAUSE WHY
ORDERS AND SUBPOENAS SHOULD NOT BE ENFORCED
AND TO ENFORCE ORDERS AND SUBPOENAS

STATEMENT OF THE CASE

This action is before the court on petition of the Federal Election Commission (hereinafter the "Commission") for an order to show cause why Commission orders to answer written questions and subpoenas to produce documents and appear to give testimony should not be enforced. Jurisdiction is conferred upon this court by 2 U.S.C. § 437d(b).

On October 29, 1982, Congressman Charles G. Rose filed a signed and sworn complaint with the Commission asking that the Commission investigate alleged violations of the Federal Election Campaign Act of 1971, as amended, 2 U.S.C. § 431 et seq. (hereinafter the "Act" or "FECA"). Specifically, Congressman Rose alleges in his administrative complaint that Jefferson

Marketing, Inc., (hereinafter "JMI") made contributions to the Democrats for Better Government to Elect Gibson (hereinafter the "Gibson Committee"), the Ed Johnson for Congress Committee (hereinafter "Johnson Committee") by providing goods and services at less than the usual and normal charge in contravention of the FECA's prohibition against corporate contributions in 2 U.S.C. § 441b. The complaint also alleges that JMI and the National Congressional Club (hereinafter "NCC"), are in effect and operation a single organization, thus raising the possibility of additional violations of the reporting requirements and contribution limitations of the FECA. 2 U.S.C. §§ 441a, 441b, 433 and 434. (A copy of the administrative complaint filed by Congressman Rose is attached as Exhibit A).1/

On May 3, 1983, pursuant to 2 U.S.C. § 437g(a)(2), the Commission found, inter alia, reason to believe that JMI violated 2 U.S.C. § 441b, by making prohibited contributions to the Gibson Committee, and that JMI and NCC violated 2 U.S.C. §§ 433, 434 and 441a on the basis of their activities with respect to the campaigns of the Gibson and Johnson Committees. The Commission also directed the Office of General Counsel to conduct an investigation into the facts of the alleged violations concerning the Gibson and Johnson Committees plus any facts that would assist in determining the relationship between JMI and NCC.

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1/ For reasons of clarity and economy the exhibits attached to this memorandum do not contain supporting documents..

(A copy of Commission certification is attached as Exhibit B). The Commission notified JMI and NCC of its determinations by letter dated June 2, 1983, and enclosed orders to answer written questions and subpoenas to produce documents for both organizations. (A copy of the orders and subpoenas is attached as Exhibit C). Attorneys from the Office of General Counsel met informally with counsel for JMI and NCC on June 22, 1983, to discuss compliance with the orders and subpoenas, but JMI and NCC did not move to quash or modify the orders and subpoenas as provided for in 11 C.F.R. § 111.15.2/ On July 8, 1983, the Commission received responses from JMI and NCC that were incomplete. (A copy of the response is attached as Exhibit D). On August 24, 1983, the Commission sent a letter to counsel for JMI and NCC with 13 additional requests for production of documents. Respondents JMI and NCC answered the requests on

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2/ 11 C.F.R. § 111.15 states:

> (a) Any person to whom a subpoena is directed may, prior to the time specified therein for compliance, but in no event more than 5 days after the date of receipt of such subpoena, apply to the Commission to quash or modify such subpoena, accompanying such application with a brief statement of the reasons therefor. Motions to quash shall be filed with the General Counsel, 1325 K Street, N.W., Washington, D.C. 20463. If possible, three (3) copies should be submitted.
>
> (b) The Commission may deny the application or quash the subpoena or modify the subpoena.
>
> (c) The person subpoenaed and the General Counsel may agree to change the date, time, or place of a deposition or for the production of documents without affecting the force and effect of the subpoena, but such agreements shall be confirmed in writing.

September 8, 1983. (A copy of the additional requests and the respondents' reply letter is attached as Exhibit E).

On August 16, 1983, the Commission issued subpoenas to appear for oral depositions to R. E. Carter Wrenn, in his capacity as chairman of NCC, Douglas M. Davidson, in his capacity as president of JMI, and S. Katherine Hardison, in her capacity as president of the Hardison corporation and bookkeeper for both JMI and NCC. (A copy of the subpoenas is attached as Exhibit F). Counsel for the Commission took the depositions of these individuals on September 12, 13 and 14, 1983, but upon instruction of their counsel, they refused to testify as to a number of matters relevant to the Commission's investigation. (Transcripts of depositions of Wrenn, Davidson and Hardison are attached at Exhibit G, H and I respectively). During the course of the depositions, the Commission also requested production of additional documents referred to by the witnesses. Counsel for the witnesses agreed to instruct the witnesses to search for the documents but none have been submitted to the Commission as of the date of this petition. (A description of the documents is attached as Exhibit J).

On November 30, 1983, the Commission issued to JMI and NCC additional orders to answer written questions and subpoenas to produce documents. (A copy of the orders and subpoenas is attached as Exhibit K). On December 14, 1983, JMI and NCC requested an extension of time to respond to these orders and subpoenas until January 20, 1984. The Commission granted an

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extension until January 16, 1984. JMI and NCC did not move to quash or modify the Commission's orders and subpoenas pursuant to 11 C.F.R. § 111.15. On January 16, 1984, JMI and NCC submitted their responses to the November 30, 1983, orders and subpoenas. (A copy of the responses is attached as Exhibit L). JMI and NCC refused to answer some questions relevant to the Commission's investigation and failed to provide complete answers to others. Due to the failure of respondents JMI, NCC, Wrenn, Davidson and Hardison to answer and fully comply with the Commission's orders and subpoenas the Commission is unable to complete its investigation of this matter.

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ARGUMENT

THE ORDERS AND SUBPOENAS SHOULD BE ENFORCED BECAUSE THE INVESTIGATION IS WITHIN THE COMMISSION'S AUTHORITY, THE DEMANDS ARE SUFFICIENTLY DEFINITE AND THE INFORMATION SOUGHT IS RELEVANT

Upon refusal of a party to comply with a Commission order or subpoena, the Commission may petition any United States District Court within the jurisdiction in which the inquiry is being carried on to issue an order directing compliance with the order or subpoena.3/ See 2 U.S.C. § 437d(b). It is established that

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3/ Subpoena enforcement proceedings of the kind now before the court are summary in nature. Donaldson v. United States, 400 U.S. 517, 529-29 (1971). So long as the rights of the parties summoned are protected and an adversary hearing is made available if requested, there is no requirement for filing a complaint followed by an answer and discovery. Id. at 529; United States v. McCarthy, 514 F.2d 368, 373, 377 (3rd Cir. 1975); United States v. McGuirt, 588 F.2d 419, 421 (4th Cir. 1978). The Commission's proposed order to show cause, filed herewith, contemplates that the court set a hearing date which will permit respondent to present any argument in opposition to the Commission's request for enforcement, and allow for the prompt disposition of this proceeding.

an administrative agency order or subpoena is entitled to enforcement by the district court if the investigative inquiry is within the authority of the agency, the demand is not too indefinite, and the information sought is reasonably relevant to the inquiry. United States v. Morton Salt Co., 338 U.S. 632, 652 (1950). See also Oklahoma Press Publishing Co. v. Walling, 327 U.S. 186 (1946); Endicott Johnson Corp. v. Perkins, 317 U.S. 501 (1942); FTC v. Texaco, 555 F.2d 862, 872 (D.C. Cir. 1977) (en banc) cert. denied, 431 U.S. 974 (1977); Marshall v. Stevens People and Friends For Freedom, 669 F.2d 171, 176 (4th Cir. 1978) cert. denied 455 U.S. 940 (1982). The orders and subpoenas issued to respondents JMI, NCC, Mr. Wrenn, Mr. Davidson, and Ms. Hardison clearly meet the foregoing standard, and therefore, should be enforced by the court.

A. The Inquiry Is Within the FEC's Authority

The Commission has broad authority to administer the Federal Election Campaign Act. The Commission has express statutory power to formulate general policy with respect to the administration of the FECA, 2 U.S.C. § 437d(a)(9), to make rules to implement the provisions of the FECA, 2 U.S.C. § 437d(a)(8), to render advisory opinions, 2 U.S.C. § 437d(a)(7), and to intitiate civil actions to enforce the provisions of the FECA. 2 U.S.C. § 437d(a)(6).

The Commission has exclusive jurisdiction with respect to civil enforcement of the FECA, 2 U.S.C. §§ 437c(b)(1), 437d(e), and 437g, and to that end, is granted the statutory authority to conduct investigations to determine whether there is probable cause to believe that violations of the FECA have been or will be

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committed. See 2 U.S.C. §§ 437(b)(1), 437d(a)(e) and 437g.

2 U.S.C. § 437g(a)(2) of the FECA provides that:

> If the Commission, upon receiving a complaint under paragraph (1) [of this section] or on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, determines, by an affirmative vote of 4 of its members, that it has reason to believe that a person has committed, or is about to commit, a violation of this Act or of Chapter 95, or Chapter 96 of Title 26, the Commission shall through its chairman or vice chairman, notify the person of the alleged violation. Such notification shall set forth the factual basis for such alleged violation. The Commission shall make an investigation of such alleged violation, which may include a field investigation or audit, in accordance with the provisions of the section. (Emphasis added).

Congressman Rose's administrative complaint alleged violations of the FECA, and the Commission has found reason to believe that violations have occurred. Thus the Commission clearly has statutory authority to conduct an investigation in this case since a signed, sworn complaint alleging violations of the FECA has been filed, and the Commission concluded that it has reason to believe violations have occurred.4/ In carrying out that authority, the FECA specifically grants the Commission the power "to require, by special or general orders, any person to submit in writing such reports and answers to questions as the Commission may prescribe ... and to require by subpoena, signed by the Chairman or Vice Chairman ... the testimony of witnesses

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4/ If a Commission investigation is not completed within 120 days, the complainant can ask the United States District Court for the District of Columbia to find the Commission's failure to take action arbitrary and caprcious or contrary to law. 2 U.S.C. § 437g(a)(8). In this case Congressman Rose filed such an action which is currently pending. Rose v. Federal Election Commission, No. 83-167 (D.D.C. June 13, 1983). (A copy of the Rose complaint is attached as Exhibit M).

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and the production of all documentary evidence relating to the execution of its duties." 2 U.S.C. § 437d(a)(1) and (3). Thus, the Commission has ample statutory authority to investigate the allegations made in Congressman Rose's administrative complaint and to issue orders and subpoenas pursuant to that investigation.

B. The Demand Is Not Too Indefinite

The orders and subpoenas issued by the Commission describe with sufficient specificity the information sought by the Commission. The requests for information in the Commission's orders and subpoenas are drawn narrowly, and compliance with the Commission subpoenas would not be unduly burdensome. Even assuming arguendo that there is some burden in complying with the orders and subpoenas, it has been recognized that some burden on subpoenaed parties is to be expected and may be necessary to the conduct of the agency's inquiry. FTC v. Texaco, 555 F.2d at 882. Furthermore, the burden of showing that the request for information is unreasonable is upon the subpoenaed party. Id. at 882.

C. The Information Sought Is Reasonably Relevant

There are several issues which the Commission is investigating in this matter, one of which is whether the charges for goods and services provided by JMI to the Gibson and Johnson Committees (and other political committees) and paid for by NCC were "usual and normal." Commission regulation 11 C.F.R. § 100.7(a)(1)(iii)(A) states that "provision of goods or services to a political committee at less than the usual and normal charge is a contribution." Since JMI is a corporation prohibited by 2 U.S.C. § 441b from providing

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any contribution whatsoever to a political committee any contributions made by JMI to the Gibson and Johnson Committees (or any other political committee) would violate 2 U.S.C. § 441b.

Respondents have failed and refused to answer questions propounded by the Commission regarding charges for goods and services provided to the Gibson and Johnson Committees or other political committees. Congressman Rose's administrative complaint alleges that NCC subsidizes the operation of JMI and, that, consequently, JMI generally does not need to seek a profit on goods and services provided to political committees, and did not profit from the goods and services provided to the Gibson and Johnson Committees. The Commission's orders and subpoenas seek information about the costs of providing services to political committees, including profits, losses, and expenditures for salaries and overhead. The Commission is seeking this information both with regard to the specific transactions involving the Gibson and Johnson Committees and with regard to the overall operation of JMI and NCC. This information is clearly relevant to the Commission's investigation.

Another issue that the Commission is investigating concerns Congressman Rose's allegation that JMI has no organizational existence outside of NCC. If JMI was established and is administered and financed by NCC, their joint political contributions may not all have been reported, as required by

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2 U.S.C. §§ 433, 434, and may have exceded the statutory limitation on contributing by political committees, 2 U.S.C. § 441a(a). The Commission's orders and subpoenas thus seek information concerning the entire relationship between JMI and NCC, including the evidence realting to the establishment, administration and financing of JMI by NCC. While respondents have provided some pertinent information to this end, they have refused or failed to provide much that was requested. This information, as well as that concerning the costs of JMI's charges for goods and services, is relevant to the Commission's investigation of MUR 1503. Thus, the Commission's orders and subpoenas issued in the course of this investigation should be enforced.

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CONCLUSION

The Commission is proceeding within its congressionally mandated authority to investigate Congressman Rose's administrative complaint. The Commission orders and subpoenas are clearly authorized and seek within well-established bounds to compel the production of evidence in support of the investigation. The court has jurisdiction to enforce the subpoena and may issue an order to show cause why the subpoena should not be enforced.

For the reasons expressed herein; it is submitted that the Commission's petition for an order to show cause should be granted, and such order should be issued by the court.

Respectfully submitted,

Charles N. Steele
General Counsel

Richard B. Bader
Assistant General Counsel

Gary Johansen
Assistant General Counsel

R. W. Lee Andersen
Attorney

February 15, 1984

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D.C. 20463
(202) 523-5071

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 17, 1984

William H. Schweitzer
BAKER & HOSTETLER
818 Connecticut Avenue, N.W.
Washington, D.C. 20006

Dear Mr. Schweitzer:

Enclosed please find witness fee checks in the amount of $30.00 each for witnesses Thomas Gibson and Ed Johnson. Thank you for your cooperation in making these witnesses available for deposition in connection with the Commission's investigation of MUR 1503.

Sincerely,

Charles N. Steele
General Counsel

By Kenneth A. Gross
Associate General Counsel

Enclosures

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TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 8,657,567
SYMBOL 3005

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United States Treasury 15-51 000

PAY TO THE ORDER OF EDWARD A JOHNSON

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TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

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PAY TO THE ORDER OF THOMAS C GIBSON

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
National Congressional Club)
Jefferson Marketing, Inc.)

MUR 1503

CERTIFICATION

I, Marjorie W. Emmons, Recording Secretary for the Federal Election Commission Executive Session on January 31, 1984, do hereby certify that the Commission decided by a vote of 5-0 to seek the enforcement of its subpoenas and orders to the National Congressional Club, Jefferson Marketing, Inc., R. E. Carter Wrenn, Douglas M. Davidson, and Shirley Katherine Hardison in the United States District Court for the Eastern District of North Carolina.

Commissioners Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioner Aikens was not present at the time of the vote.

Attest:

1-31-84
Date

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: January 26, 1984

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of January 31, 1984

Open Session _____

Closed Session XX

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[ ]	Compliance	[X]
Sensitive	[ ]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[X]	Status Sheets	[ ]
Sensitive	[X]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

SENSITIVE

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

84 JAN 26 P4: 55

January 26, 1984

Submitted Late

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: Explanation for Late Circulation of Memorandum in MUR 1503

Due to the existence of litigation concerning the Commission's progress in the investigation of this matter, it is necessary that the Commission make its determination on the issues presented in the memorandum by the next Executive Session on January 31, 1984.

EXECUTIVE SESSION
JAN 31 1984

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 26, 1984

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503

I. Background

The Commission has initiated three rounds of discovery concerning the National Congressional Club ("NCC") and Jefferson Marketing, Inc. ("JMI") in its investigation of this matter. The first was a request to answer written questions and produce documents issued at the time of the notification of reason to believe. The second was a request to obtain the deposition testimony of officials representing NCC and JMI. The third was an additional request to answer written questions and produce documents. Although NCC and JMI have partially complied with the Commission's discovery requests, they have also steadfastly refused to supply the Commission with certain information essential to the resolution of this matter. Therefore, the Office of General Counsel recommends that the Commission authorize the filing of a subpoena enforcement action.

II. Discussion

In an effort to determine whether NCC subsidized JMI, the Commission asked JMI in its first round of discovery to provide information about the company's assets and liabilities. JMI refused, asserting that such information was irrelevant to the Commission's investigation.

At the deposition of officials of NCC and JMI, counsel refused to allow the deponents to testify, not only as to profits and losses of JMI, but also as to the details of the cost accounting procedures used by JMI to determine their charges to customers. In particular, officials of NCC and JMI have refused to state whether JMI made a profit on the services provided to

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the Gibson campaign and paid for by NCC. In addition, these officials have refused to state the value or any change in the value of JMI's stock (presently owned by an educational foundation a majority of whose board of directors are officials of NCC).

The Commission also requested the production of several documents referred to by NCC and JMI deponents during their testimony, and counsel for deponents agreed to instruct NCC and JMI officials to search for the documents. Even though counsel has been reminded of the outstanding document request on at least two occasions since the depositions, we have received neither the requested documents nor any explanation about their availability.

In the Commission's third round of discovery JMI and NCC continued to refuse to answer any and all questions bearing on the cost of providing services to the Democrats for Good Government to Elect Gibson and Ed Johnson for Congress campaigns. Furthermore, the most recent written questions included inquiries about the component parts of the costs and profits associated with providing services to Gibson and Johnson. NCC and JMI refused to answer some of these questions and provided non-responsive answers to others. NCC and JMI also refused to provide the Commission with answers to Commission questions regarding the breakdown of gross receipts to JMI for 1982, and refused to answer questions concerning the methods used by JMI to calculate the costs of providing services and measuring profit (which calculations have admittedly been made by JMI officials at least for the year 1982).

The Commission is unable to resolve the issues in this matter due to the failure of NCC and JMI to provide the requested information. In order to proceed with the investigation and make additional recommendations to the Commission on the merits of the issues in this matter, the Office of General Counsel is recommending that the Commission authorize the filing of a subpoena enforcement acton in the United States District Court for the Eastern District of North Carolina to obtain the requested information that has been withheld by NCC and JMI.

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III. Recommendation

The Office of General Counsel recommends that the Commission authorize the Office of General Counsel to seek the enforcement of its subpoenas and orders to the National Congressional Club, Jefferson Marketing, Inc., R.E. Carter Wrenn, Douglas M. Davidson and Shirley Katherine Hardison in the United States District Court for the Eastern District of North Carolina.

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GCC#1423

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January 16, 1984

BY HAND

Lee Andersen, Esq.
Federal Election Commission
Seventh Floor
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Lee:

Enclosed please find the responses of the National Congressional Club and Jefferson Marketing, Inc., to the Commission's Orders to Submit Written Answers and Subpoenas to Produce Documents hand-delivered on December 1, 1983. Our clients have attempted, within the parameters set forth in prior responses and at the depositions, to respond fully to the Commission's Orders. If you have any questions, please give me a call.

Sincerely,

Scott D. Gilbert

SDG:lk

Enclosures

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
Jefferson Marketing, Inc.)

RESPONSE OF JEFFERSON MARKETING, INC.,
TO ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

This is the response of Jefferson Marketing, Inc., to the Federal Election Commission's Order to Submit Written Answers and Subpoena to Produce Documents, hand-delivered on December 1, 1983. The undersigned, Douglas Davidson, President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

Jefferson Marketing, Inc. ("JMI") objects to many of the items in the Order to Submit Written Answers and Subpoena to Produce Documents ("Order") on the grounds that these items are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. In order to expedite a resolution of this matter, however, JMI responds to the Order as set forth below. By its response, JMI does not waive its rights to press any of the objections raised herein or to raise other

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objections before the Federal Election Commission or the courts.

Further, at page one of the Order, the Commission has stated: "If NCC is in a position to better answer any of the above numbered questions than is Jefferson Marketing, Inc. ("JMI"), please so state in your response." Whenever appropriate, therefore, JMI has stated in this response that NCC is in a better position to answer a particular question than is JMI.

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RESPONSE

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

NCC is in a better position to respond to this item than is JMI.

1.d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election

Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

JMI objects to this question on the ground that it seeks information that is irrelevant to this proceeding. Without waiving this objection JMI responds as follows: No.

1.e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

During the period of time in question, most of JMI's employees worked full-time on NCC activities and provided services under NCC's direction. For these full-time services, as well as for the administrative convenience and the efficiencies that this arrangement afforded, NCC paid JMI a monthly fee, which covered the salaries of JMI's employees, JMI's overhead, and a fixed percentage of profit for JMI. When, with respect to the videotape production and time-buying for the Gibson Committee, NCC decided to make an in-kind contribution of some portion of the services of these JMI employees -- for which JMI had already been paid by NCC -- a value had to be determined for these services so that the contribution could be reported by NCC and by the candidate's committee. Accordingly, NCC determined the value of the contributed services.

1.f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

JMI's response to Item 1.f. is: No. JMI's response to Items 1.f(1) through 1.f(4) is: N/A.

1.g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

See JMI's response to Item 1.e.

1.h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

NCC is in a better position to respond to Item 1.h. than is JMI.

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1.i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1) the date of the bill;
2) the date of payment of the bill; and
3) the JMI cost center credited upon payment of the bill.

JMI's response to Item 1.i. is: No. JMI's response to Items 1.i(1) through 1.i(3) is: N/A.

1.j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

N/A.

1.k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;
2) the amount of the larger bill;
3) the identity of all JMI clients, other than Gibson, represented in the larger bill;
4) the date the larger bill was submitted to NCC by JMI; and
5) the date the larger bill was paid by NCC.

JMI's response to Item 1.k. is: Yes.

1.k(1). No single cost center was credited upon payment of the bill.

1.k(2). $57,438.

1.k(3). JMI objects to this question on the grounds that it inquires into matters that are beyond the scope of

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this proceeding and is logically and legally irrelevant. In order to expedite the resolution of this matter, however, and in the spirit of co-operation, JMI responds as follows: As indicated in JMI's response to Item 1.e., JMI's bill was not constructed on a project-by-project basis, but was for the full-time services of JMI employees to NCC.

1.k(4). JMI submitted its bill in two parts. One bill was submitted on either June 15 or June 16, 1983. The second bill was submitted between June 30 and July 21, 1983.

1.k(5). NCC paid JMI's two bills with a series of checks between May 28 and July 26, 1983.

1.l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

Copies of JMI's two bills are attached as Exhibit A hereto.

2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its

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production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

NCC is in a better position to respond to Items 2.a. through 2.f. than is JMI.

2.g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

There is no such written record in JMI's possession.

2.h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

N/A.

2.i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

No.

2.j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

1. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

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NCC is in a better position to respond to Items 2.j. through 2.m. than is JMI.

2.n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

There is no such written record in JMI's possession.

2.o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

N/A.

2.p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

NCC is in a better position to respond to Item 2.p. than is JMI.

2.q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;
2) the amount of the total of $353.08 allocable to the staff time of each person;
3) a description of the services performed for Gibson by each person;
4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;
5) the monetary rate at which each person's staff time allocated to Gibson was computed;

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6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

NCC is in a better position to respond to Item 2.q. than is JMI.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

According to the records in JMI's possession, the time buy did not take place. JMI's response to Item 3.a(1) is: N/A.

3.a(2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

JMI does not know the source of the payment to WKFT-TV.

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3.a(3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV;

No.

3.a(4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

NCC is in a better position to respond to Item 3.a(4) than is JMI.

3.b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

NCC is in a better position to respond to Item 3.b. than is JMI.

3.c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

N/A.

3.d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

JMI does not know why WKFT-TV sent the letter and refund check.

3.e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

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In making its good-faith effort to respond fully and accurately to the Commission's earlier Subpoena to Produce Documents, JMI produced all documents in its files that related to the Gibson Committee, including this letter.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

Based upon the poor quality of the available copies of this purchase order, JMI cannot state with certainty that Mr. Wrenn's initials appear on the document. JMI believes that Mr. Wrenn initialed Purchase Order No. 4361.

4.a(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

JMI believes that Mr. Wrenn approved the issuance of Purchase Order No. 4361.

4.a.(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

Susan Cashwell.

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4.a(4) Please explain the difference between the gross and net totals billed by WECT-TV.

The net total represents the price for which the station was willing to sell its television time. This is the amount charged by the station and the amount that the Gibson Committee paid the station to run its advertisement. The gross amount represents the figure the station reduced by 15 percent in order to derive the net total. It is standard billing procedure for this station to issue its bills with both a gross and a net figure.

4.a(5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome.

4.a(6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to

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in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contributed to the cost of services provided.

4.a(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

JMI received $3,667.75 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.a(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.a(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:
a) the amount of said payment;
b) when said payment was made;
c) where said payment was recorded; and
d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

4.a(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

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JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.a(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.b. JMI Purchase Order No. 4466 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and the net total was $482.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

Based upon the poor quality of the available copies of this purchase order, JMI cannot state with certainty that Mr. Wrenn's initials appear on the document. JMI believes that Mr. Wrenn initialed Purchase Order No. 4366.

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4.b(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

JMI believes that Mr. Wrenn approved the issuance of Purchase Order No. 4366.

4.b(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

Susan Cashwell.

4.b(4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designated in Purchase Order No. 4366.

See JMI's response to Item 4.a(4).

4.b(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4366.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome.

4.b(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by

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the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

4.b(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4366.

JMI received $582.25 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.b(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.b(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4366 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

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4.b(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4366. If the answer to this question is yes, please state the amount of the profit.

JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.b(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the total billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

Mr. Wrenn initialed Purchase Order No. 4437.

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4.c(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

Mr. Wrenn approved the issuance of Purchase Order No. 4437.

4.c(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

Susan Cashwell.

4.c(4) Please explain the difference between the gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

See JMI's response to Item 4.a(4).

4.c(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome.

4.c(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not

know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

4.c(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

JMI received $1190 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.c(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.c(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

4.c(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.c(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statement by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pageant was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

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Mr. Wrenn initialed Purchase Order No. 4369.

4.d(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

Mr. Wrenn approved the issuance of Purchase Order No. 4369.

4.d(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

Susan Cashwell.

4.d(4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

The $200 figure is a net total.

4.d(5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

N/A.

4.d(6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

There was no gross bill.

4.d(7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

N/A.

4.d(8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

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JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome.

4.d(9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

4.d(10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

JMI received $200 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.d(11) Please state the identity of all persons or entities making payments described in part 10) above.

The Gibson Committee and NCC.

4.d(12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to Item 4.d than is JMI.

4.d(13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.d(14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on

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September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:
1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;
2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;
3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;
4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and
5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

JMI's response to Item 4.e. is that it is not the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees. JMI's response to Items 4.e(1) through 4.e(5) is: N/A.

4.f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

As stated in the deposition testimony of Mr. Wrenn and Mr. Davidson, at that time Mr. Wrenn was routinely consulted by JMI on such matters. On the basis of Mr. Wrenn's greater experience, Mr. Davidson valued Mr. Wrenn's judgment and routinely sought it.

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4.g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value;

JMI's response to Item 4.g. is: Yes. JMI's response to Item 4.g(1) is: The payment was in money.

4.g(2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

N/A.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

JMI objects to this item in its entirety on the grounds that it inquires into matters that are beyond the scope of this proceeding, and is logically and legally irrelevant to this issue raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: December 1, 1982.

5.b. Please state the terms of the sale.

The furniture and equipment were sold for $52,267.20, which was paid by a promissory note payable in five equal annual payments, with 12 percent annual interest on the unpaid balance.

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5.c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and date of all payments by JMI to NCC for said furniture and equipment.

JMI has made payment to NCC for the furniture and equipment. Payments were made on August 16, 1982 ($3,000) and December 30, 1982 ($11,499.43).

5.d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

N/A.

5.e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;
2) the value of said services;
3) the date(s) said services were rendered to NCC; and
4) the date(s) that said services were credited to JMI's account.

JMI has performed no services for NCC in consideration of the transfer of furniture and equipment to JMI. JMI's response to Items 5.e(1) through 5.3(4) is: N/A.

5.f. Please inventory the furniture and equipment transferred from NCC to JMI.

An inventory of furniture and equipment is attached as Exhibit B hereto.

5.g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

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JMI has not transferred anything of value to NCC in consideration for the furniture and equipment.

5.h. If the answer to part g. is yes, please state:
1) a description of the thing;
2) an estimate of its value in dollars;
3) the date(s) it was transferred; and
4) the date(s) the value was credited to JMI's account.

N/A.

6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

JMI objects to Item 6 in its entirety on the grounds that it inquires into matters beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows:

9/18/81	$ 3,000.00
3/11/82	5,885.25
5/28/82	7,500.00
6/8/82	9,000.00
6/8/82	300.00
6/8/82	8,500.00
6/18/82	5,000.00
6/18/82	6,000.00
TOTAL	$48,185.25

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6.b. Please state the purpose of all loans noted in response to part a.

JMI (Foundation Division) borrowed these funds to be used on behalf of a nonpolitical entity not subject to regulation under the federal election laws.

6.c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

6/30/82	$10,000.00
7/1/82	4,000.00
7/1/82	2,500.00
7/14/82	7,685.25
7/30/82	7,000.00
8/11/82	3,500.00
5/17/83	6,500.00
5/17/83	4,000.00
TOTAL	$45,185.25

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6.d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

None.

6.e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

NCC is in a better position to respond to this item than is JMI.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

53.

7.b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

32.

7.c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI knows the current addresses of 7 of the 32 individuals referred to in JMI's response to Item 7.b.:

Jimmy Gary Thompson
709 Thompson Road
Garner, NC 27520

Joy Nordeck Moseley
4008 Lehigh Court
Raleigh NC 27609

Leslie R. Murray
P.O. Box 10191
Raleigh, NC 27605

Elisabeth W. Smith
2712 Mayview Road
Raleigh, NC 27607

Peggy Underwood
100 E. Drewry Lane
Raleigh, NC 27609

Robert Bruce Harris
3806 Lassiter Hill Road
Raleigh, NC 27609

Willa Daniel
4908 Baylor Court
Raleigh, NC 27609

Douglas Davidson
2200 Sprunt Lane
Durham, NC 27705

8604061993

Saralee Gould
7600 Sterling Court
Raleigh, NC 27612

8. According to the deposition testimony of Mr Davidson on September 12, 1983, at pages 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) the FECA) in 1982.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

JMI objects to this question on the grounds that it goes beyond the scope of this matter, it is logically and legally irrelevant, and it is unreasonably burdensome.

9. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

Because the nature and value of this in-kind contribution was determined by NCC, NCC is in a better

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position to respond to Items 9.a(1) through 9.a(4) than is JMI.

9.a(5) the total cost to JMI associated with the services described in 2) above; and
9.a(6) the total amount profit made by JMI on the services described in part 2).

JMI objects to these questions on the grounds that they seek information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

9.b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

NCC is in a better position to respond to Item 9.b. than is JMI.

10. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.
a. Please state the amount of operating capital expended in establishing JMI in 1979.

$100, as stated in JMI's articles of incorporation.

10.b. Please state the source of the operating capital used to establish JMI in 1979.

Upon information and belief, the source of the operating capital used to establish JMI in 1978 was Alejandro Castellanos.

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10.c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders
2) the names of any cosignors or guarantors;
3) the total amount borrowed by JMI from each lender;
4) the terms of each loan;
5) the amount of all outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI did not borrow funds from any source to establish its business in 1979. JMI's response to Items 10.c(1) through 10.c(6) is: N/A.

10.d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of all cosignors or guarantors;
3) the total amount loaned to JMI by each lender;
4) the terms of each loan;
5) the amount of any outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant. In addition, the question is unreasonably burdensome. In the interest of expediting the resolution of this proceeding, however, and in the spirit of cooperation, JMI responds as follows: Since its inception, JMI has received five loans from entities other than NCC.

11. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

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a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

b. Please state the profit made by each JMI cost center, in dollars, for all years available.

c. Please state the profit margin for JMI as percentage above the total cost of doing business for all years available.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. though d.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint.

12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant, vague and irrelevant and the question is unreasonably burdensome.

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Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

1/13/84
Date

Douglas M. Davidson
Douglas M. Davidson

Sworn and subscribed to before me this 13 day of January, 1984.

Virginia L. Anderson
Notary

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E X H I B I T B

Inventory of Items Purchased

DESCRIPTION

Trane Air Conditioner (as is installed)

Isolation transformer & distribution panel
(as is installed)

Raised Floor

(2) Smoke Detectors

Pitney Bowes (#4371) Meter Base Model - Serial #8514

Bunn Typing Packaging Machine - Serial #72020

AB Dick (#234) Offset Printer - Serial #314422A

Gestetner Paper Folder - Serial #17508

Shredmate Accessory Cart - Serial #419-1122-250

Bowen Industries (#7800) Stampmaster (#78) -
Serial #0708

Bowen Industries (#8100) Stampmaster ('81) -
Serial #1212

(3) Quantor 307 Microfiche Readers

(2) Monroe #2810 Calculators
Serial #H094108, H093941

(1) Monroe #1430 Calculator - Serial #M161399

(1) IBM 6450 S-6 Information Processor -
Serial #0300404 with Document Printer
Serial #100313

(7) IBM Selectric II Typewriters - Serial
#3594248, #3594249, #2793642, #3814488,
#3814490, #3411084, #3652847

(1) Royfax Copier & Cabinet - Serial #7179432

(1) Refrigerator (Avanti)

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(2) Sony Betamax - 1/2 inch: (SL7200) 1-speed
(SL8200) 2-speed

(1) Bell & Howell 302 16mm Film Projector

(1) Singer Slide Projector System w/case

(2) JVC HR 7300 Video Recorders
Serial #15673515, #15682796

(1) Refrigerator - Avanti Dorm Size

(4) Typewriter Stands

(1) Tape Rack (Enclosed)

CABINETS

(1) Storage Cabinet

(1) 5-Drawn/Lateral w/Lock

(5) 4-Drawn File

(5) 2-Drawn File

CHAIRS

(1) Executive Swivel Chair

(6) Secretary Chairs w/arms

(1) Secretary Chair - wooden

(3) Secretary Chairs

(9) Secretary Chairs

(1) Executive Chair

(1) Executive Swivel High Chair

(6) Side Chairs

(20) Stack Chairs

(1) Metal Folding Chair

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DESKS

(5) Metal Desks

(6) Walnut Top Desks

(1) 1 L-unit Wooden Desk

(2) Wooden Desks

(1) Interview Desk

SHELVES

(10) 84" Metal Shelves

(2) 72" Wood Shelves
3 hand made shelf units

(5) 72" Metal Shelves

(1) 52" Wood Shelf

(2) 44" Wood Shelves

(4) 42" Metal Shelves

(2) 36" Metal Shelves

(1) 130" Wood Shelf

TABLES

(6) 8' Folding Tables

(10) 6' Folding Tables

(15) 5' Folding Tables

(1) Credenza Black/Walnut Top

SUPPLIES

(900) Magnetic Floppy Disks

(600) Mag Cards

(48) Bottles IBM (S-6) Ink

R50405002001

(660) Magnetic Tapes ($3.00 each)

(5) Disk Packs

Miscellaneous Desk Supplies

8504050002

EXHIBIT A

Invoice

JEFFERSON MARKETING, INC. - Club Division
P. O. BOX 18746
RALEIGH, N. C. 27619
(919) 782-5431

NO. 129

DATE June 15, 1982

SOLD TO	SHIPPED TO
National Congressional Club	

OUR ORDER NO.	YOUR ORDER NO.	SALESMAN	TERMS	SHIPPED VIA	Ppd. or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting services on Payroll for the month of June, 1982.		
	Advertising	$ 5,571.00	
	Bookkeeping	1,179.00	
	Computer 1 & 2	13,453.00	
	Direct Mail	3,316.00	
	Mail Production	11,078.00	
	AMOUNT DUE		$34,597.00

Ref 550.00 — 2 / / — Ck # 15512

Ref 3783.08 — 6/15/82 — Ck # 15570

Ref 2338.00 — / / — Pd 6/16/82 — Ck # 15584

Ref 9116.00 — / / — Pd / / — Ck #

Ref 5500.00 — / / — Pd 6/18/82 — Ck # 15605

JUN 16 1982
Rec'd 11159.92
Dept ok
Adm ok
ctg verif
Ref AR 6-3
Acct #
Pd 7/15/82
Ck # 11159.92

Ref 500.00 — / / — Pd 7/14/82 — Ck # 15713

Ref 1600.00 — / / — 1/25/50 — Ck # 15650

11,159.92 — 15723

- 560.00
39,037.08
3,783.08
30,263.92
2,338.00
27,925.92
5,500.01
22,425.92
11,600.00
10,825.92
20,825.92
9,166.00
11,659.92
11,659.92

[redacted] INC - CLUB DIVISON

Invoice

[redacted]
P. O. BOX [redacted]
RALEIGH, N. C. 27619
(919) 781-5220

NO. 135

DATE June 30, 1982

SOLD TO

National Congressional Club

SHIPPED TO

OUR ORDER NO	YOUR ORDER NO	SALESMAN	TERMS	SHIPPED VIA	Ppd. or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting fees and services for the month of June, 1982.		
	Administration	$ 9,329.00 ✓	
	Advertising	5,829.00 ✓	
	Bookkeeping	36.00 ✓	
	Direct Mail	221.00 ✓	
	Mail Production #2	2,565.00 ✓	
	Computer 1 & 2	3,214.00	
			$ 21,194.00
	Adjustment for consulting services on payroll for 2nd qtr. 1982.		
	Computer 1 & 2	2,073.00	
	Direct Mail	159.00 ✓	
	Mail Production	(585.00) ✓	
			1,647.00
			$ 22,841.00
		Apply Against Advance	(5,000.00
		AMOUNT DUE	$ 17,841.00

Rec'd JUL 21 1981
Dept ok
Adm ok
Actg verified
Ref #1781-47
Acct #
Pd 7/26/82
15276

- 2840.08
15000.92
- 6200.00
8800.92
- 2500.00
6300.92
- 1000.-
5300.92
- 3569.75
1731.17
- 1731.17
- 0 -

Ref 6200.-	Ref 2840.08	Ref 2500.00	Ref 1000.-
/ /	/ /	/ /	/ /
Pd 7/15/82	Pd 7/15/82	Pd 7/19/82	Pd 7/19/82
Ck # 15723	Ck # 15720	Ck # 15741	Ck # 15745

Cr. 135A attached

Bal due

R5040502004

GCC#1423

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER
202/662-5498

TWX: 710 822-0005 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER: (202) 662-6280
CABLE: COVLING

January 16, 1983

BY HAND

Lee Andersen, Esq.
Federal Election Commission
Seventh Floor
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Lee:

Enclosed please find the responses of the National Congressional Club and Jefferson Marketing, Inc., to the Commission's Orders to Submit Written Answers and Subpoenas to Produce Documents hand-delivered on December 1, 1983. Our clients have attempted, within the parameters set forth in prior responses and at the depositions, to respond fully to the Commission's Orders. If you have any questions, please give me a call.

Sincerely,

Scott D. Gilbert

SDG:lk

Enclosures

8604060205

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
The National Congressional Club	)	

RESPONSE OF NATIONAL CONGRESSIONAL CLUB
TO ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

This is the response of The National Congressional Club to the Federal Election Commission's Order to Submit Written Answers and Subpoena to Produce Documents, hand-delivered on December 1, 1983. The undersigned, Carter Wrenn, is Treasurer of the National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

The National Congressional Club ("NCC") objects to many of the items in The Order to Submit Written Answers and Subpoena to Produce Documents ("Order") on the grounds that these items are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. In order to expedite a resolution of this matter, however, NCC responds to the Order as set forth below. By its response, NCC does not waive its rights to press any of the objections raised herein or to

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raise other objections before the Federal Election Commission or the courts.

Further, the Commission has propounded nine of the ten questions contained in this Order to Jefferson Marketing, Inc. ("JMI"), in another Order to Submit Written Answers and Subpoena to Produce Documents ("JMI Order"). At page one of the JMI Order the Commission has stated: "If NCC is in a position to better answer any of the above numbered questions than is Jefferson Marketing, Inc. ("JMI"), please so state in your response." Whenever appropriate, NCC has similarly stated in this response that JMI is in a better position to answer a particular question than is NCC.

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RESPONSE

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

NCC considered a number of different factors in estimating the value of services provided by JMI employees in connection with production of the television advertisement and time buying for the Democrats for Better Government to Elect Gibson ("Gibson Committee"). These factors included the

number of people involved, the nature of the tasks performed, the number of hours spent on each project by JMI employees, the salaries of the employees, the quality of the work performed, and the value of that work to the candidate.

1.b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

Carter Wrenn established the $353.08 figure.

1.c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

Yes.

1.d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

NCC objects to this question on the ground that it seeks information that is irrelevant to this proceeding. Without waiving this objection NCC responds as follows: No.

1.e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

During the period of time in question, many of JMI's employees worked full-time on NCC activities and provided

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services under NCC's direction. For these full-time services, as well as for the administrative convenience and the efficiencies that this arrangement afforded, NCC paid JMI a monthly fee, which covered the salaries of JMI's employees, JMI's overhead, and a fixed percentage of profit for JMI. When, with respect to the videotape production and time-buying for the Gibson Committee, NCC decided to make an in-kind contribution of some portion of the services of these JMI employees -- for which JMI had already been paid by NCC -- a value had to be determined for these services so that the contribution could be reported by NCC and by the candidate's committee. Accordingly, NCC determined the value of the contributed services.

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1.f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

NCC's response to Item 1.f. is: No. NCC's response to Items 1.f(1) through 1.f(4) is: N/A.

1.g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

See NCC's response to Item 1.e.

1.h. Please state the names of all political committees (other than those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

NCC objects to this question on the grounds that NCC's in-kind contributions to committees neither identified nor alluded to in Congressmen Rose's complaint are outside the scope of this matter, and any question on the subject is logically and legally irrelevant.

1.i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1) the date of the bill;
2) the date of payment of the bill; and
3) the JMI cost center credited upon payment of the bill.

NCC's response to Item 1.i. is: No. NCC's response to Items 1.i(1) through 1.i(3) is: N/A.

1.j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

N/A.

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1.k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;
2) the amount of the larger bill;
3) the identity of all JMI clients, other than Gibson, represented in the larger bill;
4) the date the larger bill was submitted to NCC by JMI; and
5) the date the larger bill was paid by NCC.

NCC's response to Item 1.k. is: Yes.

1.k(1). No single cost center was credited upon payment of the bill.

1.k(2). $57,438.

1.k(3). NCC objects to this question on the ground that it inquires into matters that are beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the instant complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows: As indicated in NCC's response to Item 1.e., JMI's bill was not constructed on a project-by-project basis, but was for the full-time services of JMI employees to NCC.

1.k(4). JMI submitted its bill in two parts. One bill was submitted on either June 15 or June 16, 1983. The second bill was submitted between June 30 and July 21, 1983.

1.k(5). NCC paid JMI's two bills with a series of checks between May 28 and July 26, 1983.

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1.1. If the answer to part k. is yes, please submit a copy of the document to the Commission.

Copies of JMI's two bills are attached as Exhibit A hereto.

2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

NCC does not have the documentation that is necessary to respond to Items 2.a. through 2.c.

2.d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

It is NCC's belief that Mr. Ashe's time was allocated to the Gibson Committee at the rate of $110.77 per day.

2.e. Please describe all of the services Mr. Ashe performed for Gibson.

NCC believes that Mr. Ashe served as the in-studio representative during the editing process of the Rose-Rio advertisement and was involved in the editing decisions made in the studio.

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2.f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

Mr. Ashe did not act in any such capacity.

2.g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

JMI is in a better position to answer this question than is NCC.

2.h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

N/A.

2.i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

No.

2.j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

NCC does not have the documentation that is necessary to respond to this question.

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2.k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

It is NCC's belief that Ms. Cashwell's time was allocated to the Gibson Committee at the rate of $45.00 per day.

2.l. Please describe all of the services Ms. Cashwell performed for Gibson.

Ms. Cashwell bought television time for the Gibson Committee.

2.m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

Ms. Cashwell did not act in any such capacity.

2.n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

JMI is in a better position to answer this question than is NCC.

2.o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

N/A.

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2.p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

Ms. Cashwell bought television time for use by the Gibson Committee in conjunction with the airing of the Rose-Rio advertisement. See NCC's response to Item 2.k. There was no direct charge to the Gibson Committee for Ms. Cashwell's services, which were paid for by NCC and which were included in the $300.08 reported by NCC as an in-kind donation to the Gibson Committee.

2.q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;
2) the amount of the total of $353.08 allocable to the staff time of each person;
3) a description of the services performed for Gibson by each person;
4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;
5) the monetary rate at which each person's staff time allocated to Gibson was computed;
6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;
7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;
8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;
9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;
10) if the answer to part 8) is yes, please describe the contents of said record;

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11) whether each person bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

NCC's response to Item 2.q. is: No. NCC's response to Items 2.q(1) through 2.q(12) is: N/A.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

JMI is in a better position to answer Items 3.a., 3.a.(1) and 3.a.(2) than is NCC.

3.a.(3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV;

No.

3.a.(4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

NCC did not reimburse Gibson for payment of the $395 to WKFT-TV.

3.b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

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NCC did not reimburse any person for any part of the $395 time buy from WKFT-TV.

3.c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

N/A.

3.d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

JMI is in a better position to answer this item than is NCC.

3.e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

JMI is in a better position to answer this item than is NCC.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

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Based upon the poor quality of the available copies of this purchase order, NCC cannot state with certainty that Mr. Wrenn's initials appear on the document. NCC believes that Mr. Wrenn initialed Purchase Order No.4361.

4.a(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

NCC believes that Mr. Wrenn approved the issuance of Purchase Order No. 4361.

4.a(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

Susan Cashwell.

4.a(4) Please explain the difference between the gross and net totals billed by WECT-TV.

The net total represents the price for which the station was willing to sell its television time. This is the amount charged by the station and the amount that the Gibson Committee paid the station to run its advertisement. The gross amount represents the figure the station reduced by 15 percent in order to derive the net total. It is standard billing procedure for this station to issue its bills with both a gross and a net figure.

4.a(5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

JMI is in a better position to answer this item than is NCC.

4.a(6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

JMI is in a better position to answer this question than is NCC.

4.a(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

JMI is in a better position to answer this question than is NCC.

4.a(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this question than is NCC.

4.a(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.a(9)(a) through 4.b(9)(d) is: N/A.

4.a(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

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NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

4.a(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

Based upon the poor quality of the available copies of this purchase order, NCC cannot state with certainty that Mr. Wrenn's initials appear on the document. NCC believes that Mr. Wrenn initialed Purchase Order No. 4366.

4.b(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

NCC believes that Mr. Wrenn approved the issuance of Purchase Order No. 4366.

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4.b(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

Susan Cashwell.

4.b(4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

See NCC's response to Item 4.a(4).

4.b(5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

JMI is in a better position to answer this item than is NCC.

4.b(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

JMI is in a better position to answer this item than is NCC.

4.b(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

JMI is in a better position to answer this item than is NCC.

4.b(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this item than is NCC.

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4.b(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the answers to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment is recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.b(9)(a) through 4.b(9)(d) is: N/A.

4.b(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the answer to this question is yes, please state the amount of profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

4.b(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

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4.c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

Mr. Wrenn initialed Purchase Order No. 4437.

4.c(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

Mr. Wrenn approved the issuance of Purchase Order No. 4437.

4.c(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

Susan Cashwell.

4.c(4) Please explain the difference between the gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

See NCC's response to Item 4.a.(4).

4.c(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

4.c(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

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4.c(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

4.c(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this item than is NCC.

4.c(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.c(9)(a) through 4.c(9)(d) is: N/A.

4.c(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

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4.c(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pageant was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

Mr. Wrenn initialed Purchase Order No. 4369.

4.d(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

Mr. Wrenn approved the issuance of Purchase Order No. 4369.

4.d(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

Susan Cashwell.

4.d(4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

The $200 figure is a net total.

4.d(5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

N/A.

4.d(6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

There was no gross bill.

4.d(7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

N/A.

4.d(8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(11) Please state the identity of all persons or entities making payments described in part 10) above.

The Gibson Committee and NCC.

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4.d(12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the gross and net billings. NCC's response to Items 4.d(12)(a) through 4.d(12)(d) is: N/A.

4.d(13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

4.d(14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

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4.e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

NCC's response to Item 4.e. is that it is not the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees. NCC's response to Items 4.e(1) through 4.e(5) is: N/A.

4.f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

As stated in the deposition testimony of Mr. Wrenn and Mr. Davidson, at that time Mr. Wrenn was routinely consulted by JMI on such matters. On the basis of Mr. Wrenn's greater experience, Mr. Davidson valued Mr. Wrenn's judgment and routinely sought it.

4.g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration

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for time buying services performed for Gibson. If the answer to this question is yes, please state:
1) whether payment was in money or any other thing of value;

NCC's response to Item 4.g. is: Yes. NCC's response to Item 4.g(1) is: The payment was in money.

4.g(2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

N/A.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.
a. Please state the date of the sale.

JMI objects to this item in its entirety on the grounds that it inquires into matters that are beyond the scope of this proceeding, and is logically and legally irrelevant to this issue raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: December 1, 1982.

5.b. Please state the terms of the sale.

The furniture and equipment were sold for $52,267.20, which was paid by a promissory note payable in five equal annual payments, with 12 percent annual interest on the unpaid balance.

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5.c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and date of all payments by JMI to NCC for said furniture and equipment.

JMI has made payment to NCC for the furniture and equipment. Payments were made on August 16, 1982 ($3,000) and December 30, 1982 ($11,499.43).

5.d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

N/A.

5.e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;
2) the value of said services;
3) the date(s) said services were rendered to NCC; and
4) the date(s) that said services were credited to JMI's account.

JMI has performed no services for NCC in consideration of the transfer of furniture and equipment to JMI. NCC's response to Items 5.e(1) through 5.e(4) is: N/A.

5.f. Please inventory the furniture and equipment transferred from NCC to JMI.

An inventory of furniture and equipment is attached as Exhibit B hereto.

5.g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

8504050230

JMI has not transferred anything of value to NCC in consideration for the furniture and equipment.

5.h. If the answer to part g. is yes, please state:
1) a description of the thing;
2) an estimate of its value in dollars;
3) the date(s) it was transferred; and
4) the date(s) the value was credited to JMI's account.

N/A.

6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

NCC objects to Item 6 in its entirety on the grounds that it inquires into matters beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows:

9/18/81	$3,000.00
3/11/82	5,885.25
5/28/82	7,500.00
6/8/82	9,000.00
6/8/82	300.00
6/8/82	8,500.00
6/18/82	5,000.00
6/18/82	6,000.00
TOTAL	$45,185.25

8504050031

b. Please state the purpose of all loans noted in response to part a.

JMI (Foundation Division) borrowed these funds to be used on behalf of a nonpolitical entity not subject to regulation under the federal election laws.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

6/30/82	$10,000.00
7/1/82	4,000.00
7/1/82	2,500.00
7/14/82	7,685.25
7/30/82	7,000.00
8/11/82	3,500.00
5/17/83	6,500.00
5/17/83	4,000.00
TOTAL	$45,185.25

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

None.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

The loans and repayments listed in NCC's responses to Items 6.a. and 6.c. were reported to the Federal Election Commission as expenditures and offsets to expenditures, respectively.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

8504050032

JMI is in a better position to answer this item than is NCC.

7.b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI is in a better position to answer this item than is NCC.

7.c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI is in a better position to answer this item than is NCC.

8. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

In response to Item 8.a. NCC states as follows: $1,262.20 represents in-kind contributions paid for by NCC. $332.31 represents an in-kind contribution of the services of Mr. Earl Ashe, a JMI employee. A check for $929.89 was also paid to JMI to reimburse JMI for its payment of an Audiofonics bill for that amount. In response to Item 8.a(1) NCC states as follows: NCC cannot determine whether any part of this in-kind contribution was used to pay for modifications to the Rose-Rio advertisement.

8.a(2) the total dollar amount of the in-kind contribution paid to JMI;

8504020035

NCC valued the in-kind contribution of the services of JMI's employee at $332.31.

8.a(3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

JMI's services were related to videotape advertisement production.

8.a(4) the names of all employees or agents of JMI providing services to Johnson;

Earl Ashe.

8.a(5) the total cost to JMI associated with the services described in 2) above; and

NCC objects to this question on the grounds that it seeks information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

8.a(6) the total amount profit made by JMI on the services described in part 2).

NCC objects to this question on the ground that it seeks information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

8.b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

NCC made no contribution to the Johnson Committee that was not reported to the Commission.

9604050234

9. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of any cosignors or guarantors;
3) the total amount borrowed by JMI from each lender;
4) the terms of each loan;
5) the amount of all outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of all cosignors or guarantors;
3) the total amount loaned to JMI by each lender;
4) the terms of each loan;
5) the amount of any outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI is in a better position to respond to this item than is NCC.

R 0 0 4 0 5 0 2 0 3 3

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

1-13-84
Date

Carter Wrenn

Sworn and subscribed to before me this 13 day of January, 1984.

Notary Public

8604060020 35

EXHIBIT A

Invoice

JEFFERSON MARKETING, INC. - Club Division
P. O. BOX 18748
RALEIGH, N. C. 27619
(919) 782-5431

NO. 129

DATE June 15, 1982

SOLD TO	SHIPPED TO
National Congressional Club	

OUR ORDER NO.	YOUR ORDER NO.	SALESMAN	TERMS	SHIPPED VIA	Ppd or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting services on Payroll for the month of June, 1982.		
	Advertising	$ 5,571.00	
	Bookkeeping	1,179.00	
	Computer 1 & 2	13,453.00	
	Direct Mail	3,316.00	
	Mail Production	11,078.00	
	AMOUNT DUE		$34,597.00

Ref 550.00 — 2 1 1 — Pd 5/24/82 — Ck # 15512

Ref 3753.08 — 4 — Pd 6/15/82 — Ck # 15576

Ref 2335.00 — 1 1 — Pd 6/16/82 — Ck # 15584

Ref 9116.00 — 1 1 — Pd 1 1 — Ck #

Ref 5500.00 — 1 1 — Pd 6/18/82 — Ck # 15605

JUN 16 1982

Rec'd 11159.92
Dept ok
Adm ok
ctg verif
Ref AP 6-3
Acct #

Pd 7/15/82 — Ck # 15723

Ref 500.00 — 1 1 — Pd 7/14/82 — Ck # 15713

Ref 1600.00 — 1 1 — Pd 6/25/82 — Ck # 15650

11,159.92

20 825.92
9 166.00
11,659.92

$ 560.00
39,037.00
3,783.08
30,263.92
2,738.00
27,525.92
5,500.00
22,025.92
11,659.92
20,825.92

JEFFERSON MARKETING, INC - CLUB DIVISON

[redacted]
P. O. BOX [redacted]
RALEIGH, N. C. 27619
(919) 781-5220

Invoice

NO. 135

DATE June 30, 1982

SOLD TO

National Congressional Club

SHIPPED TO

OUR ORDER NO.	YOUR ORDER NO.	SALESMAN	TERMS	SHIPPED VIA	Ppd. or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting fees and services for the month of June, 1982.		
	Administration	$ 9,329.00 ✓	
	Advertising	5,829.00 ✓	
	Bookkeeping	36.00 ✓	
	Direct Mail	221.00 ✓	
	Mail Production #2	2,565.00 ✓	
	Computer 1 & 2	3,214.00	
			$ 21,194.00
	Adjustment for consulting services on payroll for 2nd qtr. 1982.		
	Computer 1 & 2	2,073.00	
	Direct Mail	159.00 ✓	
	Mail Production	(585.00) ✓	
			1,647.00
			$ 22,841.00
		Apply Against Advance	(5,000.00)
		AMOUNT DUE	$ 17,841.00

Rec'd JUL 21 1981
Dept ok
Adm ok
Actg verified 7-5
Ref #1791-17
Acct #
Pd 7/26/82
Ck # 15276

Ref 6200.-	Ref 2540.08	Ref 2500.00	Ref 1000.-
/ /	/ /	/ /	/ /
Pd 7/15/82	Pd 7/15/82	Pd 7/19/82	Pd 7/19/82
Ck # 15723	Ck # 15720	Ck # 15741	Ck # 15745

- 2540.08
15000.92
- 6200.00
8800.92
- 2500.00
6300.92
- 1000.-
5300.92
- 3569.75

Ck. 135A attached

Bal due 1731.17
- 1731.17
- 0 -

E X H I B I T B

Inventory of Items Purchased

DESCRIPTION

Trane Air Conditioner (as is installed)

Isolation transformer & distribution panel
(as is installed)

Raised Floor

(2) Smoke Detectors

Pitney Bowes (#4371) Meter Base Model - Serial #8514

Bunn Typing Packaging Machine - Serial #72020

AB Dick (#234) Offset Printer - Serial #314422A

Gestetner Paper Folder - Serial #17508

Shredmate Accessory Cart - Serial #419-1122-250

Bowen Industries (#7800) Stampmaster (#78) -
Serial #0708

Bowen Industries (#8100) Stampmaster ('81) -
Serial #1212

(3) Quantor 307 Microfiche Readers

(2) Monroe #2810 Calculators
Serial #H094108, H093941

(1) Monroe #1430 Calculator - Serial #M161399

(1) IBM 6450 S-6 Information Processor -
Serial #0300404 with Document Printer
Serial #100313

(7) IBM Selectric II Typewriters - Serial
#3594248, #3594249, #2793642, #3814488,
#3814490, #3411084, #3652847

(1) Royfax Copier & Cabinet - Serial #7179432

(1) Refrigerator (Avanti)

R5040502039

(2) Sony Betamax - 1/2 inch: (SL7200) 1-speed
(SL8200) 2-speed

(1) Bell & Howell 302 16mm Film Projector

(1) Singer Slide Projector System w/case

(2) JVC HR 7300 Video Recorders
Serial #15673515, #15682796

(1) Refrigerator - Avanti Dorm Size

(4) Typewriter Stands

(1) Tape Rack (Enclosed)

CABINETS

(1) Storage Cabinet

(1) 5-Drawn/Lateral w/Lock

(5) 4-Drawn File

(5) 2-Drawn File

CHAIRS

(1) Executive Swivel Chair

(6) Secretary Chairs w/arms

(1) Secretary Chair - wooden

(3) Secretary Chairs

(9) Secretary Chairs

(1) Executive Chair

(1) Executive Swivel High Chair

(6) Side Chairs

(20) Stack Chairs

(1) Metal Folding Chair

R50405020 40

DESKS

(5) Metal Desks

(6) Walnut Top Desks

(1) 1 L-unit Wooden Desk

(2) Wooden Desks

(1) Interview Desk

SHELVES

(10) 84" Metal Shelves

(2) 72" Wood Shelves
3 hand made shelf units

(5) 72" Metal Shelves

(1) 52" Wood Shelf

(2) 44" Wood Shelves

(4) 42" Metal Shelves

(2) 36" Metal Shelves

(1) 130" Wood Shelf

TABLES

(6) 8' Folding Tables

(10) 6' Folding Tables

(15) 5' Folding Tables

(1) Credenza Black/Walnut Top

SUPPLIES

(900) Magnetic Floppy Disks

(600) Mag Cards

(48) Bottles IBM (S-6) Ink

R5040502041

(660) Magnetic Tapes ($3.00 each)

(5) Disk Packs

Miscellaneous Desk Supplies

R5040502042

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 5, 1984

Scott D. Gilbert
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Gilbert:

This is in response to your request of December 14, 1983, to extend the due date for answers to written question from December 15, 1983, to January 20, 1983. The Commission agrees to extend the due date for your response, but requests that you submit the response on or before January 16, 1983.

If you have any questions, please call Lee Andersen at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

R5040502043

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Scott D. Gilbert
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RFA 1/4/83

Re: MUR 1503

Dear Mr. Gilbert:

This is in response to your request of December 14, 1983, to extend the due date for answers to written question from December 15, 1983, to January 20, 1983. The Commission agrees to extend the due date for your response, but requests that you submit the response on or before January 16, 1983.

If you have any questions, please call Lee Andersen at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

8504005020044

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: December 27, 1983

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

_____ _____

_____ _____

_____ _____

_____

8604050045

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on January 3, 1984, the Commission decided by a vote of 6-0 to take the following actions in MUR 1503:

1. Grant respondents Jefferson Marketing, Inc. and National Congressional Club an extension until January 16, 1984, to respond to the Commission's written questions presently due on December 15, 1983.

2. Approve the letter to counsel for respondents Jefferson Marketing, Inc. and the National Congressional Club, as submitted with the General Counsel's December 27, 1983 Memorandum to the Commission.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry and Reiche voted affirmatively in this matter.

Attest:

1-4-84
Date

Marjorie W. Emmons
Secretary of the Commission

Received in Office of Commission Secretary: 12-27-83, 4:02
Circulated on 48 hour tally basis: 12-28-83, 11:00

8504050046

SENSITIVE

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

83 DEC 27 P 4: 02

December 27, 1983

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503

Discussion

On December 14, this office received a request for an extension of time to respond to written questions submitted by the Commission to respondents Jefferson Marketing, Inc. and the National Congressional Club. See Attachment A. The request proposes that the due date be deferred from December 15, 1983, to January 20, 1983. The reasons given for the request are that there are a substantial number of questions asked of both organizations, that the questions pertain to matters concerning which the Commission has already examined respondents and that it has been two months since counsel for respondents met with personnel from this office.

Given the fact that the Commission is subject to monthly reports and status calls from the U.S. District Court for the District of Columbia concerning the progress of its investigation of this matter, and given the fact that the next monthly report is due the court on December 31, 1983, with the next status call scheduled for January 20, 1983, the Office of General Counsel recommends that the Commission grant an extension of time only until January 16, 1983. This will afford us the opportunity to apprise ourselves of the contents of the responses in time to prepare for the January 20, 1983 status call.

Recommendations

The Office of General Counsel recommends that:

1) the Commission grant respondents Jefferson Marketing, Inc. and National Congressional Club an extension until January 16, 1983, to respond to the Commission's written questions presently due on December 15, 1983; and

8 5 0 4 0 5 0 0 2 0 4 7

2) approve the attached letter to counsel for respondents Jefferson Marketing, Inc. and the National Congressional Club.

Attachments
1. Letter from respondents (1 page)
2. Letter to respondents (1 page)

8604065020048

GCC # 1258

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER
202/662-5498

TWX: 710 822-0006 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER: (202) 662-6290
CABLE: COVLING

December 14, 1983

BY HAND

Lee Anderson, Esq.
Federal Election Commission
Seventh Floor
1325 K Street, N.W.
Washington, D.C. 20463

DEC 14 P3:29

Re: MUR 1503

Dear Lee:

This is an initial request for an extension of time until January 20, 1984, by which to respond to the Federal Election Commission's Orders to Submit Written Answers and Subpoenas to Produce Documents issued on December 1, 1983, to our clients the National Congressional Club and Jefferson Marketing, Inc. in the above-entitled MUR.

Given the substantial number of questions raised by the Commission in its Orders and Subpoenas, comprising 24 pages to Jefferson Marketing and 22 pages to the National Congressional Club, we reasonably require additional time in which to respond. Moreover, in light of the fact that the questions propounded by the Commission concern matters with respect to which you already have had the opportunity to examine our clients in depositions and that more than two months have elapsed since our last meeting with your office, we believe our request for an extension of time is entirely reasonable and appropriate.

I am hopeful that, even with the impending holidays, we will be able to respond to the Commission's Orders and Subpoenas on or before January 20.

If you have any further questions concerning this matter, please let me know.

Sincerely,

Scott D. Gilbert

SDG:lk

Attachment 1.

8504050049

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Scott D. Gilbert
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Gilbert:

This is in response to your request of December 14, 1983, to extend the due date for answers to written question from December 15, 1983, to January 20, 1983. The Commission agrees to extend the due date for your response, but requests that you submit the response on or before January 16, 1983.

If you have any questions, please call Lee Andersen at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

8604050205 0

Attachment 2. ②

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JODY C. RANSOM

DATE: DECEMBER 20, 1983

SUBJECT: SUBPOENAS RE: MUR 1503

The attached subpoenas, which were Commission approved in Executive Session on November 29, 1983 by a vote of 5-1, have been signed and sealed this date.

Attachments
Subpoenas (2)

8504960205 1

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 21, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Thomas C. Gibson
Democratic for Better Government to Elect Gibson
P.O. Box 1576
Lumberton, North Carolina 28358

Re: MUR 1503

Dear Mr. Gibson:

By letter of June 2, 1983, you received notification that the Commission had found reason to believe that your committee had violated 2 U.S.C. §§ 441b, 434b and 441a(a)(1)(A), provisions of the Federal Election Campaign Act of 1971, as amended. An investigation of this matter is being conducted and it has been determined that additional information from you is necessary.

Consequently, the Federal Election Commission has issued the attached subpoena which requires you to appear and give sworn testimony on January 17, 1984, at 9:30 a.m. which will assist it in carrying out its statutory duty of supervising compliance with the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, U.S. Code.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us of the name and address of your attorney prior to the date of the deposition.

Pursuant to 11 CFR 111.14, a witness summoned by the Commission shall be paid $30, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

8504502052

Please confirm your scheduled appearance with R. Lee Andersen on our toll free line (800/424-9530) within two day of your receipt of this notification.

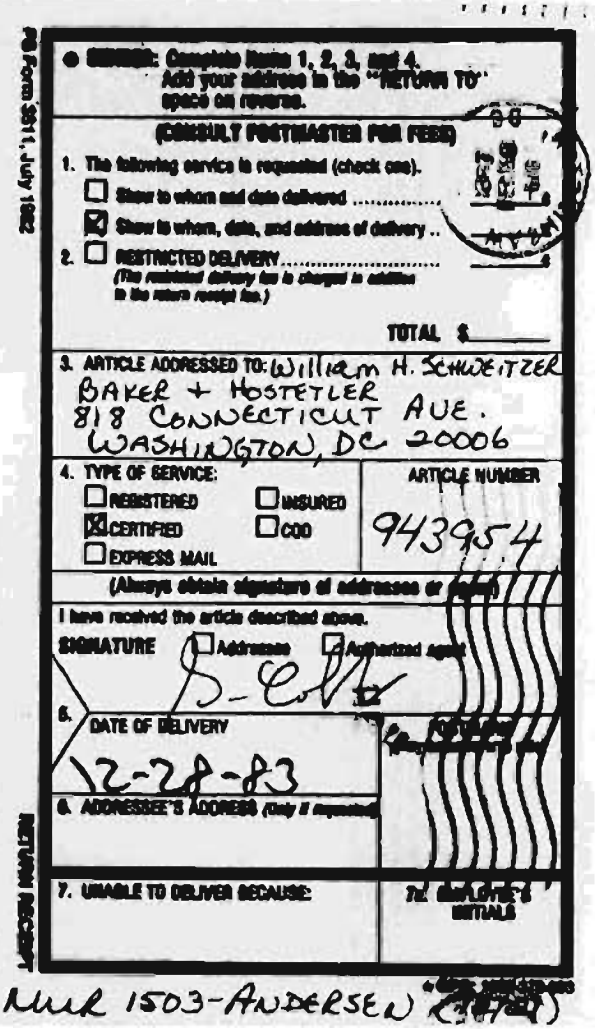
If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202-523-5071 or the toll free line.

Sincerely,

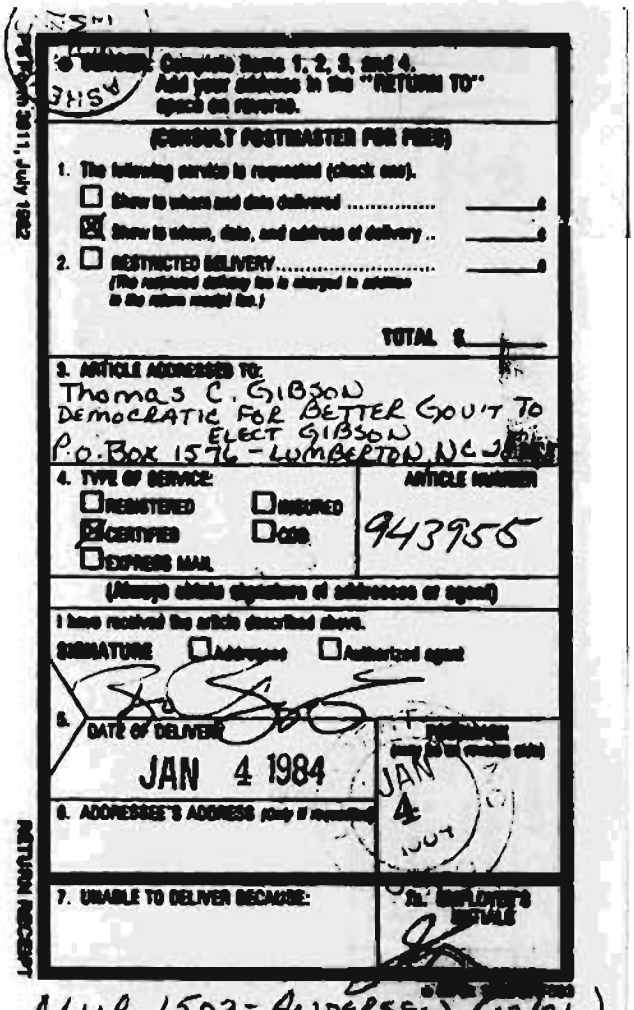
Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer, Esquire



Mur 1503-Andersen (12/21)



Mur 1503-Andersen (12/21)

R5040520553

Subpoena to Appear for Deposition Upon Oral Examination

TO: Thomas C. Gibson
Democrats for Better Government to Elect Gibson
P.O. Box 1576
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to MUR 1503. Notice is hereby given that the deposition is to be taken at the Social Security Offices, 322 East 24th Street, Lumberton, North Carolina 28358, beginning at 9:30 a.m. on January 17, 1984, and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 20th day of December, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

8504050254

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 21, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Edward A. Johnson
Ed Johnson for Congress
P.O. Box 1576
Lumberton, North Carolina 28358

Re: MUR 1503

Dear Mr. Johnson:

By letter of June 2, 1983, you received notification that the Commission had found reason to believe that your committee had violated 2 U.S.C. §§ 441a(f) and 434b, provisions of the Federal Election Campaign Act of 1971, as amended. An investigation of this matter is being conducted and it has been determined that additional information from you is necessary.

Consequently, the Federal Election Commission has issued the attached subpoena which requires you to appear and give sworn testimony on January 17, 1984, at 2:00 P.M. which will assist it in carrying out its statutory duty of supervising compliance with the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, U.S. Code.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us of the name and address of your attorney prior to the date of the deposition.

Pursuant to 11 CFR 111.14, a witness summoned by the Commission shall be paid $30, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

8504050205

Please confirm your scheduled appearance with R. Lee Andersen on our toll free line (800/424-9530) within two day of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202-523-5071 or the toll free line.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer, Esquire

R50493u2056

PS Form 3811, July 1982

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
- ☐ Show to whom and date delivered ..... ____¢
- ☒ Show to whom, date, and address of delivery .. ____¢
- ☐ RESTRICTED DELIVERY ..... ____¢
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL ____¢

3. ARTICLE ADDRESSED TO: EDWARD A. JOHNSON
ED JOHNSON FOR CONGRESS
P.O. BOX 1576
LUMBERTON, NC 28358

4. TYPE OF SERVICE:
☐ REGISTERED ☐ INSURED
☒ CERTIFIED ☐ COD
☐ EXPRESS MAIL

ARTICLE NUMBER
943953

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

X Linda Edwards

6. DATE OF DELIVERY

8. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE:

RETURN RECEIPT

MUR 1503 - ANDERSEN (6/21)

Subpoena to Appear for Deposition Upon Oral Examination

TO: Edward A. Johnson
Ed Johnson for Congress
P.O. Box 1576
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to MUR 1503. Notice is hereby given that the deposition is to be taken at the Social Security Offices, 322 East 24th Street, Lumberton, North Carolina 28358, beginning at 2:00 p.m. on January 17, 1984, and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 20th day of December, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

8504062057

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
National Congressional Club, et al.)

CERTIFICATION

I, Marjorie W. Emmons, Recording Secretary for the Federal Election Commission Executive Session on November 29, 1983, do hereby certify that the Commission decided by a vote of 5-1 to take the following actions in the above-captioned matter:

1. authorize the subpoenas attached to the General Counsel's report dated November 15, 1983, for the deposition of Mr. Thomas C. Gibson and Mr. Edward A. Johnson;

2. authorize the orders to submit written answers and subpoenas to produce documents for the National Congressional Club and Jefferson Marketing, Inc., as recommended in the General Counsel's report dated November 15, 1983; and

3. approve the letters attached to the General Counsel's report dated November 15, 1983.

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

Attest:

11-30-83
Date

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

8504050258

GCC # 1258

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D.C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER
202/662-5498

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CABLE: COVLING

December 14, 1983

BY HAND

Lee Anderson, Esq.
Federal Election Commission
Seventh Floor
1325 K Street, N.W.
Washington, D.C. 20463

83 DEC 14 P3:29

Re: MUR 1503

Dear Lee:

This is an initial request for an extension of time until January 20, 1984, by which to respond to the Federal Election Commission's Orders to Submit Written Answers and Subpoenas to Produce Documents issued on December 1, 1983, to our clients the National Congressional Club and Jefferson Marketing, Inc. in the above-entitled MUR.

Given the substantial number of questions raised by the Commission in its Orders and Subpoenas, comprising 24 pages to Jefferson Marketing and 22 pages to the National Congressional Club, we reasonably require additional time in which to respond. Moreover, in light of the fact that the questions propounded by the Commission concern matters with respect to which you already have had the opportunity to examine our clients in depositions and that more than two months have elapsed since our last meeting with your office, we believe our request for an extension of time is entirely reasonable and appropriate.

I am hopeful that, even with the impending holidays, we will be able to respond to the Commission's Orders and Subpoenas on or before January 20.

If you have any further questions concerning this matter, please let me know.

Sincerely,

Scott D. Gilbert

SDG:lk

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JAN SAVAGE JS

DATE: NOVEMBER 30, 1983

SUBJECT: ORDERS RE: MUR 1503

The attached orders regarding MUR 1503 have been signed and sealed this date.

Attachments:
Orders (2)
National Congressional Club
Jefferson Marketing, Inc.

8504050250

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
National Congressional Club, et al.)

CERTIFICATION

I, Marjorie W. Emmons, Recording Secretary for the Federal Election Commission Executive Session on November 29, 1983, do hereby certify that the Commission decided by a vote of 5-1 to take the following actions in the above-captioned matter:

1. authorize the subpoenas attached to the General Counsel's report dated November 15, 1983, for the deposition of Mr. Thomas C. Gibson and Mr. Edward A. Johnson;

2. authorize the orders to submit written answers and subpoenas to produce documents for the National Congressional Club and Jefferson Marketing, Inc., as recommended in the General Counsel's report dated November 15, 1983; and

3. approve the letters attached to the General Counsel's report dated November 15, 1983.

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

Attest:

11-30-83
Date

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

8504050261

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 1, 1983

Scott D. Gilbert, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, NW
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Gilbert:

As discussed in your meeting on October 7, 1983, with Messrs. Andersen, Johansen and Gross, the Federal Election Commission (the "Commission") requires additional information to resolve MUR 1503. Consequently, the Commission has issued the attached orders to provide answers to written questions and subpoenas to produce documents for your clients, Jefferson Marketing, Inc. ("JMI") and the National Congressional Club ("NCC").

From the evidence the Commission has reviewed thus far, it is impossible to know in advance whether officials from JMI or NCC will be in the best position to respond to questions regarding the Citizens for Better Government to Elect Gibson ("Gibson") and Ed Johnson for Congress ("Johnson") or, for that matter, whether JMI or NCC will be in the best position to answer any particular question concerning their relationship. Therefore, the Commission has issued a set of questions for each of your clients, although in all but three instances the questions are identical (see order and subpoena to Jefferson Marketing, Inc.).

As stated in the attached orders and subpoenas, please respond within 15 days of your receipt of this letter. If you have questions, please call Lee Andersen, the attorney assigned to this matter at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

8504050205 2

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Scott D. Gilbert, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, NW
Washington, D.C. 20044

RGLA 11/30/83

Re: MUR 1503

Dear Mr. Gilbert:

As discussed in your meeting on October 7, 1983, with Messrs. Andersen, Johansen and Gross, the Federal Election Commission (the "Commission") requires additional information to resolve MUR 1503. Consequently, the Commission has issued the attached orders to provide answers to written questions and subpoenas to produce documents for your clients, Jefferson Marketing, Inc. ("JMI") and the National Congressional Club ("NCC").

From the evidence the Commission has reviewed thus far, it is impossible to know in advance whether officials from JMI or NCC will be in the best position to respond to questions regarding the Citizens for Better Government to Elect Gibson ("Gibson") and Ed Johnson for Congress ("Johnson") or, for that matter, whether JMI or NCC will be in the best position to answer any particular question concerning their relationship. Therefore, the Commission has issued a set of questions for each of your clients, although in all but three instances the questions are identical (see order and subpoena to Jefferson Marketing, Inc.).

As stated in the attached orders and subpoenas, please respond within 15 days of your receipt of this letter. If you have questions, please call Lee Andersen, the attorney assigned to this matter at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

8504050206 3

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Democrats for Better Government	)	
to Elect Gibson	)	MUR 1503
Ed Johnson for Congress	)	
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

ORDER TO SUBMIT WRITTEN ANSWERS
SUBPOENA TO PRODUCE DOCUMENTS

To: Jefferson Marketing, Inc.
c/o Scott Gilbert
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-styled matter the Federal Election Commission, hereby orders Jefferson Marketing, Inc. to submit written answers to the questions attached to this order and subpoenas Jefferson Marketing, Inc. to produce the documents requested.

Such answers and documents must be forwarded to the Commission within 15 days of your receipt of this order and subpoena. The answers must be submitted under oath and should be made by the individuals having knowledge of the subject matter of the questions.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C. on this 30th day of November, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachments
Order to submit answers and subpoena to produce documents

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Order And Subpoena To Jefferson Marketing, Inc.

Please respond to the following. Questions 1, 2, 3, 4, 5, 6, 7, 9, and 10 are also asked of the National Congressional Club ("NCC") under a separate order. If NCC is in a position to better answer any of the above numbered questions than is Jerfferson Marketing, Inc. ("JMI"), please so state in your response. If respondents claim that they are entitled to withold from production any of the documents requested, please identify each such document, describe the subject matter of the document and state the grounds for witholding it from production.

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

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h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1. the date of the bill;

2. the date of payment of the bill; and

3. the JMI cost center credited upon payment of the bill.

j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;

2) the amount of the larger bill;

3) the identity of all JMI clients, other than Gibson, represented in the larger bill;

4) the date the larger bill was submitted to NCC by JMI; and

5) the date the larger bill was paid by NCC.

l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

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2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video

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tape segment. If the answer to this question is yes, please describe the contents of said record.

h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

l. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

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p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;

2) the amount of the total of $353.08 allocable to the staff time of each person;

3) a description of the services performed for Gibson by each person;

4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;

5) the monetary rate at which each person's staff time allocated to Gibson was computed;

6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

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8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjuction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV; and

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4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the

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gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

4) Please explain the difference between the gross and net totals billed by WECT-TV.

5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

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(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

3) Please state the identity of the JMI

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employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the anwers to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment is recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the

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answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

4) Please explain the difference between the

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gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pagent was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

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6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

11) Please state the identity of all persons or entities making payments described in part 10) above.

12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

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13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

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5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value; and

2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

b. Please state the terms of the sale.

c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and

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date of all payments by JMI to NCC for said furniture and equipment.

d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;

2) the value of said services;

3) the date(s) said services were rendered to NCC; and

4) the date(s) that said services were credited to JMI's account.

f. Please inventory the furniture and equipment transferred from NCC to JMI.

g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

h. If the answer to part g. is yes, please state:

1) a description of the thing;

2) an estimate of its value in dollars;

3) the date(s) it was transferred; and

4) the date(s) the value was credited to JMI's account.

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6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

b. Please state the purpose of all loans noted in response to part a.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

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c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

8. According to the deposition testimony of Mr Davidson on September 12, 1983, at pages 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) the FECA) in 1982.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

9. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

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a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

5) the total cost to JMI associated with the services described in 2) above; and

6) the total amount profit made by JMI on the services described in part 2).

b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

10. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

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b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders

2) the names of any cosignors or guarantors;

3) the total amount borrowed by JMI from each lender;

4) the terms of each loan;

5) the amount of all outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;

2) the names of all cosignors or guarantors;

3) the total amount loaned to JMI by each lender;

4) the terms of each loan;

5) the amount of any outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

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11. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

b. Please state the profit made by each JMI cost center, in dollars, for all years available.

c. Please state the profit margin for JMI as percentage above the total cost of doing business for all years available.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. though d.

12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

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b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Democrats for Better Government	)	
to Elect Gibson	)	MUR 1503
Ed Johnson for Congress	)	
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

ORDER TO SUBMIT WRITTEN ANSWERS
SUBPOENA TO PRODUCE DOCUMENTS

To: National Congressional Club
c/o Scott Gilbert
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-styled matter the Federal Election Commission, hereby orders the National Congressional Club to submit written answers to the questions attached to this order and subpoenas the National Congressional Club to produce the documents requested.

Such answers and documents must be forwarded to the Commission within 15 days of your receipt of this order and subpoena. The answers must be submitted under oath and should be made by the individuals having knowledge of the subject matter of the questions.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C. on this 30th day of November, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachments
Order to submit answers and subpoena to produce documents

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Order And Subpoena To National Congressional Club

Please respond to the following. If respondents claim that they are entitled to withold from production any of the documents requested, please identify each such document, describe the subject matter of the document and state the grounds for witholding it from production.

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

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h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1. the date of the bill;

2. the date of payment of the bill; and

3. the JMI cost center credited upon payment of the bill.

j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;

2) the amount of the larger bill;

3) the identity of all JMI clients, other than Gibson, represented in the larger bill;

4) the date the larger bill was submitted to NCC by JMI; and

5) the date the larger bill was paid by NCC.

l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

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2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video

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tape segment. If the answer to this question is yes, please describe the contents of said record.

h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

l. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

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p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;

2) the amount of the total of $353.08 allocable to the staff time of each person;

3) a description of the services performed for Gibson by each person;

4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;

5) the monetary rate at which each person's staff time allocated to Gibson was computed;

6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

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8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjuction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV; and

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4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the

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gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

4) Please explain the difference between the gross and net totals billed by WECT-TV.

5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

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(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

3) Please state the identity of the JMI

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employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the anwers to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment is recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the

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answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

4) Please explain the difference between the

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gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pagent was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

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6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

11) Please state the identity of all persons or entities making payments described in part 10) above.

12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

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13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

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5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value; and

2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

b. Please state the terms of the sale.

c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and

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date of all payments by JMI to NCC for said furniture and equipment.

d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;

2) the value of said services;

3) the date(s) said services were rendered to NCC; and

4) the date(s) that said services were credited to JMI's account.

f. Please inventory the furniture and equipment transferred from NCC to JMI.

g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

h. If the answer to part g. is yes, please state:

1) a description of the thing;

2) an estimate of its value in dollars;

3) the date(s) it was transferred; and

4) the date(s) the value was credited to JMI's account.

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6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

b. Please state the purpose of all loans noted in response to part a.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

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c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

8. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

5) the total cost to JMI associated with the services described in 2) above; and

6) the total amount profit made by JMI on the services described in part 2).

b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of

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all contributions not reported and their date(s).

9. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders

2) the names of any cosignors or guarantors;

3) the total amount borrowed by JMI from each lender;

4) the terms of each loan;

5) the amount of all outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;

2) the names of all cosignors or guarantors;

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3) the total amount loaned to JMI by each lender;

4) the terms of each loan;

5) the amount of any outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

R5040502113

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE, GENERAL COUNSEL

FROM: MARJORIE W. EMMONS JODY C. RANSOM

DATE: NOVEMBER 18, 1983

SUBJECT: OBJECTION - MUR 1503 Memorandum to the Commission dated November 15, 1983

The above-named document was circulated to the Commission on November 16, 1983 at 11:00.

Objections have been received from the Commissioners as indicated by the name(s) checked:

Commissioner Aikens	X
Commissioner Elliott	
Commissioner Harris	
Commissioner McDonald	
Commissioner McGarry	
Commissioner Reiche	

This matter will be placed on the Executive Session agenda for November 29, 1983.

R5040502114

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: November 15, 1983

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 15, 1983

SENSITIVE

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503

I. Background

In its last consideration of this matter, the Commission, on August 29, 1983, authorized a subpoena to take the deposition of Murchison B. Biggs (bookkeeper for both the Democrats for Better Government to Elect Gibson ("Gibson") and Ed Johnson for Congress("Johnson"). The Biggs deposition, those of the treasurers of both committees and the depositions of officials from both the National Congressional Club ("NCC") and Jefferson Marketing, Inc. ("JMI") were completed on September 12, 13 and 14, 1983. This Office has reviewed the transcripts from these depositions and met with counsel for respondents to discuss further discovery needs.

II. Discussion

The Office of General Counsel examined all of the evidence obtained from respondents including the document productions of July 6 and 8, 1983, the supplementary document production of September 10, 1983, and the transcripts of the depositions noted above. However, this evidence is insufficient to formulate further recommendations to the Commission on the merits of this matter. Therefore, we have prepared a series of written questions and requsts for document production that address the factual and legal issues that have arisen thus far in the investigation. In addition, we are requesting authority to subpoena Thomas C. Gibson and Edward A. Johnson to obtain their deposition testimony.

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The justification for the subpoenas to candidates Gibson and Johnson is that it has become apparent that due to the limited scope of their campaigns, the candidates are the only persons in a position to supply the Commission with facts concerning their dealings with NCC and JMI. With respect to the justification for the written questions and requests for production of documents to NCC and JMI, this Office relies principally upon Commission reason to believe determination number (9) of May 4, 1983. Determination (9) states, in relevant part, that:

> "the scope of the inquiry be limited to establishing the facts of the alleged violations on which the Commission has found reason to believe, plus any facts which will assist in determining the relationship between the National Congressional and Jefferson Marketing, Inc..."

The factual record, as it presently stands, leaves unanswered the important question of the extent to which NCC controls JMI, or vice versa, and whether in doing so they circumvent the prohibition against corporate contributions and contribution limitations.

Among the questions that have been raised are the following: whether JMI's services to Gibson and Johnson were provided at the usual and normal charge; whether it was JMI or NCC that established the charges to Gibson and Johnson for JMI's services; whether NCC subsidizes JMI's business operations; whether personnel governing NCC also have the authority to control the business operations of JMI; and whether NCC's directors control the stock of JMI. The factual evidence at hand is inadequate to resolve these questions that need to be answered to determine whether the transactions among Gibson, Johnson, NCC and JMI complained of were in violation of the Act.

Thus further inquiry into the relationship between JMI and NCC, focused primarily on the specific transactions concerning Gibson and Johnson committees, but also including inquiry into those areas of the relationship between NCC and JMI necessary to establish the facts about the Gibson and Johnson transactions, is necessary to conclude our investigation. Therefore, the Office of General Counsel recommends that the Commission authorize the issuance of the attached subpoenas and orders.

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III. Recommendations

The Office of General Counsel recommends that the Commission:

1. authorize the attached subpoenas for the deposition of Mr. Thomas C. Gibson and Mr. Edward A. Johnson;

2. authorize the attached orders to submit written answers and subpoenas to produce documents for the National Congressional Club and Jefferson Marketing, Inc.; and

3. approve the attached letters.

Attachments

1. Subpoenas and cover letters for Thomas C. Gibson and Edward A. Johnson (6 pages)

2. Orders and subpoenas to submit written answers and produce documents and cover letters for Jefferson Marketing, Inc. and the National Congressional Club (51 pages)

8604060211 8

Subpoena to Appear for Deposition Upon Oral Examination

TO: Thomas C. Gibson
Democrats for Better Government to Elect Gibson
P.O. Box 1576
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to MUR 1503. Notice is hereby given that the deposition is to be taken at , beginning at and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this day of , 1983.

Danny L. McDonald
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachment 1

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Thomas C. Gibson
Democratic for Better Government to Elect Gibson
P.O. Box 1576
Lumberton, North Carolina 28358

Re: MUR 1503

Dear Mr. Gibson:

By letter of June 2, 1983, you received notification that the Commission had found reason to believe that your committee had violated 2 U.S.C. §§ 441b, 434b and 441a(a)(1)(A), provisions of the Federal Election Campaign Act of 1971, as amended. An investigation of this matter is being conducted and it has been determined that additional information from you is necessary.

Consequently, the Federal Election Commission has issued the attached subpoena which requires you to appear and give sworn testimony on at which will assist it in carrying out its statutory duty of supervising compliance with the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, U.S. Code.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us of the name and address of your attorney prior to the date of the deposition.

Pursuant to 11 CFR 111.14, a witness summoned by the Commission shall be paid $30, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

(2)

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Please confirm your scheduled appearance with R. Lee Andersen on our toll free line (800/424-9530) within two day of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202-523-5071 or the toll free line.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer, Esquire

8504050211 21

Subpoena to Appear for Deposition Upon Oral Examination

TO: Edward A. Johnson
Ed Johnson for Congress
P.O. Box 1576
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to MUR 1503. Notice is hereby given that the deposition is to be taken at , beginning at and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this day of , 1983.

Danny L. McDonald
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

8504050212 2

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Edward A. Johnson
Ed Johnson for Congress
P.O. Box 1576
Lumberton, North Carolina 28358

Re: MUR 1503

Dear Mr. Johnson:

By letter of June 2, 1983, you received notification that the Commission had found reason to believe that your committee had violated 2 U.S.C. §§ 441a(f) and 434b, provisions of the Federal Election Campaign Act of 1971, as amended. An investigation of this matter is being conducted and it has been determined that additional information from you is necessary.

Consequently, the Federal Election Commission has issued the attached subpoena which requires you to appear and give sworn testimony on at which will assist it in carrying out its statutory duty of supervising compliance with the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, U.S. Code.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us of the name and address of your attorney prior to the date of the deposition.

Pursuant to 11 CFR 111.14, a witness summoned by the Commission shall be paid $30, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

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(5)

Please confirm your scheduled appearance with R. Lee Andersen on our toll free line (800/424-9530) within two day of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202-523-5071 or the toll free line.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer, Esquire

8504050212 4

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Scott D. Gilbert, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, NW
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Gilbert:

As discussed in your meeting on October 7, 1983, with Messrs. Andersen, Johansen and Gross, the Federal Election Commission (the "Commission") requires additional information to resolve MUR 1503. Consequently, the Commission has issued the attached orders to provide answers to written questions and subpoenas to produce documents for your clients, Jefferson Marketing, Inc. ("JMI") and the National Congressional Club ("NCC").

From the evidence the Commission has reviewed thus far, it is impossible to know in advance whether officials from JMI or NCC will be in the best position to respond to questions regarding the Citizens for Better Government to Elect Gibson ("Gibson") and Ed Johnson for Congress ("Johnson") or, for that matter, whether JMI or NCC will be in the best position to answer any particular question concerning their relationship. Therefore, the Commission has issued a set of questions for each of your clients, although in all but three instances the questions are identical (see order and subpoena to Jefferson Marketing, Inc.).

As stated in the attached orders and subpoenas, please respond within 15 days of your receipt of this letter. If you have questions, please call Lee Andersen, the attorney assigned to this matter at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

Attachment 2 (1)

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Democrats for Better Government to Elect Gibson	)	MUR 1503
Ed Johnson for Congress	)	
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

ORDER TO SUBMIT WRITTEN ANSWERS
SUBPOENA TO PRODUCE DOCUMENTS

To: Jefferson Marketing, Inc.
c/o Scott Gilbert
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-styled matter the Federal Election Commission, hereby orders Jefferson Marketing, Inc. to submit written answers to the questions attached to this order and subpoenas Jefferson Marketing, Inc. to produce the documents requested.

Such answers must be forwarded to the Commission within 15 days of your receipt of this order. The answers must be submitted under oath and should be made by the individuals having knowledge of the subject matter of the questions.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C. on this day of November, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachments
Order to submit answers and subpoena to produce documents

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Please respond to the following. Questions 1, 2, 3, 4, 5, 6, 7, 9, and 10 are also asked of the National Congressional Club ("NCC") under a separate order. If NCC is in a position to better answer any of the above numbered questions than is Jerfferson Marketing, Inc. ("JMI"), please so state in your response. If respondents claim that they are entitled to withold from production any of the documents requested, please identify each such document, describe the subject matter of the document and state the grounds for witholding it from production.

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

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h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1. the date of the bill;

2. the date of payment of the bill; and

3. the JMI cost center credited upon payment of the bill.

j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;

2) the amount of the larger bill;

3) the identity of all JMI clients, other than Gibson, represented in the larger bill;

4) the date the larger bill was submitted to NCC by JMI; and

5) the date the larger bill was paid by NCC.

l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

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2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video

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tape segment. If the answer to this question is yes, please describe the contents of said record.

h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

l. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

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p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;

2) the amount of the total of $353.08 allocable to the staff time of each person;

3) a description of the services performed for Gibson by each person;

4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;

5) the monetary rate at which each person's staff time allocated to Gibson was computed;

6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

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8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjuction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV; and

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4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the

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gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

4) Please explain the difference between the gross and net totals billed by WECT-TV.

5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

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(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

3) Please state the identity of the JMI

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employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the anwers to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment is recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the

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answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

4) Please explain the difference between the

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gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pagent was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

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6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

11) Please state the identity of all persons or entities making payments described in part 10) above.

12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

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13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

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5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value; and

2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

b. Please state the terms of the sale.

c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and

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date of all payments by JMI to NCC for said furniture and equipment.

d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;

2) the value of said services;

3) the date(s) said services were rendered to NCC; and

4) the date(s) that said services were credited to JMI's account.

f. Please inventory the furniture and equipment transferred from NCC to JMI.

g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

h. If the answer to part g. is yes, please state:

1) a description of the thing;

2) an estimate of its value in dollars;

3) the date(s) it was transferred; and

4) the date(s) the value was credited to JMI's account.

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6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

b. Please state the purpose of all loans noted in response to part a.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

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c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

8. According to the deposition testimony of Mr Davidson on September 12, 1983, at pages 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) the FECA) in 1982.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

9. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

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a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

5) the total cost to JMI associated with the services described in 2) above; and

6) the total amount profit made by JMI on the services described in part 2).

b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

10. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

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b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders

2) the names of any cosignors or guarantors;

3) the total amount borrowed by JMI from each lender;

4) the terms of each loan;

5) the amount of all outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;

2) the names of all cosignors or guarantors;

3) the total amount loaned to JMI by each lender;

4) the terms of each loan;

5) the amount of any outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

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11. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

b. Please state the profit made by each JMI cost center, in dollars, for all years available.

c. Please state the profit margin for JMI as percentage above the total cost of doing business for all years available.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. though d.

12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

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b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Democrats for Better Government to Elect Gibson	)	MUR 1503
Ed Johnson for Congress	)	
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

ORDER TO SUBMIT WRITTEN ANSWERS
SUBPOENA TO PRODUCE DOCUMENTS

To: National Congressional Club
c/o Scott Gilbert
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-styled matter the Federal Election Commission, hereby orders the National Congressional Club to submit written answers to the questions attached to this order and subpoenas the National Congressional Club to produce the documents requested.

Such answers must be forwarded to the Commission within 15 days of your receipt of this order. The answers must be submitted under oath and should be made by the individuals having knowledge of the subject matter of the questions.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C. on this day of November, 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

Attachments
Order to submit answers and subpoena to produce documents

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Please respond to the following. If respondents claim that they are entitled to withold from production any of the documents requested, please identify each such document, describe the subject matter of the document and state the grounds for witholding it from production.

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

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h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1. the date of the bill;

2. the date of payment of the bill; and

3. the JMI cost center credited upon payment of the bill.

j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;

2) the amount of the larger bill;

3) the identity of all JMI clients, other than Gibson, represented in the larger bill;

4) the date the larger bill was submitted to NCC by JMI; and

5) the date the larger bill was paid by NCC.

l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

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2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video

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tape segment. If the answer to this question is yes, please describe the contents of said record.

h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

l. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

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p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;

2) the amount of the total of $353.08 allocable to the staff time of each person;

3) a description of the services performed for Gibson by each person;

4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;

5) the monetary rate at which each person's staff time allocated to Gibson was computed;

6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

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8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjuction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV; and

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4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the

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gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

4) Please explain the difference between the gross and net totals billed by WECT-TV.

5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

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(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

3) Please state the identity of the JMI

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employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the anwers to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment is recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the

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answer to this question is yes, please state the amount of profit.

11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

4) Please explain the difference between the

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gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

8) Please state the identity of all persons or entities making payments described in part 7).

9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcipt) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pagent was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

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6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

11) Please state the identity of all persons or entities making payments described in part 10) above.

12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;

(b) when said payment was made;

(c) where said payment was recorded; and

(d) whether said payment was reported to the Commission.

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13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

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5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value; and

2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

b. Please state the terms of the sale.

c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and

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date of all payments by JMI to NCC for said furniture and equipment.

d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;

2) the value of said services;

3) the date(s) said services were rendered to NCC; and

4) the date(s) that said services were credited to JMI's account.

f. Please inventory the furniture and equipment transferred from NCC to JMI.

g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

h. If the answer to part g. is yes, please state:

1) a description of the thing;

2) an estimate of its value in dollars;

3) the date(s) it was transferred; and

4) the date(s) the value was credited to JMI's account.

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6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

b. Please state the purpose of all loans noted in response to part a.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

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c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

8. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

5) the total cost to JMI associated with the services described in 2) above; and

6) the total amount profit made by JMI on the services described in part 2).

b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of

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all contributions not reported and their date(s).

9. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders

2) the names of any cosignors or guarantors;

3) the total amount borrowed by JMI from each lender;

4) the terms of each loan;

5) the amount of all outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;

2) the names of all cosignors or guarantors;

R504502174

3) the total amount loaned to JMI by each lender;

4) the terms of each loan;

5) the amount of any outstanding balance owed to each lender; and

6) the total interest paid to date by JMI on each loan.

R50405021735

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 16, 1984

John R. Bolton, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Bolton:

This is in response to your request of November 2, 1984, for a copy of the Commission's certification of action taken in MUR 1503 on October 16, 1984. The Commission has considered your request and declines to make this document available to you at the present time.

Should you have any questions, please call R. Lee Andersen, the attorney assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

John R. Bolton, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RLA 11/14/84

Re: MUR 1503

Dear Mr. Bolton:

This is in response to your request of November 2, 1984, for a copy of the Commission's certification of action taken in MUR 1503 on October 16, 1984. The Commission has considered your request and declines to make this document available to you at the present time.

Should you have any questions, please call R. Lee Andersen, the attorney assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

R604052177

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.	)	
National Congressional Club	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on November 14, 1984, the Commission decided by a vote of 5-0 to take the following actions in MUR 1503:

1. Deny the request of counsel for Jefferson Marketing, Inc. and the National Congressional Club for a copy of the Commission's October 16, 1984 certification in MUR 1503.

2. Send the letter to this effect as attached to the General Counsel's Memorandum to the Commission dated November 8, 1984.

Commissioners Aikens, Elliott, McDonald, Harris and Reiche voted affirmatively in this matter; Commissioner McGarry did not cast a vote.

Attest:

11-14-84
Date

Marjorie W. Emmons
Secretary of the Commission

Received in Office of Commission Secretary: 11-8-84, 3:33
Circulated on 48 hour tally basis: 11-9-84, 2:00

8504052178

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: November 8, 1984

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

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SENSITIVE

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SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

84 NOV 8 P3:33

November 8, 1984

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503

On November 2, 1984, the Commission received a request from counsel for respondents Jefferson Marketing, Inc. and the National Congressional Club for a copy of the Commission's October 16, 1984, certification. Respondents' position is that since this matter poses complex and novel issues of law, the certification will aid in the conciliation process. (See Attachment 1.)

It is not the policy of the Commission to make its certifications available to respondents until a matter is closed, or in some instances, where it is necessary to file a certification with a court as part of a subpoena enforcement action. In addition, the certification contains a record of determinations concerning other respondents in this matter that sections 437g(a)(4)(A)(i) and 437g(a)(12) prohibit our making available to Jefferson Marketing, Inc. and the National Congressional Club without written permission of those other respondents. Therefore, even if the Commisson should choose to make the October 16, 1982, certification available to the requestors, those portions pertaining to Commission action regarding the Citizens for Better Government to Elect Gibson Committee and the Ed Johnson for Congress Committee must be excised.

RECOMMENDATION

The Office of General Counsel recommends that the Commission deny the request of counsel for Jefferson Marketing, Inc. and the National Congressional Club for a copy of the Commission's October 16, 1984, certification in MUR 1503 and send the attached letter to this effect.

Attachments
1. Letter of November 2, 1984, from counsel for respondents (2 pages).
2. Letter to counsel for respondents (1 page).

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GCG#5412

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EDWIN D. ZIMMERMAN
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RICHARD P. [illegible]
ROBERT F. [illegible]
EUGENE [illegible]
MARK A. [illegible]
HARVEY [illegible]
MICHAEL [illegible]
CHARLES [illegible]
MICHAEL [illegible]
BINGHAM [illegible]
ALLAN [illegible]
VIRGINIA [illegible]
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CHARLES [illegible]
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DORIS O. [illegible]
WILLIAM D. IVERSON
S. WILLIAM LIVINGSTON, JR.
JAMES B. [illegible]
COLEMAN S. [illegible]
STUART C. [illegible]
EUGENE D. GULLAND
D. THOMAS JOHNSON, JR.
EUGENE L. LUDWIG
PATRICIA A. BARALD
PEYTON C. WESTERMAN
THOMAS L. WOODRUFF, JR.
JEFFREY O. HUVELLE
PAUL J. [illegible]
[illegible]

HARRY L. SHNIDERMAN
EDWIN B. COHEN
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JOHN M. DOUGLAS
[illegible] BROTHERS
J. BARCLAY WILSON
ROBERT K. OWEN
CHARLES [illegible], JR.
WILLIAM [illegible]
DAVID [illegible]
JOHN [illegible], JR.
PAUL [illegible]
PHILIP [illegible]
CHARLES [illegible]
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PETER [illegible]
JONATHAN [illegible]
CHARLES [illegible]
ROBERT [illegible]
C. EDWARD [illegible]
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PAUL J. [illegible]
ANDREW W. [illegible]
DAVID M. MCKEAN
RUSSELL M. CARPENTER, JR.
NICHOLAS W. FELA
THEODORE L. GARRETT
DANA V. ASHLEY
JOHN E. VINES
JOHN THOMAS SMITH II
JOHN D. RUPP
[illegible]
RICHARD F. RINGHAM
ROBERT M. SUSSMAN
MICHAEL R. LAVY
GEORGE B. REID, JR.
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H. THOMAS AUSTERN
FONTAINE C. BRADLEY
EDWARD BURLING, JR.
HOWARD C. WESTWOOD
CHARLES A. HORSKY
JOHN T. SAMENIA
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ERNEST W. JENNES
COUNSEL

JOHN SHERMAN COOPER
OF COUNSEL

TWX 710 822-0005 (CB WSH)
TELEX 89-593 (COVLING WSH)
TELECOPIER (202) 662-6250
CABLE: COVLING

November 2, 1984

Charles N. Steele, Esq.
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Mr. Steele:

As we discussed yesterday by telephone, we are requesting the certification by the Secretary of the Federal Election Commission (the "Commission") of all votes taken by the Commission in connection with the finding (or not finding) of probable cause in the matter concerning our clients. We request the certification of votes not only on the merits of any of your recommendations to the Commission to find probable cause, but also on procedural motions (e.g., a motion to take no further action in the matter or to consolidate).

We believe that providing us with the certification will materially advance the conciliation process. Since the Commission is required by 2 U.S.C. §437g(a)(4) to use conciliation as the preferred method of resolving issues of alleged violations of the statute, we believe that it is entirely proper and appropriate for the Commission to take such a step in aid of the conciliation process.

Providing us the certification is especially appropriate in this case. As members of your staff have represented in court, this case poses complex and novel issues of law.

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Your brief to the Commission made numerous recommendations to find probable cause with respect to our clients, based on your interpretation of the statute. Our brief opposed all of your recommendations, and further opposed your basic legal theories.

The Commission apparently accepted two recommendations to find probable cause, but rejected all of the others. As I mentioned yesterday, we are carefully studying the proposed conciliation agreement, and expect shortly to raise with you and your staff a number of questions to help clarify our understanding of the proposal. We believe that receiving a copy of the certification of the Commission's votes on this matter will considerably assist us in reaching such a clarification. Otherwise, considerable time could be lost, with the risk that the time limit for conciliation would be reached and the parties denied the opportunity to reach agreement.

Please feel free to contact me at 662-5432 if you have any questions on this matter.

Sincerely yours,

John R. Bolton

8504502182

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

John R. Bolton, Esquire
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Re: MUR 1503

Dear Mr. Bolton:

This is in response to your request of November 2, 1984, for a copy of the Commission's certification of action taken in MUR 1503 on October 16, 1984. The Commission has considered your request and declines to make this document available to you at the present time.

Should you have any questions, please call R. Lee Andersen, the attorney assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele
General Counsel

8604052183

GCG#5492

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1201 PENNSYLVANIA AVENUE, N. W.
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JOHN D. MCGAVIN
JOHN D. MCGAVIN, JR.
JOHN F. MCGAVIN
JOHN F. MCGAVIN, JR.
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The Commission apparently accepted two recommendations to find probable cause, but rejected all of the others. As I mentioned yesterday, we are carefully studying the proposed conciliation agreement, and expect shortly to raise with you and your staff a number of questions to help clarify our understanding of the proposal. We believe that receiving a copy of the certification of the Commission's votes on this matter will considerably assist us in reaching such a clarification. Otherwise, considerable time could be lost, with the risk that the time limit for conciliation would be reached and the parties denied the opportunity to reach agreement.

Please feel free to contact me at 662-5432 if you have any questions on this matter.

Sincerely yours,

John R. Bolton

8504050215

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 17, 1983

William H. Schweitzer
BAKER & HOSTELLER
818 Connecticut Avenue, N.W.
Washington, D.C. 20006

Dear Mr. Schweitzer:

Enclosed are witness fee and mileage checks in the amount of $71.00 each for the following witnesses: Murchison Biggs; Daniel Freeman; and Anthony Sessums. Thank you for your cooperation in making these witnesses available for deposition in connection with the Commission's investigation of MUR 1503.

Sincerely,

Charles N. Steele
General Counsel

By: Kenneth A. Gross
Associate General Counsel

Enclosures

8504050218 5

TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,050

SYMBOL 3005

United States Treasury 15-21 000

PAY TO THE ORDER OF MURCHISON BIGGS

DOLLARS	CTS.
$****71	00

MONTH	DAY	YEAR
10	13	83

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F E C
WASH DC
W3274

001

Jane O'Brien
DISBURSING OFFICER

3AW263 MUR 1503 WITNESS

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER . . . REQUIRE IDENTIFICATION

"3005 2" :000000518: 06077050 6"

TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,051

SYMBOL 3005

United States Treasury 15-21 000

PAY TO THE ORDER OF DANIEL FREEMAN

DOLLARS	CTS.
$****71	00

MONTH	DAY	YEAR
10	13	83

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WASH DC
W3274

001

Jane O'Brien
DISBURSING OFFICER

3AW263 MUR 1503 WITNESS

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER . . . REQUIRE IDENTIFICATION

"3005 2" :000000518: 06077051 2"

TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,052

SYMBOL 3005

United States Treasury 15-21 000

PAY TO THE ORDER OF ANTHONY SESSUMS

DOLLARS	CTS.
$****71	00

MONTH	DAY	YEAR
10	13	83

95350001

F E C
WASH DC
W3274

001

Jane O'Brien
DISBURSING OFFICER

3AW263 MUR 1503 WITNESS

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER . . . REQUIRE IDENTIFICATION

"3005 2" :000000518: 06077052 3"

8604062137

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 17, 1983

Scott D. Gilbert
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Dear Mr. Gilbert:

Enclosed are witness fee and mileage checks in the amount of $32.05 each for the following witnesses: Douglas Davidson; Katherine Hardison; Carter Wrenn; and Thomas Ellis. Thank you for your cooperation in making these individuals available for deposition in connection with the Commission's investigation of MUR 1503.

Sincerely,

Charles N. Steele
General Counsel

By: Kenneth A. Gross
Associate General Counsel

Enclosures

8504021988

TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,053

SYMBOL 3005

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER -- REQUIRE IDENTIFICATION

United States Treasury 1541/000

PAY TO THE ORDER OF DOUGLAS DAVIDSON

DOLLARS	CTS.
$*****32	05

MONTH	DAY	YEAR
10	13	83

95350001

□ F E C
WASH DC
W3274

001

3AW263 MUR 1503 WITNESS

REGIONAL DISBURSING OFFICER

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TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,054

SYMBOL 3005

DO NOT FOLD, SPINDLE OR MUTILATE
KNOW YOUR ENDORSER -- REQUIRE IDENTIFICATION

United States Treasury 1541/000

PAY TO THE ORDER OF KATHERINE HARDISON

DOLLARS	CTS.
$*****32	05

MONTH	DAY	YEAR
10	13	83

95350001

□ F E C
WASH DC
W3274

001

3AW263 MUR 1503 WITNESS

REGIONAL DISBURSING OFFICER

⑈30052⑈ ⑆000000518⑆ 060770545⑈

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TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,055

SYMBOL 3005

DO NOT FOLD, SPINDLE OR MUTILATE. KNOW YOUR ENDORSER ... REQUIRE IDENTIFICATION

United States Treasury 15-51 000

PAY TO THE ORDER OF CARTER WRENN

DOLLARS	CTS.
$****32	05

MONTH	DAY	YEAR
10	13	83

95350001

F E C
WASH DC
W3274

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TREASURY
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

WASHINGTON, D. C.

Check No. 6,077,056

SYMBOL 3005

DO NOT FOLD, SPINDLE OR MUTILATE. KNOW YOUR ENDORSER ... REQUIRE IDENTIFICATION

United States Treasury 15-51 000

PAY TO THE ORDER OF THOMAS ELLIS

DOLLARS	CTS.
$****32	05

MONTH	DAY	YEAR
10	13	83

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F E C
WASH DC
W3274

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Jefferson Marketing, Inc., and) MUR 1503
National Congressional Club)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of October 16, 1984, do hereby certify the Commission took the following actions in the above-captioned matter:

1. Decided by a vote of 4-2 to deny the respondents' request to stay consideration of this matter, and instead proceed to consideration of the matter on its merits, and specifically to consider the General Counsel's reports dated October 9, 1984.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

2. Decided by a vote of 6-0 to deny respondents' September 21, 1984, request for materials addressing the issues of Section II of the respondents' brief prior to a ruling on the probable cause recommendations.

   Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

(Continued)

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3. Decided by a vote of 6-0 to deny respondents' October 2, 1984, request to consolidate MUR 1503 and MUR 1792.

   Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

4. Decided by a vote of 6-0 to deny respondents' October 2, 1984, request for materials addressing respondents' request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause recommendations.

   Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

5. Failed by a vote of 2-4 to pass a motion to find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 434 by failing to report as contributions the excess of the normal and usual charge customarily imposed for the services rendered by Jefferson Marketing, Inc. to political committees, over the charge actually imposed by Jefferson Marketing, Inc. for such services.

   Commissioners McGarry and Reiche voted affirmatively for the motion; Commissioners Aikens, Elliott, Harris, and McDonald dissented.

(Continued)

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6. Failed on a vote of 3-2 to pass a motion to find probable cause to believe that the National Congressional Club violated 2 U.S.C. §§ 432, 433, and 434 for failing to comply with those sections of the Federal Election Campaign Act as respects the activities of Jefferson Marketing, Inc.

   Commissioners Harris, McDonald, and McGarry voted affirmatively; Commissioners Aikens and Elliott dissented; Commissioner Reiche abstained.

7. Decided by a vote of 6-0 to reconsider the last matter voted upon.

   Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for reconsideration.

8. Decided by a vote of 4-2 to find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 434 by failing to comply with the requirements of that section as respects the activities of Jefferson Marketing, Inc.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively; Commissioners Aikens and Elliott dissented.

9. Failed on a vote of 3-3 to pass a motion to find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made by Jefferson Marketing, Inc. and contributions made to Jefferson Marketing, Inc.

   Commissioners Harris, McDonald, and McGarry voted affirmatively; Commissioners Aikens, Elliott, and Reiche dissented.

(continued)

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10. Decided by a vote of 4-2 to find probable cause to believe that Jefferson Marketing, Inc. violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services rendered.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

11. Decided by a vote of 4-2 to find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/ Rio video tape advertisement.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

12. Decided by a vote of 4-2 to

a) find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

b) find probable cause to believe that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively; Commissioners Aikens and Elliott dissented.

(continued)

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13. Decided by a vote of 4-2 to find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee and the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the former to the latter.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

14. Decided by a vote of 6-0 to direct the Office of General Counsel to revise the proposed conciliation agreement and draft letters in accord with the actions taken by the Commission this date and circulate them for Commission approval on a tally vote basis.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

Attest:

10-17-84

Date

Marjorie W. Emmons

Marjorie W. Emmons
Secretary of the Commission

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Jefferson Marketing, Inc. and National Congressional Club	)	MUR 1503

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of October 30, 1984, do hereby certify that the Commission decided by a vote of 4-2 to approve the conciliation agreements and draft letters attached to the General Counsel's October 29, 1984 report on MUR 1503, as amended by the General Counsel's report, also dated October 29, 1984, and to send them to the respondents in this matter.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

Attest:

10-30-84
Date

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

8604030196

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Connecticut Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Connecticut Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Citizens for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Citizens for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

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We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

BY HAND

Brice M. Clagett
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

Before consideration of the merits of your brief and the General Counsel's brief in this matter, the Commission considered your September 21, 1984, and October 2, 1984, requests for procedural relief in MUR 1503. The Commission determined to:

1. deny your September 21, 1984, request for materials addressing the issues in Section II of your brief prior to a ruling on the probable cause recommendations;

2. deny your October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny your October 2, 1984, request for materials addressing your request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause to believe recomendations.

On October 16, 1984, the Commission determined there was probable cause to believe that your clients committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the National Congressional Club violated 2 U.S.C. § 434 by failing to comply with the requirements of that section as respects the activities of Jefferson Marketing, Inc. and

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2. that Jefferson Marketing, Inc. violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 30, 1984

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil

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penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

RTT 10/30/84

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Citizens for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

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Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

2177 10/30/84

Bryce M. Clagett
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

Before consideration of the merits of your brief and the General Counsel's brief in this matter, the Commission considered your September 21, 1984, and October 2, 1984, requests for procedural relief in MUR 1503. The Commission determined to:

1. deny your September 21, 1984, request for materials addressing the issues in Section II of your brief prior to a ruling on the probable cause recommendations;

2. deny your October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny your October 2, 1984, request for materials addressing your request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause to believe recomendations.

On October 16, 1984, the Commission determined there was probable cause to believe that your clients committed the following violations of the Federal Election Campaign Act of 1971, as amended:

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2. that Jefferson Marketing, Inc. violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

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If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

RVT 10/30/84

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil

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penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8604030210

FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/JODY C. RANSOM

DATE: OCTOBER 25, 1984

SUBJECT: OBJECTION - MUR 1503 General Counsel's Report signed October 29, 1984

The above-named document was circulated to the Commission on Tuesday, October 23, 1984 at 11:00.

Objections have been received from the Commissioners as indicated by the name(s) checked:

Commissioner Aikens	X (for record purposes only)
Commissioner Elliott	X (for record purposes only)
Commissioner Harris	
Commissioner McDonald	
Commissioner McGarry	
Commissioner Reiche	X

This matter will be placed on the Executive Session agenda for Tuesday, October 30, 1984.

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RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

84 OCT 29 P1:14

October 29, 1984

MEMORANDUM TO: The Commission

SENSITIVE

FROM: Charles N. Steele
General Counsel

SUBJECT: MUR 1503 Substitute Conciliation Agreements

The attached are substitute letters and proposed conciliation agreements in MUR 1503 to replace those circulated on October 23, 1984. The only wording changes are the replacement of the word "to" with the word "by" in paragraph No. 5 of page 5 of the Attachment and the substitution of the word "maximum" for the words "at most" in paragraph No. 7 on page 12 and paragraph No. 4 on page 18 of the Attachment. These changes serve to clarify the agreements and are consistent with the General Counsel's Brief and the Commission's discussion at the meeting of October 16, 1984. All other changes are typographical.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

Bryce M. Clagett
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

Before consideration of the merits of your brief and the General Counsel's brief in this matter, the Commission considered your September 21, 1984, and October 2, 1984, requests for procedural relief in MUR 1503. The Commission determined to:

1. deny your September 21, 1984, request for materials addressing the issues in Section II of your brief prior to a ruling on the probable cause recommendations;

2. deny your October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny your October 2, 1984, request for materials addressing your request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause to believe recomendations.

On October 16, 1984, the Commission determined there was probable cause to believe that your clients committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the National Congressional Club violated 2 U.S.C. § 434 by failing to comply with the requirements of that section as respects the activities of Jefferson Marketing, Inc. and

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2. that Jefferson Marketing, Inc. violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Citizens for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

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If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8504022216

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

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(15)

penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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RECEIVED
THE FEC
SECRETARY
84 OCT 24 P3:19

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 24, 1984

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SENSITIVE

SUBJECT: MUR 1503 Errata

The attached pages of the proposed conciliation agreements in MUR 1503 are submitted as substitutes for those circulated on October 23, 1984. The original pages refer to reason to believe findings made by the Commission, and the substitute pages refers to the probable cause to believe findings. Typographical errors are also corrected in the substitute pages.

Attachment

8504062219

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: October 24, 1984

SUBJECT: MUR 1503 ERRATA - Memo to COMM

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[X]	Status Sheets	[ ]
Sensitive	[X]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

_____ _____

_____ _____

_____ _____

_____

9504062220

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: October 29, 1984

SUBJECT: MUR 1503 - Memo to COMM

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[ ]	Compliance	[x]
Sensitive	[ ]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[x]	Status Sheets	[ ]
Sensitive	[x]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

Please copy on GREEN paper

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: October 23, 1984

SUBJECT: MUR 1503 - GC's Report

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[x]	Compliance	[x]
Sensitive	[x]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

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SENSITIVE

RECEIVED
OFFICE OF THE FEC
SECRETARY

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.,	)	
and National Congressional Club	)	
the Democrats for Better	)	
Government to Elect Gibson	)	
Committee and the Ed Johnson	)	
for Congress Committee	)	

84 OCT 23 A 9:00

GENERAL COUNSEL'S REPORT

I. DISCUSSION

On October 16, 1984, the Commission found probable cause to believe that the following violations occurred:

1. that the National Congressional Club violated 2 U.S.C. § 434 by failing to comply with the requirements of that section as respects the activities of Jefferson Marketing, Inc.;

2. that Jefferson Marketing, Inc., violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services rendered;

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

4. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee;

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5. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

6. that the Democrats for Better Government to Elect Gibson Committee and the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the former to the latter.

The Commission also directed the Office of General Counsel to revise the proposed conciliation agreements and draft letters in accord with the actions taken by the Commission on October 16, 1984, and to circulate these materials for Commission approval.

II. **RECOMMENDATIONS**

The General Counsel recommends that the Commission approve the attached conciliation agreements and draft letters to respondents in this matter and send them to respondents.

29 October 1984
Date

Charles N. Steele
General Counsel

Attachments

Letters and conciliation agreements to respondents Jefferson Marketing, Inc., the National Congressional Club, the Democrats for Better Government to Elect Gibson Committee and the Ed Johnson for Congress Committee (20 pages).

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RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY

84 OCT 9 P5:41

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 9, 1984

EXECUTIVE SESSION

SENSITIVE

16 OCT 1984

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SUBJECT: Request for Procedural Relief in MUR 1503

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I. BACKGROUND

In a cover letter accompanying their September 21, 1984, brief, respondents JMI and NCC requested that the Commission provide them with any materials addressing the issues in Section II of their brief before submitting the materials to the Commission. They also request that they be given 15 days to respond to any such materials (presumably before the Commission takes any action). They request further that if the first two requests are not granted, that the Commission be informed of that decision for consideration before the merits of MUR 1503 are addressed. (Attachment A.)

In a separate letter received on October 2, 1984, respondents JMI and NCC make several additional requests for special procedural treatment of the recent complaint designated MUR 1792, also naming JMI and NCC as respondents. Respondents request that (1) MURs 1503 and 1792 be consolidated; (2) that if the General Counsel plans to submit any materials bearing on the request to consolidate, that they be submitted first to respondents with a 15 day period for comment; (3) that respondents should not be required to respond to MUR 1792 until they know whether the two complaints have been consolidated; and (4) that even if the Commission denies the request (3), that they be given an extension of time to respond to the complaint in MUR 1792 until October 31, 1984. (Attachment B.)

II. DISCUSSION

As the Commission knows, the General Counsel originally recommended that the Commission examine the broad issue of the relationship of JMI with NCC, as part of the investigation of the complaint, despite the failure of the complaint explicitly to state that as an issue distinct from allegations concerning the Gibson and Johnson Committees. As respondents note, however, the Commission decided, by special motion, to direct an investigation into that relationship, but made no separate finding of reason to believe except on the specific allegations concerning the Gibson and Johnson Committees.

In light of the concerns of the Commission over the general issue of the need for specificity in reason to believe findings as an adequate basis for proceeding, the request by respondents raises certain concerns. The General Counsel remains of the belief that the investigatory mandate for a complaint encompasses review of all relevant matters fairly called into question by the complaint, a view which certainly encompasses the matter of the relationship of JMI with NCC here at issue.

Neither the FECA nor the Commission Regulations provide for special consideration of "new" procedural issues raised in a brief responsive to the General Counsel's brief recommending probable cause to believe. Furthermore, MUR 1503 is so far advanced in its procedural position that consolidation with 1792 is inappropriate at this time. Finally, the General Counsel has already granted an extension of time to the respondents to reply to the Commission's brief, and the Commission formally denied a further request for an extension of time. The General Counsel believes that the Commission should decline to accept respondents' procedural arguments and deny their request that the Commission deal separately with them, allowing a separate time to respond prior to ruling on the probable cause recommendations.

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III. RECOMMENDATION

The General Counsel recommends that the Commission:

1. deny respondents' September 21, 1984, request for materials addressing the issues in Section II of the respondents' brief prior to a ruling on the probable cause recommendations;

2. deny respondents' October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny respondents' October 2, 1984, request for materials addressing respondents' request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause recommendations.

Attachments

A. Cover letter of September 21, 1984 (2 pages).
B. Letter of October 2, 1984 (4 pages).

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1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

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WRITER'S DIRECT DIAL NUMBER
(202) 662-5316

84 SEP 21 P5:24

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WILLIAM STANLEY, JR.
WEAVER W. BUTLER
CRAVEN R. JENKINSON
LLEWELLYN JENKINS
HENRY S. BAILEY
JOHN W. SCHAEFER
ALFRED M. WORDEN
JOHN LYNCH SCOTT
DAVID M. [illegible]
W. EDWARD CRAIG-WOOD, JR.
ERIC M. [illegible]
RICHARD A. [illegible]
ROBERT [illegible]
EUGENE L. [illegible]
HARRY A. WEISS
HARRY M. [illegible] CRAUN
MICHAEL A. HOWELL
CHARLES E. [illegible]
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EUGENE A. LUDWIG
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REDYESS C. [illegible]
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JEFFREY O. [illegible]
PAUL J. [illegible]
WILLIAM P. SKINNER

HARRY L. [illegible]
EDWIN E. [illegible]
[illegible]
[illegible]
[

the General Counsel's brief on all factual and legal issues before a recommendation is made to the Commission. Because your brief does not address at all the serious issue referred to above, we believe that we are entitled to the opportunity to respond in writing to whatever materials setting out your position on that issue you or your staff provide to the Commission. Failure to permit an opportunity to respond to your position would be a further violation of the Commission's own procedures and of due process.

If you decline to provide us with the requested materials and an opportunity to respond to them, we request further that you inform the full Commission of that fact for its consideration before the merits of MUR 1503 are presented to the Commission. This sequence is the fairest and most efficient way to proceed because it would allow the Commission, if it should agree with us as to the proper course to be followed, to consider all briefs on both the substantive and procedural issues in dispute at one time, rather than considering them piecemeal. It would also avoid further prejudice to the respondents.

We would appreciate a written response from you on this matter.

Sincerely yours,

Brice M. Clagett

Enclosure

GC#4960

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

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WRITER'S DIRECT DIAL NUMBER

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JEROME ACKERMAN
HENRY A. BULLER
JOHN N. ERLENBORN
ALFRED M. NORDEN
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H. EDWARD BONNEY BERGER, JR.
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MICHAEL BOURIN
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REEVES C. WESTBROOK
THEODORE VOORHEES, JR.
JEFFREY G. HUVELLE
PAUL J. GERMAN
WILLIAM P. SKINNER

HARRY L. SHINDERMAN
EDWIN B. COHEN
JAMES C. HENRY
JOHN R. BOLTON
[illegible]
[illegible]
[illegible]

We have demonstrated in our September 21, 1984, MUR 1503 brief that, after two years of wide-ranging and thorough discovery, your office has yet to adduce any evidence to support such an argument. We also have shown that the argument is without basis in law and that proceeding on it now would violate NCC's and JMI's statutory and constitutional rights to notice. Yet, in MUR 1792, NCC, JMI and other entities now are faced with the identical argument. The result will be repetitious and wasteful effort both on their part and on the part of the Commission.

It is apparent that JMI's relationship to NCC is a centerpiece of the MUR 1792 complaint. The description of NCC and JMI in the MUR 1792 complaint makes virtually the same allegations as your MUR 1503 brief. Compare MUR 1792 Complaint at 2-3 with G.C. MUR 1503 Brief at 6-10. The MUR 1792 complaint makes the same allegation as is made in your MUR 1503 brief that NCC has utilized JMI "to ensure . . . secrecy and to obtain advantage of below market, at cost, political services not available to candidates at large." MUR 1792 Complaint at 5. This parroting of your MUR 1503 argument is highlighted by the MUR 1792 complaint's reliance on discovery documents from MUR 1503 to support its allegations concerning the NCC/JMI relationship. E.g., MUR 1792 Complaint at 7, 14-18.

This identity of legal theories and alleged factual bases between your MUR 1503 brief and the MUR 1792 complaint threatens NCC and JMI with the "unjustifiable litigation burdens" that Congress sought to avoid through the 1976 amendments to the Federal Election Campaign Act, 2 U.S.C. § 431 et seq. (the "FECA"). H.R. Rep. No. 917, 94th Cong., 2d Sess. 4 (1976). After two years of Commission investigation and several time-consuming court proceedings, NCC and JMI now are faced with refuting again the theory of the JMI/NCC relationship improperly espoused in your MUR 1503 brief and which apparently constituted the secret discovery agenda there.

In addition, the scope of your argument in MUR 1503 threatens irremediable harm to NCC and JMI in MUR 1792. Your MUR 1503 brief argues that the present arrangements between NCC and JMI perpetuate the faults you find, even though the MUR 1503 complaint and the Commission's reason-to-believe finding there were limited to the 1982 congressional election discussed in the MUR 1503 complaint. This fact is shown by your pointing to

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alleged violations outside the 1982 election cycle and repeated statements that the JMI/NCC relationship you criticize has existed from 1979 "to the present." See, e.g., G.C. MUR 1503 Brief at 9, 15, 17, 23-28.

The consequences of your argument on this point are legally impermissible. Your MUR 1503 brief purports to condemn all services performed by JMI for any political committee between 1979 and the present. It does this even though the JMI/NCC relationship in 1984 is not what it was in 1982, a fact you ignore by relegating it to a footnote. Id. at 13 n.7. If the Commission should agree with your position in MUR 1503, that would substantially prejudice NCC and JMI in MUR 1792 by in effect creating a presumption about the JMI/NCC relationship today that would taint the entire MUR 1792 inquiry.

Under these circumstances, we request the following:

(1) MUR 1503 and MUR 1792 should be consolidated. This request for consolidation should be considered by the Commission before it makes any finding regarding probable cause in MUR 1503.

(2) For the reasons set forth in my letter to you of September 21, 1984, the FECA requires that, if you plan on submitting any written material to the Commission on the above request, we should have an opportunity to respond in writing to your position on this issue relevant to the disposition of MUR 1503 within 15 days.

(3) NCC and JMI should not be required to respond to the complaint in MUR 1792 until they know whether the two complaints have been consolidated. Otherwise, they will be uncertain to what extent they should rely on evidence from MUR 1503 in responding to the MUR 1792 complaint. Thus NCC and JMI should have until 15 days after the Commission has ruled on the request for consolidation to respond to the complaint in MUR 1792.

(4) Even if the foregoing request (3) is denied, in light of the unusual length of the MUR 1792 complaint and its factual allegations stretching over many years, NCC, JMI, and the Helms for Senate Committee should be given until October 31, 1984, to respond. This time is necessary to gather the factual information necessary to prepare an adequate response.

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We would appreciate a written response from you on this matter.

Sincerely,

Brice M. Clagett

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SENSITIVE

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

Bryce M. Clagett
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

Before consideration of the merits of your brief and the General Counsel's brief in this matter, the Commission considered your September 21, 1984, and October 2, 1984, requests for procedural relief in MUR 1503. The Commission determined to:

1. deny your September 21, 1984, request for materials addressing the issues in Section II of your brief prior to a ruling on the probable cause recommendations;

2. deny your October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny your October 2, 1984, request for materials addressing your request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause to believe recomendations.

On October 16, 1984, the Commission determined there was probable cause to believe that your clients committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the National Congressional Club violated 2 U.S.C. § 434 by failing to comply with the requirements of that section as respects the activities of Jefferson Marketing, Inc., and

Attachment 1

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2. that Jefferson Marketing Inc., violated 2 U.S.C. § 441b by charging the Democrats for Better Government to Elect Gibson Committee less than the fair market value for services.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

R6040502235

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October 16, 1984, the Commission determined there was probable cause to believe that your client, the Democrats for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of

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conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8604022237

(9)

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October , 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441b by knowingly accepting in-kind contributions from Jefferson Marketing, Inc.;

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

3. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission within ten days. I will then

(15)

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recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8604050239

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

Bryce M. Clagett
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

Before consideration of the merits of your brief and the General Counsel's brief in this matter, the Commission considered your September 21, 1984, and October 2, 1984, requests for procedural relief in MUR 1503. The Commission determined to:

1. deny your September 21, 1984, request for materials addressing the issues in Section II of your brief prior to a ruling on the probable cause recommendations;

2. deny your October 2, 1984, request to consolidate MUR 1503 and MUR 1792; and

3. deny your October 2, 1984, request for materials addressing your request to consolidate MUR 1503 and MUR 1792 prior to a ruling on the probable cause to believe recomendations.

On October , 1984, the Commission determined there was probable cause to believe that your clients committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made by Jefferson Marketing, Inc.;

2. that the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made to Jefferson Marketing, Inc.;

3. that the National Congressional Club violated 2 U.S.C. § 441a(a) by making contributions in excess of the limitation of that section;

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Attachment AB (1)

4. that the National Congressional Club violated 2 U.S.C. § 441a(f) by accepting contributions in excess of that section; and

5. that Jefferson Marketing Inc., violated 2 U.S.C. § 441b by making prohibited corporate contributions;

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission in the enclosed pre-addressed, special delivery envelope within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8504052241

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October , 1984, the Commission determined there was probable cause to believe that your client, the Ed Johnson for Congress Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441b by knowingly accepting in-kind contributions from Jefferson Marketing, Inc.;

2. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee; and

3. that the Ed Johnson for Congress Committee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Democrats for Better Government to Elect Gibson Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission in the enclosed pre-addressed, special

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delivery envelope within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

8504050224 5

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY HAND

William H. Schweitzer
BAKER & HOSTETLER
818 Constitution Avenue, N.W.
Washington, D.C. 20006

RE: MUR 1503

Dear Mr. Schweitzer:

On October , 1984, the Commission determined there was probable cause to believe that your client, Democrats for Better Government to Elect Gibson Committee, committed the following violations of the Federal Election Campaign Act of 1971, as amended:

1. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441b by knowingly accepting in-kind contributions from Jefferson Marketing, Inc.;

2. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

3. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee; and

4. that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 454(b) by failing to report the correct value of in-kind contributions to the Ed Johnson for Congress Committee.

As set forth in 2 U.S.C. § 437g(a)(4)(A)(ii), the Commission now has a duty to attempt to correct such violations for a minimum period of thirty (30) days by informal methods of

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conference, conciliation and persuasion, and by entering into a conciliation agreement. If we are unable to reach an agreement during that 30 day period, the Commission may institute civil suit in United States District Court and seek payment of a civil penalty.

We enclose a conciliation agreement that this Office is prepared to recommend to the Commission in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it (along with the civil penalty) to the Commission in the enclosed pre-addressed, special delivery envelope within ten days. I will then recommend that the Commission approve the agreement. Please make your check for the civil penalty payable to the U.S. Treasurer.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, please call R. Lee Andersen, the attorney assigned to this matter, immediately at 523-4000.

Sincerely,

Charles N. Steele
General Counsel

Enclosures
Conciliation Agreement

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RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY
9 P5:41

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel RVH

DATE: October 9, 1984

SUBJECT: MUR 1503 Memorandum to the Commission

The attached is submitted as an Agenda document for the Commission Meeting of October 16, 1984

Open Session _____

Closed Session XX

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[ ]	Compliance	[X]
Sensitive	[ ]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[X]	Other (see distribution below)	[ ]

SENSITIVE

CIRCULATE ON BLUE PAPER

FOR AGENDA OF 10-16-84

8604052245

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: October 9, 1984

SUBJECT: MUR 1503 - General Counsel's Report

The attached is submitted as an Agenda document for the Commission Meeting of October 16, 1984

Open Session

Closed Session XX

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[ ]	Compliance	[X]
Sensitive	[ ]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[X]	Other (see distribution below)	[ ]

SENSITIVE - CIRCULATE ON BLUE PAPER ON AGENDA 10-16-84

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SENSITIVE

RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
Jefferson Marketing, Inc.,)
and National Congressional)
Club)

84 OCT 9 P5:13

EXECUTIVE SESSION

10 OCT 1984

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On October 29, 1982, Congressman Charles G. Rose filed a signed and sworn complaint with the Commission asking the Commission to investigate alleged violations of the Federal Eletion Campaign Act of 1971, as amended, 2 U.S.C. § 431 et seq. (the "Act" or "FECA").

On May 3, 1983, the Commission found reason to believe that: JMI violated 2 U.S.C. § 441b by making prohibited contributions to the Gibson Committee; that JMI and NCC violated 2 U.S.C. §§ 433, 434 and 441a on the basis of their activities with respect to the campaigns of the Gibson and Johnson Committees; that the Gibson Committee violated 2 U.S.C. §§ 441b by knowingly accepting prohibited contributions from JMI, 434(b)(8) by failing to report outstanding debts owed to the Raleigh, North Carolina, media production firm Audiofronics, Inc., 441a(a)(1)(A) by making contributions to the Johnson Committee in excess of $1,000 and 434(b) by failing to report the proper value of these in-kind contributions to the Commission; and that the Johnson Committee violated 2 U.S.C. §§ 441a(f) by knowingly accepting an excessive contribution from the Gibson Committee and 434(b) by failing to report this excessive in-kind contribution. The Commission also directed the Office of the General Counsel to conduct an

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investigation into the facts of the alleged violations concerning the Gibson and Johnson Committees plus any facts that would assist in determining the relationship between JMI and NCC.

On August 22, 1984, the General Counsel circulated briefs stating its position on the issues to the Commission and to the respondents. On August 24, 1984, respondents JMI and NCC requested a four week extension of time to file their reply brief, and the General Counsel granted an extension of two weeks until September 21, 1984, to file. On August 28, 1984, respondents Gibson and Johnson Committees likewise requested an extension until September 21, 1984, to file their brief that was also granted. Then, on September 10, 1984, respondents JMI and NCC requested an additional two weeks extension of time until October 5, 1984, in which to file a brief. The Commission denied this request, and all respondents submitted their briefs to the Commission on September 21, 1984.

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II. LEGAL ANALYSIS

The legal and factual basis for the General Counsel's recommendations is contained in General Counsel's briefs of August 17, 1984. These briefs recommend that the Commission find probable cause to believe that: (1) NCC violated 2 U.S.C. § 434 by failing to report contributions made by JMI; (2) NCC violated 2 U.S.C. § 434 by failing to report contributions made to JMI; (3) NCC violated 2 U.S.C. § 441a(a) by making contributions in excess of the limitations of that section; (4) NCC violated 2 U.S.C. § 441a(f) by accepting contributions in excess of that

section; (5) JMI violated 2 U.S.C. § 441b by making prohibited corporate contributions; (6) the Gibson Committee violated 2 U.S.C. § 441b by knowingly accepting in-kind corporate contributions from JMI; (7) the Johnson Committee violated 2 U.S.C. § 441b by knowingly accepting inkind contributions from JMI; (8) the Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement; (9) the Gibson Committee violated 2 U.S.C. § 44la(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Johnson Committee; (10) that the Johnson Committee violated 2 U.S.C. § 44la(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Gibson Committee; and (11) the Gibson and Johnson Committees violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the Gibson Committee to the Johnson Committee.

In their brief respondents JMI and NCC raise numerous factual and legal arguments in defense of the activity complained of in this matter. Below, the General Counsel has addressed two of respondent's arguments that are particularly misleading characterizations of this office's position.

First, respondents JMI and NCC reiterate their objection that they have had no statutory notice of the Commission's investigation of the relationship between JMI and NCC. Respondents asserted this argument in their initial response to the Commission's notification of the complaint in this matter,

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and it is less valid now than it was then. The fact is, respondents had proper notice of the specific allegation that JMI and NCC operate as one in the same entity in violation of 2 U.S.C. §§ 433, 434 and 441a. The complaint made numerous specific factual allegations concerning NCC's control over JMI's business operations. Respondents cannot be heard to complain now of surprise. However, since it was primarily through the Gibson and Johnson Congressional elections that the complainant had knowledge of the activities of JMI and NCC, the complainant chose to tie the allegations to those candidates. Indeed, it was through investigation of transactions between the Gibson and Johnson campaigns and the JMI/NCC combination that this office gathered evidence. Accordingly, the notice of violations submitted to respondents that is required by 2 U.S.C. § 437g(a)(2) accurately stated, in terms of the campaigns of Gibson and Johnson, the violations that the Commission found reason to believe had occurred.

It is no procedural shortcoming that the Commission's certification of May 5, 1983, directed the General Counsel's to investigate those facts that would shed light on the relationship between JMI and NCC as part its investigation. The Commission found reason to believe that violations of §§ 433, 434 and 441a had occurred on the basis of the activities of JMI and NCC with respect to the Gibson and Johnson campaigns. The subsequent investigation also resulted in recommendations that the Commission find probable cause to believe that violations occurred that were not necessarily attributable to the Gibson and Johnson Committees. This was explicit in the Comission's

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certification stating that there is reason to believe that JMI and NCC (not solely the Gibson and Johnson Committees) committed the violations of 2 U.S.C. §§ 433, 434 and 441a(a).1/ Thus, the argument that the Commission's investigation of the relationship between JMI and NCC was beyond the scope of the complaint and of the Commission's reason to believe findings is without merit.2/ The respondents have had actual notice of the allegations that the relationship between JMI and NCC violates the Act, and the Commission's determination to investigate this relationship is fully in harmony with the requirements of 2 U.S.C. § 437g(a)(2) and procedural due process.

Second, respondents JMI and NCC assert that the only test for violations in this matter is whether the charges made by JMI and NCC are usual and normal. Respondents erroneously characterize as an irrebbutable presumption the General Counsel's

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1/ Respondents, JMI and NCC also claim that they were never permitted to examine to their satisfaction, copies of the documents received by the Commission from the Raleigh News and Observer. (See Memorandum to the Commission dated May 14, 1984.) However, the same copies sent to the Commission were also submitted to JMI, and not only did the Raleigh News offer to permit the inspection of these documents, but recent communications from the North Carolina District Attorney's office show that attorneys for the respondent have positively identified the documents as the property of JMI. (See letter from Charles B. Neely attached as Exhibit A.) Respondents accuse the Commission of relying upon a "misinformation" but apparently fail to appreciate that the source of all evidence in this matter is respondents' own records, records under its control and responses to Commission's questions.

2/ At the September 12, 1984, deposition of S. Katherine Hardison Commission attorneys discussed in detail the issue of the scope of the investigation with opposing counsel. Theories of the Commission's investigation of violations were outlined for opposing counsel including those that concerned the relationship betweem JMI and NCC (See Deposition of S. Katherine Hardison pages 7-9.)

position that the creation, financial domination and de facto control of JMI by NCC is an attempt to circumvent reporting requirements, contribution limitations and the prohibition on corporate contributions of the FECA. However, all respondents need show is that JMI has existence separate from that of NCC. This they cannot do within the confines of the facts they have admitted.

Instead, Respondents JMI and NCC make quite clear that it is their view that there can be no regulation of commercial activity undertaken by a political committee other than the requirement that goods and services be delivered at the ususal and normal charge. By their admission that NCC controlled and directed the operations of JMI at a minimum in 1982, respondents have staked out a clear challenge to the FECA.3/ Respondents assert, "Where a political committee provides goods and services, its reimbursement cannot be a contribution unless there is

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3/ Interestingly, respondents JMI and NCC do not address one of the most important factors leading to the conclusion that JMI is dominated and controlled by NCC. It is clear from JMI's articles of incorporation and bylaws that the shareholders of JMI exercise total control over the composition of JMI's board of directors. As noted in the General Counsel's brief, all of of the stock of JMI is owned by the Educational Research Foundation, Inc., which is purportedly a non-profit corporation, the directors of which are Carter Wrenn and Thomas Ellis. Presumably, if at any time the present directors of JMI failed to satisfactorily carry out the policies favored by Mr. Wrenn and Mr. Ellis (the sole officers of NCC), they could be immediately removed and replaced with a new board of directors. This is formal as well as an effective control of JMI by NCC, and the results of this control can be seen in the evidence of Mr. Wrenn's domination of both JMI and NCC on a day-to-day basis.

overvaluation."[4/] (JMI/NCC Brief at page 45.) Respondents maintain that any other position is contrary to law and, as well, poses significant first amendment problems.

III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY

The proposed conciliation agreement for respondents JMI and NCC requires admission of the violations and payment by respondents of a civil penalty of $10,000. Due to the inability of respondents to supply to the Commisison with information regarding the allocation of services rendered by JMI on a project-by-project basis for 1982, it is impossible to compute the total amount in violation. Given the substantial contributions made by NCC through the provision of services by JMI in 1982, however, the potential for violations in the tens of thousands of dollars is not unrealistic.

For respondents Gibson and Johnson Committees, the proposed concilation agreements require an admission of the violations and payments by each respondent of a civil penalty of $1,000. The proposed agreement recognizes the limited role of the candidate committees in the violations committed by JMI and NCC based upon

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4/ Respondents have now decided that they know more about the allocation of the costs of the services provided to the Gibson Committee than they did when questioned about it during the Commission's investigation. While respondents could never before decide what proportion of the services were for assistance given Audiofonics, Inc. in the production and what proportion was for time buying, they have now decided that "NCC incurred no expenses in connection with production. After the commercial was produced, JMI acted as a media time buyer for the commercial." JMI provided only "ancillary services in connection with the production of the commercial." (JMI/NCC Brief at pages 7 and 20.)

their relationship. However, the substantial excessive in-kind contribution by the Gibson Committee and its acceptance by the Johnson Committee requires that more than a nominal civil penalty be imposed upon these respondents.

IV RECOMMENDATIONS

The Office of the General Counsel recommends that the Commission:

1. find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made by Jefferson Marketing, Inc.;
2. find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made to Jefferson Marketing, Inc.;
3. find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 441a(a) by making contributions in excess of the limitation so that section;
4. find probable cause to believe that the National Congressional Club violated 2 U.S.C. § 441a(f) by accepting contributions in excess of that section;
5. find probable cause to believe that Jefferson Marketing, Inc. violated 2 U.S.C. § 441b by making prohibited corporate contributions;
6. find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee violated

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2 U.S.C. § 441b by knowingly accepting in-kind corporate contributions from Jefferson Marketing, Inc.;

7. find probable cause to believe that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441b by knowingly accepting inkind contributions from Jefferson Marketing, Inc.;

8. find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 434(b)(8) by failing to report in its 1982 July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the Committee for production costs of the Rose/Rio video tape advertisement;

9. find probable cause to believe that the Democrats for Better Government to Elect Gibson Committee violated 2 U.S.C. § 441a(a)(1)(A) by making in-kind contributions in excess of $1,000 to the Ed Johnson for Congress Committee;

10. find probable cause to believe that the Ed Johnson for Congress Committee violated 2 U.S.C. § 441a(f) by knowingly accepting in excess of $1,000 in in-kind contributions from the Democrats for Better Government to Elect Gibson Committee;

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11. find probable cause to believe that the Democrats for Better Goverment to Elect Gibson Committee and the Ed Johnson for Congress Comittee violated 2 U.S.C. § 434(b) by failing to report the correct value of in-kind contributions from the former to the latter; and

12. approve the attached letters and conciliation agreements.

9 October 1984
Date

Charles N. Steele
General Counsel

Attachments
A. Letter from Charles B. Neely to the Commission dated June 5, 1984 (6 pages)
B. Conciliation Agreements and Letters (20 pages)

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MAUPIN, TAYLOR & ELLIS, P. A.
ATTORNEYS AT LAW
RALEIGH, NORTH CAROLINA

ARMISTEAD J. MAUPIN
WILLIAM W. TAYLOR, JR.
THOMAS F. ELLIS
CHARLES B. NEELY, JR.
THOMAS W. H. ALEXANDER
ROBERT A. VALOIS
JOHN T. WILLIAMSON
FRANK P. WARD, JR.
ALBERT P. BELL, JR.
RICHARD M. LEWIS
DAVID V. BROOKS
NANCY S. BENDLEMAN
MARGIE TOY CASE
M. KEITH KAPP
MARK S. THOMAS
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3200 GLENWOOD AVENUE

June 5, 1984

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The Honorable Randolph Riley
District Attorney
Tenth Judicial District
Wake County Courthouse
Raleigh, N.C. 27602

Re: Jefferson Marketing, Inc.

Dear Randolph:

I appreciated the opportunity to meet with you on Thursday, May 24, 1984, to discuss the transmittal to you by the State Board of Elections of the stolen accounting papers of our client, Jefferson Marketing, Inc.

As I mentioned to you during that meeting, our client has two concerns. Its first interest is that the investigation of the theft of the papers be pursued vigorously. To that end, Jefferson Marketing, Inc. is willing to make its employees available to the Raleigh Police Department or State Bureau of Investigation. It is our firm belief, based on a careful analysis of the papers and the underlying transactions, that the documents were stolen from the offices of Ernst & Whinney.

The second item of concern relates to the request by the State Board of Elections that you review the documents and take such legal action as you deem appropriate. You are aware of the contentions of the North Carolina Democratic Party and various individuals connected with the North Carolina Democratic Party that the settlement by Jefferson Marketing, Inc. of the debt owed by the Lake for Governor Committee and the Cobey for Lt. Governor Committee constituted illegal corporate contributions in violation of North Carolina General Statutes 163-269 and 163-278.19. It is the position of our client that its extensions of credit

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and debt settlements with the 1980 Lake and Cobey campaigns were legal and in accord with the requirements of state law and all applicable legal precedents. Further, as we pointed out to you, at the time of the debt settlements our client acted on advice of its North Carolina counsel, Maupin, Taylor & Ellis, P.A., and Washington, D.C., counsel, Covington & Burling, both of which satisfied themselves that the proposed debt settlements were legal.

"A statute which either forbids or requires the doing of an act in terms so vague that men of common intelligence must necessarily guess at its meaning and differ as to its application, violates the first essential of due process." Connally v. General Construction Co., 269 U.S. 385, 391 (1926). The "vagueness doctrine" announced in Connally has its widest application in two distinct areas: (1) cases involving regulation of First Amendment freedoms; and (2) cases involving statutes which are penal in nature. Both G.S. §§ 163-269 and 163-278.19 regulate First Amendment freedoms. Both are also penal in nature since misdemeanor prosecutions can result from alleged violations. Both statutes are thus subject to the strictest scrutiny under the Fourteenth Amendment to the United States Constitution.

It is a fact of political life that most political campaigns cannot function without the extension of credit by vendors of goods and services. All major campaigns are financed by credit transactions. It is also a fact that many losing campaigns end up with substantial debts which are ultimately settled. Despite these facts, neither G.S. § 163-269 nor § 163-278.19 clearly address the questions of credit transactions or debt settlements. Neither statute prohibits credit transactions. Louchheim, Eng & Peoples, Inc. v. Carson, 35 N.C. App. 299, 305 (1978). Neither statute explains the requirements for lawful credit transactions or debt settlements nor have interpretative regulations been issued by the State Board of Elections. Indeed, Alex Brock recently was quoted in the News and Observer to the effect that North Carolina law in the area is unclear and that remedial legislation may be needed.

Given the complete absence of any North Carolina law, our client was faced with a dilemma when the subject of settlement of the Lake Campaign Committee 1980 debt came up in 1982.

Before doing so it sought advice of counsel in Raleigh and Washington, D.C. Due to the lack of North Carolina precedent, we followed the advice of the North Carolina

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Court of Appeals and turned to federal procedures and precedents for guidance in construing the North Carolina law. Louchheim, Eng & Peoples, supra, 35 N.C.App. at 304. In contrast to the lack of clear guidance existing under the North Carolina statutes, the Federal Election Commission has promulgated 11 C.F.R. § 114.10 (which I have previously furnished you) to govern credit transactions and debt settlements.

Based upon these federal regulations, I drafted for our firm an opinion letter dated July 8, 1982, a copy of which is enclosed. In my opinion letter, I discussed the North Carolina and federal law applicable to political debt settlements. As I understand the law, if credit is extended in the ordinary course of the creditor's business and the terms are substantially similar to extensions of credit to other debtors, including nonpolitical debtors, then the transaction is commercially reasonable and is permissible. Further, debts incurred after such an extension of credit may be settled if the debt has been treated in a commercially reasonable manner, i.e., the original credit must have been extended in the ordinary course of the corporation's business, the terms of the credit must have been substantially similar to credit extended to other debtors, the debtor must have undertaken all commercially reasonable efforts to satisfy the debt and the creditor must have pursued its remedies against the debtor in a manner similar in intensity to that employed by the creditor in pursuit of its other debtors.

After reviewing all of the circumstances surrounding the Lake and Cobey 1980 campaign committee debts, we concluded that credit was extended in the ordinary course of the business of Jefferson Marketing and that the terms of the credit extended to those campaign committees were the same as credit extended to other debtors of Jefferson Marketing, including nonpolitical debtors. In addition, we satisfied ourselves that the Lake for Governor and Cobey for Lt. Governor campaign committees had undertaken all commercially reasonable efforts to satisfy their debts. (Both the Lake and Cobey campaigns undertook extensive efforts in an attempt to satisfy their debts but, although their debts were reduced, they were not able to pay them off in full.)

Finally, we satisfied ourselves that Jefferson Marketing had pursued its remedies against the debtors in a manner similar in intensity to that employed by it against nonpolitical debtors and other political debtors. Jefferson Marketing, Inc. has never sued any of its clients and

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believes that to do so would result in an adverse impact upon its future business activities. Further, any judgment obtained against either the Cobey or Lake campaigns could only have been satisfied out of the assets of those campaign committees, all of which were assigned to Jefferson Marketing, Inc. There was no individual liability on the part of Mr. Lake, Mr. Cobey or their campaign managers. After reviewing all of the above factors, we concluded that there was no legal alternative to a settlement based upon an assignment of the assets of the committees.

Aside from the fact that the debt settlements were commercially reasonable, and therefore legal, the assets assigned to Jefferson Marketing had real value to Jefferson. As an example, the contributor list assigned by the Lake campaign consisted of approximately 6,000 campaign contributors. The list assigned by the Cobey for Lt. Governor campaign consisted of about 2,000 contributors. These lists had value to Jefferson Marketing, Inc. in two respects. First, many of the names on the lists were new to Jefferson Marketing, Inc. and could be (and have been) used by it in the future. These names came from numerous sources provided by Mr. Lake and Mr. Cobey, each of whom worked for over a year to develop these lists. Secondly, the lists were valuable to Jefferson Marketing, Inc. in that, by obtaining ownership of the lists, it could keep ownership of the lists out of the hands of its competitors in the direct mail business.

Frankly, it is difficult to determine the exact value of the two lists at the time of their assignment to Jefferson Marketing. However, Jefferson Marketing believed that the lists were of substantial value to it and it has been able to use the lists profitably since their assignment to it. By way of analogy, the Jim Hunt Senate Exploratory Committee expended approximately $1 million to develop 35,000 names to form a contributor base for the Hunt Senate campaign. The cost of development of that list was about $28.57 per name. Application of that figure to the Lake and Cobey lists would indicate that the cost of development of those lists, and their value, were substantially in excess of the amount of the debts of those campaign committees. (At $28.57 per name, the value of the Lake list would be $171,420 and the Cobey list $57,140.)

There is ample federal precedent for approval of debt settlements involving amounts far in excess of the campaign debts of the Cobey and Lake Committees for amounts far less in value than the amounts received by Jefferson Marketing,

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Inc. There have been numerous such settlements, including settlements by the Kennedy and Humphrey campaigns, the Democratic National Committee and many other federal office holders and candidates, both successful and unsuccessful. We enclose a sample of materials obtained from the Federal Election Commission relating to debt settlements of federal campaign debts. Again, we believe that these federal precedents are instructive in construing the North Carolina statutes.

Should you conclude that the above transactions did constitute contributions by Jefferson Marketing, the contributions would have been made either when the debt was settled or when credit was extended to the campaign committees. If the contributions were made when the debts were settled (in 1982 for the Lake Committee and 1983 for the Cobey Committee), the contributions were not made to candidates within the meaning of N.C.G.S. § 163-269, and N.C.G.S. 163-278.19 and were therefore not illegal corporate contributions. See State v. Charlotte Liberty Mutual Insurance Company, 39 N.C.A. 557, 251 S.E.2d 867, aff'd 298 N.C. 270, 258 S.E.2d 343 (1979). In that case, the Court of Appeals ruled that contributions by insurance corporations to pay for a breakfast held for John Ingram were not contributions to a candidate since Ingram was not a candidate at the time of the breakfast. Unlike Lake or Cobey, Ingram had been elected Insurance Commissioner and was serving in that position at the time of the contributions. At the time of the Lake and Cobey debt settlements, neither Lake nor Cobey was a candidate for state office and unlike Ingram, both Lake and Cobey had lost their respective elections. The overriding purpose of the North Carolina election laws is to prevent undue corporate influence over state officials. Settlement of the debts by Jefferson Marketing, Inc. obviously would not give Jefferson Marketing, Inc. influence over public officials since both Lake and Cobey were private citizens at the time of the debt settlements with their campaign committees.

In the alternative, should you conclude that illegal corporate contributions were made when credit was extended to the Lake and Cobey campaigns during 1980, a conclusion with which we would strongly disagree, any criminal prosecution is now barred by the statute of limitations contained in N.C.Gen.Stat. § 15-1. These credit extensions were made almost four years ago. Although we contend that they were completely legal extensions of credit, if they were not, the two year limitation period for prosecution has long since run.

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I want to reiterate my offer to you to provide any and all additional information which you may require to complete your investigation. Our client is satisfied that it acted properly and is willing to cooperate fully with you.

Sincerely yours,

MAUPIN, TAYLOR & ELLIS, P.A.

Charles B. Neely, Jr.

SFRI
Enclosures

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RECEIVED AT THE FEC

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

(202) 662-6000
WRITER'S DIRECT DIAL NUMBER
(202) 662-5316

84 SEP 21 P5:

HAND DELIVERED

H. THOMAS AUSTERN
FONTAINE C. BRADLEY
EDWARD BURLING, JR.
HOWARD C. WESTWOOD
CHARLES A. HORSKY
JOHN T. SAPIENZA
JAMES H. McGLOTHLIN
ERNEST W. JENNES
COUNSEL

JOHN SHERMAN COOPER
OF COUNSEL

TWX 710 822-0005 (CG WSH)
TELEX 89-593 (COVLING WSH)
TELECOPIER (202) 662-6280
CABLE: COVLING

September 21, 1984

Charles N. Steele, Esq.
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

84 SEP 21 P5:55

Re: MUR 1503

Dear Mr. Steele:

Enclosed herewith is the brief of the National Congressional Club and Jefferson Marketing, Inc., in response to your brief in MUR 1503.

In the enclosed brief, we have raised a very serious question about the statutory and constitutional permissibility of finding "probable cause" without the Commission's having first found "reason to believe" that the Federal Election Campaign Act, as amended, has been violated (Section II of our brief). Your brief does not address this issue.

If you or your staff have provided, or in the course of any further proceedings before the Commission you or your staff propose to provide, the Commission with written materials addressing the issues raised by Section II of our brief, we request that any such materials first be provided to us. We further request that we have at least fifteen days to respond to whatever position you or your staff may take in such materials.

We believe that this procedure is mandated by 2 U.S.C. §437g(a)(3) and 11 C.F.R. §111.16. Those provisions require that respondents have an opportunity to respond to

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the General Counsel's brief on all factual and legal issues before a recommendation is made to the Commission. Because your brief does not address at all the serious issue referred to above, we believe that we are entitled to the opportunity to respond in writing to whatever materials setting out your position on that issue you or your staff provide to the Commission. Failure to permit an opportunity to respond to your position would be a further violation of the Commission's own procedures and of due process.

If you decline to provide us with the requested materials and an opportunity to respond to them, we request further that you inform the full Commission of that fact for its consideration before the merits of MUR 1503 are presented to the Commission. This sequence is the fairest and most efficient way to proceed because it would allow the Commission, if it should agree with us as to the proper course to be followed, to consider all briefs on both the substantive and procedural issues in dispute at one time, rather than considering them piecemeal. It would also avoid further prejudice to the respondents.

We would appreciate a written response from you on this matter.

Sincerely yours,

Brice M. Clagett

Enclosure

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Before The
FEDERAL ELECTION COMMISSION

In the Matter of	)	
JEFFERSON MARKETING, INC., and NATIONAL CONGRESSIONAL CLUB	)	MUR 1503

RESPONSE OF THE NATIONAL CONGRESSIONAL CLUB AND JEFFERSON MARKETING, INC., TO THE GENERAL COUNSEL'S AUGUST 22, 1984, BRIEF

OVERVIEW

In a brief that presents a distorted view of the record and that virtually ignores the very transactions that were the subject of the complaint, the General Counsel constructs a novel legal theory without basis in law, fact, or common sense. The complaint in this case questioned certain services performed by Jefferson Marketing, Inc. ("JMI"), in connection with a television commercial for Democrats for Better Government to Elect Gibson ("Gibson Committee"). The commercial related to a trip to Rio de Janeiro by Congressman Charles Rose, Gibson's opponent in the 1982 North Carolina Democratic primary, and a Rose staff member at taxpayers' expense. JMI's services were reported as an in-kind contribution to the Gibson Committee by the National Congressional Club ("NCC"). The complaint also questioned the subsequent transfer of the videotape by the Gibson Committee to the Ed Johnson for Congress Committee ("Johnson Committee").

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JMI did not produce the commercial, as the complaint falsely alleged; it acted primarily as a media time buyer for the Gibson Committee for the commercial. NCC paid JMI for these services, thus making an in-kind contribution to the Gibson Committee. NCC calculated the portion of the monthly payment by it to JMI that was attributable to JMI's services in connection with the commercial, and reported that amount to the Commission as the amount of the in-kind contribution. NCC and JMI played no role in the Gibson Committee's subsequent transfer of the videotape.

The legal question these facts pose is straightforward: whether the amount reported by NCC represented a reasonable payment for the services rendered. Yet nowhere does the General Counsel adequately address this issue. Instead, the General Counsel spins an elaborate but flawed legal theory involving the entire spectrum of relations between NCC and JMI over many years.

The crux of the General Counsel's argument is that NCC and JMI are indistinguishable for purposes of the Federal Election Campaign Act, as amended, 2 U.S.C. § 431 et seq. (the "FECA"). See G.C. Brief at 5. From this premise, the General Counsel draws the following self-contradictory conclusions (G.C. Brief at 23-28):

> -- The entire value of any services provided by JMI to any political committee, whether paid for or not by the political committee, is an in-kind contribution by NCC to that political committee.
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> -- The entire value of any services provided by JMI to any political committee, whether paid for or not by the political committee, is a prohibited corporate contribution by JMI.

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-- The entire value of any payment to JMI by a political committee for services is a contribution by the political committee to NCC.

Raising this theory now, with its drastic and unprecedented consequences, presents procedural issues of statutory and constitutional dimensions. The General Counsel's theory is not fairly raised by the complaint and is not encompassed by the Commission's reason-to-believe finding. NCC and JMI had no notice that the theory would be raised at the "probable cause" stage. Accordingly, it would violate the FECA, due process, and the First Amendment for the Commission to find "probable cause to believe" that the FECA has been violated on the basis of this theory.[1/]

Moreover, the General Counsel's theory is contrary to applicable regulations. Unlawful contributions occur only when a corporation provides goods or services at less than commercially reasonable rates. There is no evidence in this record to show that JMI charged, or NCC paid, less than commercially reasonable rates. Nor can subsequent dispositions of the Rio de Janeiro commercial by the Gibson Committee be attributed to NCC and JMI.

The General Counsel's basic premise -- that JMI and NCC are indistinguishable -- also is incorrect both in law and in

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1/ The General Counsel compounds these deficiencies by relying in part on documents stolen from JMI's accountants that the Commission has never let NCC or JMI adequately examine.

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fact. His analysis of corporate-law authorities is wholly mistaken. The very cases relied on by the General Counsel show that two entities will be considered the same only in rare instances and only if certain conditions are met. Here, JMI is not inadequately financed, its corporate form is not disregarded, it is held out to the public as a separate enterprise, its transactions and funds are not commingled with those of NCC, its policies are directed to its own interests, and it is not used to promote injustice or fraud -- the tests established by the cases. Nor does the General Counsel paint an accurate picture of the record concerning the relations between NCC and JMI.

Finally, the conclusions that the General Counsel draws from his argument call into question conduct approved in countless other contexts and threatens to hamper the ability of political committees effectively to communicate their message. He is arguing that persons who are affiliated with a political committee have a choice: either they must refrain from commercial activities or, if they do not, then their businesses may not do any work for any political committee.

Under the General Counsel's theory, if a commercial entity that has some relationship with Political Committee A does any business with Political Committee B, both the commercial entity and Committee A make contributions to Committee B, even if that committee pays the commercial entity for services at reasonable rates that generate a profit for the latter. And the General Counsel does not stop there. Committee B's reasonable payment

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for services is magically transformed into contributions to Committee A. Both the General Counsel's theory and the consequences he seeks to draw from it are wholly insupportable.

The Commission should find no probable cause to believe that JMI and NCC have violated the FECA.

I. FACTUAL BACKGROUND

A. Formation and Structure of NCC and JMI

NCC is a multicandidate political committee within the meaning of the FECA and the Commission's regulations. Its Chairman is Mr. Thomas Ellis and its Executive Director is Mr. Carter Wrenn. NCC July 7, 1983, Response, attached hereto as Exhibit 1, at 3.[1/]

JMI is a North Carolina corporation formed in 1978 by Mr. Alex Castellanos, a former employee of NCC. Mr. Castellanos sold his JMI stock in 1979 to Mr. Richard Miller, a former chairman of NCC. In 1982, Mr. Miller sold his stock to the Congressional Club Foundation, a non-profit corporation ("CCF"). In 1983, CCF sold JMI's stock to the Educational Support Foundation ("ESF"), another non-profit corporation. Messrs. Ellis and Wrenn serve on ESF's Board of Directors. Except for three months in 1979, no member of JMI's Board of Directors has had a connection with NCC at the time he served on the Board. JMI July 8, 1983, Response, attached hereto as Exhibit 2, at 5.[2/]

1/ Exhibits 1-18 to our response are certain portions of the documents relevant to this case.

2/ JMI's directors are David Davidson and Elizabeth Smith. Exh. 2 at 4.

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From its inception, JMI provided services to a variety of individuals and entities, including candidates running statewide in North Carolina. In 1982, during the election cycle that is the subject of the complaint, JMI was organized into five divisions: Club, Coalition, Political, Foundation, and Management Enterprises. JMI April 10, 1984, Supp. Response, attached hereto as Exhibit 3, at 10. In 1982, the Club Division performed services solely for NCC. In effect, the Club Division represented that portion of JMI's business that was on retainer to NCC for NCC's general work (e.g., solicitations of contributions to NCC, advertisements, and similar matters) and for any in-kind contributions that NCC wished to make to other political committees. In 1982, NCC paid JMI for the Club Division's services based on a formula that covered all that Division's expenses (including overhead) plus a reasonable profit. Id. at 3-5.

Accordingly, no formal records were preserved reflecting the time each JMI employee spent on a particular project for NCC. Id. at 4. When NCC wished to make an in-kind contribution of JMI's services to another political committee, it allocated a portion of its overall monthly JMI payment to those services. When Mr. Wrenn allocated a portion of the total amount paid by NCC to JMI to a particular project, he did so based on discussion with those providing the service and based on his experience, taking into consideration all pertinent factors, including

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complexity of task, salary, and hours spent. See id.; Deposition of Carter Wrenn, attached hereto as Exhibit 4, at 22.[1/]

B. NCC's In-Kind Contribution to the Gibson Committee

In June 1982, JMI was requested by the Gibson Committee to arrange for the production of a commercial concerning a trip made by Congressman Charles Rose, Mr. Gibson's opponent in the Democratic primary, and a member of his staff to Rio de Janeiro, Brazil, at federal taxpayers' expense. JMI issued a purchase order to Audiofonics of Raleigh to produce the commercial. Audiofonics produced the commercial and forwarded bills to JMI, which in turn forwarded those bills to the Gibson Committee. See NCC January 13, 1984, Response, attached hereto as Exhibit 5, at 8, 9.

Other than forwarding the bills, JMI's only service in connection with the production of the commercial was to procure a segment of a videotape of Rio de Janeiro and to be available to advise Audiofonics if necessary. NCC incurred no expenses in connection with production. After the commercial was produced, JMI acted as a media time buyer for the commercial. As the

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1/ In 1983 the structure of JMI was changed. The various divisions were abolished, and JMI no longer billed NCC monthly under a formula based on its expenses and ensuring a reasonable profit. Thereafter, JMI billed all its clients, including NCC, on a per-project basis at the same rates. See Exh. 3 at 11. The General Counsel repeatedly ignores this change by referring to 1982 arrangements between NCC and JMI in the present tense. E.g., G.C. Brief at 9, 15, 17.

Gibson Committee's agent, JMI paid the participating television stations with funds received in advance from the Gibson Committee. NCC also incurred no expenses. All JMI's services were performed by its Club Division employees. Id. at 7-12.

NCC made an in-kind contribution of these JMI services to the Gibson Committee. As noted, because NCC paid JMI an amount sufficient to cover all the Club Division's 1982 expenses plus a profit, no JMI records were kept on a per-project basis. Following normal practice, Mr. Wrenn evaluated JMI's services to the Gibson Committee for purposes of reporting the in-kind contribution to the Commission. Mr. Wrenn was not setting JMI's rates when he performed this exercise. Those rates were set by the agreed monthly payment by NCC to JMI for the Club Division's services. Id. at 3-4; Exh. 4 at 49.

After Mr. Gibson lost the primary election to Mr. Rose, his campaign committee transferred the Rio de Janeiro commercial to the Johnson Committee, the campaign committee of Congressman Rose's opponent in the general election. NCC was not involved in this decision. See Exh. 4 at 60. It also did not participate in the Gibson Committee's valuation of the tape when it was transferred to the Johnson Committee. See Deposition of Murchison Biggs, attached hereto as Exhibit 6, at 51-52.

JMI had numerous clients other than NCC in 1982, constituting about 25 percent of its business in 1982. Deposition of Douglas Davidson, attached hereto as Exhibit 7, at 11; Exh. 3 at

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5-6. It represented political candidates and commercial and non-profit charitable entities independent of NCC or not supported by NCC. JMI provides services to candidates other than those that NCC supports. See Exh. 4 at 88. NCC did not in 1982 and does not today pay for the operations of JMI except when JMI provides services to NCC. Id. at 95.

C. FEC Proceedings

On November 2, 1982, the Commission notified NCC and JMI of Mr. Rose's complaint (attached hereto as Exhibit 8). The complaint was based on JMI's services in connection with the Rio de Janeiro commercial, and it alleged that JMI had provided services to the Gibson Committee without charge resulting in prohibited corporate contributions. The complaint erroneously assumed that JMI produced the commercial and thus that the Gibson Committee's reported media expenditures were too low and that JMI had made a prohibited corporate contribution. Exh. 8 at 1.

At the end of the complaint, Congressman Rose made vague allegations about connections between JMI and NCC. (He erroneously stated that NCC and JMI were parent and subsidiary. Exh. 8 at 2.) These allegations related solely to the Gibson and Johnson campaigns. See id. at 2, 4; see also JMI and NCC December 7, 1982, Response to the Complaint, attached hereto as Exhibit 9.

On June 2, 1983, the Commission notified NCC and JMI by letter that it had found reason to believe that JMI and NCC had

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violated certain provisions of the FECA (attached hereto as Exhibit 10). The letter referred only to the Rio de Janeiro commercial and the Gibson and Johnson Committees. Nowhere did the letter raise any general issue concerning the relations between NCC and JMI. Specifically, the letter stated:

> Upon further review of the allegations set forth in the complaint, information supplied by you, and a review of reports on file with the Commission, the Commission, on May 3, 1983, found reason to believe that Jefferson Marketing, Inc. and the Congressional Club violated certain provisions of the Act. Specifically, it appears that Jefferson Marketing, Inc. violated:
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> > 2 U.S.C. § 441b by making prohibited in-kind contributions to Democrats For Better Government To Elect Gibson ("Gibson Committee") in connection with services to the Gibson Committee for the production and airing of a videotape advertisement used in the Gibson campaign.
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> It also appears that Jefferson Marketing, Inc. and the Congressional Club violated 2 U.S.C. §§ 433, 434, 441a on the basis of their activities with respect to the campaigns of Thomas Carr Gibson and Edward H. Johnson.

Discovery progressed during the fall and winter of 1983. On February 15, 1984, the Commission filed a subpoena-enforcement action in the District Court for the District of North Carolina. Attached to its complaint were the documents JMI and NCC had submitted in the course of discovery and as to which the General Counsel had assured JMI and NCC on August 24, 1983,

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that he would "object strenuously" to their general disclosure.[1/] Also attached to the complaint were all the deposition transcripts. The next day, February 16, 1984, Mr. Rose dismissed his pending district court suit.[2/]

At this time, JMI and NCC received the first intimation that the scope of the investigation went beyond the reason-to-

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1/ On June 13, 1983, Mr. Rose had filed a complaint with the U.S. District Court for the District of Columbia under 2 U.S.C. § 437g(a)(8). On August 12, 1983, NCC and JMI wrote to the Commission expressing concern that documents JMI had provided to the Commission not be disclosed in Mr. Rose's suit (attached hereto as Exhibit 11). On August 24, 1983, the Commission responded by stating that it had entered into no agreement to provide Mr. Rose with any of the materials submitted by NCC or JMI (attached hereto as Exhibit 12). The Commission specifically represented that it would provide Mr. Rose with such materials only "under seal and with specific instructions limiting access to those who have demonstrated a need to the court's satisfaction." It stated that "the Commission will strenuously object and release such materials only if ordered by the court."

Quite aside from these representations, attaching all the discovery documents to the subpoena-enforcement complaint clearly was improper and unlawful. See 2 U.S.C. § 437g(a)(4)(B)(i). In suits of this nature where documents have been submitted, it has been done under seal. E.g., FEC v. North Carolina Medical PAC, Nos. 78-99-CIV-5, 78-619-CIV-5 (E.D.N.C. June 4, 1979); FEC v. California Medical PAC, Civ. No. M-77-306-C (N.D. Cal. Feb. 24, 1978). Similarly, in a suit by a complainant where the plaintiff has had access to the documents, that access has generally been limited to the plaintiff and his attorneys, who are prohibited from making the documents public. E.g., Common Cause v. FEC, 83 F.R.D. 410 (D.D.C. 1979). By attaching JMI's documents to its initial pleading in the subpoena-enforcement case, the General Counsel simultaneously made them public and deprived JMI of any opportunity for redress.

2/ Mr. Rose continued his efforts to obtain documents submitted to the Commission by NCC and JMI. In response to a Freedom of Information Act request by Mr. Rose, on March 21, 1984, the Commission notified him that it could not turn over the documents under the Freedom of Information Act but that all of the documents were attached to its subpoena enforcement complaint and that he could get them there. This March 21, 1984, letter is attached hereto as Exhibit 13.

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believe findings communicated to them on June 2, 1983. The Commission attached to its subpoena-enforcement complaint its Secretary's certification of its reason-to-believe finding (attached hereto as Exhibit 14). Of the seven reason-to-believe findings, only two related to NCC and JMI.[1/] These two findings stated that the Commission:

> 1. Decided by a vote of 4-2 to find reason to believe that Jefferson Marketing, Inc. violated 2 U.S.C.§ 441b by making prohibited contributions to the principal campaign committee of Thomas Carr Gibson.
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> Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.
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> 2. Decided by a vote of 4-2 to find reason to believe that Jefferson Marketing, Inc. and the National Congressional Club violated 2 U.S.C. §§ 433, 434, and 441a on the basis of their activities with respect to the campaigns of Thomas Carr Gibson and Edward H. Johnson.
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> Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively. Commissioners Aikens and Elliott dissented.

This internal document also contained another statement, which bore no relation to the reason-to-believe findings. After reciting all the reason-to-believe findings in the same format as the first two, the document stated that the Commission:

1/ The others related to the Gibson and Johnson Committees.

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> Decided by a vote of 5-1 that the letters, orders and subpoenas attached to the General Counsel's April 21, 1983 report be returned to the Office of General Counsel for revision, and that the scope of the inquiry be limited to establishing the facts of the alleged violations on which the Commission has found reason to believe, plus any facts which will assist in determining the relationship between the National Congressional Club and Jefferson Marketing, Inc.,1/ and that the revised documents be circulated to the Commission for approval on a tally vote basis.
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> Commissioners Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioner Aikens dissented.

The Commission's use of the word "plus" in the underscored language is self-damning. It demonstrates that the Commission fully recognized that it was authorizing an additional investigation going far beyond "the alleged violations on which the Commission has found reason to believe." And this additional investigation was made in secret and without notice. Either at the Commission's direction or on his own initiative, the General Counsel deliberately chose not to give respondents any notice that this secret investigation had been authorized or would proceed.

Although formal discovery was wide ranging, the Commission has obtained materials from another source as well. Someone stole documents referring to JMI from the offices of JMI's accountants, Ernst & Whinney, and provided them to the Raleigh News and Observer. That newspaper forwarded copies to the Commission,

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1/ Emphasis added.

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which declined to return these stolen documents to JMI when it requested that it do so. See Exhibit 15. The General Counsel has never permitted JMI to examine adequately the documents he has.[1/] The General Counsel's brief relies in part on these stolen documents. G.C. Brief at 21-22.

II. THE GENERAL COUNSEL'S THEORY RAISES PROCEDURAL ISSUES OF STATUTORY AND CONSTITUTIONAL DIMENSIONS.

The complaint in this case related to JMI's services performed in connection with the Rio de Janeiro advertisement and the subsequent transfer of the videotape to the Johnson Committee. Exh. 8 at 1-2. Based on the misapprehension that JMI had produced the advertisement, Mr. Rose believed that the amount reported by the Gibson Committee for media expenditures did not include the full value of JMI's services. He argued that this resulted in corporate contributions by JMI to the Gibson Committee. Id. at 2. The complaint spoke of a JMI/NCC relationship in terms of this transaction. See id. at 4. ("[I]t is my second request that the Federal Election Commission investigate violations of [the FECA] with respect to both [JMI] and [NCC], as they relate to the campaigns of both Gibson and Johnson.")

On June 2, 1983, the Commission notified NCC and JMI that it had found reason to believe violations of the FECA had occurred. Those alleged allegations were tied solely to the

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1/ Counsel for NCC and JMI was given a brief opportunity to look at the documents in Raleigh, but this did not enable NCC and JMI to make an accurate assessment of their content.

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Gibson and Johnson campaigns. Exh. 10. The Commission's own internal document (which NCC and JMI did not see until February, 1984, after the bulk of discovery was concluded) also spoke of the reason-to-believe findings in the same terms. Exh. 14. Although that internal document speaks of a JMI/NCC relationship, it does not find reason to believe with respect to any "relationship" issue, in sharp contrast to the seven reason-to-believe paragraphs. As discussed below, because a reason-to-believe finding is required for an investigation, any additional investigation authorized by the last paragraph of the internal document was unlawful and in violation of respondent's due-process rights.

A. The FECA Does Not Permit a Finding of Probable Cause Unless There Has Previously Been a Reason-To-Believe Finding.

The FECA could not be clearer as to the procedure to be followed in conducting an investigation. The FEC must base its investigation on a notarized complaint, 2 U.S.C. § 437g(a)(1), or on "information ascertained in the normal course of carrying out its supervisory responsibilities," id. § 437g(a)(2). It must give the target of the complaint an opportunity to respond thereto. Id. It may not proceed to investigate until notice is given of a reason-to-believe finding. "Such notice shall set forth the factual basis for such alleged violation." Id.

This statutory structure has two consequences. First, the subject of an investigation must have notice of the "factual

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basis" of the investigation. The purpose of these notice provisions is manifest. The Conferees who approved the statute in 1976 put it succinctly: "The Commission must . . . afford the person who receives notice of the investigation a reasonable opportunity to show that no action should be taken against such person by the Commission." H. Rep. No. 1057, 94th Cong., 2d Sess. 45 (1976). See id. at 50.

Second, the Commission may not proceed with an investigation until it makes a reason-to-believe finding "set[ting] forth the factual basis for such alleged violation." The FECA does not vest the Commission with the broad investigatory powers that other administrative agencies have. "[T]he FEC has no such roving statutory functions . . . . Plainly, mere 'official curiosity' will not suffice as the basis for FEC investigations." FEC v. Machinists Non-Partisan Political League, 655 F.2d 380, 387-88 (D.C. Cir.) (citations and footnotes omitted), cert. denied, 454 U.S. 897 (1981). Accord, FEC v. Florida for Kennedy Committee, 681 F.2d 1281, 1284-86 (11th Cir. 1982).

Here, the General Counsel's "relationship" theory is in no way contained in the reason-to-believe findings concerning JMI and NCC. The June 2, 1983, notice to NCC and JMI did not refer to it as "the factual basis for such alleged violation." Indeed, the factual allegation of the June 2 notice related solely to the Rio de Janeiro videotape advertisement. The notice's vague reference to "activities in respect to" the Gibson

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and Johnson campaigns do not satisfy the statutory requirement of a stated "factual basis," and certainly give no notice whatever of the General Counsel's present theory. Thus, to the extent the investigation ranged beyond the Rio de Janeiro advertisement, the General Counsel was indulging "official curiosity" in a manner impermissible under the FECA. That is even more crystal clear as to aspects of the investigation that ranged beyond the Gibson and Johnson campaigns.

The Commission has no authority to make a finding of probable cause on issues as to which it has made no reason-to-believe finding. See 2 U.S.C. § 437g(a)(2)-(4). Accordingly, if the Commission were to find probable cause on the General Counsel's novel theory, and later to institute a civil enforcement action, the Commission would be violating the FECA. We believe that any such litigation would be promptly dismissed for that reason alone. Commission investigations are subject to exacting judicial scrutiny to ensure that the FECA is complied with. See Machinists Non-Partisan Political League, supra, 655 F.2d at 386-90.

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B. Failure To Give Notice to NCC and JMI of the General Counsel's Theory and the Factual Basis Therefor Violated Due Process and Threatens Values Protected by the First Amendment.

Quite aside from the statutory impropriety of proceeding on the General Counsel's theory, at least two constitutional principles would be violated. First, a fundamental tenet of the

Fifth Amendment's due-process clause is that parties to a proceeding are entitled to notice of the charges against them. E.g., Connell v. Shoemaker, 555 F.2d 483 (5th Cir. 1977); Miles v. District of Columbia, 510 F.2d 188 (D.C. Cir. 1975). The purpose of that notice is to give the party an opportunity to answer the charges. E.g., Transco Securities, Inc. v. Freeman, 639 F.2d 318 (6th Cir.), cert. denied, 454 U.S. 820 (1981).

Here, the Commission's June 2, 1983, notice said nothing about any general issue of a JMI/NCC relationship. NCC and JMI were thus deprived of any opportunity to respond to such an issue.

Second, the Commission's course of conduct in this case threatens to chill protected free speech and association. The D.C. Circuit has noted that the FECA's limit on the Commission's investigative powers has First Amendment underpinnings. Where an agency oversees activity that relates solely to speech and association for political purposes, its investigations must not unduly intrude into this protected activity. See Machinists Non-Partisan Political League, supra, 655 F.2d at 387. Congress in 1976 was very sensitive to the need "to limit unjustifiable litigation burdens" that might be imposed on persons or organizations against whom complaints were filed. H.R. Rep. No. 917, 94th Cong., 2d Sess. 4 (1976). The burdens of litigation are considerably increased if the investigators act on an undisclosed theory or

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alleged facts, considerable amounts of misinformation are amassed in the Commission's investigatory files, and that information is disclosed to the parties under investigation. The need to rebut such material in litigation might well have been avoided had the party been given notice.

As the Supreme Court said in Speiser v. Randall, 357 U.S. 513, 520 (1958):

> When we deal with the complex of strands in the web of freedoms which make up free speech, the operation and effect of the method by which speech is sought to be restrained must be subjected to close analysis and critical judgment in the light of the particular circumstances to which it is applied (citations omitted).

Especially in the area of the First Amendment, " . . . the procedures by which the facts of the case are determined assume an importance fully as great as the validity of the substantive rule of law to be applied." Id. Moreover, as with any investigatory or enforcement system that is concerned with protected First Amendment activity, that system "avoids constitutional infirmity only if it takes place under procedural safeguards designed to obviate the dangers of a censorship system." Freedman v. Maryland, 380 U.S. 51, 58 (1965). The Commission's failure here amply illustrates the reasons why the Supreme Court has consistently limited the discretion allowed to agencies which deal with fundamental First Amendment rights. See Kunz v. New York, 340 U.S. 290 (1951); Saia v. New York, 334 U.S. 558 (1948); Cox v. New Hampshire, 312 U.S. 569 (1941); Cantwell v. Connecticut, 310

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U.S 296 (1940); Schneider v. State, 308 U.S. 146 (1939); Lovell v. Griffin, 303 U.S. 444 (1938).

These constitutional concerns are heightened by the General Counsel's reliance on documents, stolen from JMI's accountants, on which they have had no opportunity to comment. Proceeding in this manner raises serious questions as to the integrity of the administrative process.

III. THE RECORD DOES NOT SUPPORT A FINDING OF PROBABLE CAUSE WITH RESPECT TO NCC'S VALUATION OF ITS IN-KIND CONTRIBUTION OF JMI'S SERVICES TO THE GIBSON COMMITTEE.

A. NCC's Valuation of JMI's Services to the Gibson Committee Was Reasonable.

Ironically, the whole basis for this protracted case was a misapprehension: Mr. Rose thought that JMI produced the Rio de Janeiro commercial and perhaps paid for some of the television time. He looked to the Gibson Committee's report of media expenditures and concluded that they undervalued JMI's services, resulting in a corporate contribution from JMI to the Gibson Committee. Exh. 8 at 1-2.

In fact, the actual production work was done by Audiofonics. Exh. 9. JMI had no obligation to pay these bills and did not pay them. The Gibson Committee paid the television stations in full. See, e.g., id.

JMI did provide the following services in connection with the commercial: (1) ancillary services in connection with

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production of the commercial, and (2) services as media time buyer for the placement of the commercial. Because Audiofonics and the television stations were paid, these are the only JMI services at issue here. NCC's valuation of its in-kind contribution of those services to the Gibson Committee ($353.08) is the only possible issue, but that is given short shrift in the General Counsel's brief.

The General Counsel declares that "one cannot tell whether the charges" for the Rio de Janeiro commercial "were usual and normal (at fair market value) as neither JMI nor NCC can now document or support them." G.C. Brief at 25. It necessarily follows from that statement that no probable cause exists to believe that the statute has been violated. The General Counsel attempts to avoid that obvious conclusion by arguing that the Commission can ignore payments by NCC to JMI and in effect presume that JMI "charged nothing for its services." G.C. Brief at 25. This is incorrect for at least two reasons.

First, the Commission's regulations provide that, when services are provided to a political committee, the charge for them shall be the usual and normal charge. E.g., 11 C.F.R. § 100.7(a)(1)(iii)(A). The same rule applies to in-kind contributions. Id. Nothing in the regulations requires that there be documentation. They say nothing about presuming a charge to be other than the normal charge unless there is such documentation.

Second, there is ample evidence, which the General Counsel ignores, demonstrating how the valuation was made in this

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instance. Certain employees of JMI in 1982 were, in effect, on full-time retainer to NCC. For the services of those employees, JMI received a lump-sum payment each month that covered all its expenses (including overhead) and ensured a reasonable profit to JMI.[1/] Because these employees were on retainer, no internal records in JMI were kept on per-project costs. Instead, if NCC decided to make an in-kind contribution to another political committee, NCC made a valuation of the services in question and fully reported them to the Commission.

This is the valuation process that was used here. Sworn testimony indicates that the normal course of business was for NCC to make a valuation based on the hours worked, the complexity of work, the employees involved, and similar factors. E.g., Exh. 4 at 22, 47. It was expressly stated that this practice was the normal course and was used here. Id. There is no other record evidence on this point. The General Counsel points to nothing to show that the payment of these services was undervalued by NCC.

The fallacy of the General Counsel's approach comes from ignoring the crucial question: whether the normal commercial

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1/ For JMI's internal bookkeeping purposes, some expense items were applied against the Club Division that did not relate solely to that Division's cost of sales. Exh. 3 at 10. This means that the monthly payment by NCC may have resulted in some overpayments by NCC for JMI's services. There is nothing illegal about such possible overpayment; only underpayments would raise a legal problem.

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charge for JMI's services was reported. NCC made an in-kind contribution of JMI's services. It valued them as worth $353.08. See Exh. 4 at 42-47.[1/] The General Counsel has now shown or even alleged that that valuation was in error.[2/]

B. Because Neither NCC Nor JMI Played Any Role in the Contribution of the Rio de Janeiro Videotape by the Gibson Committee to the Johnson Committee, There Is No Basis for a Finding of a Violation by NCC and JMI with Respect to the Johnson Committee.

The only other matter pointed to by the complaint as a basis for a violation is the contribution of the Rio de Janeiro videotape by the Gibson Committee to the Johnson Committee. Exh. 8 at 1-2, 4. The record evidence shows that NCC and JMI played no part in the decision to contribute the tape to the Johnson Committee. E.g., Exh. 6 at 51-52. Nor did they play any role in the Gibson Committee's valuation of the tape when it made the contribution to the Johnson Committee. Id.

Even if NCC had undervalued JMI's services when it made an in-kind contribution to the Gibson Committee, that had nothing to do with the Gibson Committee's valuation when giving the tape to the Johnson Committee. The bulk of JMI's work in connection with the Gibson campaign was to act as a media time buyer. That

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1/ Because these services were an in-kind contribution, there can be no question of a contribution from the Gibson Committee to JMI or NCC. The Gibson Committee paid neither anything. The Escrow? only money it paid was to Audiofonics, an entity clearly independent of JMI and NCC.

2/ The General Counsel points to other in-kind contributions of JMI's services by NCC to the Gibson Committee and the Johnson Committee. G.C. Brief at 26. There similarly is no evidence that the amount NCC reported was not the reasonable value of these services. Indeed, the General Counsel does not argue they were misvalued; he argues that the entire value was a prohibited corporate contribution by JMI. See pp. 46-47 below.

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had nothing to do with the value of the tape. The predominant value of the tape came from the work done by Audiofonics.

Even if NCC had undervalued the value of JMI's media time-buying services in placing the commercial -- which it did not -- it is not explained how that undervaluation continued when the physical tape was contributed by the Gibson Committee to the Johnson Committee. The effect of finding a violation would be to attribute to a contributor unconnected violations by a political committee to which it has contributed services or funds. Such guilt by association is meritless at best and unconstitutional at worst. See, e.g., Keyishian v. Board of Regents, 385 U.S. 589 (1967).

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IV. THE GENERAL COUNSEL HAS NOT DEMONSTRATED THAT NCC AND JMI ARE ONE AND THE SAME.

It is legally irrelevant whether JMI and NCC are controlled by the same persons. The only question under the FECA, the Commission's regulations, and the June 2, 1983, reason-to-believe letter is whether the services contributed by NCC to the Gibson Committee were properly valued. We will now demonstrate, however, that the General Counsel's basic premise -- that NCC and JMI are one and the same for purposes of the FECA -- is erroneous. We first examine the authorities relied on by the General Counsel to show that they are inapplicable. We next show that the facts required by the case law cited by the General Counsel are not present here. We show finally that the General Counsel has distorted the record concerning the relationship between NCC and JMI.

A. The Alter Ego Cases Relied on by the General Counsel To Argue That NCC and JMI Are Indistinguishable Are Inapplicable to This Case.

The General Counsel advances two arguments to support his theory that NCC and JMI are indistinguishable for purposes of applying the FECA's contribution limits and reporting requirements. First, he relies on the common-law alter ego doctrine, which holds "that if a corporation is the alter ego of a sole or dominant shareholder, the corporate entity may be disregarded and the shareholder and the corporation treated as one." G.C. Brief at 12 n.6. Second, the General Counsel relies on a doctrine he describes as holding that federal agencies "have been permitted to disregard corporate status when it would serve an important statutory purpose." Id. at 23 n.13. Neither the common-law doctrine nor the federal rule, however, is applicable to this case.

As to the common-law doctrine, the General Counsel alleges that the corporate entity may be disregarded wherever there is domination of the finances, policies, and practices of the corporation to be disregarded. Id. at 12 n.6. However, the very cases on which the General Counsel relies demonstrate that the alter ego doctrine does not apply here. The alter ago doctrine is applied only very cautiously and in very limited circumstances. For example, in Martin v. Pilot Industries, 632 F.2d 271 (4th Cir. 1980), cited by the General Counsel, the Court of Appeals for the Fourth Circuit held that North Carolina law required that an alter ego determination could be made only after a

very careful factual examination. Accordingly, it held that it was inappropriate for the District Court to grant summary judgment to the plaintiff because there were substantial and material issues of fact still to be determined.[1/]

A decision to disregard a corporate entity will only be made after careful consideration and balancing of all relevant factors. These factors include the following:

-- Whether the business transactions, property, employees, and bank and other accounts and records of the corporations are commingled.

-- Whether the formalities of separate corporate procedures for each corporation are observed.

-- Whether the corporation to be disregarded is inadequately financed as a separate unit from the point of view of meeting its normal obligations foreseeable in a business of its size and character, because of either initial inadequate financing or having its earnings drained off so as to keep it in a condition of financial dependency.

-- Whether the respective enterprises are held out to the public as separate enterprises.

-- Whether the policies of the corporation to be disregarded are not directed to its own interests primarily but rather to those of the other corporation.

-- Whether use of the corporate entity is used to promote injustice or fraud.

1/ Similarly, Henderson v. Security Mortgage & Finance Co., 160 S.E.2d 39, 44 (N.C. 1968), cited by the General Counsel notes: "The mere fact that one person . . . owns all of the stock of a corporation does not make its acts the acts of the stockholder so as to impose liability on him."

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See, e.g., Moline Properties, Inc. v. Commissioner of Internal Revenue, 319 U.S. 436 (1943); Labadie Coal Co. v. Black, 672 F.2d 92 (D.C. Cir. 1982); Francis O. Day Co. v. Shapiro, 267 F.2d 669 (D.C. Cir. 1959).

We have found no case that disregarded a corporate entity in a situation similar to that proposed by the General Counsel. Moreover, the alter ego doctrine has never been used, as the General Counsel seeks to use it here, to transform a long course of normal commercial activities into conduct subject to criminal and civil penalties under a statutory scheme that has no applicability to commercial entities.

The federal cases similarly are inapplicable here. The federal rule has generally been utilized to disregard a corporate entity where the policy behind a federal statute requires it. In these cases the corporate entity is not disregarded for all purposes. It is disregarded only so far as necessary to achieve an articulated federal policy.[1/] Yet there is no federal

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1/ The very cases cited by the General Counsel bear this out. For example, the Federal Communications Act places limits on the number of licenses that a person may own. It would circumvent that policy if an individual could set up one or more corporations and have both himself and the corporations own the maximum number of licenses. Accordingly, because of the federal policy embodied in the multiple-ownership rules, it is appropriate to treat the individual and the corporations as being the same for this purpose. See Capital Telephone Co. v. FCC, 498 F.2d 734 (D.C. Cir. 1974), cited at G.C. Brief at 23 n.13. Accord, Joseph A. Kaplan & Sons v. FTC, 343 F.2d 785 (D.C. Cir. 1965) (permissible to disregard corporation owned by 24 retail stores to determine whether price discrimination under Robinson-Patman Act has occurred), cited at G.C. Brief at 23 n.13.

policy in the FECA that prohibits individuals connected with a political committee from engaging in commercial activities or that prohibits such a political committee from having normal business dealings with businesses controlled to some extent by the same individuals.

Federal policy is embodied in the First Amendment's free-speech and association guarantees and requires the opposite result. If the price one must pay for engaging in protected political activity is a sharp restriction of commercial activities, that places a penalty on speech and association that is intolerable. See pp. 47-48 below.

Moreover, in the federal cases the same factors applied in the common-law alter ego doctrine, see pp. 26-27, supra, are used to determine whether a corporate entity will be disregarded to further the overriding federal policy. See, e.g., Milgo Electronic Corp. v. United Business Communications, Inc., 623 F.2d 645, 658-62 (7th Cir.), cert. denied, 449 U.S. 1066 (1980); Seymour v. Hull & Moreland Engineering, 605 F.2d 1105, 1109 (9th Cir. 1979). As we show in the following section, none of these factors is present here.

B. None of the Facts Relevant Under the Alter Ego Doctrine Is Present Here.

1. JMI's and NCC's business transactions, property, employees, bank and other accounts and records are not commingled.

The respective business assets of JMI and NCC have never been commingled. JMI has separate employees whom it

compensates, separate telephones, a separate post-office box, separate physical office, a separate set of books, a separate checking account, separate lines of credit with vendors, separate accounts payable, separate tax returns filed with the IRS, and other assets separate from NCC. E.g., Exh. 3 at 6, 9-11. Thus it is untrue to say, as does the General Counsel, that "the directors and management personnel treat JMI and NCC as one entity . . . ." G.C. Brief at 22.

The General Counsel cannot overcome this fact by cavalierly stating that "since . . . monthly bulk payments by NCC to JMI were effectively internal transfers between the two parts of the NCC/JMI combination, there was no payment to JMI cognizable as payment for services rendered [by JMI to NCC]." G.C. Brief at 26. The General Counsel is simply assuming his own conclusion. He does not explain how else NCC might have paid JMI the money owed it. The very fact that NCC transferred money every month from its own bank accounts to that of JMI supports the opposite result, because the test under the alter ego doctrine is whether the funds of the two entities are treated as one and the same.[1/]

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1/ The General Counsel frequently relies on facts that support the opposite result. The record amply demonstrates that, whenever JMI had a debt to NCC, the two entities treated it as a debt until it was paid. For example, the General Counsel cites NCC's sale of furniture to JMI as evidence that JMI took over functions NCC formerly performed for itself. See G.C. Brief at 10 n.2. Yet NCC had no need for the furniture and those transfers were treated on the separate books of JMI and NCC as debts. See Exh. 4 at 83; Exh. 7 at 21.

2. The formalities of separate corporate procedures for JMI have been observed.

The record demonstrates that corporate formalities have been scrupulously observed. The General Counsel concedes that JMI has separate bylaws and articles of incorporation. See G.C. Brief at 12 n.5. Similarly, JMI regularly holds meetings of its Board of Directors. No one on the JMI Board of Directors has been connected with NCC at the time he served on the board since Mr. Wrenn did so for three months in 1979. See e.g., Exh. 4 at 18; Exh. 2 at 4-5.

3. JMI is adequately financed as a separate unit to meet its normal obligations.

The record also demonstrates that JMI has a separate, healthy financial existence. Under the alter ego doctrine, the capitalization of a corporate entity frequently is a crucial feature in determining whether to accord it separate existence. E.g., Francis O. Day Co., supra, 267 F.2d at 673. Here, the General Counsel's own brief shows that JMI is very healthily capitalized and that its earnings have not been drained off to keep it in a state of financial dependency. The General Counsel concedes that JMI's records submitted to the Commission "show that for the year 1982, the total stockholders' equity was $156,328, and for the year end 1983, it was $299,081." G.C. Brief at 11 n.4.

The General Counsel does not seem to understand the significance of these facts. In a one-year period, calendar year

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1983, there was an increase in JMI's capital of $142,753, or 91.3 percent. This one year's profit, which almost doubled the assets of JMI, was not drained off to leave JMI in a state of financial dependency. Rather, it is evidence of JMI's profitability and its separate financial existence from NCC.[1/]

4. JMI and NCC are held out to the public as separate enterprises.

The record also demonstrates that JMI and NCC are not held out to the public as being the same entity. JMI has separate clients that do not come to it as a result of recommendation by NCC. JMI and NCC have different officers who are autonomous in their dealings with outside entities. The two also have separate articles of incorporation and separate tax status with the IRS. E.g., Exh. 3 at 6-11; Exh. 7 at 26, 53, 73, 75; Exh. 6 at 38.

5. The policies of JMI are directed to its own interests and not to those of NCC.

The record also shows that JMI's policies are directed for its own benefit. Its profitability alone is sufficient evidence of that. Mr. Wrenn testified that at times he may have inadvertently paid JMI more than the rate he could have gotten elsewhere, simply to avoid any implication that JMI was undervaluing services it provided to NCC. Mr. Wrenn testified that he did

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1/ The General Counsel has not attempted to demonstrate, and could not demonstrate, that JMI's capitalization prior to 1983 was in any way inadequate to meet its needs and obligations.

so out of prudence and not because of any other reason. See Exh. 4 at 96.[1/]

6. There is no evidence that JMI was established to promote any fraud or injustice.

The record demonstrates that, rather than being established to avoid some obligation under the FECA, JMI showed sensitivity to complying with all relevant legal requirements. Again, the General Counsel's brief alludes to this fact: "Mr. Wrenn was hired by JMI to provide guidance to JMI on structuring their operations and in complying with relevant campaign laws." G.C. Brief at 8.

Despite the absence of any such restriction in the FECA or the Commission's regulations, the General Counsel would like to build an unbreachable wall around individuals connected with political committees. How JMI's existence is "an attempt to

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1/ This also disposes of the General Counsel's vague allegation of self-dealing and non-arms-length transactions. See G.C. Brief at 5. It is unclear to what extent the General Counsel intends "self-dealing" to mean something other than the alter ego theory. As a matter of corporate law, the two are different. The alter ego doctrine disregards a corporate entity so as not to allow it to raise its limited-liability shield to avoid legitimate obligations. Self-dealing refers to the situation where a person with a fiduciary duty (e.g., a director) has dealings with a corporation other than on an arms-length basis that harm the corporation to which the duty is owed. E.g., Murphy v. Washington American League Base Ball Club, Inc., 324 F.2d 394 (D.C. Cir. 1963). The General Counsel does not and could not cite any instance where Mr. Wrenn or anyone else abused or took advantage of JMI. Moreover, there is no indication of self-dealing by Mr. Wrenn to his own benefit. He has no personal, individual financial interest in JMI.

Cite Ritchie's concurrence

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circumvent" the FECA, G.C. Brief at 24, is not adequately explained. As will be discussed, it is not JMI's existence that frustrates the FECA; it is the General Counsel's transformation of JMI into a political committee that has that result, as well as ramifications under the First Amendment. See pp. 42-50 below.

C. The General Counsel Has Distorted the Record Concerning the Relationship Between NCC and JMI.

Rather than analyzing the foregoing factors, the General Counsel proceeds in a manner not supported by the case law or the record. The crux of the General Counsel's argument is that "JMI was established and is financed by NCC" and that NCC controls the day-to-day operations of JMI. G.C. Brief at 5. This not only rests on an incorrect reading of the alter ego doctrine; it also is an erroneous view of the record.

1. JMI was not "established" by NCC.

The General Counsel concedes that Mr. Wrenn, the only individual knowledgeable about the founding of JMI to be deposed, testified that JMI was the idea of Mr. Castellanos. G.C. Brief at 7. Although the General Counsel does not directly state that Mr. Wrenn's statement was inaccurate, he resorts to a loose characterization of "the climate in which JMI was born" to suggest the contrary. Id.

This "climate" (a word we are unable to locate anywhere in the FECA) provides no support for the General Counsel's theory. Mr. Castellanos did go to Mr. Wrenn to discuss with him the idea of establishing JMI. Mr. Castellanos was a former employee of

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NCC. It would be quite natural for him to talk about his ideas with Mr. Wrenn and to solicit business from NCC. The fact that it was Mr. Castellanos who approached Mr. Wrenn also demonstrates that JMI was Mr. Castellanos' idea.

The General Counsel implies that, at the time of the founding of JMI, NCC was doing its own direct mailing and that all of this was taken over by JMI. G.C. Brief at 8. The fact is that, at that time and thereafter, NCC has used a variety of vendors to perform its services. At no time has JMI been the only vendor used by NCC. See, e.g., NCC Quarterly Report for Second Quarter, 1984, Schedule B, attached hereto as Exhibit 16.

The General Counsel also argues that, because individuals with relationships to NCC served in a variety of capacities with JMI, "[t]here was considerable cross-fertilization between the boards of directors of JMI and NCC." G.C. Brief at 9. This is an overstatement. The only individual from NCC who ever served on the Board of Directors of JMI while he was affiliated with NCC was Mr. Wrenn, who served as Secretary of JMI for three months in 1979. He testified that he performed no services in that capacity. Exh. 4 at 18. All other individuals who have been directors of JMI have, at the time they were directors of JMI, not had any affiliation or connection with NCC.

2. There is no evidence that NCC "dominates" JMI's financial base.

In disregard of the facts, the General Counsel states: "Beginning with the ownership of JMI's stock there is strong

evidence that NCC dominates JMI's financial base." G.C. Brief at 10. Yet the brief itself indicates that Mr. Castellanos, the founder of JMI, was the sole initial shareholder of the corporation. Id. at 11. Subsequent sales of the stock did not increase the paid-in capital of JMI. Thus it is unclear how the ownership of JMI stock shows financial dominance by NCC where initial paid-in capital came from other sources.

Next, the General Counsel points to the 1982 arrangement whereby NCC paid a monthly sum to JMI that covered all JMI's Club Division expenses (including overhead) and ensured a "built-in fixed profit" to JMI. G.C. Brief at 13.[1/] It is puzzling that the General Counsel concludes from this monthly payment that NCC financially dominated JMI. The amount of the business two entities do with each other is irrelevant under the alter ego doctrine. The crux of the financial-dominance test in the case law is whether JMI is thinly capitalized, i.e., whether NCC has drained off its financial resources and left it a shell. The monthly formula established between JMI and NCC had exactly the opposite effect. Rather than draining funds out of JMI, the monthly formula agreed to between JMI and NCC ensured a profit for JMI, which JMI retained.

1/ The General Counsel complains that these payments from NCC to JMI "were reported to the Commission in only the most general of terms, such as disbursements for consulting or advertising." Id. at 13. Yet that is all that the Commission reports require to be reported. If the Commission had ever wanted more information, it could have asked for it. It never did so. See. e.g., A.O. 1983-25 ("The description 'media' is considered as a satisfactory description for a payment that is, in fact, made for media, such as the purchase of media time or media space.").

The General Counsel also tries to show financial dominance because "Mr. Wrenn initialed purchase orders to Audiofonics . . . ." And it states that JMI admitted that Mr. Wrenn had "approval authority over the [Gibson Committee] transactions." Id. at 14. The General Counsel notes that Mr. Wrenn "admitted that he personally set the value on those services performed by JMI for the Gibson Committee and paid for by NCC through in-kind contributions." Id.

Who else other than Mr. Wrenn should have initialed the Audiofonics purchase orders? JMI's services were being provided to the Gibson Committee as an in-kind contribution by NCC. Mr. Wrenn as Executive Director of NCC was naturally concerned that his committee's in-kind contribution was being handled properly.1/

When Mr. Wrenn allocated a portion of the monthly payment to the value of those services, he was not setting rates that JMI charged to NCC. The rate JMI charged to NCC was represented by the agreed monthly payment. All that Mr. Wrenn did was

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1/ The fact that Mr. Wrenn helped to raise money for the Gibson Committee to pay Audiofonics does not show any financial control over JMI. The Audiofonics bill was solely the responsibility of the Gibson Committee. It in no way concerned JMI.

to value the JMI services for the purposes of reporting them to the Commission.[1/]

The final bit of information relied on by the General Counsel is a document that was stolen from JMI's accountant's offices and outside the scope of any discovery request addressed to NCC or JMI. See G.C. Brief at 21. This document involves a debt owed to JMI by the Lake for Governor Committee arising out of North Carolina's 1980 gubernatorial race, a state election not within the Commission's jurisdiction. The General Counsel states:

> The solution reportedly proposed and discussed with Mr. Wrenn and Ms. Hardison was for JMI to exchange the $75,000 debt owed by the Lake Committee for a mailing list that JMI had assisted in developing. However, the plan did not end with the solution of JMI's problems but rather called for NCC to purchase

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1/ The General Counsel points to two other factors of so-called financial dominance. First, he argues that there was an interest-free loan from NCC to JMI during 1981 and 1982. G.C. Brief at 14. This is an inaccurate characterization of the record. There is no evidence that this loan was interest free. All that the record shows is that no interest had been paid on it as of January 13, 1984.

Second, the General Counsel points to a transaction between JMI and the Coalition for Freedom ("CFF"), a non-profit organization. The General Counsel erroneously states that CFF made a loan to JMI in December 1983. See G.C. Brief at 14-15. In fact, a donor contributed a computer to CFF. CFF sold the computer to JMI, and JMI gave a note to CFF for the purchase price. That price was established by an independent appraisal. An independent certified public accountant chose the interest rate on the note to ensure that CFF was fully compensated.

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> the list from JMI. . . . Thus NCC was brought in as part of a proposed joint solution to problems that appeared to concern only JMI -- reemphasizing the way in which the directors or JMI and NCC themselves conceive of the organizations as one entity. G.C. Brief at 21-22.

The General Counsel's characterization of this transaction is erroneous, but that is not surprising given the fact that JMI and NCC have never received an opportunity to explain this document. It simply illustrates the impropriety of relying on materials so acquired.

It is true that the Lake for Governor Committee owed JMI $75,000. The proposal that the General Counsel's office points to was in fact made -- but not by NCC or JMI, as the General Counsel seems to believe. In fact, the proposal for NCC to buy the list came from JMI's independent accountants, Ernst & Whinney. The proposal was rejected. The Lake Committee discharged its obligations to JMI without any assistance whatsoever from NCC.[1/]

3. NCC does not "effectively control" JMI.

After discussing the formation of JMI and NCC's alleged financial dominance of JMI, the General Counsel then goes on to

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1/ The facts as related in this paragraph are based on discussions with our clients. Of course, there is no record evidence on this point. Had NCC and JMI been given an opportunity to explain the stolen documents, there would be.

allege that "NCC exercises substantial control over the day-to-day operations of JMI through NCC's President and chief managing official, Carter Wrenn." G.C. Brief at 17. This too is not supported by the record.[1/]

The record shows that JMI manages its own affairs. For example, Mr. Wrenn testified that JMI does not provide services only to candidates that NCC supports. Exh. 4 at 88. He could not recall NCC's ever attempting to prevent JMI from providing services to any candidate. Id. at 89.

The General Counsel is so concerned to prove that through Mr. Wrenn NCC "financially dominates and controls the operation of JMI" that he repeatedly misrefers to Mr. Wrenn as the "President," G.C. Brief at 13, or "Chairman" of NCC, id. at 9, while he is in fact the Executive Director.

The General Counsel states that, of the four witnesses deposed by the General Counsel's office concerning the creation of JMI, only Mr. Wrenn "was able to recall details of JMI's beginnings and subsequent evolution." G.C. Brief at 6. The General Counsel expresses astonishment that Messrs. Ellis and Davidson and Ms. Hardison, also deposed by the General Counsel, had no such recollection. The General Counsel does not mention that, for whatever reason, his office failed to depose Mr. Castellanos, JMI's founder.

1/ It also is not the test under the alter ego doctrine. See pp. 26-27, supra.

It is hardly surprising that the deposed witnesses had no recollection of JMI's founding. Mr. Davidson, who became President of JMI in August 1982, was not even an employee until 1979. That is why he could not recall details of the formation in 1978 or JMI's services for the Gibson Committee earlier in the summer of 1982. See Exh. 7 at 14, 18. Similarly, Ms. Hardison, JMI's present bookkeeper, had no knowledge because she did not become a JMI employee until later.1/ Mr. Ellis, NCC's Chairman, testified directly that he had no involvement in the establishment of JMI. See Deposition of Thomas Ellis, attached hereto as Exhibit 18, at 6-7.2/

The General Counsel similarly argues that no one but Mr. Wrenn knew what happened with respect to the Gibson Committee in-kind contribution. For example, the General Counsel states that the candidates, Messrs. Gibson and Johnson, had little or no knowledge about the production of the television commercials.

1/ The General Counsel asserts that she began doing JMI's bookkeeping work in 1979. In fact she did not begin doing so until later. Exh. 17 at 26. Thus it is perfectly reasonable that she could not "recall how the JMI books came to be set up or who was responsible for their initial organization." G.C. Brief at 7.

2/ The General Counsel concedes that the only "evidence" concerning Mr. Ellis' knowledge is from a hearsay newspaper article that appeared in the Baltimore Sun. See G.C. Brief at 17 n.12. Mr. Ellis, under oath, repudiated this article, testifying that it either misrepresented his statements or that, if he did make the comments, he was mistaken. Exh. 18 at 12, 22.

G.C. Brief at 19. With the complexity of congressional campaigns, this is hardly surprising. The fact that the candidates were not aware of the exact arrangements between NCC and JMI proves nothing about such arrangements. Moreover, Mr. Gibson's statement that he believed that Mr. Wrenn bore responsibility for the commercial is not surprising, given the fact that NCC was making an in-kind contribution to his committee in connection with the commercial. See also Exh. 6 at 38.

V. THE CONSEQUENCES THE GENERAL COUNSEL SEEKS TO DRAW FROM HIS ALTER EGO THEORY ARE CONTRARY TO LAW, ILLOGICAL, AND THREATEN CONDUCT APPROVED BY THE COMMISSION IN OTHER CONTEXTS.

A. The General Counsel's Conclusions Have No Support in Law and Are Illogical.

The General Counsel seeks to draw the following consequences from his alter ego theory: (1) where a corporation is dominated by its "parent organization" and the parent is a political committee, transactions between the two are not arms-length, and self-dealing conferring special benefit on the political committee may be presumed; (2) this makes the corporation "a mere extension of the political committee," and in fact itself a political committee for FECA purposes; (3) there is therefore no distinction between NCC and JMI for FECA purposes; (4) the result is that a host of JMI business dealings, otherwise perfectly lawful and normal, are magically transformed into FECA violations. See p. 2, supra. G.C. Brief at 5.

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1. The General Counsel has misread the FECA, the regulations, and the Advisory Opinions on what constitutes a contribution.

The General Counsel's theory creates an irrebuttable presumption that has no basis in law. Nowhere does the FECA prohibit the relationship between JMI and NCC or establish such a presumption. If it did, presumably the General Counsel would have cited some language to support his position. He does not, because he cannot. There is no such statutory language or regulation.

The test under the FECA is not "arms-length dealing," G.C. Brief at 5, a term found in neither the FECA nor the Commission's regulations.[1/] The test is whether a commercial corporation or a political committee makes the "usual and normal charge" for the services it provides to a political committee. E.g., 11 C.F.R. § 100.7(a)(1)(iii)(A). If the recipient political committee pays, but the services are provided at less than the usual and normal charge, the amount of the resulting contribution by the recipient political committee is not the entire value but the difference between what the political committee paid and the "usual and normal charge." If the services are an in-kind contribution to the political committee and are reported as such, the only issue is whether the amount reported is less than the "usual and normal charge."

Not surprisingly, the General Counsel nowhere in his brief cites 11 C.F.R. § 100.7(a)(1)(iii)(A). Nor does he cite

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1/ It is not the test under the alter ego doctrine either. See pp. 26-27, supra.

Advisory Opinion 1979-18. There, the Commission expressly decided that a contribution to a political committee results only if a commercial entity provides services to the committee and does not receive compensation at market rates. If the services are undervalued in terms of market rates, then the contribution to the political committee consists of the difference between the market rate and the amount the commercial entity receives.

The General Counsel tries to sidestep these problems for his theory by arguing that (1) a political committee may not lawfully engage in commercial ventures, and (2) if it does, any amount it receives, regardless of market rate, results in a political contribution to it. G.C. Brief at 23-25. The General Counsel's premise is wrong. Even if it were correct, his conclusion would not follow from it.

First, the premise that a political committee cannot engage in commercial ventures is incorrect. The General Counsel cites five advisory opinions in support of his commercial-venture theory.[1/] These opinions could not be further from the factual situation here. In all five, a political committee proposed to sell goods or services expressly for the purpose of raising campaign funds or to retire campaign debts. In two instances, it proposed to sell artwork donated to it by an artist, in one computer time, in another a poll, and in another a credit card service.

1/ A.O. 1983-2; A.O. 1980-34; A.O. 1980-34; A.O. 1980-19; A.O. 1979-76; and A.O. 1979-17. G.C. Brief at 23-24.

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In all of these cases a political committee was selling goods or services as a part of its fund-raising efforts. This point is made clear by advisory opinions that the General Counsel omits. It has been held that a political committee may sell a direct-mail list at the usual and normal charge without the buyer's making a political contribution to it. E.g., A.O. 1982-41; A.O. 1979-18. This reasoning has also been applied to the sale of a list to a corporation. A.O. 1981-46.

Nor is it true, as the General Counsel states, that only a very narrow class of "commercial conduct" is permissible for political committees. G.C. Brief at 23-24. The FECA and the Commission's regulations support no such broad proposition.1/

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1/ The theoretical basis of the A.O.s cited by the General Counsel is apparently that the political committees received the benefit of the goods or services they sold yet were also enabled to recoup the cost to them of those goods. For example, where a political committee conducts a poll and desires to sell it, the committee benefits from the poll but is able to offset the cost of producing it. Because the committee has the benefit yet has no expense, the buyer of the poll in effect makes a contribution to the political committee. See A.O. 1980-19. While that is the stated reasoning, it is inconsistent with letting a political committee have the benefit of a direct mail list at the same time it sells it to another, as was permitted in A.O. 1979-18 and A.O. 1981-46.

This case presents no issue of an unpaid-for benefit at all. NCC receives no benefit in connection with services provided to other political committees by JMI when JMI is reimbursed by the recipient committee. For example, assume an NCC employee works on a telephone bank for a candidate. (Under the General Counsel's theory, a JMI employee is in effect an NCC employee.) If the candidate reimburses NCC, that is not a contribution. Unlike the situation in A.O. 1980-19, NCC does not receive a benefit without bearing the cost. Thus there is no question here of a political committee's selling goods or services, recouping its expenses, yet still having the benefit of the goods or services.

Where a political committee provides goods and services, its reimbursement cannot be a contribution unless there is overvaluation. The FECA recognizes that political committees will have receipts of this nature and requires only that they report them. E.g., 2 U.S.C. § 434(b)(2)(F)-(G). Similarly, the Commission's regulations state that providing "securities, facilities, equipment, supplies, personnel, advertising, services, membership lists, and mailing lists" results in a contribution if they are provided at no charge or less than the normal and usual charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The converse is implicit: providing them at the normal and usual charge does not result in a contribution. See, e.g., A.O. 1979-18.

Second, even if the General Counsel were correct that a political committee may not lawfully engage in commercial ventures, the conclusion he seeks to draw from that proposition would not follow. This "commercial venture" theory could only warrant ignoring the market rates where JMI provides services to a political committee and that committee pays JMI. Only when JMI receives outside money can NCC be engaging in a "commercial venture." If the political committee does not pay JMI (i.e. if NCC makes an in-kind contribution to the political committee), the only possible issue is whether NCC reports the contribution's correct value. It could not be clearer that a political committee may make in-kind contributions in the form of its own services. E.g., 11 C.F.R. § 100.7(a)(1)(iii)(A).

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That is exactly what happened here even on the assumption that NCC and JMI were one entity. The Gibson Committee paid nothing to JMI for its services. NCC reported JMI's services as an in-kind contribution. That is no different as far as the Gibson Committee is concerned than if NCC itself performed the services. There can be no violation unless NCC undervalued the services, which it did not. Thus the "commercial venture" theory has no applicability to the facts here.

2. The General Counsel's reading of the corporate contribution opinions is erroneous and leads to irrational results.

The same flaw can be seen in the General Counsel's arguments that JMI makes prohibited corporate contributions. The General Counsel cites several opinions[1/] to argue that, where NCC makes an in-kind contribution of JMI's services to another political committee, JMI makes a corporate contribution. In each of these cases, however, a political committee received goods or services free of charge from a commercial corporation. In each instance, the political committee paid the corporation nothing or paid it less than the usual and normal charge. Here, by contrast, NCC paid JMI for its services. Indeed, it paid JMI under a formula that covered all of JMI's Club Division expenses (including overhead) plus a reasonable profit margin. It is arguable, in fact, that NCC may have inadvertently paid JMI more than it would

1/ See G.C. Brief at 27, citing Advisory Opinions 1982-16, 1980-109, 1978-60, and 1976-50.

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have had to pay elsewhere for the services JMI provided to NCC. See Exh. 4 at 96.[1/]

It is totally irrational to say on the one hand that JMI is really NCC, and to say on the other hand that JMI is therefore guilty of making prohibited corporate contributions. See G.C. Brief at 5, 24. If JMI is a political committee, it cannot make corporate contributions because incorporated political committees are not treated as corporations for purposes of the FECA's prohibition on corporate contributions. See 11 C.F.R. § 114.12(a).

3. The General Counsel's theory poses First Amendment problems.

The General Counsel's theory is striking. It means that no individual involved with a political committee may engage in any commercial activity that provides services both to his political committee and to other political committees without violating the FECA. In effect, the General Counsel has built a wall of insulation around anyone connected with a political committee. There is no principled limit to the General Counsel's logic.

Such a theory threatens values of free speech and association protected by the First Amendment in two ways. In effect, the General Counsel's theory puts a price on engaging in political activity. To do so, one must refrain from commercial transactions

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1/ There is nothing illegal about a political committee's overpaying a corporation. The only illegality under the FECA is if the political committee underpays the corporation.

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with one's political committee for fear that such activity will be treated as political activity subject to the FECA. This price constitutes an impermissible burden on free speech and association protected by the Constitution. See cases cited at pages 19-20, supra.

Moreover, the breadth of the General Counsel's theory poses First Amendment difficulties. As the Supreme Court said in NAACP v. Button, 371 U.S. 415, 432-33 (1963) (citations omitted), "standards of permissible statutory vagueness are strict in the area of free expression. . . . Because First Amendment freedoms need breathing space to survive, government may regulate in the area only with narrow specificity." The Court has warned further that "vague laws may not only 'trap the innocent by not providing fair warning' or foster 'arbitrary and disciminatory application' but also operate to inhibit protected expression by inducing 'citizens to "steer far wider of the unlawful zone" . . . than if the boundaries of the forbidden areas were clearly marked.'" Buckley v. Valeo, 424 U.S. 1, 41 n.48 (1976) (citations omitted). Here, the General Counsel's theory violates those precepts.

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B. The General Counsel's Theory Threatens to Invalidate Conduct Approved by the Commission in Other Contexts.

The General Counsel's theory has implications far beyond this case. Certain officials of NCC are directors of JMI's parent, (a foundation not owned by or controlled by NCC). The connection between JMI and NCC exists because Messrs.

Wrenn and Ellis serve on the board of directors of JMI's parent. That connection is no different from hundreds or thousands of other connections that individuals affiliated with political committees may have.

Let us take just one example from many. In A.O. 1983-25, Mondale for President, Inc. ("Mondale Committee"), asked for an advisory opinion concerning its contract with a corporation formed by two media consultants. The consultants had worked for the Mondale Committee in 1983 before forming the corporation -- one wonders if they talked to people at the Mondale Committee about forming the corporation. The corporation would be the "predominant" if not "exclusive" contractor for the Mondale Committee -- one assumes that people from the committee will be intimately and extensively involved in the corporation's work.

In approving this arrangement, the Commission noted the following as important:

> As a corporation, Consultants [the corporation] has a legal existence that is separate and distinct from the operations of the Committee, and its principals do not hold any staff position with the Committee. The Committee is conducting arms-length negotiations with Consultants that will result in formation of a final contract. Consultants will not be required to devote its "full efforts" to the contract with the Committee and indeed expects to have other election campaign media contracts, as well as contracts with business entities, during and after the 1984 primary election campaign period. The Committee will have no interest in these contracts.

If one inserts "JMI" for "Consultants" and "NCC" for "Committee" in that paragraph, every statement will still be

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accurate. Under the General Counsel's theory, however, that substitution raises a host of FECA violations. Thus quite aside from the legal, factual, and logical validity of the General Counsel theory, it sweeps away arrangements that are commonplace in the political arena. It is perfectly legitimate for individuals to engage in both commercial and political activity, just as it is permissible for individuals to engage in both commercial and charitable activities, political and charitable activities, and so on. Only if, in one role, the individual violates applicable statutes can there be a violation. As we have demonstrated previously, no such violations occurred here.

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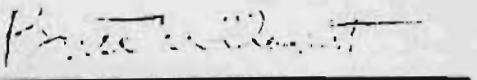
CONCLUSION

Adopting the General Counsel's novel theory would raise the most serious statutory and constitutional issues because no reason-to-believe finding based on that theory was ever made or communicated to NCC and JMI, nor was any "factual basis" for such a finding communicated to them, as required both by the statute and by the Constitution. NCC did not undervalue the JMI services as to which it made an in-kind contribution to the Gibson Committee; accordingly, there was no violation of the FECA. There is no evidence that JMI is the alter ego of NCC, nor is there any evidence that JMI provided services to NCC at less than

a commercially reasonable price. In any event, the General Counsel's legal theory is utterly without foundation. And the conclusions the General Counsel seeks to draw from his theory -- the instant outlawing of a wide range of wholly normal and proper business transactions -- are irrational, contrary to law, and wholly inconsistent with First Amendment freedoms and the Commission's own precedents.

The Commission should find no probable cause to believe that JMI and NCC have committed violations of the FECA.

Respectfully submitted,



Brice M. Clagett
John R. Bolton
Daniel A. Rowley

Covington & Burling
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P.O. Box 7566
Washington, DC 20044
(202) 662-6000

September 21, 1984

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
The National Congressional Club	)	

RESPONSE OF THE NATIONAL CONGRESSIONAL CLUB
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWERS

This is the response of The National Congressional Club to the Federal Election Commission Subpoena To Produce Documents and Order To Submit Written Answers mailed on June 2, 1983. The undersigned, Carter Wrenn, is Treasurer of The National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

The National Congressional Club ("NCC") objects to the Subpoena To Produce Documents ("Suppoena") and Order To Submit Written Answers ("Order") on the grounds that they are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. However, in order to expedite a resolution of this matter, the NCC responds to the Subpoena and Order as set forth below. By its response, the NCC does not intend to waive its rights to press any of the objections raised herein or to raise other objections before the Federal Election Commission or the courts.

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RESPONSE TO SUBPOENA

1. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, and requests materials that are irrelevant to this proceeding. In the interest of expediting this matter, and without waiving any of its objections, the NCC is submitting herewith organizational documents.

2. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

3. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this

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request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

RESPONSE TO ORDER

A. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

1. The present directors of the NCC, including officers, are: Thomas F. Ellis, 2744 Lakeview Drive, Raleigh, North Carolina 27609 (Chairman 1973 - 1977, 1979 - present); Carter Wrenn, 417 P Hensley Drive, Raleigh, North Carolina 27609 (Treasurer 1975 - 1977, 1979 - present); Ed Morris, Wachovia Building, Suite 1024, 210 N. Elm Street, Greensboro, North Carolina 27401 (1973 - present); Hugh Chatham, Chatham Manufacturing Company, Elkin, North Carolina 28621 (1973 - present); and Marion Parrott, P.O. Box 947, Kinston, North Carolina 28501 (1973 - present).

2. Past directors of the NCC, including officers, are: Archie Johnson (deceased) (1973 - 1978); William

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T. Joyner, Jr., 3408 Landor Road, Raleigh, North Carolina 27609 (1973 - 1981); William I. Berryhill, Jr., 5920 Sandy Forks Road, Raleigh, North Carolina 27609 (Treasurer 1973 - 1975); Richard W. Miller, 513 Bashford, #6, Alexandria, Virginia 22314 (Chairman 1977 - 1979); and Elisabeth Smith, 2712 Mayview Road, Raleigh, North Carolina 27607 (Treasurer 1977 - 1979).

3. A list of present employees and consultants of the NCC is submitted herewith. Information as to past employees and consultants of the NCC is not readily available.

B. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

The information requested is not readily available. The NCC is compiling information from all available files at its office to respond to this request, and will supplement its response at such time as this compilation has been completed.

C. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is

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indefinite and uncertain, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. The NCC is unable to respond to this request as presently drafted.

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

Date

Carter Wrenn

Sworn and subscribed to before me this 7th day of July, 1983.

Notary Public

My Commission Expires October 31, 1987

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.	)	

RESPONSE OF JEFFERSON MARKETING, INC.
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWERS

This is the response of Jefferson Marketing, Inc. to the Federal Election Commission Subpoena To Produce Documents and Order To Submit Written Answers mailed on June 2, 1983. The undersigned, Douglas M. Davidson, is President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

Jefferson Marketing, Inc. ("JMI") objects to the Subpoena To Produce Documents ("Suppoena") and Order To Submit Written Answers ("Order") on the grounds that they are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. However, in order to expedite a resolution of this matter, JMI responds to the Subpoena and Order as set forth below. By its response, JMI does not intend to waive its rights to press any of the objections raised herein or to raise other objections before the Federal Election Commission or the courts.

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RESPONSE TO SUBPOENA

1. JMI objects to this request for materials on the grounds that it is not sufficiently limited as to time, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith the documents requested.

2. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppresive, and requests materials that are irrelevant to this proceeding. JMI refuses to produce the requested documents.

3. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI responds by stating that it does not believe it has in its possession materials that are responsive to this request.

4. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, and requests documents that are irrelevant to the proceeding. In order to expedite this matter, and without waiving any of its

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objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

5. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials relating to agreements or contracts between JMI and Audiophonics that concern the 1982 campaign of Thomas C. Gibson.

6. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to review all available files at its office, and will supplement this request with additional materials from such files, as such materials become available.

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7. JMI objects to this request for materials in that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to search all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

RESPONSE TO ORDER

A. JMI objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

1. The present directors of JMI, including officers, are: Douglas M. Davidson, 2200 Sprunt Avenue, Durham, North Carolina 27705 (President and Treasurer 1982 - present); and Elisabeth Smith, 2712 Mayview Road, Raleigh, North Carolina 27607 (Secretary 1979 - present).

2. Past directors of JMI, including officers, are: Alex Castellanos, Suite 1106, River Place South,

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1011 Arlington Boulevard, Arlington, Virginia 22209 (President and Treasurer 1979); Jose Castellanos, 6924 Rainwater, Raleigh, North Carolina 27609 (Secretary 1979); Carter Wrenn, 417 P Hensley Drive, Raleigh, North Carolina 27609 (Secretary 1979); and Richard W. Miller, 513 Bashford, #6, Alexandria, Virginia 22314 (President and Treasurer 1979).

3. The present shareholder of JMI is the Educational Support Foundation, Inc., 3825 Barrett Drive, Raleigh, North Carolina 27609 (1983).

4. Past shareholders of JMI are: Alex Castellanos (1979); Richard Miller (1979 -1982); and the Congressional Club Foundation, Inc., 3825 Barrett Drive, Raleigh, North Carolina 27609 (1981 - 1983).

5. A list of present employees and consultants of JMI is submitted herewith. Information as to past employees and consultants of JMI is not readily available.

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B. JMI objects to this request for answers on the ground that it seeks information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

The incorporator of JMI is Charles B. Neely, Jr., 200 Insurance Building, 336 Fayetteville Street Mall,

Raleigh, North Carolina 27602. The person directly involved in the organization of JMI is Alex Castellanos.

C. JMI objects to this request for answers on the ground that it seeks information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

JMI has no real estate holdings.

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

July 8 1983
Date

Douglas M. Davidson
Douglas M. Davidson

Sworn and subscribed to before me this 8th day of July, 1983.

Notary Public

NOTARY PUBLIC, STATE OF FLORIDA
MY COMMISSION EXPIRES JAN. 18, 1987
Bonded By Hartford Insurance Co. of the Southeast

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
Jefferson Marketing, Inc.)

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SUPPLEMENTAL RESPONSE OF
JEFFERSON MARKETING, INC.

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This is the supplemental response of Jefferson Marketing, Inc. ("JMI") to certain interrogatories and requests for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29 Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, Douglas Davidson, President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

Pursuant to the Joint Stipulation and Order, JMI has stamped certain pages of this supplemental response and some of the attached documents, as to which it claims a trade-secret or confidential-business-matter privilege, with the legend "Trade Secret or Business Record/MUR 1503/JMI." In addition, in order to alert all persons who are authorized to review this supplemental response that JMI asserts a privilege as to such pages and documents, the legend has also been stamped on the first page.

I. ORDER TO SUBMIT WRITTEN ANSWERS AND SUBPOENA TO PRODUCE DOCUMENTS (December 1, 1983)

Item 4.a(5). Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

Item 4.b(5). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4366.

Item 4.c(5). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

Item 4.d(8). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

Response: These questions ask for JMI's costs in connection with four purchases of television time by JMI for the Gibson Committee in July 1982. JMI's costs were of two types. The easier type of cost to identify is the charge by the stations for the time. In each case, JMI's cost was the net amount billed by the television station and subsequently paid to the station by JMI out of the Gibson Committee's advertising escrow account. Thus, with respect to Purchase Order No. 4361, the cost for the television time was $3,667.75; for Purchase Order No. 4466, the cost for the television time was $582.25; for Purchase Order No. 4437, the cost for the television time was $1,190.00; and for Purchase Order No. 4369, the cost for the television time was $200.00.

The second type of cost to JMI was the overhead associated with making each time buy. This includes the portion of Susan Cashwell's salary and benefits allocable to each time buy, presumably on the basis of hours spent making the time buys,

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expressed as a percentage of her total work week, as well as a portion of JMI's overhead -- e.g., rent, equipment, telephones, utilities, insurance, taxes, etc. -- allocated on the same basis.

JMI is unable to determine the amount of overhead for these time buys. In order to understand why, it is necessary to understand how JMI billed and was paid for these services in 1982.

The National Congressional Club ("NCC") reserved and paid for the full-time services of JMI's staff in 1982. During the course of a month, NCC would use these JMI employees for its own projects and, if unused time were available, to provide in-kind services to candidates. Additional unused time was JMI's time to sell, subject to the requirement that NCC had first call on JMI's employees and resources at any time. For instance, if time was sold to a JMI customer and NCC then needed the time, NCC got it immediately.

Consequently, the expenses, salaries, overhead, equipment purchases (no matter whether the equipment was expensible or became an asset of JMI's) and similar costs were billed to NCC each month. An additional fixed-percentage markup was added to this total cost, and NCC paid the monthly bill.

This method of billing insured JMI a profit for at least three reasons. First, any assets purchased by JMI for work on NCC business was treated as an expense and billed to NCC, and this equipment became an asset of JMI's. Second, if JMI's employees were not fully occupied on NCC-related work, their salaries, rent, and other overhead were still billed and paid by NCC, even though they were available for income-producing

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activities for JMI's other clients. (Even if JMI did not use this incremental time for other projects, it had already been paid for 100 percent of its employees' time, although less than 100 percent of their time had been spent on NCC work.) Third, even when JMI's employees worked full-time on NCC projects and JMI purchased no equipment that could be expensed to NCC, JMI still received the fixed-percentage markup.

Because NCC was paying for all of JMI's time, expenses, and the like, no formal records were preserved reflecting the time each employee spent on a project for NCC. (Some indication -- written or oral -- of the time spent was available to Carter Wrenn at the time he established the value of the in-kind contribution of Ms. Cashwell's services, but that is no longer available and the hours are not known.) Each month in 1982, NCC simply received bills from JMI for all advertising staff time, expenses, rent, telephone, and other overhead for a number of projects without an itemization by project. There was, therefore, no need for JMI's employees to keep track of the hours they devoted to a particular project or of the expenses incurred by the project.

For example, a JMI employee might have spent 37 hours working on time buy for NCC, used 25 hours of JMI office time and 2 hours of telephone time, made 50 copies on the copier, spent 10 hours on the JMI tape-playing equipment, expenses 100 miles in travel, bought $150 in videotapes, used JMI research materials, and the like. None of these were tracked as an expense against the particular time buy because NCC was paying for those services, and other projects the employee was working on for NCC, at the

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same time. NCC in effect paid for each project it instructed JMI to undertake on its behalf by paying 100 percent of JMI's cost for all such projects.

It is, therefore, impossible to reconstruct the cost of the Gibson time buy, because JMI cannot presently determine specifically:

1. the time Ms. Cashwell spent purchasing the time;

2. the office material (e.g., copies, supplies) used;

3. the proper allocation of rent, furniture, etc. to Ms. Cashwell's expenses;

4. how the time was spent: whether in researching the time buy or in placing it;

5. the complexity of the time buy or whether JMI did the buy from scratch or was told what programs to buy;

6. the research materials used, if any; and

7. the allocation of the above expenses relative to the other projects underway at the same time.

In sum, JMI's accounting and billing system in 1982 was not established to provide cost analyses on a project-by-project basis. JMI's agreement with NCC was for full-time salaries and other expenses, and the system was designed to bill those expenses and to insure a profit.

Item 8. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

Response: 76 percent.

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

Response: 2 percent.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

Response: 12 percent.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) of the FECA) in 1982.

Response: National Congressional Club, Cobey for Congress, Anne Bagnal for Congress, Harris Blake for Congress, Bill Henden for Congress, Ed Johnson for Congress, Jack Marin for Congress, Friends of Red McDaniel, North Carolina Republican Party, Bill Ress for Senate.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

Response: Save the Lighthouse Committee, North Carolina Hospital Association, Carolina Securities, Coalition for Freedom, M. L. Strickland, MDS, Tim McIntyre, Chuck Neely, Raleigh Civic Center, Congressional Club Foundation, Sperry and Associates, John Stott, Stuart Theatre, Ward Transformer.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

Response: 12 percent.

Item 9.a(5). [Please state] the total cost to JMI associated with the services [rendered by JMI to the Johnson Committee].

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Response: The cost to JMI was of two types: Audiophonics' $929.89 bill for production charges and Earl Ashe's time (and associated overhead allocable to that time). The Audiophonics bill was paid by JMI, and JMI was then reimbursed by NCC. The cost for Earl Ashe's time cannot be determined, for all of the reasons stated in JMI's response to Items 4.a(5), 4.b(5), 4.c(5) and 4.d(8) with respect to Ms. Cashwell's time on the Gibson Committee time buys. Because JMI cannot presently determine how much time, office, space, equipment use, and other overhead were devoted to Mr. Ashe's work on this project, and cannot determine the percentage of JMI's service for NCC-related projects this job represents, JMI cannot answer this question.

Item 9.a(6). [Please state] the total amount of profit made by JMI on the services [rendered by JMI to the Johnson Committee].

Response: The precise amount of profit cannot be determined. As stated in JMI's response to Items 4.a(5), 4.b(5), 4.c(5), 4.d(8), and 9.a(5), JMI did not maintain records on a project-by-project basis, because in 1982 it was paid by NCC each month for all of its overhead expenses. Thus, as has previously been stated, JMI cannot presently determine the costs associated with this project. Moreover, JMI cannot presently determine what portion of the monthly bill or bills to NCC should be allocated for Ashe's services on the Johnson Committee project.

Item 11.a. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

Response: JMI's gross profit and net profit for the years 1979 through 1983 are stated below. Gross profit is the difference between total income and expense against income; net profit is equal to gross profit minus JMI's depreciation deduction. In certain instances, JMI's internal, unaudited profit and loss statement does not agree with its audited tax return. Where this occurred, the audited tax figures were used to prepare JMI's response. Form 1040, lines 2, 13, 14, 16, 17, 18, 19, 26 and 31 set forth each year's expenses and may be subtracted from line 1 to determine gross profit. (Copies of JMI's tax returns for 1979-1982 are attached as Exhibit A hereto.) Both the gross and net profit figures have been reduced by the amount of tax paid in the year indicated. Profits were obviously higher before taxes were paid.

	Gross Profit	Net Profit
1979	$ 27,033.72	$ 25,951.19
1980	53,106.63	31,043.87
1981	27,793.50	16,038.30
1982	135,024.43	83,195.01
1983	312,539.65	142,752.64

b. Please state the profit made by each JMI cost center in dollars for all years available.

Response: A. 1979

In 1979 JMI had two departments: Jefferson Marketing and Campaign Committee. Because the internal, unaudited balance

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sheets have not been conformed to JMI's audited tax returns, these figures do not match precisely the profits reported above for JMI as a whole. JMI's pre-tax gross profits for each division (i.e., total revenues minus (total cost of sales plus operating expenses) minus depreciation and taxes) were:

	Gross Profit (Pre-Tax)
Jefferson Marketing	$23,742.89
Campaign Committee	$ 8,378.77

B. 1980

In 1980 JMI had three divisions: Jefferson, Campaign Committee, and Management Enterprises. In JMI's internal, unaudited balance sheets, all of the federal taxes ($3,225.59) and depreciation ($12,499.45) were applied against the Jefferson Marketing Division. Because these should be viewed as charges against JMI as a whole, they have been retained in JMI's consolidated statement but subtracted from the Jefferson Division statement. Although the consolidated balance sheet has been reconciled with JMI's audited tax return, the department figures have not. Thus, these profit figures do not correspond precisely to those given above for all of JMI.

	Gross Profit (Pre-Tax)
Jefferson Marketing	$24,348.92
Campaign Committee	$25,462.54
Management Enterprises	$ 4,603.30

C. 1981

The consolidated financial statement for 1981, which is the basis for JMI's response to Item 11.a, has been conformed to

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JMI's audited tax return. The statements for the individual divisions, however, have not been corrected and reflect higher profits than the consolidated profit figure. JMI's 1981 gross profit (loss) figures by division are:

	Gross Profit (Loss)
Business Division	$11,386.04
Club Division	9,219.22
1981 Management Enterprises	(711.89)
1981 Campaign Committee	$12,956.98
1981 Foundation Division	(103.81)
1981 Coalition Division	(101.67)
1981 Political Division	(101.75)

These last three divisions were created in 1981 and generated no income.

D. 1982

In 1982 JMI was organized into five divisions: Club, Coalition, Political, Foundation, and Management Enterprises. In JMI's unaudited financial statements, which were prepared for internal use, the Club Division functioned as a general division, and many expense items were arbitrarily applied against the Club Division that did not relate solely to that division's cost of sales. These expenses include depreciation ($51,829.42) and the cost of furniture ($56,917.85) and have been subtracted from the Club Division's expenses to derive the division's true cost of sales. These amounts have been retained in the consolidated profit figures shown above, but not charged against all of the divisions on any basis, pro rata or otherwise.

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JMI

In addition, $58,190.82 in payables have been subtracted from the Club Division's cost of sales, $25,000 of which was incorrectly listed for the Club Division and should have been shown as a Coalition Division payable. These represent expense items that JMI would pay, and for which JMI would be reimbursed, but which JMI had not paid by year-end, had not billed, and had not accrued a corresponding receivable. As with depreciation, these expense items do not affect the Club Division's cost of sales. There were no similar unbilled payables for the other divisions. The gross profit figures for the divisions are:

Club Division	$91,064.15
Coalition Division	66,482.20
Political Division	87,755.55
Foundation Division	70.51
Management Enterprise	4,755.55

E. 1983

JMI changed its bookkeeping procedures in 1983 and eliminated the division structure that had been used in 1981 and 1982. (At the same time, JMI changed its billing basis for all clients -- including NCC -- to a per project-cost basis.) Accordingly, there are no profit figures for divisions in 1983.

c. Please state the profit margin for JMI as [a] percentage above the total cost of doing business for all years available.

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JMI

Response:

	Gross	Net
1979	13.8%	13.3%
1980	4.9	2.9
1981	3.6	2.1
1982	19.9	12.3
1983	19.7	9.0

These figures are based on a cost of doing business that excludes depreciation, which has tax significance only.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

Response: A. 1979

	Gross Profit
Jefferson	23.9%
Management Enterprises	9.2

B. 1980

	Gross Profit
Jefferson	11.9%
Campaign Committee	2.9
Management Enterprises	46.0

C. 1981

	Gross Profit
Business Division	5.7%
Club Division	5.1
Management Enterprises	($711.89)
Campaign Committee	3.5

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JMI

	Gross Profit
Foundation Division	($103.81)
Coalition Division	($101.67)
Political Division	($101.75)

D. 1982

Club Division	17.7%
Coalition Division	317
Political Division	356
Foundation Division	187
Management Enterprises	141

The profit margins for the divisions other than the Club Division are exceedingly high. This is the result of JMI's 1982 practice of aggregating all overhead items in the Club Division for payment each month by NCC. The remaining expense items in the other divisions are reimbursable payables incurred in connection with non-NCC work.

E. 1983

N/A. See JMI's response to Item 11.b.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. through d.

Response: In the interests of simplicity and clarity, JMI has described the method of calculation in its response to Items 11.a-d.

Item 12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

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JMI

a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center;

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

Response. Mr. Davidson's "cost accounting calculations" are not as detailed as this question supposes. The calculations have been preserved and are attached as Exhibit F hereto.

II. MISCELLANEOUS REQUESTS FOR DOCUMENTS AND REQUESTS FOR ADDITIONAL INFORMATION

During the depositions of Kathie Hardison Waldrop and R. E. Carter Wrenn, September 12 and 14, 1983, counsel for the Federal Election Commission asked for a number of documents and for certain additional information. Since then, the Commission has withdrawn two of its requests. The remaining requests are summarized in Exhibit J to the Commission's Petition for Order to Show Cause (filed February 16, 1984) in Civil Action No. 84-29 Misc. 5 (E.D.N.C.). With respect to the outstanding requests to which it is able to respond, JMI responds as follows:

Item 1. JMI's chart of accounts is attached as Exhibit B hereto.

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JMI

Item 2. JMI's advertising escrow account records for the Gibson Committee are attached as Exhibit C hereto.

Item 3. Pages AR9-1, AR9-2, and AR12-2 from JMI's 1982 accounts receivable journal are attached as Exhibit D hereto.

III. SUBPOENA TO PRODUCE DOCUMENTS AND ORDER TO SUBMIT WRITTEN ANSWERS (June 2, 1983)

Item 2. JMI's statements of assets and liabilities for 1979 through 1983 are attached as Exhibit E hereto. These are internal documents that have not been audited. In certain instances, the figures shown in the statements do not agree with JMI's audited tax returns (attached as Exhibit A hereto), and in these cases the tax return figures prevail. JMI did not go back in every instance and conform its statements of assets and liabilities to its tax returns, principally because the statements were for internal use only and were usually four months old -- or as much as one year old -- when the discrepancy came to light. In addition, Jefferson's 1980 consolidated balance sheet cannot be reconciled with the balance sheets for its three departments (Jefferson Marketing, Campaign Committee, and Management Enterprises). Therefore, in addition to a consolidated balance sheet for 1980, JMI is producing the balance sheets for the three departments.

Item 6. JMI has reviewed its files and has found no documents or materials which relate, refer or pertain to any

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contracts, agreements or understandings between JMI and the NCC other than those documents and materials that have already been produced to the Federal Election Commission.

* * *

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

Douglas M. Davidson
DOUGLAS M. DAVIDSON
by TWM

4/10/84
Date

Sworn and subscribed to before me
this 10th day of April 1984.

Lois S. Ambrel
NOTARY PUBLIC

My Commission Expires December 14, 1984

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BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF:

ED JOHNSON FOR CONGRESS,) DEMOCRATS FOR BETTER GOVERNMENT) TO ELECT GIBSON,) THOMAS CARR GIBSON,) NATIONAL CONGRESSIONAL CLUB,) JEFFERSON MARKETING, INC.)	MUR 1503

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* * * * * * * * * * * * * * * *

DEPOSITION

OF

R. E. CARTER WRENN

* * * * * * * * * * * * * * * *

AT RALEIGH, NORTH CAROLINA
SEPTEMBER 14, 1983

REPORTED BY: FAYE STEVENS, CVR
ASSOCIATED REPORTING & TRANSCRIPTION
2806 OVERBROOK DRIVE
RALEIGH, NORTH CAROLINA 27608
(919) 782-5526

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A YES.

Q DO YOU DO ANY OTHER WORK FOR COMPENSATION OUTSIDE OF THAT JOB?

A NO.

Q DO YOU DO ANY CONSULTING WORK AT ALL?

A NO.

Q ARE YOU FAMILIAR WITH AN ORGANIZATION KNOWN AS THE NATIONAL CONGRESSIONAL CLUB?

A YES.

Q WHEN DID YOU FIRST BECOME FAMILIAR WITH THAT ORGANIZATION?

A IN 1973.

Q WAS THE ORGANIZATION KNOWN BY THAT NAME IN 1973?

A NO.

Q WHAT WAS THE NAME OF THE ORGANIZATION IN 1973?

A THE NORTH CAROLINA CONGRESSIONAL CLUB.

Q DO YOU KNOW WHO FOUNDED THAT ORGANIZATION?

A YES.

Q WOULD YOU PLEASE STATE THE FOUNDER OF THE ORGANIZATION?

A THE ORGANIZATION WAS FOUNDED BY A BOARD OF DIRECTORS. TOM ELLIS WAS CHAIRMAN OF THE BOARD OF DIRECTORS.

Q WHO WERE THE OTHER MEMBERS OF THE BOARD OF DIRECTORS?

A I DON'T THINK I CAN REMEMBER ALL OF THEM. I KNOW

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THAT MR. ED MORRIS; MR. HUGH CHATHAM; MR. WILLIAM JOYNER, JR.; DR. ARCHIE JOHNSON; MARION PARROTT WERE MEMBERS OF THE BOARD.

Q WERE YOU INVOLVED IN THE FORMATION OF THE CONGRESSIONAL CLUB, WHAT WAS THEN THE NATIONAL---RATHER, THE NORTH CAROLINA CONGRESSIONAL CLUB?

A NO.

Q HOW DID YOU FIRST HEAR ABOUT THE NORTH CAROLINA CONGRESSIONAL CLUB?

A I DID SOME VOLUNTEER WORK FOR THEM.

Q WHAT WERE---WERE YOU WORKING AT THE TIME?

A NO.

Q WERE YOU IN COLLEGE?

A YES.

Q WERE YOU WORKING ON A POLITICAL CAMPAIGN AT THAT TIME?

A NO.

Q WHAT WAS YOUR FIRST INVOLVEMENT IN THE NORTH CAROLINA CONGRESSIONAL CLUB?

A I HELPED ORGANIZE A DINNER.

Q DID SOMEONE ASK YOU TO DO THAT?

A I DON'T REMEMBER.

Q DO YOU RECALL HOW YOU FIRST HEARD ABOUT THE NORTH CAROLINA CONGRESSIONAL CLUB?

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A NOT SPECIFICALLY.

Q DO YOU RECALL THE PURPOSE OF THE DINNER THAT YOU ORGANIZED?

A YES.

Q COULD YOU STATE WHAT THAT WAS, PLEASE?

A TO RAISE FUNDS TO PAY OFF SENATOR HELMS' REELECTION DEBT.

LET ME CLARIFY. I USED THE WORD "ORGANIZE" LOOSELY. I WAS IN NO WAY RESPONSIBLE FOR THE DINNER. I MORE OR LESS WAS A VOLUNTEER HELPER FOR LOGISTICS AND ODD JOBS, STUFFING ENVELOPES.

Q DID YOU ASSIST IN CONTACTING PEOPLE TO ATTEND THE DINNER?

A I DID.

Q WHAT DID YOU DO FOLLOWING THAT, THE DINNER THAT YOU ORGANIZED FOR THE CONGRESSIONAL CLUB?

A I WAS IN COLLEGE AND CONTINUED TO BE IN COLLEGE.

Q DID YOU HAVE FURTHER INVOLVEMENT OVER THE COURSE OF THE NEXT YEAR---WELL, LET ME CHANGE THE QUESTION.

DID YOU HAVE FURTHER INVOLVEMENT WITH THE NORTH CAROLINA CONGRESSIONAL CLUB WHILE YOU WERE IN COLLEGE?

A YES.

Q COULD YOU STATE WHAT THAT WAS, PLEASE?

MR. MAYO: OBJECTION. MR. ANDERSEN, ARE

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WE GOING TO GO THROUGH EVERY EVENT IN MR. CARTER'S LIFE WITH THE CONGRESSIONAL CLUB FROM 1973 FORWARD?

MR. ANDERSEN: NO, WE'RE NOT. I JUST WANTED TO SKETCH OUT SOME BACKGROUND.

MR. MAYO: WELL, I CAN APPRECIATE THE DESIRE TO SKETCH OUT BACKGROUND; BUT THE LONGER WE STAY THIS FAR AFIELD, THE LESS TIME THERE IS TO COVER MATTERS COVERED BY THE COMPLAINT.

MR. ANDERSEN: YES. I'LL DO WHAT I CAN, BUT---LET'S SEE IF WE CAN'T GET TO A POINT WHERE THE CONGRESSIONAL CLUB, PERHAPS, COMES INTO BEING.

Q (BY MR. ANDERSEN) AT SOME POINT, DID YOU BEGIN WORKING FULL TIME FOR THE NATIONAL CONGRESSIONAL CLUB?

A YES.

Q COULD YOU STATE WHAT THAT POINT WAS?

A IN DECEMBER OF 1974.

Q WHAT WERE YOUR DUTIES AT THAT TIME?

A I WAS A CLERK.

Q WHEN DID THE NORTH CAROLINA CONGRESSIONAL CLUB BECOME THE NATIONAL CONGRESSIONAL CLUB?

A IT DIDN'T. THERE WERE TWO NAME CHANGES. IT WAS THE

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NORTH CAROLINA CONGRESSIONAL CLUB UNTIL, I BELIEVE, 1979, AT WHICH POINT IT BECAME THE CONGRESSIONAL CLUB. AND, THEN, I BELIEVE, IN 1981, IT BECAME THE NATIONAL CONGRESSIONAL CLUB.

MR. MAYO: THOSE DATES CAN BE CHECKED AGAINST DOCUMENTS PROVIDED BY THE NATIONAL CONGRESSIONAL CLUB.

MR. ANDERSEN: SURE, NATURALLY.

Q (BY MR. ANDERSEN) BETWEEN THE TIME THAT YOU WERE A CLERK WORKING FULL TIME FOR THE NORTH CAROLINA CONGRESSIONAL CLUB AND 1981 WHEN THE ORGANIZATION BEGAN BEING KNOWN AS ITS PRESENT NAME, DID YOU HAVE A FULL-TIME EMPLOYMENT WITH THE ORGANIZATION?

A REPEAT YOUR QUESTION, PLEASE.

Q BETWEEN 1979 AND 1981---

MR. MAYO: 1979?

MR. ANDERSEN: 1979 AND 1981.

Q (BY MR. ANDERSEN) DID YOU HAVE A FULL-TIME EMPLOYMENT WITH THE ORGANIZATION, THE CONGRESSIONAL---

A YES.

Q ---CLUB?

AND, WHAT WAS THAT POSITION?

A I WAS EXECUTIVE DIRECTOR AND TREASURER.

Q COULD YOU BRIEFLY SKETCH OUT YOUR RESPONSIBILITIES

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DURING THAT PERIOD?

A I'M RESPONSIBLE FOR THE DAY-TO-DAY OPERATIONS OF THE CONGRESSIONAL CLUB.

Q WAS THERE ANY PARTICULAR REASON FOR THE MOST RECENT CHANGE TO THE NAME, NATIONAL CONGRESSIONAL CLUB?

A YES.

Q COULD YOU STATE WHAT THAT WAS, PLEASE?

A THERE WAS AN ORGANIZATION IN WASHINGTON, D. C., THAT HAD THE NAME "CONGRESSIONAL CLUB," IDENTICAL TO OUR OWN; AND THERE WAS SOME SORT OF A LEGAL CONFLICT OR SOMETHING. SO, WE AMENDED OUR NAME.

Q ARE YOU FAMILIAR WITH AN ORGANIZATION KNOWN AS JEFFERSON MARKETING, INC.?

A YES.

Q BEFORE JEFFERSON MARKETING WAS CREATED IN 1978, DID THE CONGRESSIONAL CLUB PROVIDE SERVICES TO CANDIDATES?

MR. MAYO: OBJECTION AS TO THE FORM OF THE QUESTION.

Q (BY MR. ANDERSEN) DO YOU UNDERSTAND THE QUESTION?

A YES, I THINK---WELL, DEFINE "SERVICES" FOR ME.

Q DID THE NATIONAL CONGRESSIONAL CLUB ENTER INTO CONTRACTURAL RELATIONSHIPS WITH CANDIDATES OR CANDIDATE COMMITTEES FOR THE PROVISION OF SERVICES

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TO ASSIST THEIR CAMPAIGNS?

A YOU MEAN, LIKE WITH A WRITTEN CONTRACT?

Q NOT NECESSARILY WRITTEN.

A GIVE ME A LITTLE MORE SPECIFIC IDEA OF WHAT YOU MEAN BY "CONTRACTUAL." I'M NOT A LAWYER AND DON'T UNDERSTAND THE SPECIFIC MEANING OF THAT.

Q DID THE CONGRESSIONAL CLUB PROVIDE, FOR EXAMPLE, DIRECT-MAIL SERVICES FOR ANY CANDIDATES? AGAIN, I'M SPEAKING OF THE TIME PERIOD BEFORE JEFFERSON MARKETING WAS ESTABLISHED.

A I DON'T REMEMBER.

Q DID THE CONGRESSIONAL CLUB PROVIDE ANY ASSISTANCE TO CANDIDATES RUNNING FOR OFFICE?

A YES.

Q DO YOU RECALL WHAT KIND OF ASSISTANCE THE CONGRESSIONAL CLUB PROVIDED?

A NOT SPECIFICALLY. I KNOW WE---WELL, I DO KNOW WE DID GIVE CASH DONATIONS. I JUST DON'T REMEMBER BEYOND THAT.

Q IN ADDITION TO CASH DONATIONS, DID YOU DO ANY TIME BUYING---EXCUSE ME. DID THE CONGRESSIONAL CLUB DO ANY TIME BUYING FOR CANDIDATES?

A I DON'T REMEMBER.

Q DO YOU RECALL WHETHER THE CONGRESSIONAL CLUB WAS

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INVOLVED IN ASSISTING CANDIDATES IN THEIR ADVERTISING CAMPAIGNS IN ANY FORM?

A I DON'T REMEMBER.

Q DID THE CONGRESSIONAL CLUB DO ANY POLLING FOR CANDIDATES?

A NOT THAT I RECALL.

Q DID THE CONGRESSIONAL CLUB PROVIDE SUPPORT SERVICES FOR CANDIDATES---

A WHAT WOULD YOU MEAN?

Q ---SUCH AS BOOKKEEPING, REPORTING TO THE ELECTION COMMISSION, TRAINING PERSONNEL?

A I'M SORRY. I JUST DON'T REMEMBER.

Q WHEN WAS JEFFERSON MARKETING FORMED?

A IN 1978, I THINK IN DECEMBER.

Q DID YOU HAVE ANYTHING TO DO WITH THE FORMATION OF JEFFERSON MARKETING?

A NO.

Q DID YOU DISCUSS THE IDEA OF SUCH AN ORGANIZATION WITH ANYONE AT THE CONGRESSIONAL CLUB---AGAIN, BEFORE JEFFERSON MARKETING WAS ESTABLISHED?

A I'M NOT SURE WHAT YOU MEAN BY "SUCH AN ORGANIZATION."

Q COULD YOU TELL US WHAT JEFFERSON MARKETING DOES?

A IT IS A DIRECT-MAIL, ADVERTISING, CONSULTING CORPORATION.

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Q BEFORE JEFFERSON MARKETING WAS ESTABLISHED IN 1978, DID YOU HAVE DISCUSSIONS WITH ANYONE AT THE CONGRESSIONAL CLUB ABOUT AN ORGANIZATION THAT MIGHT DO POLITICAL ADVERTISING, CONSULTING, DIRECT-MAIL AND BE A CORPORATION?

MR. ANDERSEN: COULD THE REPORTER PLEASE NOTE FOR THE RECORD THAT MR. WRENN IS CONSULTING WITH COUNSEL, AND COULD YOU MAKE A NOTE OF THAT WHEN THAT OCCURS, PLEASE?

A NO.

Q (BY MR. ANDERSEN) SIR? "NO?"

A THAT WOULD BE THE ANSWER TO THE QUESTION.

Q DO YOU KNOW ANYTHING ABOUT THE FORMATION OF THE JEFFERSON MARKETING CORPORATION?

A YES.

Q COULD YOU TELL US WHAT YOU KNOW ABOUT THE JEFFERSON MARKETING CORPORATION'S FORMATION?

MR. MAYO: OBJECTION; VAGUE. BUT, IF YOU'RE COMFORTABLE ANSWERING IT, GO AHEAD.

A I KNOW THAT IT WAS INCORPORATED BY ALEX CASTELLANOS AND THAT HIS FATHER, DR. JOSE CASTELLANOS, WAS AN OFFICER IN THE CORPORATION.

Q (BY MR. ANDERSEN) DO YOU KNOW WHOSE IDEA IT WAS TO FORM JEFFERSON MARKETING?

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A YES.

Q WHOSE IDEA WAS IT?

A MR. CASTELLANOS', ALEX CASTELLANOS'.

Q DID YOU EVER DISCUSS THE ESTABLISHMENT OF SUCH AN ORGANIZATION WITH MR. CASTELLANOS PRIOR TO THE FORMAL INCORPORATION OF THE ORGANIZATION?

A YES.

Q DO YOU RECALL ANYTHING ABOUT THOSE DISCUSSIONS?

A MR. CASTELLANOS HAD WORKED IN THE HELMS CAMPAIGN WITH ME IN THE AREA OF DIRECT-MAIL FUNDRAISING AND, AFTER THE CAMPAIGN, WAS INTERESTED IN GOING INTO BUSINESS IN THE MARKETPLACE TO SELL HIS SERVICES, THE EXPERTISE HE'D DEVELOPED IN THE HELMS CAMPAIGN. AND, HE DISCUSSED WITH ME THE POSSIBILITY OF THE CONGRESSIONAL CLUB BEING A CLIENT. IF JEFFERSON MARKETING WAS THE VEHICLE HE WAS INTERESTED IN ESTABLISHING TO DO THAT, HE DISCUSSED WITH ME OUR BEING A CLIENT OF HIS.

Q WHAT WAS YOUR REACTION TO THIS IDEA?

A IT WAS MIXED. I SAW SOME BENEFITS FOR THE CONGRESSIONAL CLUB IN IT; I HAD SOME RESERVATIONS.

Q DID THE PROPOSAL THAT MR. CASTELLANOS SUGGESTED INCLUDE JEFFERSON MARKETING TAKING OVER ANY OF THE FUNCTIONS OF THE CONGRESSIONAL CLUB?

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A HE WAS INTERESTED IN DIRECT-MAIL FUNDRAISING, AND I DON'T---I DON'T REALLY KNOW THAT I UNDERSTAND WHAT YOU MEAN BY "TAKING OVER." WE WERE DOING DIRECT-MAIL FUNDRAISING. HE WAS INTERESTED IN DOING THAT FOR US.

Q DID HE SUGGEST THAT SOME OF THE PERSONNEL THAT WERE CURRENTLY WORKING FOR THE CONGRESSIONAL CLUB DOING DIRECT-MAIL ADVERTISING MIGHT WORK FOR JEFFERSON MARKETING DOING THE DIRECT-MAIL ADVERTISING?

A YES.

Q DID YOU SEE THIS AS A POSSIBLE BENEFIT TO OTHER CANDIDATES THAT MIGHT BE ABLE TO USE DIRECT-MAIL SERVICES AT THAT TIME?

A NO. HE WAS TALKING ABOUT HIMSELF.

Q HOW LONG DID MR. CASTELLANOS STAY WITH JEFFERSON MARKETING?

A I BELIEVE UNTIL EARLY OR MID-1979.

Q DURING THAT PERIOD OF TIME, FROM ITS INITIAL INCORPORATION TO THE TIME THAT MR. CASTELLANOS LEFT JEFFERSON MARKETING, WHAT WAS YOUR INVOLVEMENT WITH JEFFERSON MARKETING?

A WHAT DO YOU MEAN BY "INVOLVEMENT"?

Q DID YOU DISCUSS THE BUSINESS OF JEFFERSON MARKETING WITH MR. CASTELLANOS DURING THAT TIME?

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A I DON'T REMEMBER.

Q WHERE WERE THE OFFICES OF JEFFERSON MARKETING LOCATED AT THAT TIME?

A I DON'T EVEN KNOW IF THEY HAD AN OFFICE AT THAT TIME.

Q DID THEY---DID JEFFERSON MARKETING CONDUCT ANY BUSINESS FROM THE SAME BUILDING THAT THE CONGRESSIONAL CLUB OPERATED FROM?

A I DON'T KNOW.

Q DID YOU HAVE ANY MORE INVOLVEMENT WITH THE---DID YOU HAVE ANY MORE INVOLVEMENT WITH JEFFERSON MARKETING AFTER MR. CASTELLANOS LEFT?

MR. MAYO: OBJECTION TO "ANY MORE INVOLVEMENT." ARE YOU REFERRING TO FROM THAT TIME UNTIL 1983 OR ARE YOU TALKING ABOUT ADDITIONAL INVOLVEMENT FOR A FIXED PERIOD OF TIME OVER AND ABOVE WHAT'S BEEN DESCRIBED?

MR. ANDERSEN: I'M TALKING ABOUT AT THE TIME---LET'S STATE A YEAR.

Q (BY MR. ANDERSEN) DURING THE YEAR FOLLOWING MR. CASTELLANOS' DEPARTURE FROM JEFFERSON MARKETING, DID YOU HAVE ANY ADDITIONAL INVOLVEMENT OTHER THAN THAT WHICH YOU'VE JUST ALLUDED TO?

A AGAIN, WHAT DO YOU MEAN SPECIFICALLY BY "INVOLVEMENT"?

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Q DID YOU HAVE ANY RESPONSIBILITY FOR THE BUSINESS THAT JEFFERSON MARKETING CONDUCTED?

A FOR A SHORT TIME, I THINK I WAS SECRETARY OF JEFFERSON MARKETING.

Q WHAT DID YOU DO AS SECRETARY?

A NOTHING THAT I REMEMBER.

Q DID YOU CONSULT WITH PEOPLE FROM JEFFERSON MARKETING REGARDING WHATEVER SERVICES JEFFERSON MARKETING MAY HAVE BEEN PERFORMING FOR THE CONGRESSIONAL CLUB?

A YES.

Q DURING THAT YEAR AFTER MR. CASTELLANOS LEFT JEFFERSON MARKETING, DID THOSE SERVICES PERFORMED BY JEFFERSON MARKETING FOR THE CONGRESSIONAL CLUB INCLUDE ANYTHING IN ADDITION TO THE DIRECT-MAIL SERVICES?

A I DON'T REMEMBER.

Q DO YOU REMEMBER WHEN JEFFERSON MARKETING BEGAN OFFERING SERVICES IN ADDITION TO DIRECT-MAIL TO CLIENTS?

A GENERALLY. I KNOW THAT AT SOME POINT IN 1980 THEY DID; BUT SPECIFICALLY WHEN, NO.

Q WHAT WERE THE ADDITIONAL SERVICES THAT BEGAN SOMETIME IN 1980?

A I KNOW THAT IN 1980 THEY PERFORMED VARIOUS SERVICES

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FOR CAMPAIGNS IN THE STATE, SUCH AS ASSISTANCE WITH ADVERTISING.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A THE---IN 1980 IN NORTH CAROLINA, WE HAD THREE CONSERVATIVE CANDIDATES RUNNING FOR STATEWIDE OFFICES. THEY WERE JOHN EAST, FOR UNITED STATES SENATE; BEVERLY LAKE, FOR GOVERNOR; BILL COBEY, FOR LIEUTENANT GOVERNOR. AND, THERE WAS A NEED FOR CERTAIN SERVICES FOR THOSE CAMPAIGNS AND A DESIRE ON BEHALF OF THE CAMPAIGNS TO HAVE A CENTRAL GROUP OF PEOPLE TO SUPPLY THOSE SERVICES. THERE WERE PEOPLE IN THE CONGRESSIONAL CLUB AND OUTSIDE THE CONGRESSIONAL CLUB WHO HAD EXPERIENCE AND TALENTS THAT WERE OF VALUE TO THE CAMPAIGNS.

THE ELECTION LAWS ARE---DON'T REALLY DEAL WITH SITUATIONS WHERE YOU HAVE GROUPS OF CANDIDATES RUNNING, MORE OR LESS, AS A TICKET; AND THERE WAS--- WE WERE LOOKING FOR A WAY THAT A GROUP OF PEOPLE COULD BE INVOLVED WITH SEVERAL CAMPAIGNS. AND, AFTER CONSULTING WITH COUNSEL, JEFFERSON BECAME MORE OR LESS AN AGENCY, JUST LIKE AN ADVERTISING AGENCY OR AN ACCOUNTING AGENCY, AND HAD A GROUP OF PEOPLE IN IT WHO PERFORMED SERVICES FOR ALL THOSE CAMPAIGNS. THEIR

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SERVICES WERE BILLED OUT JUST LIKE AN ADVERTISING AGENCY OR A CONSULTING AGENCY OR LAW FIRM WOULD BILL OUT THEIR SERVICES TO THE CANDIDATES. THAT WAS THE THING THAT JEFFERSON DID FOR THE DIFFERENT CAMPAIGNS THAT YEAR; AND IT VARIED IN TERMS OF THE TYPE OF WORK---FROM ADVERTISING, TO DIRECT-MAIL, TO EVEN SOME GRASS-ROOTS ORGANIZING.

Q AFTER YOU RECEIVED ADVICE FROM COUNSEL, AS YOU MENTIONED, WHAT WAS YOUR ACTIVITY WITH RESPECT TO THE ORGANIZATION OF JEFFERSON MARKETING TO HANDLE THESE FUNCTIONS AND DO THESE JOBS YOU'VE JUST DESCRIBED?

A COULD YOU BE A LITTLE MORE SPECIFIC ABOUT "ACTIVITY"?

Q DID YOU HAVE ANY ROLE YOURSELF IN DIRECTING HOW JEFFERSON MARKETING WOULD BE ORGANIZED?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I WAS CONCERNED ON BEHALF OF THE CAMPAIGNS AND ON BEHALF OF JEFFERSON THAT THE ACTIVITIES AND THE STRUCTURES ALL COMPLY WITH THE LAWS AND BE PROPER, ABOVE BOARD. I WAS PAID BY JEFFERSON AND DID OFFER GUIDANCE AND ADVICE ON WHAT THEY SHOULD OR SHOULDN'T DO, HOW THEY SHOULD STRUCTURE THEIR OPERATIONS, WHAT THEY COULD AND COULDN'T DO FOR CAMPAIGNS---OUR MAIN

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CONCERN BEING THAT THEY ALWAYS OPERATE IN A MANNER THAT WAS BUSINESSLIKE.

Q WHAT DO YOU MEAN BY "OPERATING IN A BUSINESSLIKE MANNER"?

A THAT THEY CHARGE MARKET RATES, THAT THEY MAKE A PROFIT.

Q WERE YOU CONCERNED AT ALL WITH THE CHARGE THAT JEFFERSON MARKETING WOULD MAKE TO THE CANDIDATES?

A BY "CHARGE," DO YOU MEAN THE BILLINGS?

Q LET ME REFORMULATE THAT QUESTION.

WERE YOU INTERESTED IN SEEING THAT THE CANDIDATES THAT CAME TO JEFFERSON MARKETING GOT THE BEST PRICE POSSIBLE FOR THE SERVICES THEY OBTAINED?

A I WAS INTERESTED IN SEEING THAT THEY WERE TREATED FAIRLY. I DON'T KNOW HOW YOU COULD ESTABLISH WHAT THE BEST PRICE WOULD BE. I MEAN, THE MARKET IN THESE THINGS IS A FLUID AND FLUCTUATING MARKET. I'LL GIVE YOU AN EXAMPLE. I THINK---THE THING I HAVE TROUBLE UNDERSTANDING IS WHEN YOU SAY "BEST PRICE."

IN THE 1972 HELMS CAMPAIGN---I WASN'T IN IT, BUT TOM ELLIS WAS MANAGER OF THE CAMPAIGN. AND, THEY BOUGHT ADVERTISING; AND THEY WENT THROUGH AN AGENCY TO BUY THE ADVERTISING. AFTER THE---THIS IS MY UNDERSTANDING. AFTER THE CAMPAIGN WAS OVER, MR. ELLIS

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LEARNED THAT THE AGENCY RECEIVED A 15-PERCENT REBATE, COMMISSION, WHATEVER FROM THE STATIONS OFF OF THE GROSS BUY. AND, HE ASKED THE AGENCY TO REBATE THE COMMISSION TO THE CAMPAIGN; THEY REFUSED.

IN THE FIRST CAMPAIGN I WAS IN, MY MEMORY IS THAT WE BOUGHT SOME RADIO ADS AND PAID A GROSS RATE. THE STATIONS NEVER EVEN EXPLAINED TO ME THAT THERE WAS A DIFFERENCE IN A GROSS AND A NET OF 15 PERCENT. THEY JUST KEPT THE FULL RATE.

IN THE REAGAN CAMPAIGN I WAS INVOLVED WITH IN 1976, THE REAGAN PEOPLE HAD A NATIONAL BUYER. SO, WE DIDN'T BUY ANY TIME OTHER, I THINK, THAN SOME PERHAPS RADIO. WE BOUGHT DIRECTLY. BUT, IN THE 1978 HELMS CAMPAIGN WHEN WE WENT INTO THE CAMPAIGN, WE SAT DOWN WITH A MEDIA BUYER FROM NEW YORK; AND WE SAID, "WE'RE INTERESTED IN BUYING A CERTAIN DOLLAR MOUNT OF MEDIA OVER A CERTAIN PERIOD OF TIME. WHAT'S YOUR RATE?" THEY SAID, "FIFTEEN PERCENT." WE SAID, "WELL, THAT'S RIDICULOUS. WE'LL PAY YOU FOUR PERCENT." EVENTUALLY, WE NEGOTIATED AROUND, BACK AND FORTH, AND SETTLED ON A RATE OF 7½ PERCENT. FOR THE VOLUME OF THAT BUY AND THE COMPLEXITY OF THE BUY, I THINK THAT MORE OR LESS DETERMINED THE RATE.

NOW, MY EXPERIENCE SINCE THEN IN DEALING WITH

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ADVERTISING AGENCIES AND TELEVISION STATIONS, IN GENERAL, IS THAT ALL OF THESE RATES ARE NEGOTIABLE; AND WHAT YOU'RE CHARGED IS ENTIRELY DEPENDENT UPON HOW MUCH MONEY YOU'RE WILLING TO SPEND, THE COMPLEXITY OF THE BUY YOU WANT TO PLACE, THE PERIOD OF TIME IT COVERS, WHETHER YOU'RE WILLING TO SIGN A LONG-TERM OR SHORT-TERM CONTRACT. SO, I DON'T KNOW HOW YOU ESTABLISH NECESSARILY A BEST RATE. I THINK YOU'VE GOT A MARKET AND CAN MORE OR LESS ESTABLISH A FAIR RATE; BUT, REALLY, I THINK YOU HAVE TO DETERMINE A RATE AT ALL, LOOK SPECIFICALLY AT WHAT YOU'RE DOING AND NEGOTIATE IT.

Q AT THE PERIOD OF TIME ABOUT WHICH YOU'RE SPEAKING, DID YOU BELIEVE, THOUGH, THAT CANDIDATES GENERALLY WERE PAYING TOO MUCH FOR THESE KIND OF SERVICES?

A I KNEW OF INSTANCES WHERE THEY PAID TOO MUCH; I KNEW OF INSTANCES WHERE I FELT LIKE THEY MADE A GOOD DEAL, FAIR DEAL. YOU KNOW, IT JUST DEPENDED ON THE COMPETENCY OF THE CAMPAIGNS. IN POLITICS, THE MORE INEXPERIENCED---YOU HAVE A LOT OF PEOPLE COME INTO POLITICAL CAMPAIGNS WITH NO EXPERIENCE IN THE THINGS THEY'RE DOING; AND T.V. STATIONS, ADVERTISING AGENCIES EAT THEM ALIVE. WE MORE OR LESS LEARNED THAT THROUGH EXPERIENCE.

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Q WAS JEFFERSON MARKETING ESTABLISHED, AT LEAST IN PART, TO PROVIDE DISCOUNT RATES FOR SERVICES TO CANDIDATES?

A NO.

Q I ASKED YOU ABOUT THE OFFICES OF JEFFERSON MARKETING IN THE EARLY STAGES AND YOU DID NOT HAVE A RECOLLECTION. JEFFERSON MARKETING IS NOW---THE OFFICES OF JEFFERSON MARKETING ARE NOW IN THE SAME BUILDING THAT THE CONGRESSIONAL CLUB HAS ITS OFFICES.

DO YOU RECALL WHEN JEFFERSON MARKETING DID MOVE INTO THE BUILDING?

A NOT SPECIFICALLY, NO. IT---I COULD STATE IT WOULD BE PRIOR TO THE 1980 ELECTION; BUT, SPECIFICALLY, I COULDN'T TELL YOU.

Q MR. WRENN, YOU'VE STATED THAT YOU KNEW OF CERTAIN INSTANCES WHERE CANDIDATES WERE---TO USE YOUR TERM--- BEING EATEN ALIVE IN AT LEAST SOME OF THE ADVERTISING SERVICES THEY WERE PURCHASING FROM THE MEDIA.

WAS JEFFERSON MARKETING FORMED IN PART TO HELP CANDIDATES AVOID BEING, AS YOU PUT IT, EATEN ALIVE BY CERTAIN---IN CERTAIN INSTANCES?

A NO.

Q RETURNING AGAIN TO THE CONGRESSIONAL CLUB, THE CONGRESSIONAL CLUB HAS A BOARD OF DIRECTORS. DOES

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MR. MAYO: WHAT THAT REFERENCES?

MR. ANDERSEN: YES, WHAT THAT REFERENCE WOULD BE.

A THE TIME---VALUE OF THE TIME INDIVIDUALS PAID BY THE CONGRESSIONAL CLUB SPENT ON THE GIBSON CAMPAIGN.

Q (BY MR. ANDERSEN) HOW DO YOU PUT A VALUE ON THAT TIME AT THE CONGRESSIONAL CLUB?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A REPEAT YOUR QUESTION, PLEASE.

Q DOES "STAFF TIME PAID" REFER TO ONLY STAFF OF THE CONGRESSIONAL CLUB?

A NO.

Q COULD IT ALSO INCLUDE A REFERENCE TO STAFF TIME OF JEFFERSON MARKETING?

A YES.

Q AND, IS THAT THE SAME WITH ITEM NO. 1, EXPENSE? COULD THAT ALSO REFER TO EXPENSES?

A I DON'T KNOW.

Q YOU DON'T KNOW.

BUT, THE STAFF TIME COULD REFER TO JEFFERSON MARKETING?

A YES.

Q HOW DOES THE CONGRESSIONAL CLUB FOR ANY OF ITS

EMPLOYEES DETERMINE HOW TO MAKE AN ENTRY UNDER NO. 2?

A WELL, IF WE HAVE AN EMPLOYEE OF THE CLUB THAT SPENDS SOME TIME WORKING ON A POLITICAL CAMPAIGN, THE GIBSON CAMPAIGN---IF AN EMPLOYEE OF THE CLUB SPENT TIME WITH THE GIBSON CAMPAIGN, THEN WE WOULD REPORT THAT TIME AS AN IN-KIND DONATION TO THE GIBSON CAMPAIGN.

Q THE ACTUAL NUMBER OF HOURS IS NOT WHAT IS RECORDED UNDER NO. 2, THOUGH, IS IT?

A NO.

Q IT WOULD BE A DOLLAR FIGURE?

A THAT'S RIGHT.

Q AND, HOW DOES THE CONGRESSIONAL CLUB ESTABLISH THE DOLLAR FIGURE IN THE USUAL COURSE OF ITS BUSINESS?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A IN REGARD TO THIS SPECIFIC EXPENSE, I THINK THAT WHAT THIS IS FOR IS TIME THAT TWO EMPLOYEES OF JEFFERSON MARKETING SPENT WHO WERE RETAINED BY THE CONGRESSIONAL CLUB; AND WE'RE REPORTING THEIR TIME AS AN IN-KIND DONATION TO THE GIBSON COMMITTEE.

Q LET ME RETURN TO THAT IN A MOMENT---LET ME TRY TO FORMULATE, FIRST, THE QUESTION PENDING IN A BETTER

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WAY.

ARE THERE---THE QUESTION IS, I THINK, HOW DOES THE CONGRESSIONAL CLUB ESTABLISH THE DOLLAR AMOUNTS THAT A GIVEN EFFORT MADE BY AN EMPLOYEE OF THE CONGRESSIONAL CLUB HAS CONTRIBUTED TO A CANDIDATE? IF THERE'S MORE THAN ONE WAY---IT MAY WELL BE THAT.

A IT'S HARD TO ANSWER THAT IN A GENERAL SENSE. I MEAN, YOU REALLY NEED TO CONCENTRATE ON A SPECIFIC--- WHAT SPECIFIC THING IT WAS.

Q WOULD IT DEPEND UPON THE IDENTITY OF THE PARTICULAR STAFF MEMBER AT THE CONGRESSIONAL CLUB?

A YES. THAT COULD MAKE A DIFFERENCE.

Q WHO WOULD DECIDE THE RATE TO BE CHARGED FOR THE USE OF STAFF TIME OF THE CONGRESSIONAL CLUB?

A WELL, YOU'RE NOT "CHARGING." YOU'RE IN-KIND DONATING. AND, I GUESS I WOULD.

Q WOULD SOMEONE ELSE BE INVOLVED IN THAT DECISION?

A ONLY IF I ASKED FOR INFORMATION ABOUT SPECIFIC THINGS.

Q CAN YOU GIVE ME A LOW AND A HIGH RANGE THAT THE STAFF TIME FOR A CONGRESSIONAL CLUB EMPLOYEE WOULD BE WORTH FOR ASSISTANCE TO A CANDIDATE?

MR. MAYO: I'LL OBJECT TO THAT QUESTION AND TO FURTHER QUESTIONS ABOUT THE VALUE OF

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THE TIME OF STAFF OR EMPLOYEES OF THE CLUB ON IN-KIND CONTACTS. THERE HAVE BEEN NO ALLEGATIONS IN THIS CASE THAT ANY SUCH TIME WAS INCURRED, WAS MISREPORTED, WAS NOT REPORTED, NOR HAS THERE BEEN, TO MY KNOWLEDGE, ANY EVIDENCE OR TESTIMONY THROUGH THESE DAYS OF DEPOSITIONS ON THAT. I DON'T SEE ANY RELEVANCY AT ALL TO INQUIRY INTO THIS AREA GENERALLY.

MR. ANDERSEN: I DON'T SEE THE REASON FOR YOUR CONCERN HERE. THIS IS THE FIRST WITNESS THAT WE'VE BEEN ABLE TO TALK TO THAT REALLY SEEMS TO KNOW HOW THESE ORGANIZATIONS OPERATE. ONE OF THE THINGS THAT WE'VE BEEN ASKING ALL ALONG IS A WAY TO DETERMINE HOW THESE SERVICES HAVE BEEN VALUED.

MR. MAYO: I CAN UNDERSTAND THAT, BUT---

MR. ANDERSEN: AND, I THINK THAT THE QUESTION IS NOT THAT COMPLICATED.

MR. MAYO: I UNDERSTAND THAT, BUT MR. WRENN KNOWS LOTS AND LOTS AND LOTS ABOUT THE CONGRESSIONAL CLUB, 99.9 PERCENT OF WHICH IS NOT IMPLICATED BY THIS PROCEEDING OR THIS COMPLAINT.

MR. ANDERSEN: BUT, THE CHARGES TO CANDIDATES

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ARE IMPLICATED IN THIS COMPLAINT.

MR. GILBERT: BUT, THERE ARE NO ALLEGATIONS---

MR. MAYO: BUT, THERE'RE NO ALLEGATIONS THAT THE CHARGES TO THE CANDIDATES WERE STAFF CHARGES FOR EMPLOYEES OF THE CLUB. THAT'S WHY I DON'T SEE HOW YOU CAN GET INTO THIS.

MR. JOHANSEN: COULD WE TAKE A BREAK? COULD WE GO OFF THE RECORD FOR A SECOND?

MR. MAYO: SURE. FIVE MINUTES?

MR. JOHANSEN: SURE.

(THEREUPON, THERE WAS A BRIEF RECESS.)

Q (BY MR. ANDERSEN) TURNING AGAIN TO THIS ITEM NO. 2 UNDER "STAFF TIME PAID," LET'S GO TO THE SPECIFIC FIGURE THAT'S ON THE PAGE HERE, DATED---IT LOOKS LIKE IT'S DATED 7/15/82---FOR THREE HUNDRED AND FIFTY-THREE DOLLARS AND EIGHT CENTS ($353.08). DO YOU KNOW WHAT THAT REPRESENTS WITH RESPECT TO THE GIBSON CAMPAIGN?

A TIME THAT JEFFERSON EMPLOYEES SPENT ON WORK FOR THE GIBSON CAMPAIGN THAT THE CONGRESSIONAL CLUB PAID AND IN-KIND DONATED TO GIBSON.

Q HOW MANY EMPLOYEES WERE INVOLVED?

A TWO, I BELIEVE.

Q DO YOU KNOW WHO THEY WERE?

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A I BELIEVE IT WAS A PRODUCTION PERSON AND A TIME-BUYING PERSON.

Q DO YOU KNOW THEIR NAMES?

A EARL ASHE, I THINK, AS REGARDS PRODUCTION AND SUSAN CASHWELL AS REGARDS TIME BUYING.

Q THAT SECOND NAME WAS? COULD YOU REPEAT THAT, PLEASE?

A CASHWELL---C-A-S-H-W-E-L-L---I BELIEVE. I'M NOT SURE OF THE SPELLING.

Q DO YOU KNOW IF---THIS THREE-HUNDRED-AND-FIFTY-THREE-AND-EIGHT-CENT FIGURE, DO YOU KNOW WHAT PART OF IT WAS FOR THE PRODUCTION PERSON AND WHAT PART WAS FOR THE TIME BUYER?

A NOT RIGHT OFFHAND, NO.

Q DO YOU BELIEVE THAT THEY'RE ROUGHLY EQUALLY DIVIDED IN THAT THREE HUNDRED AND FIFTY-THREE?

A I DON'T KNOW.

Q YOU HAVE NO IDEA?

A NO.

Q DO YOU KNOW HOW JEFFERSON MARKETING ESTABLISHED THAT FIGURE?

MR. MAYO: OBJECTION. IT ASSUMES A FACT NOT IN EVIDENCE.

Q (BY MR. ANDERSEN) DO YOU KNOW HOW THE THREE HUNDRED AND FIFTY-THREE DOLLARS AND EIGHT CENTS ($353.08)

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WAS ESTABLISHED?

A I DON'T UNDERSTAND.

Q HOW DID THIS FIGURE COME ON THIS PAGE?

A IT'S THE VALUE OF THE IN-KIND DONATION THAT THE CONGRESSIONAL CLUB MADE TO GIBSON. IT'S THE VALUE OF THE WORK THEY DID FOR GIBSON.

Q HOW DID THE CONGRESSIONAL CLUB DETERMINE THE VALUE OF THE SERVICES THAT THE JEFFERSON MARKETING EMPLOYEES PROVIDED TO THE GIBSON COMMITTEE?

A IT HAD TO DO WITH THE AMOUNT OF TIME INVOLVED, THE PEOPLE INVOLVED.

Q DID SOMEONE AT JEFFERSON MARKETING REPORT THIS FIGURE TO THE CONGRESSIONAL CLUB?

A NO, I DON'T THINK SO.

Q DO YOU THINK THAT THIS REPORT WAS PREPARED AT JEFFERSON MARKETING?

A NO.

Q WHERE WOULD THIS THREE HUNDRED AND FIFTY-THREE DOLLARS AND EIGHT CENTS ($353.08) BE RECORDED? UNDER WHAT ACCOUNT WOULD THIS BE RECORDED AT THE CONGRESSIONAL CLUB?

A UNDER ADVERTISING PAYMENTS TO JEFFERSON MARKETING AND AS AN IN-KIND CONTRIBUTION TO GIBSON.

Q DO YOU KNOW WHERE THIS FIGURE WOULD BE RECORDED IN

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THE ACCOUNTS OF JEFFERSON MARKETING?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I DON'T KNOW.

Q DID JEFFERSON MARKETING SEND A BILL FOR THIS FIGURE TO THE CONGRESSIONAL CLUB?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I EXPECT---AND I DON'T KNOW THIS SPECIFICALLY, BUT I THINK THAT IT IS PROBABLY PART OF A TOTAL BILL THAT JEFFERSON WOULD HAVE GIVEN TO THE CONGRESSIONAL CLUB.

Q IT WOULDN'T HAVE BEEN ITEMIZED?

A NO.

Q DO YOU THINK THAT JEFFERSON MARKETING WOULD HAVE A RECORD OF THIS PARTICULAR CHARGE?

A I DON'T KNOW.

Q HOW DID THE CONGRESSIONAL CLUB KNOW TO LIST THIS AMOUNT AS AN IN-KIND CONTRIBUTION?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

MR. ANDERSEN: I MUST OBJECT TO THE WITNESS DISCUSSING EVERY RESPONSE WITH COUNSEL IN THIS SERIES.

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MR. MAYO: HE'S NOT DISCUSSING EVERY QUESTION WITH COUNSEL.

MR. ANDERSEN: IN THIS SERIES, I SAID.

MR. MAYO: IN AN EFFORT TO MAKE SURE THAT HE UNDERSTANDS THE QUESTION, I THINK THAT YOU CAN NOTE FOR THE RECORD WHEN HE DOES DISCUSS WITH COUNSEL; BUT I CAN ASSURE YOU YOU'RE GETTING MORE COOPERATION AND BETTER ANSWERS AS A RESULT. IF YOU WANT TO CUT THAT OFF, THAT'S FINE.

MR. ANDERSEN: NO, I DON'T WISH TO CUT THAT OFF. THANK YOU.

WITNESS: I DON'T EVEN REMEMBER THE QUESTION AT THIS POINT.

Q (BY MR. ANDERSEN) THE QUESTION WAS, HOW DID THE CONGRESSIONAL CLUB KNOW TO LIST THIS AMOUNT AS AN IN-KIND CONTRIBUTION, THIS PARTICULAR AMOUNT?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A THAT IS MORE OR LESS A PRORATION OF THE TIME THESE INDIVIDUALS PROVIDED SERVICES TO JEFFERSON---I MEAN, THE JEFFERSON INDIVIDUALS TO THE CLUB, AN ESTIMATE OF SORT OF AN ANALYSIS OF WHAT THE VALUE OF THAT WAS TO GIBSON. IT'S OUR IN-KIND DONATION OF THE

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TIME JEFFERSON'S PEOPLE SPENT WORKING ON THESE PROJECTS FOR GIBSON.

Q YOUR TESTIMONY IS THAT IT'S THE CONGRESSIONAL CLUB'S ANALYSIS---

A YES.

Q ---OF THE TIME?

AND, THEN IT'S THE CONGRESSIONAL CLUB'S ESTIMATE OF THE VALUE OF THAT TIME?

A YES.

Q HOW DOES THE CONGRESSIONAL CLUB MAKE THAT ESTIMATE?

MR. MAYO: OBJECTION. ARE YOU ASKING HOW IT MADE THE ESTIMATE IN THIS CASE FOR THREE-FIFTY-THREE?

MR. ANDERSEN: YES.

WITNESS: DO I ANSWER THAT?

MR. MAYO: IF YOU CAN.

A THE AMOUNT IS BASED ON THE TIME AND THE PEOPLE INVOLVED PERFORMING THE SERVICES AND THE VALUE OF THE TIME, VALUE OF THE SERVICES.

Q (BY MR. ANDERSEN) DOES THE ESTIMATE HAVE TO DO WITH THE SALARIES THAT THE EMPLOYEES OF JEFFERSON MARKETING ARE PAID OR DOES IT HAVE MORE TO DO WITH THE CONGRESSIONAL CLUB'S ESTIMATE OF THOSE SERVICES IN THE MARKETPLACE?

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MR. MAYO: THAT'S TWO QUESTIONS.

MR. ANDERSEN: I ASKED HIM AN "OR" QUESTION. HE CAN SAY THE FIRST OR THE SECOND OR NEITHER.

MR. MAYO: JUST SO THE RECORD IS CLEAR.

WITNESS: REPEAT THE QUESTION.

Q (BY MR. ANDERSEN) DOES THE CONGRESSIONAL CLUB'S ESTIMATE THAT'S REPRESENTED BY THE THREE HUNDRED AND FIFTY-THREE DOLLARS AND EIGHT CENTS ($353.08)--- IS THAT ESTIMATE BASED UPON THE SALARIES OF THE EMPLOYEES, EMPLOYEES ASHE AND CASHWELL?

A AMONG OTHER THINGS.

Q WHAT ARE THE OTHER THINGS THAT IT'S BASED UPON?

A THE TIME INVOLVED---I'M A LITTLE VAGUE ON THE WAY THE NUMBER THREE FIFTY-THREE-O-EIGHT WAS SPECIFICALLY, YOU KNOW, IDENTIFIED. I DON'T HAVE ANY INFORMATION HERE TO BACK IT UP. BUT, IT WOULD HAVE TO DO WITH THE AMOUNT OF TIME, WHAT THEY WERE WORKING ON, THE TYPE OF SERVICE.

Q DID JEFFERSON MARKETING REPORT TO THE CONGRESSIONAL CLUB THE AMOUNT OF TIME THESE EMPLOYEES SPENT WORKING ON THIS PROJECT---THESE PROJECTS?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

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A I HAD A RECORD OF THAT, AND I ASSUME THAT THE EMPLOYEES OR SOMEONE WITH JEFFERSON SUPPLIED ME WITH THAT RECORD---OR I DIDN'T HAVE THE RECORD. BUT, I THINK SO. IT'S---I'M VAGUE; BUT I THINK, YES, THEY PROBABLY DID.

Q DID YOU HAVE A RECORD?

MR. MAYO: OBJECTION. HE JUST SAID HE HAD A RECORD.

MR. ANDERSEN: WELL, HE SAID SOMETHING ELSE AFTER THAT.

COULD YOU READ BACK THE TESTIMONY, THE RESPONSE TO THAT LAST QUESTION?

(THEREUPON, THE COURT REPORTER READ BACK THE ANSWER APPEARING ON PAGE 49, LINES 2 THRU 6, INCLUSIVE, AS REQUESTED.)

A I DON'T HAVE A WRITTEN---I'M NOT FAMILIAR WITH A WRITTEN RECORD THAT SAYS THIS AMOUNT OF HOURS. I KNOW THAT HOURS WERE A FACTOR IN CALCULATING THE IN-KIND DONATION. I'M OFFERING THAT, LOGICALLY, THE PERSON THAT WOULD HAVE BEEN ABLE TO SUPPLY THAT WOULD HAVE BEEN JEFFERSON; BUT I DON'T---I CAN'T STATE CATEGORICALLY THAT I KNOW, YOU KNOW, THAT EXISTS OR WHERE TO LAY MY HANDS ON IT.

Q (BY MR. ANDERSEN) WAS WHAT HAPPENED IN THIS PARTICULAR

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CASE IN ANY WAY UNUSUAL? I'M TALKING ABOUT ESTABLISHING THIS THREE HUNDRED AND FIFTY-THREE DOLLARS.

A THE PROBLEM IS THAT I DO NOT HAVE ANY BACKUP. I MEAN, WHAT YOU SEE IS WHAT I HAVE. AND, EVERY IN-KIND DONATION, EVERY EXPENDITURE IS LOOKED AT INDIVIDUALLY.

Q DO THESE IN-KIND CONTRIBUTIONS USUALLY HAVE MORE BACKUP THAN THIS ONE HAS?

MR. MAYO: OBJECTION.

A I DON'T KNOW. THEY'RE DIFFERENT. YOU KNOW, I'D HAVE TO LOOK AT TEN OF THEM. YOU KNOW, I'M NOT THAT FAMILIAR WITH IT.

Q (BY MR. ANDERSEN) DO YOU RECALL WHO AT JEFFERSON MARKETING WOULD HAVE RELAYED TO YOU THE HOURS OF STAFF TIME?

A NO.

Q IS THERE A PERSON AT JEFFERSON MARKETING IN THE USUAL COURSE OF YOUR BUSINESS THAT REPORTS TO YOU ON THE STAFF TIME THAT JEFFERSON MARKETING USED TO PROVIDE SERVICES TO THE CLIENT?

A NO. I MEAN, I'VE TRIED TO HELP YOU RECONSTRUCT WHAT WENT INTO THAT NUMBER; BUT, OBVIOUSLY, I'M OPERATING ON MEMORY AND WITHOUT ANY MORE DETAIL

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THAN IS ON THESE RECORDS HERE.

Q HAS EARL ASHE EVER REPORTED TO YOU ON THE AMOUNT OF TIME HE SPENT ON A PROJECT?

MR. MAYO: OBJECTION.

A THAT'S AWFUL VAGUE. I MEAN, I---SPECIFICALLY, I DON'T RECALL; BUT ON THE OTHER HAND, I DON'T WANT TO---I DON'T REMEMBER HIM SPECIFICALLY SAYING HE SPENT SO MUCH TIME ON A SPECIFIC PROJECT.

Q (BY MR. ANDERSEN) SO, WHAT YOU'RE SAYING THEN--- WOULD IT BE ACCURATE TO SAY THAT THERE'S NO WRITTEN SUBSTANTIATION FOR THE AMOUNT OF STAFF TIME THAT'S THE BASIS---AT LEAST THE PARTIAL BASIS OF THIS FIGURE?

A I DON'T KNOW OF ANY SITTING HERE. IT'S MY IMPRESSION THAT THE FIGURE WAS BASED ON TIME AND HOURS AND RATE, BUT I DON'T---I DON'T KNOW OF A DOCUMENT THAT I CAN GIVE YOU THAT WILL GIVE YOU THE DETAIL YOU'RE ASKING FOR ON THAT.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

MR. ANDERSEN: ON THAT, THE ELECTION COMMISSION WOULD REQUEST THAT THE CONGRESSIONAL CLUB REVIEW ITS DOCUMENTS SPECIFICALLY FOR SUCH A RECORD THAT WOULD INCLUDE AN INDICATION

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Q DID YOU EVER CONSIDER PERMITTING THE CONGRESSIONAL CLUB TO PAY THE SEVEN-THOUSAND-DOLLAR BANK NOTE?

A NO. WE COULDN'T CONTRIBUTE SEVEN THOUSAND DOLLARS ($7,000). IT WOULD BE A VIOLATION.

Q DID ANYONE EVER PROPOSE THAT THE SEVEN THOUSAND DOLLARS ($7,000) BE PAID THROUGH THE ED JOHNSON CAMPAIGN PURCHASING THE "FREE-O AND RIO" VIDEOTAPE?

A NOT THAT I KNOW OF.

Q DID YOU EVER DISCUSS SUCH A PROPOSAL TO PURCHASE--- FOR ED JOHNSON TO PURCHASE GIBSON'S "FREE-O AND RIO" TAPE WITH ED JOHNSON?

A NOT THAT I RECALL.

Q DID YOU EVER HAVE THE DISCUSSION WITH TOM GIBSON ABOUT ED JOHNSON PURCHASING THAT TAPE?

A NOT THAT I RECALL.

Q THE LAST PHRASES DOWN THERE STATE, "CHECK ON GIBSON, DASH, NEED TO STRAIGHTEN OUT; HOW MUCH CASH CAN GO TO TOM, DASH, TODAY."

DOES THAT PHRASE HAVE ANY SIGNIFICANCE?

A I REALLY DON'T UNDERSTAND THE PHRASE, NO. I DON'T UNDERSTAND WHAT THIS IS ABOUT.

Q DID ANYONE---TO THE BEST OF YOUR KNOWLEDGE, DID ANYONE---STRIKE THAT.

MR. WRENN, DOES THIS PAGE APPEAR TO BE---TO

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YOU, DOES THIS APPEAR TO BE THE MINUTES FROM A MEETING?

A NO.

Q IS THERE ANYONE AT THE CONGRESSIONAL CLUB THAT WOULD HAVE HAD RESPONSIBILITY FOR SKETCHING OUT SUCH A PROPOSAL, IF THAT'S WHAT IT IS?

A (NO RESPONSE)

Q LET ME CHANGE THAT TO, IS THERE ANYONE AT THE CONGRESSIONAL CLUB WHO HAD RESPONSIBILITY FOR SKETCHING A PROPOSAL FOR THE GIBSON COMMITTEE?

MR. MAYO: OBJECTION; VAGUE. IF YOU'RE TALKING ABOUT THIS DOCUMENT, I DON'T KNOW THAT IT'S A PROPOSAL. IF YOU'RE TALKING ABOUT SOME OTHER PROPOSAL, YOU'RE NOT REFERRING TO THE DOCUMENT; AND THE REFERENCE IS UNCLEAR.

MR. ANDERSEN: I'M SPEAKING ABOUT THE DOCUMENT.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

WITNESS: IS THERE A QUESTION ON THE TABLE?

MR. ANDERSEN: COULD YOU REPEAT THE QUESTION?

(THEREUPON, THE COURT REPORTER READ

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BACK THE QUESTION APPEARING ON PAGE 61, LINES 9 THRU 11, INCLUSIVE, AS REQUESTED.)

MR. ANDERSEN: AND, THEN I RESPONDED THAT THE REFERENCE WAS TO THE DOCUMENT ITSELF.

MR. MAYO: TO THE DOCUMENT ITSELF?

MR. ANDERSEN: UH-HUH (YES).

A THIS DOCUMENT DOESN'T LOOK TO ME LIKE ANYTHING THAT AN EMPLOYEE OF THE CLUB WOULD BE RESPONSIBLE FOR PREPARING. FRANKLY, I HAVE NO IDEA WHERE IT CAME FROM. IT WAS IN MY FILES, AND I REPORTED IT; BUT IT IS ALMOST NONSENSICAL TO ME.

Q (BY MR. ANDERSEN) LET ME DIRECT YOUR ATTENTION TO PAGE 2 OF WRENN EXHIBIT "A." THIS APPEARS TO BE SIMILAR TO PAGE 1, AT LEAST IN THE CATEGORIES.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

Q DO YOU RECOGNIZE THIS PAGE OF THE EXHIBIT?

A YES.

Q DOES IT RELATE TO THE GIBSON CAMPAIGN?

A I REALLY DON'T KNOW.

Q WHAT DO YOU RECOGNIZE THAT AS?

A A DOCUMENT I FILED WITH THE FEDERAL ELECTION COMMISSION.

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WERE BILLS THAT HADN'T BEEN REPORTED UNTIL THAT REPORT. AT THAT POINT, I BECAME AWARE OF IT.

Q SO, THE CONGRESSIONAL CLUB EITHER CONTRIBUTED OR RAISED MONIES---

A NO. I PERSONALLY RAISED MONEY. WHETHER YOU ATTRIBUTE ME TO THE CONGRESSIONAL CLUB OR NOT, I DON'T KNOW; BUT I DID ASK SOME PEOPLE TO GIVE SOME MONEY. I DON'T KNOW IF THAT MONEY WENT TO PAY THE BILLS OR IF MONEY THE CLUB GAVE WENT TO PAY THE BILLS, BUT I DID RAISE MONEY FOR THE CAMPAIGN.

Q FOR THE CAMPAIGN AND THAT MONEY WAS GIVEN TO THE CAMPAIGN?

A AND, MY CONCERN WAS THAT THE MONEY BE USED TO PAY THE BILLS.

Q WAS THE MONEY RAISED SUFFICIENT TO PAY THE BILLS?

A I BELIEVE IT WAS, YES.

Q DO YOU RECALL WHAT THE AMOUNT RAISED WAS?

A NOT SPECIFICALLY, NO. I KNOW THAT THE CLUB CONTRIBUTED THIRTY-FIVE HUNDRED DOLLARS ($3,500) IN OCTOBER AND---

Q EXCUSE ME. THE CONTRIBUTION AT THAT DATE WAS AFTER YOU HAD SEEN THE COMPLAINT?

A I DON'T KNOW. HONESTLY, I DON'T KNOW. I DON'T REMEMBER WHETHER THE MONEY I CONTRIBUTED IN

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OCTOBER WAS MEANT TO APPLY AGAINST THAT OR WHETHER THE MONEY I RAISED SUBSEQUENT TO THAT WAS MEANT TO APPLY AGAINST IT. BUT, I DID SEEK DONATIONS TO GIBSON; AND I AM CONFIDENT THAT THEY WERE IN EXCESS OF THE AMOUNT OF THE BILL, BECAUSE THAT WAS THE GOAL I SET OUT TO ACCOMPLISH.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I WANT TO MAKE CLEAR THAT THE BILLS THAT GIBSON SENT ME WERE FROM AUDIOFONICS TO THE GIBSON CAMPAIGN.

Q IN YOUR CONVERSATION WITH TOM GIBSON ABOUT THE BILLS, DID HE SAY THAT HE HAD PAID THE BILL?

A NO.

Q DID HE INDICATE THAT HE EXPECTED THE CONGRESSIONAL CLUB TO PAY THE BILL?

A NO.

Q DID HE MAKE ANY REQUEST FOR YOU TO TAKE ANY ACTION?

A I DON'T SPECIFICALLY REMEMBER. I KNOW THAT WHEN HE ORIGINALLY SENT ME THE BILLS I AM CONFIDENT THAT HE WANTED ME TO RAISE MONEY TO PAY THEM. I THINK TOM'S ATTITUDE WAS THAT WE'D OFFERED TO SUPPORT HIM AND THAT WAS A GOOD WAY FOR US TO SUPPORT HIM.

Q DID YOU EVER COMMUNICATE TO THE GIBSON CAMPAIGN THAT

1978 OR A BROADER PERIOD OF TIME INVOLVED THERE?

MR. ANDERSEN: WE CAN MAKE IT OVER THE COURSE OF THAT DATE AND, SAY, THE ENSUING YEAR.

A I DON'T SPECIFICALLY KNOW IF IN THE FOLLOWING YEAR THEY DID. I KNOW THAT AT SOME POINT PRIOR TO THE 1980 ELECTIONS SOME INDIVIDUALS WHO HAD BEEN EMPLOYED BY THE CONGRESSIONAL CLUB WERE EMPLOYED BY JEFFERSON MARKETING.

Q (BY MR. ANDERSEN) DO YOU KNOW APPROXIMATELY HOW MANY?

A NO.

Q COULD YOU SAY IF IT WAS MORE THAN FIVE?

A IN WHAT PERIOD OF TIME?

Q DURING THAT---UP THROUGH 1980, THE DATE THAT YOU MENTIONED.

A I'D BE GUESSING. PROBABLY; BUT I REALLY---I DON'T SPECIFICALLY KNOW.

Q WITH RESPECT TO ANY OF THESE INDIVIDUALS WHO LEFT THE CONGRESSIONAL CLUB, WERE THEY REPLACED BY THE CONGRESSIONAL CLUB?

A I DON'T KNOW.

Q DID THE CONGRESSIONAL CLUB PROVIDE ANY OF THE INITIAL FUNDS THAT WERE NECESSARY TO START THE OPERATION OF THE JEFFERSON MARKETING?

A WE WERE A CLIENT.

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Q OUTSIDE OF THE---

A WELL, STOP RIGHT THERE. BE MORE SPECIFIC WITH YOUR QUESTION. WHEN YOU SAY "START JEFFERSON MARKETING," WHAT TIME PERIOD ARE YOU REFERRING TO?

Q LET ME MAKE THAT QUESTION WITH SPECIFIC REFERENCE TO THE INITIAL BEGINNING OF THE COMPANY.

A ALL RIGHT. NOW, REPEAT THE QUESTION.

Q DID THE CONGRESSIONAL CLUB PROVIDE ANY OF THE FUNDS NECESSARY TO BEGIN THE BUSINESS?

A NO.

Q DO YOU KNOW HOW JEFFERSON MARKETING OBTAINED ITS INITIAL FUNDS TO BEGIN BUSINESS?

A NO.

Q DO YOU KNOW HOW MUCH MONEY WAS INVOLVED---DO YOU KNOW HOW MUCH MONEY JEFFERSON MARKETING REQUIRED WHEN IT OPENED ITS DOORS?

A I DO NOT.

Q DURING THIS INITIAL PERIOD, DID THE CONGRESSIONAL CLUB LOAN ANY MONEY TO JEFFERSON MARKETING?

MR. MAYO: IS "INITIAL PERIOD," NOW, THE FIRST YEAR OR THROUGH 1980?

MR. ANDERSEN: THE FIRST YEAR.

A I DON'T KNOW.

Q (BY MR. ANDERSEN) HOW ABOUT THROUGH 1980?

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A I DON'T KNOW.

Q HAS THE CONGRESSIONAL CLUB EVER LOANED JEFFERSON MARKETING ANY MONEY?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I THINK THAT, IF WE HAD, IT WOULD BE IN THE REPORTS. I DON'T SPECIFICALLY KNOW IF WE'VE LOANED THEM MONEY OR NOT. I CAN FIND THAT OUT FOR YOU. AND, CERTAINLY, IT WOULD BE IN THE DOCUMENTS WE'VE FILED.

MR. ANDERSEN: LET'S TURN TO SOME OF THOSE DOCUMENTS. LET ME ASK THAT THE REPORTER HAND THE WITNESS EXHIBITS "A" AND "B" FROM THE HARDISON DEPOSITION.

(THEREUPON, THE COURT REPORTER HANDS THE ABOVE MENTIONED DOCUMENTS TO THE WITNESS AS REQUESTED.)

MR. ANDERSEN: I DIRECT YOUR ATTENTION TO HARDISON EXHIBIT "A," PAGE 33.

WITNESS: ALL RIGHT.

MR. ANDERSEN: I WILL ASK THE WITNESS TO LOOK THAT LEDGER SHEET OVER.

WITNESS: ALL RIGHT.

Q (BY MR. ANDERSEN) ARE YOU FAMILIAR WITH THIS

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ACCOUNT, ACCOUNTS RECEIVEABLE NO. 13001?

A I TELL YOU HONESTLY, YOU HAVE GIVEN ME A DETAIL HERE THAT I HAVE---I AM FAMILIAR WITH THE DOCUMENTS. I'VE SEEN THEM; I FILED THEM. I KNOW THAT THEY ARE FINANCIAL RECORDS. HOW THIS STUFF OPERATES AND WHAT IT MEANS, I REALLY CAN'T TELL YOU. IF YOU WANT SOMETHING SPECIFIC, I'M GLAD TO FIND OUT WHAT IT IS AND RESPOND TO YOU; BUT I AM NOT AN EXPERT AT UNDERSTANDING WHAT THESE THINGS MEAN.

Q LET ME---I'M NOT GOING TO ASK YOU ABOUT THE RELATIONSHIP BETWEEN THE---WELL, THERE'S ONLY ONE ITEM ON THIS SHEET, AND LET ME ASK YOU THE QUESTION AND SEE IF IT IS SOMETHING WHICH YOU CAN RESPOND TO.

DO YOU KNOW WHETHER THE CONGRESSIONAL CLUB HAS MADE FURNITURE AND EQUIPMENT AVAILABLE TO JEFFERSON MARKETING?

MR. MAYO: OBJECTION; VAGUE.

MR. ANDERSEN: WELL, OKAY.

Q (BY MR. ANDERSEN) HAS THE CONGRESSIONAL CLUB SOLD FURNITURE AND EQUIPMENT TO JEFFERSON MARKETING?

A YES.

Q HAS JEFFERSON MARKETING PAID THE CONGRESSIONAL CLUB FOR THE FURNITURE?

A I DON'T KNOW.

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Q YOUR ANSWER IS THAT YOU DON'T KNOW?

A WE BILLED THEM FOR---I KNOW THAT I AGREED TO SELL THEM FURNITURE AND EQUIPMENT; AND WHETHER THEY'VE PAID US OR NOT OR IT'S BEEN CREDITED TO US, I DON'T KNOW.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A LET ME MAKE CLEAR THAT JEFFERSON WAS BILLED FOR THE GOODS. NOW, WHETHER THE BILL HAS BEEN PAID OR NOT, I DON'T KNOW.

Q DO YOU KNOW WHEN THIS TRANSACTION OCCURRED?

A THE END OF LAST YEAR IS MY RECOLLECTION.

Q AND, DO YOU KNOW HOW MUCH THE PRICE FOR THE FURNITURE WAS SET AT?

A I DO NOT. I THINK IT WAS IN THE RANGE OF FIFTY THOUSAND DOLLARS, BUT I DON'T KNOW SPECIFICALLY.

Q DO YOU KNOW WHETHER THIS FIGURE ON HARDISON EXHIBIT "A," PAGE 33 REPRESENTS---

A YOU MEAN THE FIGURE UNDER "BALANCE"?

Q UH-HUH (YES).

A I DO NOT. I COULD FIND OUT FOR YOU. I'D BE GLAD TO FIND OUT FOR YOU. I JUST DON'T KNOW.

MR. MAYO: I SHOULD POINT OUT THAT THE DOCUMENT HAS TWO FIGURES TO THE LEFT OF THAT

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UNDER "ITEMS," WHICH TOGETHER TOTAL THAT NUMBER.

WITNESS: IF THE CLUB HAS LOANED JEFFERSON MONEY, I AM GLAD TO FIND OUT AN ANSWER TO THAT QUESTION. I JUST DON'T SPECIFICALLY KNOW.

Q (BY MR. ANDERSEN) YOU DON'T KNOW ABOUT ANY LOANS FROM THE CONGRESSIONAL CLUB TO JEFFERSON MARKETING?

A NOT SPECIFICALLY RIGHT NOW. YOU ASKED ABOUT THIS FURNITURE. I REMEMBER, YOU KNOW, A DISCUSSION AND AN AGREEMENT.

Q CAN YOU IDENTIFY THE PURPOSE FOR THE TITLED ACCOUNTS IN EXHIBIT "A"?

A WHAT DO YOU MEAN BY "TITLED ACCOUNTS"?

Q GENERALLY SPEAKING, ARE YOU FAMILIAR ENOUGH WITH THE ACCOUNTING RECORDS TO BE ABLE TO STATE, FOR EXAMPLE, WHAT THE FUNCTION OR WHAT DIVISION AN ACCOUNT RELATES TO BY ITS TITLE WRITTEN?

MR. MAYO: OBJECTION; VAGUE.

MR. ANDERSEN: OKAY. I CAN'T CUT IT SHORT THEN. LET ME JUST PROCEED THROUGH THE ACCOUNTS.

Q (BY MR. ANDERSEN) AGAIN, LET ME DIRECT YOUR ATTENTION TO EXHIBIT "A," HARDISON EXHIBIT "A." THE FIRST PAGE THROUGH THE THIRD PAGE ARE ENTITLED "CAMPAIGN COMMITTEE."

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A OKAY.

Q WHAT IS THE CAMPAIGN COMMITTEE?

A IN TERMS OF WHAT IT MEANS HERE, ABOUT THE BEST ANALYSIS I COULD GIVE YOU IS THAT IT IS AN ACCOUNT IN THE BOOKS AND THAT THESE DEBITS AND CREDITS INDICATE SOMETHING GOING THROUGH THE BOOKS. NOW, SPECIFICALLY WHAT THEY ARE, I DON'T KNOW LOOKING AT THEM. THE CAMPAIGN ITSELF WAS A---I DON'T KNOW WHAT THE PROPER LEGAL TERM WAS. IT WAS A SUBSIDIARY OF JEFFERSON MARKETING THAT OPERATED AS A PART OF JEFFERSON MARKETING. BUT, WHAT THAT SPECIFICALLY REFERS TO OR WHAT THESE THINGS ARE, I DON'T KNOW.

Q DO YOU KNOW WHAT SPECIFIC CATEGORIES OF DEBITS AND CREDITS WOULD HAVE BEEN RECORDED IN THE CAMPAIGN ACCOUNT?

A WHAT DO YOU MEAN BY "CATEGORIES"?

Q OR EXPENSES RECORDED.

A I DON'T KNOW THAT.

MR. ANDERSEN: LET ME GO OFF THE RECORD, PLEASE.

(THEREUPON, THERE WAS AN OFF-THE-RECORD DISCUSSION WHICH WAS NOT REPORTED BY THE COURT REPORTER.)

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MR. ANDERSEN: BACK ON THE RECORD, PLEASE. TO SUMMARIZE, COUNSEL DISCUSSED THE INFORMATION GENERALLY IN THE LEDGER SHEETS AND WHAT FURTHER INFORMATION WOULD BE REQUIRED TO GO ANY FURTHER ON IT.

DO YOU WANT TO ADD ANYTHING, COUNSEL?

MR. MAYO: ONLY THAT THE CLUB---AND FOR THAT MATTER, JEFFERSON MARKETING---HAVE MADE EVERY EFFORT TO PROVIDE DOCUMENTS REQUESTED AND MAKE AVAILABLE THE WITNESSES SOUGHT TO BE DEPOSED AND TRUST THAT THE DISCOVERY THAT'S BEEN HAD SO FAR WILL LAY TO REST THE ISSUES RAISED IN THIS PROCEEDING, SUBJECT TO OUR FURTHER SEARCH FOR DOCUMENTS.

Q (BY MR. ANDERSEN) MR. WRENN, WOULD YOU TURN TO PAGES 10 AND 11 OF THIS HARDISON EXHIBIT "A"? IT'S ENTITLED "JEFFERSON MARKETING POLITICAL DIVISION." CAN YOU TELL ME WHAT THE POLITICAL DIVISION IS?

A IT WAS A DIVISION OF JEFFERSON MARKETING.

Q DID IT HAVE ANY SPECIFIC FUNCTION OR---

A IT PERFORMED VARIOUS THINGS, VARIOUS SERVICES; AND I CAN'T TELL WHAT THIS RELATES TO, LOOKING AT THESE PAPERS.

Q WOULD IT HAVE BEEN LIMITED TO TRANSACTIONS WITH

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CANDIDATES OR CANDIDATE COMMITTEES?

A I DON'T KNOW.

Q THAT IS ALL FOR EXHIBIT "A."

IS IT TRUE THAT JEFFERSON MARKETING, MR. WRENN, PROVIDES SERVICES ONLY TO CANDIDATES THAT THE CONGRESSIONAL CLUB FAVORS?

A WHAT DO YOU MEAN BY "FAVORS"?

Q THAT THE CONGRESSIONAL CLUB SUPPORTS.

A NO.

Q DOES THE CONGRESSIONAL CLUB HAVE VETO POWER OVER THE CANDIDATES TO WHOM JEFFERSON MARKETING MIGHT PROVIDE SERVICES?

A WHAT DO YOU MEAN BY "VETO"?

Q CAN THE CONGRESSIONAL CLUB---STRIKE THAT.

DOES THE CONGRESSIONAL CLUB EVER RESTRICT JEFFERSON MARKETING FROM PROVIDING SERVICES TO CANDIDATES OF WHOM IT DISAPPROVES?

MR. MAYO: OBJECT TO THE FORM OF THE QUESTION, PARTICULARLY THE WORDS "OF WHOM IT DISAPPROVES." DO YOU MEAN CANDIDATES IT DOES NOT SUPPORT?

Q (BY MR. ANDERSEN) MR. WRENN, DOES THE CONGRESSIONAL CLUB EVER PREVENT JEFFERSON MARKETING FROM SUPPORTING ANY CANDIDATE?

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MR. MAYO: OBJECT TO THE FORM OF THE QUESTION---"JEFFERSON MARKETING'S SUPPORT OF A CANDIDATE."

MR. ANDERSEN: I THOUGHT I SAID "SERVICES."

MR. MAYO: NO.

MR. ANDERSEN: I'M SORRY.

Q (BY MR. ANDERSEN) DOES THE CONGRESSIONAL CLUB EVER PROHIBIT JEFFERSON MARKETING FROM PROVIDING SERVICES TO ANY CANDIDATES?

MR. MAYO: OBJECTION. ARE YOU ASKING, HAS IT EVER IN THE PAST?

MR. ANDERSEN: HAS IT EVER IN THE PAST.

A I DON'T RECALL IT EVER DOING THAT.

Q (BY MR. ANDERSEN) HAVE YOU EVER COUNSELED PERSONS AT JEFFERSON MARKETING AGAINST PROVIDING SERVICES TO A CANDIDATE?

A YES.

Q WAS YOUR COUNSEL HEEDED?

A I DON'T KNOW.

Q DO YOU HAVE A SPECIFIC INSTANCE IN MIND?

A THERE WAS A CANDIDATE FOR CONGRESS THAT I ADVISED THEM I DIDN'T THINK THEY WERE A GOOD CREDIT RISK.

Q AND, DID JEFFERSON MARKETING SUBSEQUENTLY PROVIDE SERVICE TO THAT CANDIDATE?

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A I DON'T KNOW.
Q DO YOU KNOW WHETHER JEFFERSON MARKETING IS IN BUSINESS TO MAKE A PROFIT?
A YES.
Q AND, ARE THEY?
A YES.
Q DO YOU HAVE ANY KNOWLEDGE AS TO THE AMOUNT OF PROFIT THAT JEFFERSON MARKETING MAKES?
A IN WHAT TIME FRAME?
Q I'M TALKING OF THE PRESENT.
A NO.
Q DO YOU HAVE ANY KNOWLEDGE AS TO PROFITS THAT JEFFERSON MARKETING HAS MADE IN THE PAST?
A I KNOW THAT---
(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)
A NO.
Q YOU DO NOT KNOW?
A YOU'RE TALKING ABOUT SPECIFIC AMOUNTS?
Q WELL, FIRST, THE QUESTION WOULD BE SPECIFIC AMOUNTS.
A NO.
Q THE ANSWER IS "NO"?
A "NO."
Q WOULD YOU KNOW WHETHER THEY MADE A PROFIT, "YES"

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OR "NO," IN PREVIOUS YEARS?

A YES.

MR. MAYO: THE QUESTION IS, DOES HE KNOW?

MR. ANDERSEN: THAT'S CORRECT.

MR. MAYO: AND, THE ANSWER WAS "YES."

Q (BY MR. ANDERSEN) YOU HAVE STATED THAT YOU DON'T KNOW, HOWEVER, FOR THE PRESENT YEAR?

A I DO NOT.

Q FOR 1982, YOU DO KNOW?

A YES.

Q DID JEFFERSON MARKETING MAKE A PROFIT IN 1982?

MR. MAYO: OBJECTION. LET'S HOLD ON ONE SECOND, PLEASE.

(THEREUPON, COUNSEL FOR THE CONGRESSIONAL CLUB AND JEFFERSON MARKETING, INC., CONFER.)

MR. MAYO: AGAIN, WE ARE AT A POINT IN THE INQUIRY INTO THE INTERNAL AFFAIRS OF JEFFERSON MARKETING THAT WE HAVE INSISTED CONSISTENTLY FROM THE BEGINNING OF THE PROCEEDING IS BEYOND THE SCOPE OF THE INVESTIGATION AND, IN PARTICULAR, BEYOND ANY ISSUE UNFAIRLY RAISED BY THE COMPLAINT IN M.U.R. 1503. THE--- WITHOUT REHEARSING ALL OF THE ARGUMENTS ON OUR

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SIDE OF THIS, I THINK WE'VE MADE OUR POSITION CLEAR WITHOUT FAIL AS TO ASSETS, LIABILITIES, PROFITS. AND, CONSISTENT WITH THAT POSITION AND CONSISTENT WITH OUR INSTRUCTIONS TO WITNESSES IN THE PAST, I'LL INSTRUCT THE WITNESS NOT TO ANSWER THAT QUESTION.

Q (BY MR. ANDERSEN) LET ME MAKE IT IN THE PRESENT. DOES J.M.I. USE ANY MAILING LISTS DEVELOPED BY THE CONGRESSIONAL CLUB IN ITS BUSINESS, IN JEFFERSON MARKETING'S BUSINESS?

A WOULD YOU PLEASE EXPLAIN EXACTLY WHAT YOU MEAN BY "DEVELOPED BY THE CONGRESSIONAL CLUB"?

A HAS THE CONGRESSIONAL CLUB CONSTRUCTED A LIST OF CONTRIBUTORS OVER THE COURSE OF THE YEARS OF ITS EXISTENCE?

A YES.

Q HAS IT CONSTRUCTED MORE THAN ONE LIST?

A IT'S NOT AS SIMPLE A QUESTION AS IT SOUNDS. I SUPPOSE THERE ARE VARIOUS LISTS OF CONTRIBUTORS TO DIFFERENT PROJECTS OF THE CLUB.

Q DOES THE CONGRESSIONAL CLUB MAKE THOSE LISTS AVAILABLE TO ANYONE?

A NO---WELL, DEFINE "ANYONE." I MEAN, DO YOU MEAN, DO WE EVER MAKE THEM AVAILABLE?

Q HAVE YOU EVER MADE THEM AVAILABLE? I'M SORRY.

MR. MAYO: TO ANYONE OTHER THAN JEFFERSON? IS THAT THE QUESTION?

MR. ANDERSEN: AT THE MOMENT THE QUESTION WOULD BE INCLUDING JEFFERSON. I'M TRYING TO---

A YES.

MR. ANDERSEN: ---DEFINE WHAT I MEAN BY "MAILING LISTS" IN THE FIRST QUESTION.

A YES.

Q (BY MR. ANDERSEN) ASSUMING THAT THERE ARE SEVERAL LISTS, HAS THE CONGRESSIONAL CLUB EVER PERMITTED JEFFERSON MARKETING THE USE OF ANY OF THOSE LISTS?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A YES.

Q DID THE CONGRESSIONAL CLUB CHARGE JEFFERSON MARKETING FOR THE USE OF THE LIST?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I THINK IT WOULD HELP IF I EXPLAINED A LITTLE BIT ABOUT DIRECT-MAIL LIST OWNERSHIP. WE HAVE VARIOUS COMPANIES WE DO BUSINESS WITH IN DIRECT-MAIL AND ARE GOVERNED BY VARIOUS AGREEMENTS PERTAINING TO OUR CONTRIBUTOR LISTS. FOR INSTANCE, WITH THE VIGUERIE

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COMPANY, WE HAVE A CONTRACT WHICH STIPULATES WE HAVE CERTAIN RIGHTS, USAGES FOR THE NAMES; AND THE VIGUERIE COMPANY HAS CERTAIN RIGHTS AND USAGES. WE'RE BOTH RESTRICTED.

WE HAVE A SIMILAR AGREEMENT WITH JEFFERSON MARKETING WHERE LISTS THAT THEY HELP COMPILE OR MANAGE, THEY HAVE CERTAIN RIGHTS TO THE USE OF THE NAMES. IT'S MORE OR LESS OF A STANDARD OPERATING PROCEDURE IN DIRECT-MAIL. IT VARIES FROM ENTITY TO ENTITY.

Q DOES---WHY DOES JEFFERSON MARKETING HAVE ANY RIGHTS IN ANY LISTS RETAINED BY THE CONGRESSIONAL CLUB?

A IT'S A---I MEAN, IT'S AN AGREED---

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

MR. MAYO: I WILL OBJECT TO THE FORM OF THE QUESTION, PARTICULARLY THE ASSUMPTION OR ASSERTION THAT THE LIST IS RETAINED BY THE CLUB. THE PRIOR ANSWER INDICATES THAT THERE IS A JOINT INTEREST IN THAT LIST. SO, THAT'S NOT A FAIR CHARACTERIZATION.

Q (BY MR. ANDERSEN) HOW DID THAT JOINT INTEREST COME ABOUT?

A JEFFERSON MARKETING HELPED BUILD THE LIST.

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Q CAN YOU SAY PARTICULARLY WHAT RIGHTS IN THE LIST JEFFERSON MARKETING HAS AFTER IT---SINCE IT HELPED TO BUILD THE LIST, WHAT RIGHTS DOES THAT PERMIT JEFFERSON MARKETING?

A THEY HAVE THE RIGHT TO MARKET THE LIST.

Q THEY HAVE THE RIGHT TO MARKET THE LIST WITHOUT ADDITIONAL PAYMENT TO THE CONGRESSIONAL CLUB?

A YES.

Q DOES THE CONGRESSIONAL CLUB PAY FOR ANY OF THE OPERATIONS OF THE JEFFERSON MARKETING CLUB---EXCUSE ME.

DOES THE CONGRESSIONAL CLUB PAY FOR THE OPERATIONS OF JEFFERSON MARKETING IN ANY WAY OTHER THAN IN THOSE INSTANCES WHERE IT RECEIVES SERVICES?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A IT DOES NOT. IN MY ADVICE TO JEFFERSON, PRESENTLY AND IN THE PAST, I HAVE HAD SEVERAL CONCEPTS IN MY MIND THAT I HAVE BEEN ADVISED BY COUNSEL OR OTHERWISE. TWO OF THOSE ARE THAT, IN TERMS OF THE FLOW OF MONEY, THAT IF YOU'RE IN AN AREA WHERE A RATE---THERE'S SOME SUBJECTIVE DETERMINATION TO IT, THAT IT IS PERFECTLY LEGAL FOR A POLITICAL ENTITY TO OVERPAY OR TO---"OVERPAY" IS EVEN TOO STRONG A WORD---

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THAT IF A RATE IS SUBJECTIVE, IT IS MORE PRUDENT TO PAY IT ON THE HIGH SIDE; BECAUSE MONEY MAY FLOW FROM A POLITICAL ENTITY TO A CORPORATE ENTITY, BUT ABSOLUTELY NOT THE OTHER WAY. SO, IN TERMS OF SETTING UP THE FLOW OF CASH, MY ADVISE TO JEFFERSON HAS ALWAYS BEEN, IF IN QUESTION, BILL ON A HIGHER SIDE.

SECONDLY, THE ONE THING I HAVE ALWAYS HAD IN FOCUS, THAT IF JEFFERSON EVER OPERATED WITHOUT A PROFIT IN DEALING WITH A POLITICAL ENTITY, THAT THAT WOULD BE A PROBLEM. SO, I HAVE ALWAYS ADVISED THEM IN THEIR DEALINGS NOT ONLY TO BE SURE THAT ANY QUESTION REGARDING FUNDING IS A QUESTION OF A POLITICAL COMMITTEE OVERPAYING OR PAYING ON THE HIGH SIDE, BUT THAT THEY ALWAYS BE SURE TO OPERATE WITH A PROFIT IN DEALING WITH A POLITICAL COMMITTEE.

Q AND, WHEN YOU TALK OF "DEALING WITH A POLITICAL COMMITTEE," YOU'RE INCLUDING THE CONGRESSIONAL CLUB?

A YES. THESE WERE JUST, YOU KNOW, FACTS, LEGAL--- WHAT I UNDERSTOOD TO BE LEGAL FACTS THAT THEY HAD TO ADHERE TO STRICTLY.

Q DO YOU KNOW WHETHER JEFFERSON MARKETING HAS ADHERED TO THESE GUIDELINES?

MR. MAYO: OBJECTION. IF THE QUESTION

ASKS WHETHER JEFFERSON MARKETING HAS MADE A PROFIT, FOR INSTANCE, WHICH IS IMPLICIT IN ONE OF THOSE GUIDELINES, IT'S JUST ANOTHER WAY OF ASKING A QUESTION WE'VE CONSISTENTLY OBJECTED TO AND INSTRUCTED WITNESSES NOT TO ANSWER.

MR. ANDERSEN: WELL, I THINK THE WITNESS IS MAKING A STATEMENT ABOUT THE SUBSIDIZATION QUESTION; AND HE'S EXPLAINED THE GUIDELINES THAT HE HAS STATED THAT HE HAS TALKED TO--- APPARENTLY TALKED TO PEOPLE AT JEFFERSON MARKETING ABOUT. HE MENTIONED OTHERS AND INDICATED THAT HE'S SPOKEN OF THESE THINGS TO OTHERS. AND, I WOULD THINK HE'S IN A POSITION TO SAY WHETHER OR NOT THOSE GUIDELINES HAVE BEEN ADHERED TO.

MR. MAYO: I DISAGREE WITH YOUR CHARACTERIZATION OF THE SUBJECT UNDER DISCUSSION AS THE "SUBSIDIZATION QUESTION." HE CERTAINLY DIDN'T INDICATE THAT THERE'S ANY SUBSIDIZATION GOING ON. YOUR QUESTION ASKED WHETHER HE PROVIDED MONIES FOR OPERATIONAL EXPENSES OF JERFFERSON IN ANY FORM OTHER THAN THE PAYMENT TO JEFFERSON FOR SERVICES BY JEFFERSON TO THE CLUB.

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MR. ANDERSEN: I THINK SUBSIDIZATION SUMMARIZES THAT VERY PHRASE, COUNSEL.

MR. MAYO: I DISAGREE ENTIRELY. HIS STATEMENT STANDS ON ITS OWN. I DON'T WANT YOUR CHARACTERIZATION TO STAY ON THE RECORD WITHOUT OUR OBJECTION TO THAT CHARACTERIZATION.

MR. ANDERSEN: AS TO THE PENDING QUESTION, YOU'RE INSTRUCTING THE WITNESS NOT TO ANSWER?

MR. MAYO: YES. I THINK THERE ARE WAYS TO REFORMULATE THAT QUESTION AND AVOID THIS PROBLEM.

Q (BY MR. ANDERSEN) MR. WRENN, LET ME FOCUS THAT QUESTION WITH RESPECT TO THE GIBSON CAMPAIGN.

CAN YOU ANSWER WHETHER JEFFERSON MARKETING HAS ADHERED TO THOSE GUIDELINES WITH RESPECT TO THE GIBSON CAMPAIGN?

MR. MAYO: OBJECTION; THE SAME INSTRUCTION. I MAY ADD, THERE'S BEEN PLENTY OF TESTIMONY ON THE SUBJECT OF WHETHER THE SERVICES BILLED TO THE GIBSON COMMITTEE WERE AT THE USUAL, CUSTOMARY RATES PREVAILING FOR THE SERVICES PROVIDED.

MR. ANDERSEN: NOT REALLY. EXCUSE ME FOR INTERRUPTING, COUNSEL

MR. MAYO: IN ANY EVENT, COUNSEL, IF THAT'S

YOUR QUESTION, THAT'S NOT WHAT YOU'VE ASKED.

MR. ANDERSEN: WELL, YOU'VE DIRECTED HIM NOT TO ANSWER; AND I'M NOT INTERESTED IN YOUR TESTIMONY ON THE RECORD. YOU'VE DIRECTED HIM NOT TO ANSWER; HE HASN'T ANSWERED. I'M MOVING ON TO ANOTHER QUESTION.

MR. MAYO: ALL RIGHT.

Q (BY MR. ANDERSEN) MR. WRENN, YOU HAVE YOUR OFFICES--- THE OFFICES OF THE CONGRESSIONAL CLUB ARE IN THE SAME BUILDING AS THOSE OF JEFFERSON MARKETING. IS THAT CORRECT?

A YES.

Q DO YOU FEEL AS IF YOU CAN COME AND GO AS YOU PLEASE IN THE JEFFERSON MARKETING OFFICES?

A WHAT DO YOU MEAN?

Q IN ADDITION TO YOUR OFFICES FOR THE CONGRESSIONAL CLUB, DO YOU ON A DAILY BASIS FREQUENT THE OFFICE OF JEFFERSON MARKETING?

A IT JUST DEPENDS ON WHETHER I AM WORKING ON SOMETHING WITH SOMEONE IN JEFFERSON MARKETING. IT'S NO SET RULE. IT VARIES.

Q DO YOU HAVE DISCUSSIONS WITH PERSONS AT JEFFERSON MARKETING CONCERNING THEIR CLIENTS OTHER THAN THOSE THAT YOU MAY BE WORKING WITH THROUGH THE CONGRESSIONAL

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CLUB?

A YES.

Q DOES MR. DAVIDSON, THE PRESIDENT OF JEFFERSON MARKETING, EVER ENGAGE IN SUCH DISCUSSIONS WITH YOU?

A YES.

Q DOES HE EVER SEEK YOUR ADVICE ON MATTERS OF JEFFERSON MARKETING POLICY WITH RESPECT TO SUCH CANDIDATES?

A "CANDIDATES"?

Q YES.

A OCCASIONALLY.

Q MR. WRENN, HAVE YOU EVER HEARD OF THE JEFFERSON MARKETING, INCORPORATED FOUNDATION?

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A IN THIS---IN A DEPOSITION HERE YESTERDAY.

Q THE DEPOSITION HERE YESTERDAY WAS THE FIRST TIME YOU EVER HEARD OF AN ENTITY CALLED THE J.M.I. FOUNDATION?

A YES.

Q ARE YOU AWARE, MR.---

WITNESS: THAT'S THE FIRST TIME I HEARD OF THE NAME.

Q ARE YOU FAMILIAR WITH ANY FOUNDATION THAT IS

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CONSIDERED TO BE A PART OF JEFFERSON MARKETING, INC.?

A NO.

Q ARE YOU AWARE THAT THERE ARE ENTRIES IN THE LEDGERS FOR JEFFERSON MARKETING THAT REFER TO AN ENTITY CALLED THE J.M.I. FOUNDATION?

MR. MAYO: OBJECTION. THAT ASSUMES THAT THERE ARE REFERENCES TO AN ENTITY CALLED J.M.I. FOUNDATION. IT SEEMS LIKE AN UNFAIR QUESTION.

MR. ANDERSEN: LET ME REPHRASE THE QUESTION.

MR. MAYO: IF YOU COULD REFER HIM TO A PAGE, PERHAPS---

MR. ANDERSEN: WELL, LET'S DO IT THAT WAY.

Q (BY MR. ANDERSEN) IF YOU WOULD, DIRECT YOUR ATTENTION TO HARDISON EXHIBIT "A," PAGES 34 AND 35.

(THEREUPON, THE WITNESS COMPLIES.)

MR. MAYO: THE RECORD SHOULD REFLECT THAT WE ARE LOOKING AT NATIONAL CONGRESSIONAL CLUB GENERAL LEDGER SHEETS.

MR. ANDERSEN: THE TITLE IS "LOANS RECEIVABLE." THERE ARE A NUMBER OF ENTRIES ON THOSE TWO PAGES, DEBITS AND CREDITS, WITH

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RESPECT TO AN ENTITY OR AN ACCOUNT, AT LEAST, ENTITLED "J.M.I. FOUNDATION."

Q (BY MR. ANDERSEN) WERE YOU AWARE THAT THESE ENTRIES WERE IN THE CONGRESSIONAL CLUB'S LEDGERS?

A WERE WHEN? YOU MEAN---?

Q BEFORE SEPTEMBER 12, 1983.

A BEFORE TODAY?

Q BEFORE MONDAY WHEN WE---

A NOT SPECIFICALLY, NO. BUT, I MEAN---NO.

Q DO THESE ENTRIES MEAN ANYTHING TO YOU AT ALL?

MR. MAYO: THE ENTRIES FOR J.M.I. FOUNDATION?

MR. ANDERSEN: J.M.I. FOUNDATION.

A YES.

Q (BY MR. ANDERSEN) COULD YOU STATE WHAT THEY DO MEAN TO YOU?

A (NO RESPONSE)

Q LET'S TAKE A SPECIFIC ONE, IF YOU LIKE. LET'S TAKE THE ONE ON PAGE 35 ON MARCH 31.

MR. MAYO: WHAT'S YOUR QUESTION WITH RESPECT TO THAT?

Q (BY MR. ANDERSEN) DOES THAT HAVE ANY MEANING FOR YOU?

MR. MAYO: WHICH PART OF THAT ENTRY, PLEASE?

MR. ANDERSEN: THE ENTIRE ENTRY.

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MR. MAYO: YOU'RE ASKING IF HE UNDERSTANDS WHAT THAT TRANSACTION WAS?

MR. ANDERSEN: I ASKED HIM IF ANY OF THESE HAD ANY MEANING FOR HIM, AND HE SAID "YES." AND, I'M TRYING TO BE SPECIFIC. I DON'T KNOW WHAT MEANING IT MAY HAVE.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A IT INDICATES TO ME A TRANSACTION BETWEEN THE CONGRESSIONAL CLUB AND THE J.M.I. FOUNDATION DIVISION.

Q (BY MR. ANDERSEN) IS THE J.M.I. FOUNDATION, AS YOU UNDERSTAND IT, A DIVISION OF JEFFERSON MARKETING?

MR. MAYO: OBJECTION. I THINK THE USE OF THE ARTICLE "THE" IS SOMEWHAT MISLEADING BEFORE THE J.M.I. FOUNDATION.

MR. ANDERSEN: OKAY. STRIKE THE ARTICLE "THE." J.M.I. FOUNDATION DIVISION.

WITNESS: WOULD YOU REPEAT THE QUESTION?

Q (BY MR. ANDERSEN) IS THAT---IS J.M.I. FOUNDATION DIVISION AN ACCOUNT, A BOOKKEEPING ACCOUNT, OF JEFFERSON MARKETING?

A I REALLY DON'T KNOW WHAT A BOOKKEEPING ACCOUNT CONSTITUTES. TELL ME WHAT YOU MEAN BY THAT.

Q IS IT AN ACCOUNTING TERM USED TO IDENTIFY A

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PARTICULAR ACCOUNT?

A I'M REALLY NOT CLEAR ENOUGH TO GIVE YOU AN ANSWER.

Q OKAY.

IS IT A COST CENTER FOR JEFFERSON MARKETING?

MR. MAYO: "IS IT"?

MR. ANDERSEN: I'M ASKING THE WITNESS IS IT A COST CENTER FOR JEFFERSON MARKETING.

(THEREUPON, THE WITNESS CONFERS WITH HIS COUNSEL.)

A I BELIEVE IT WAS.

Q (BY MR. ANDERSEN) ARE YOU FAMILIAR WITH JEFFERSON MARKETING'S INITIAL STOCK OFFERING?

A WHAT DO YOU MEAN BY "FAMILIAR"?

Q DO YOU KNOW ANYTHING ABOUT IT? HAVE YOU EVER HEARD OF AN INITIAL STOCK OFFERING MADE BY JEFFERSON MARKETING?

A I'VE READ THE PAPERS FILED WITH THE F.E.C.

Q OTHER THAN THE PAPERS THAT YOU'VE READ FILED WITH THE F.E.C., DO YOU KNOW ANYTHING ABOUT THOSE STOCK OFFERINGS?

MR. MAYO: OBJECTION. IT ASSUMES THE STOCK OFFERING TOOK PLACE.

WITNESS: I DON'T EVEN KNOW WHAT A STOCK OFFERING IS, REALLY.

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MR. MAYO: NEITHER DO I.

MR. ANDERSEN: NEITHER DO I. THE STOCK OFFERING THAT I AM REFERRING TO WAS IN THE DOCUMENTS PRODUCED BY JEFFERSON MARKETING TO THE COMMISSION, AND IT INDICATES THAT AT ONE POINT ONE HUNDRED SHARES OF STOCK WERE ISSUED AT A DOLLAR PER SHARE.

MR. MAYO: IF THERE'S A DIFFERENCE BETWEEN "ISSUE" AND "OFFER," I THINK THAT MAY BE THE SOURCE FOR SOME CONFUSION.

Q (BY MR. ANDERSEN) DO YOU KNOW WHO WAS THE FIRST--- WHO WAS THE INITIAL OWNER OF THE JEFFERSON MARKETING STOCK?

A YES.

Q COULD YOU STATE WHO THAT WAS, PLEASE?

A ALEX CASTELLANOS.

Q DO YOU KNOW WHO PURCHASED HIS STOCK IN JEFFERSON MARKETING?

A YES.

Q COULD YOU STATE WHO THAT WAS, PLEASE?

A RICHARD MILLER.

Q COULD YOU STATE WHAT HE PAID FOR THAT STOCK?

MR. MAYO: OBJECTION. RELATED TO THE INQUIRIES INTO ASSETS, LIABILITIES, PROFITABILITY.

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THE PURCHASE PRICE OF THE COMPANY, IN EFFECT, THROUGH THE ACQUISITION OF ALL OF THE COMPANY'S STOCK, IN THE FIRST INSTANCE, RELATES TO THE CONCEPTS OF PROFITABILITY, NET WORTH, ASSETS AND LIABILITIES. IN THE SECOND INSTANCE, IT IS BEYOND THE SCOPE OF THIS INQUIRY. I DIRECT THE WITNESS NOT TO ANSWER THAT QUESTION.

Q (BY MR. ANDERSEN) DO YOU KNOW WHO PURCHASED---DO YOU KNOW WHETHER MR. MILLER SOLD HIS STOCK IN JEFFERSON MARKETING?

A YES.

Q DO YOU KNOW WHO PURCHASED THAT STOCK FROM MR. MILLER?

A YES.

Q COULD YOU STATE WHO THAT WAS, PLEASE?

A THE CONGRESSIONAL CLUB FOUNDATION.

Q WHAT IS THE CONGRESSIONAL CLUB FOUNDATION?

A IT IS A 501(C)(4) ORGANIZATION.

Q DOES IT OPERATE UNDER YOUR DIRECTION?

A YES.

Q HOW LONG DID THE CONGRESSIONAL CLUB FOUNDATION OWN JEFFERSON MARKETING'S STOCK?

A I BELIEVE APPROXIMATELY A YEAR.

MR. MAYO: MR. ANDERSEN, YOU'RE AWARE, OF COURSE, THAT THE NAMES OF THE SHAREHOLDERS OF

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JEFFERSON MARKETING AND THE DATES DURING WHICH THEY WERE SHAREHOLDERS IS CONTAINED IN JEFFERSON MARKETING'S RESPONSE.

MR. ANDERSEN: YES. THE PURPOSE OF MY ASKING THE QUESTIONS WAS TO DETERMINE THE NUMBER AND VALUE OF THE SHARES AS THOSE TRANSACTIONS MOVED ALONG. YOU'VE DIRECTED THE WITNESS NOT TO ANSWER THOSE QUESTIONS AS WE'VE COME TO THEM, BUT I FEEL THE NECESSITY FOR THE RECORD'S SAKE TO LAY A PROPER FOUNDATION FOR THOSE QUESTIONS I AM ASKING. THE QUESTIONS---I MEAN, I DON'T WANT TO DRAG OUT ALL OF THE OTHER THINGS. WE GOT INVOLVED IN THAT YESTERDAY. I DON'T THINK IT WORKED.

Q (BY MR. ANDERSEN) DID THE CONGRESSIONAL CLUB FOUNDATION SELL ITS STOCK IN JEFFERSON MARKETING?

A YES.

Q AND, WHO PURCHASED THAT STOCK?

A THE EDUCATIONAL SUPPORT FOUNDATION.

Q CAN YOU TELL ME WHAT THE EDUCATIONAL SUPPORT FOUNDATION IS?

A IT'S A NOT-FOR-PROFIT CORPORATION.

Q IS IT A PART OF THE CONGRESSIONAL CLUB?

A NO.

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Q IS IT A PART OF JEFFERSON MARKETING?

A NO.

Q IS IT AN INDEPENDENT ENTITY?

A YES.

Q DO YOU KNOW WHAT THE EDUCATIONAL SUPPORT FOUNDATION DOES?

A YES.

Q CAN YOU TELL ME, PLEASE?

A IT IS A NEW ORGANIZATION AND IS ESTABLISHED TO PROVIDE SCHOLARSHIPS AND OTHER NONPROFIT ACTIVITIES, TO PURSUE NONPROFIT ACTIVITIES.

Q DOES IT HAVE A BOARD OF DIRECTORS?

A YES.

Q DO YOU KNOW WHO---WHAT THE NAMES OF THE PERSONS ARE THAT COMPOSE THAT BOARD OF DIRECTORS?

A YES.

Q WOULD YOU PLEASE TELL US THOSE NAMES?

A MYSELF, TOM ELLIS, AND TERRY BOYLE.

Q DOES TERRY BOYLE WORK FOR THE CONGRESSIONAL CLUB?

A NO.

Q IS TERRY BOYLE EMPLOYED BY JEFFERSON MARKETING?

A NO.

Q DO YOU KNOW WHAT MR. BOYLE DOES FOR A LIVING?

A HE'S AN ATTORNEY.

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Q DOES HE LIVE IN NORTH CAROLINA?

A YES.

Q DOES HE LIVE IN RALEIGH?

A NO.

Q COULD YOU STATE WHERE HE LIVES, PLEASE?

A IN EDENTON, NORTH CAROLINA.

Q DOES THE EDUCATIONAL SUPPORT FOUNDATION MAINTAIN---
STRIKE THAT.

HOW MANY SHARES OF STOCK DID THE EDUCATIONAL SUPPORT FOUNDATION PURCHASE FROM THE CONGRESSIONAL CLUB FOUNDATION, INCORPORATED?

A ONE HUNDRED.

Q DO YOU KNOW THE VALUE OF THOSE SHARES?

MR. MAYO: OBJECTION AND DIRECT THE WITNESS NOT TO ANSWER.

Q (BY MR. ANDERSEN) MR. WRENN, WHAT IS THE VALUE OF THOSE SHARES NOW?

MR. MAYO: OBJECTION AND INSTRUCT THE WITNESS NOT TO ANSWER.

MR. ANDERSEN: I WOULD LIKE TO TAKE ABOUT A TWO-MINUTE BREAK TO CONFER WITH MR. JOHANSEN, AND WE'LL BE BACK RIGHT AFTER THAT AND PROBABLY BE FINISHED FROM OUR STANDPOINT.

MR. MAYO: HOW SOON AFTER THAT, DO YOU

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THINK?

MR. ANDERSEN: UNLESS I DISCOVER THAT I'VE MISSED SOMETHING CRUCIAL, IT WILL BE FINISHED THEN.

MR. MAYO: OKAY.

(THEREUPON, THERE WAS A BRIEF RECESS.)

MR. ANDERSEN: BACK ON THE RECORD. WE HAVE NO FURTHER QUESTIONS AT THIS TIME.

MR. MAYO: I DO HAVE SOME CROSS-EXAMINATION QUESTIONS.

CROSS-EXAMINATION BY MR. MAYO:

Q MR. WRENN, BEFORE JEFFERSON MARKETING WAS ORGANIZED IN 1978, DID THE NATIONAL CONGRESSIONAL CLUB OBTAIN SERVICES---DIRECT-MAIL SERVICES, FOR INSTANCE--- FROM SOME OTHER OUTSIDE VENDORS?

A YES.

Q IT DID NOT DO SUCH WORK TOTALLY ON ITS OWN---

A NO.

Q ---IN AN INSIDE OPERATION SENSE, BUT DEALT WITH OTHER VENDORS, TOO---

A YES, ABSOLUTELY.

Q ---TO GET THOSE SERVICES?

HAS THAT CONTINUED TO BE THE CASE UP TO THE PRESENT TIME, THAT THE CLUB OBTAINS SERVICES BOTH

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NOW FROM JEFFERSON MARKETING AND COMPARABLE SERVICES FROM OUTSIDE VENDORS AS WELL?

A YES, ABSOLUTELY.

Q IS SENATOR HELMS STILL INVOLVED IN ANY WAY WITH THE NATIONAL CONGRESSIONAL CLUB?

A NO.

Q WHAT HAD BEEN SENATOR HELMS' POSITION WITH THE CLUB?

A HE HAD BEEN HONORARY CHARIMAN.

Q WHEN DID HE CEASE BEING HONORARY CHAIRMAN?

A THE FIRST OF THIS YEAR.

Q AND, FROM THAT POINT ON, HAS HE HAD ANY TITLE, POSITION OR FUNCTION WITH RESPECT TO THE CLUB?

A NO.

Q WHEN JEFFERSON MARKETING WAS FIRST ORGANIZED---OR AFTER IT WAS ORGANIZED, IT WAS YOUR TESTIMONY, I BELIEVE, THAT THE NATIONAL CONGRESSIONAL CLUB SAW AN OPPORTUNITY IN THE FORM OF JEFFERSON MARKETING FOR A PROVIDER OF CERTAIN SERVICES TO THE CLUB. IS THAT CORRECT?

A YES.

Q CAN YOU EXPLAIN FURTHER WHAT PARTICULAR OPPORTUNITIES OR PARTICULAR NEEDS YOU SAW JEFFERSON MARKETING MEETING FOR THE CLUB AT THAT TIME? WHAT WAS THE

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CONCERN ON THE CLUB'S PART, AND HOW DID JEFFERSON FIT IN?

A WELL, WE WERE IN NEED OF A SERVICE IN THE AREA OF DIRECT-MAIL, IN THE AREA OF ADVERTISING, PRODUCTION, TIME BUYING; AND JEFFERSON WAS ABLE TO HELP US ACCOMPLISH THOSE NEEDS.

Q WERE YOU OBTAINING SOME OF THOSE SERVICES AT THAT TIME FROM OTHER VENDORS?

A YES.

Q IS THERE ANY RELEVANCE OR SIGNIFICANCE TO THE FACT THAT JEFFERSON MARKETING WAS LOCATED, AS IT IS NOW, IN RALEIGH?

A NONE OTHER THAN CONVENIENCE. IT'S EASIER FOR US TO DEAL WITH A FIRM IN RALEIGH THAN A FIRM IN NEW YORK. THAT'S IT.

MR. MAYO: NO FURTHER QUESTIONS.

MR. ANDERSEN: NO FURTHER QUESTIONS.

(THEREUPON, THE WITNESS WAS DISMISSED.)

_____

SIGNED THIS _____ DAY OF _____, 1983.

_____
R. E. CARTER WRENN

STATE OF NORTH CAROLINA
COUNTY OF _____

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____ DAY OF _____, 1983.

_____
NOTARY PUBLIC

MY COMMISSION EXPIRES:

(SEAL)

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
The National Congressional Club	)	

RESPONSE OF NATIONAL CONGRESSIONAL CLUB
TO ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

This is the response of The National Congressional Club to the Federal Election Commission's Order to Submit Written Answers and Subpoena to Produce Documents, hand-delivered on December 1, 1983. The undersigned, Carter Wrenn, is Treasurer of the National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

The National Congressional Club ("NCC") objects to many of the items in The Order to Submit Written Answers and Subpoena to Produce Documents ("Order") on the grounds that these items are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. In order to expedite a resolution of this matter, however, NCC responds to the Order as set forth below. By its response, NCC does not waive its rights to press any of the objections raised herein or to

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raise other objections before the Federal Election Commission or the courts.

Further, the Commission has propounded nine of the ten questions contained in this Order to Jefferson Marketing, Inc. ("JMI"), in another Order to Submit Written Answers and Subpoena to Produce Documents ("JMI Order"). At page one of the JMI Order the Commission has stated: "If NCC is in a position to better answer any of the above numbered questions than is Jefferson Marketing, Inc. ("JMI"), please so state in your response." Whenever appropriate, NCC has similarly stated in this response that JMI is in a better position to answer a particular question than is NCC.

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RESPONSE

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

NCC considered a number of different factors in estimating the value of services provided by JMI employees in connection with production of the television advertisement and time buying for the Democrats for Better Government to Elect Gibson ("Gibson Committee"). These factors included the

number of people involved, the nature of the tasks performed, the number of hours spent on each project by JMI employees, the salaries of the employees, the quality of the work performed, and the value of that work to the candidate.

1.b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

Carter Wrenn established the $353.08 figure.

1.c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

Yes.

1.d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

NCC objects to this question on the ground that it seeks information that is irrelevant to this proceeding. Without waiving this objection NCC responds as follows: No.

1.e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

During the period of time in question, many of JMI's employees worked full-time on NCC activities and provided

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services under NCC's direction. For these full-time services, as well as for the administrative convenience and the efficiencies that this arrangement afforded, NCC paid JMI a monthly fee, which covered the salaries of JMI's employees, JMI's overhead, and a fixed percentage of profit for JMI. When, with respect to the videotape production and time-buying for the Gibson Committee, NCC decided to make an in-kind contribution of some portion of the services of these JMI employees -- for which JMI had already been paid by NCC -- a value had to be determined for these services so that the contribution could be reported by NCC and by the candidate's committee. Accordingly, NCC determined the value of the contributed services.

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1.f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

NCC's response to Item 1.f. is: No. NCC's response to Items 1.f(1) through 1.f(4) is: N/A.

1.g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

See NCC's response to Item 1.e.

1.h. Please state the names of all political committees (other than those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

NCC objects to this question on the grounds that NCC's in-kind contributions to committees neither identified nor alluded to in Congressmen Rose's complaint are outside the scope of this matter, and any question on the subject is logically and legally irrelevant.

1.i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1) the date of the bill;
2) the date of payment of the bill; and
3) the JMI cost center credited upon payment of the bill.

NCC's response to Item 1.i. is: No. NCC's response to Items 1.i(1) through 1.i(3) is: N/A.

1.j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

N/A.

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1.k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;
2) the amount of the larger bill;
3) the identity of all JMI clients, other than Gibson, represented in the larger bill;
4) the date the larger bill was submitted to NCC by JMI; and
5) the date the larger bill was paid by NCC.

NCC's response to Item 1.k. is: Yes.

1.k(1). No single cost center was credited upon payment of the bill.

1.k(2). $57,438.

1.k(3). NCC objects to this question on the ground that it inquires into matters that are beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the instant complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows: As indicated in NCC's response to Item 1.e., JMI's bill was not constructed on a project-by-project basis, but was for the full-time services of JMI employees to NCC.

1.k(4). JMI submitted its bill in two parts. One bill was submitted on either June 15 or June 16, 1983. The second bill was submitted between June 30 and July 21, 1983.

1.k(5). NCC paid JMI's two bills with a series of checks between May 28 and July 26, 1983.

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1.1. If the answer to part k. is yes, please submit a copy of the document to the Commission.

Copies of JMI's two bills are attached as Exhibit A hereto.

2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

NCC does not have the documentation that is necessary to respond to Items 2.a. through 2.c.

2.d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

It is NCC's belief that Mr. Ashe's time was allocated to the Gibson Committee at the rate of $110.77 per day.

2.e. Please describe all of the services Mr. Ashe performed for Gibson.

NCC believes that Mr. Ashe served as the in-studio representative during the editing process of the Rose-Rio advertisement and was involved in the editing decisions made in the studio.

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2.f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

Mr. Ashe did not act in any such capacity.

2.g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

JMI is in a better position to answer this question than is NCC.

2.h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

N/A.

2.i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

No.

2.j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

NCC does not have the documentation that is necessary to respond to this question.

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2.k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

It is NCC's belief that Ms. Cashwell's time was allocated to the Gibson Committee at the rate of $45.00 per day.

2.l. Please describe all of the services Ms. Cashwell performed for Gibson.

Ms. Cashwell bought television time for the Gibson Committee.

2.m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

Ms. Cashwell did not act in any such capacity.

2.n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

JMI is in a better position to answer this question than is NCC.

2.o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

N/A.

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2.p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

Ms. Cashwell bought television time for use by the Gibson Committee in conjunction with the airing of the Rose-Rio advertisement. See NCC's response to Item 2.k. There was no direct charge to the Gibson Committee for Ms. Cashwell's services, which were paid for by NCC and which were included in the $300.08 reported by NCC as an in-kind donation to the Gibson Committee.

2.q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;
2) the amount of the total of $353.08 allocable to the staff time of each person;
3) a description of the services performed for Gibson by each person;
4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;
5) the monetary rate at which each person's staff time allocated to Gibson was computed;
6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;
7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;
8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;
9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;
10) if the answer to part 8) is yes, please describe the contents of said record;

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11) whether each person bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

NCC's response to Item 2.q. is: No. NCC's response to Items 2.q(1) through 2.q(12) is: N/A.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

JMI is in a better position to answer Items 3.a., 3.a.(1) and 3.a.(2) than is NCC.

3.a.(3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV;

No.

3.a.(4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

NCC did not reimburse Gibson for payment of the $395 to WKFT-TV.

3.b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

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NCC did not reimburse any person for any part of the $395 time buy from WKFT-TV.

3.c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

N/A.

3.d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

JMI is in a better position to answer this item than is NCC.

3.e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

JMI is in a better position to answer this item than is NCC.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

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Based upon the poor quality of the available copies of this purchase order, NCC cannot state with certainty that Mr. Wrenn's initials appear on the document. NCC believes that Mr. Wrenn initialed Purchase Order No.4361.

4.a(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

NCC believes that Mr. Wrenn approved the issuance of Purchase Order No. 4361.

4.a(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

Susan Cashwell.

4.a(4) Please explain the difference between the gross and net totals billed by WECT-TV.

The net total represents the price for which the station was willing to sell its television time. This is the amount charged by the station and the amount that the Gibson Committee paid the station to run its advertisement. The gross amount represents the figure the station reduced by 15 percent in order to derive the net total. It is standard billing procedure for this station to issue its bills with both a gross and a net figure.

4.a(5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

JMI is in a better position to answer this item than is NCC.

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4.a(6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

JMI is in a better position to answer this question than is NCC.

4.a(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

JMI is in a better position to answer this question than is NCC.

4.a(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this question than is NCC.

4.a(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.a(9)(a) through 4.b(9)(d) is: N/A.

4.a(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

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NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

4.a(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.b. JMI Purchase Order No. 4366 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and that the net total was $582.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

Based upon the poor quality of the available copies of this purchase order, NCC cannot state with certainty that Mr. Wrenn's initials appear on the document. NCC believes that Mr. Wrenn initialed Purchase Order No. 4366.

4.b(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

NCC believes that Mr. Wrenn approved the issuance of Purchase Order No. 4366.

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4.b(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

Susan Cashwell.

4.b(4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designation Purchase Order No. 4366.

See NCC's response to Item 4.a(4).

4.b(5) Please state the total cost of JMI of providing the time buy designated in Purchase Order No. 4366.

JMI is in a better position to answer this item than is NCC.

4.b(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase No. 4366.

JMI is in a better position to answer this item than is NCC.

4.b(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4366.

JMI is in a better position to answer this item than is NCC.

4.b(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this item than is NCC.

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4.b(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4366 as gross and net totals. If the answers to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment is recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.b(9)(a) through 4.b(9)(d) is: N/A.

4.b(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4366. If the answer to this question is yes, please state the amount of profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

4.b(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

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4.c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the gross billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

Mr. Wrenn initialed Purchase Order No. 4437.

4.c(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

Mr. Wrenn approved the issuance of Purchase Order No. 4437.

4.c(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

Susan Cashwell.

4.c(4) Please explain the difference between the gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

See NCC's response to Item 4.a.(4).

4.c(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

4.c(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

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4.c(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

JMI is in a better position to answer this item than is NCC.

4.c(8) Please state the identity of all persons or entities making payments described in part 7).

JMI is in a better position to answer this item than is NCC.

4.c(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the net and gross figures. NCC's response to Items 4.c(9)(a) through 4.c(9)(d) is: N/A.

4.c(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

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4.c(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pageant was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

Mr. Wrenn initialed Purchase Order No. 4369.

4.d(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

Mr. Wrenn approved the issuance of Purchase Order No. 4369.

4.d(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

Susan Cashwell.

4.d(4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

The $200 figure is a net total.

4.d(5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

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N/A.

4.d(6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

There was no gross bill.

4.d(7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

N/A.

4.d(8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

JMI is in a better position to respond to this item than is NCC.

4.d(11) Please state the identity of all persons or entities making payments described in part 10) above.

The Gibson Committee and NCC.

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4.d(12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:
(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC did not pay any part of the difference between the gross and net billings. NCC's response to Items 4.d(12)(a) through 4.d(12)(d) is: N/A.

4.d(13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

NCC objects to this question on the grounds that it inquires into matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. JMI is in a better position to answer this item than is NCC.

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4.d(14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:

1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;

2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;

3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;

4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and

5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

NCC's response to Item 4.e. is that it is not the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees. NCC's response to Items 4.e(1) through 4.e(5) is: N/A.

4.f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

As stated in the deposition testimony of Mr. Wrenn and Mr. Davidson, at that time Mr. Wrenn was routinely consulted by JMI on such matters. On the basis of Mr. Wrenn's greater experience, Mr. Davidson valued Mr. Wrenn's judgment and routinely sought it.

4.g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration

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for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value;

NCC's response to Item 4.g. is: Yes. NCC's response to Item 4.g(1) is: The payment was in money.

4.g(2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

N/A.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

JMI objects to this item in its entirety on the grounds that it inquires into matters that are beyond the scope of this proceeding, and is logically and legally irrelevant to this issue raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: December 1, 1982.

5.b. Please state the terms of the sale.

The furniture and equipment were sold for $52,267.20, which was paid by a promissory note payable in five equal annual payments, with 12 percent annual interest on the unpaid balance.

R 8 5 0 4 0 5 0 2 4 4 4

5.c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and date of all payments by JMI to NCC for said furniture and equipment.

JMI has made payment to NCC for the furniture and equipment. Payments were made on August 16, 1982 ($3,000) and December 30, 1982 ($11,499.43).

5.d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

N/A.

5.e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;
2) the value of said services;
3) the date(s) said services were rendered to NCC; and
4) the date(s) that said services were credited to JMI's account.

JMI has performed no services for NCC in consideration of the transfer of furniture and equipment to JMI. NCC's response to Items 5.e(1) through 5.e(4) is: N/A.

5.f. Please inventory the furniture and equipment transferred from NCC to JMI.

An inventory of furniture and equipment is attached as Exhibit B hereto.

5.g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

R 5 0 4 0 5 0 2 4 4 5

JMI has not transferred anything of value to NCC in consideration for the furniture and equipment.

5.h. If the answer to part g. is yes, please state:
1) a description of the thing;
2) an estimate of its value in dollars;
3) the date(s) it was transferred; and
4) the date(s) the value was credited to JMI's account.

N/A.

6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

NCC objects to Item 6 in its entirety on the grounds that it inquires into matters beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows:

9/18/81	$3,000.00
3/11/82	5,885.25
5/28/82	7,500.00
6/8/82	9,000.00
6/8/82	300.00
6/8/82	8,500.00
6/18/82	5,000.00
6/18/82	6,000.00
TOTAL	$45,185.25

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b. Please state the purpose of all loans noted in response to part a.

JMI (Foundation Division) borrowed these funds to be used on behalf of a nonpolitical entity not subject to regulation under the federal election laws.

c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

6/30/82	$10,000.00
7/1/82	4,000.00
7/1/82	2,500.00
7/14/82	7,685.25
7/30/82	7,000.00
8/11/82	3,500.00
5/17/83	6,500.00
5/17/83	4,000.00
TOTAL	$45,185.25

d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

None.

e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

The loans and repayments listed in NCC's responses to Items 6.a. and 6.c. were reported to the Federal Election Commission as expenditures and offsets to expenditures, respectively.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

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JMI is in a better position to answer this item than is NCC.

7.b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI is in a better position to answer this item than is NCC.

7.c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI is in a better position to answer this item than is NCC.

8. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

In response to Item 8.a. NCC states as follows: $1,262.20 represents in-kind contributions paid for by NCC. $332.31 represents an in-kind contribution of the services of Mr. Earl Ashe, a JMI employee. A check for $929.89 was also paid to JMI to reimburse JMI for its payment of an Audiofonics bill for that amount. In response to Item 8.a(1) NCC states as follows: NCC cannot determine whether any part of this in-kind contribution was used to pay for modifications to the Rose-Rio advertisement.

8.a(2) the total dollar amount of the in-kind contribution paid to JMI;

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NCC valued the in-kind contribution of the services of JMI's employee at $332.31.

8.a(3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

JMI's services were related to videotape advertisement production.

8.a(4) the names of all employees or agents of JMI providing services to Johnson;

Earl Ashe.

8.a(5) the total cost to JMI associated with the services described in 2) above; and

NCC objects to this question on the grounds that it seeks information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

8.a(6) the total amount profit made by JMI on the services described in part 2).

NCC objects to this question on the ground that it seeks information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

8.b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

NCC made no contribution to the Johnson Committee that was not reported to the Commission.

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9. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.

a. Please state the amount of operating capital expended in establishing JMI in 1979.

b. Please state the source of the operating capital used to establish JMI in 1979.

c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of any cosignors or guarantors;
3) the total amount borrowed by JMI from each lender;
4) the terms of each loan;
5) the amount of all outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of all cosignors or guarantors;
3) the total amount loaned to JMI by each lender;
4) the terms of each loan;
5) the amount of any outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI is in a better position to respond to this item than is NCC.

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Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

1-13-84
Date

Carter Wrenn

Sworn and subscribed to before me this 13 day of January, 1984.

Notary Public

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BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF:

ED JOHNSON FOR CONGRESS,) DEMOCRATS FOR BETTER GOVERNMENT) TO ELECT GIBSON,) THOMAS CARR GIBSON,) NATIONAL CONGRESSIONAL CLUB,) JEFFERSON MARKETING, INC.)	MUR 1503

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DEPOSITION

OF

MURCHISON B. BIGGS

* * * * * * * * * * * * * * * *

RALEIGH, NORTH CAROLINA
SEPTEMBER 13, 1983

REPORTED BY: FAYE STEVENS, CVR
ASSOCIATED REPORTING & TRANSCRIPTION
2806 OVERBROOK DRIVE
RALEIGH, NORTH CAROLINA 27608
(919) 782-5526

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MARKETING?

A NO, SIR.

MR. JOHANSEN: LET ME HAVE THIS DOCUMENT WHICH CONSISTS OF TWO PAGES MARKED AS EXHIBIT NO. 12.

(THEREUPON, THE DOCUMENT REFERRED TO ABOVE WAS MARKED AS BIGGS' DEPOSITION EXHIBIT NO. 12 FOR IDENTIFICATION.)

MR. JOHANSEN: IT IS A TWO-PAGE DOCUMENT.

Q HAVE YOU EVER SEEN THIS DOCUMENT BEFORE?

A NO, SIR.

Q HAVE YOU EVER RECORDED THAT THIRTY-FIVE-DOLLAR IN-KIND CONTRIBUTION FROM THE NATIONAL CONGRESSIONAL CLUB TO THE GIBSON CAMPAIGN COMMITTEE WITH THE FEDERAL ELECTION COMMISSION?

A I HAVE REPORTED, I THINK, AN IN-KIND CONTRIBUTION PER NOTIFICATION LETTER, I REMEMBER, BUT NOT IN THE AMOUNT OF THIRTY-FIVE DOLLARS; BUT I CAN'T REMEMBER SPECIFICALLY.

Q HAS ANYONE EVER SPECIFICALLY DISCUSSED WITH YOU THE THIRTY-FIVE-DOLLAR IN-KIND CONTRIBUTION?

A NO, SIR.

Q THESE OTHER IN-KIND CONTRIBUTIONS THAT YOU REFERRED TO WHICH YOU REPORTED, DO YOU KNOW WHAT THEY WERE FOR?

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MR. SCHWEITZER: BACK ON THE RECORD.

CROSS-EXAMINATION BY MR. SCHWEITZER:

Q MR. BIGGS, MR. JOHANSEN ASKED YOU WHETHER YOU HAD ANY INVOLVEMENT WITH THE "FREE-O AND RIO" AD, AND YOUR ANSWER WAS THE ONLY INVOLVEMENT THAT YOU HAD WAS THE PAYMENT OF THE AUDIOFONICS BILL.

WOULD YOU STATE FOR THE RECORD WHETHER OR NOT YOU WANT TO ELUCIDATE ON THAT ANSWER?

A I WOULD LIKE TO ADD TO THAT DUE TO MY APPARENT MISUNDERSTANDING OF THE QUESTION THAT I DID REPORT ON THE F.E.C. REPORT THE CONTRIBUTION OF THE AD ON THERE, AND I SET THE VALUE.

Q WHY DID YOU---WHAT WAS THE VALUE THAT YOU SET?

A I PUT A HUNDRED DOLLARS ON IT.

Q AND HOW DID YOU ARRIVE AT THAT VALUE?

A I ASSUMED LOGICALLY THAT THE AD WAS WORTHLESS TO MR. GIBSON AND WHATEVER VALUE THAT IT HAD---BE LOST, ET CETERA---WOULD BE WHATEVER THE VALUE OF THE TAPE, THE VALUE OF THE TAPE AND MAYBE WHATEVER IT COST TO GO GET IT. SO, I PUT THAT ON THERE.

MR. SCHWEITZER: I DON'T HAVE ANY FURTHER QUESTIONS.

REDIRECT EXAMINATION BY MR. JOHANSEN:

Q DID YOU TALK TO ANYONE ELSE IN DETERMINING THAT

PENCAD CO., BAYONNE, N.J. 07002 - FORM 2004

ONE HUNDRED DOLLARS WAS AN ACCURATE VALUE FOR THE "R10" TAPE?

A NO, SIR.

Q SO, YOU DETERMINED THAT FIGURE ENTIRELY ON YOUR OWN, IS THAT WHAT YOUR TESTIMONY IS?

A YES, SIR.

MR. JOHANSEN: NO FURTHER QUESTIONS.

MR. SCHWEITZER: FINE.

(THEREUPON, THE WITNESS WAS DISMISSED.)

SIGNED THIS _____ DAY OF _____, 1983,

_____
MURCHISON B. BIGGS

STATE OF _____

COUNTY OF _____

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____ DAY OF _____, 1983.

_____
NOTARY PUBLIC

MY COMMISSION EXPIRES:

_____ (SEAL)

8604050245

3 6 0 4 0 6 0 2 4 5 7

BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF:

ED JOHNSON FOR CONGRESS,	)	
DEMOCRATS FOR BETTER GOVERNMENT TO ELECT GIBSON,	)	MUR 1503
THOMAS CARR GIBSON,	)	
NATIONAL CONGRESSIONAL CLUB,	)	
JEFFERSON MARKETING, INC.	)	

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DEPOSITION

OF

DOUGLAS MCNEILL DAVIDSON

* * * * * * * * * * * * * * * * *

RALEIGH, NORTH CAROLINA
SEPTEMBER 13, 1983

REPORTED BY: FAYE STEVENS, CVR
ASSOCIATED REPORTING & TRANSCRIPTION
2806 OVERBROOK DRIVE
RALEIGH, NORTH CAROLINA 27608
(919) 782-5526

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Q AT THE TIME IN 1979 THAT YOU FIRST HEARD OF JEFFERSON MARKETING.

A I DON'T KNOW; I CAN'T REMEMBER.

Q YOU CAN'T RECALL YOUR EMPLOYMENT IN 1979?

A OH, YES, I CAN.

Q WHO WERE YOU WORKING FOR IN 1979?

A WHEN?

Q SAY JANUARY.

A IN JANUARY OF 1979 I WAS WORKING FOR THE HELMS FOR SENATE COMMITTEE.

Q IN WHAT MONTH---DO YOU RECALL IN 1979 IN WHAT MONTH YOU HEARD OF JEFFERSON MARKETING?

A IT WOULD BE SPECULATION ON MY PART. I DON'T KNOW.

Q WERE YOU WORKING FOR THE HELMS COMMITTEE AT THE TIME YOU HEARD OF JEFFERSON MARKETING?

A I CAN'T REMEMBER.

Q IN 1979 AFTER YOU WORKED FOR THE HELMS COMMITTEE, FOR WHOM DID YOU WORK?

A THE CONGRESSIONAL CLUB.

Q DID YOU WORK FOR THE CONGRESSIONAL CLUB THROUGH THE REMAINDER OF 1979?

A NO.

Q PARDON ME?

A NO.

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Q AFTER YOU WORKED FOR THE CONGRESSIONAL CLUB, FOR WHOM DID YOU WORK?

A JEFFERSON MARKETING.

Q DID YOU WORK FOR JEFFERSON MARKETING FOR THE REST OF 1979?

A YES.

Q YOU WERE WORKING, THEN, FOR THE CONGRESSIONAL CLUB AT THE TIME YOU HEARD OF JEFFERSON MARKETING?

MR. MAYO: OBJECTION.

A I DON'T KNOW.

Q WHAT WAS THE SUBJECT OF YOUR EMPLOYMENT---WHAT WERE YOUR DUTIES WHEN YOU WERE WORKING FOR THE CONGRESSIONAL CLUB?

A THEY WERE VARIED. I HAD SOME ADMINISTRATIVE RESPONSIBILITIES, SOME COMPUTER RESPONSIBILITIES.

Q WHEN YOU SAY "COMPUTER RESPONSIBILITIES," TO WHAT WOULD THAT REFER?

A IN 1979, WE WERE---HAD AGREEMENTS WITH SERVICE BUREAUS; AND I WORKED WITH SOME OF THE SERVICE BUREAUS IN 1979.

Q COULD YOU DEFINE "SERVICE BUREAUS" AS YOU ARE USING THAT TERM IN YOUR RESPONSE?

A COMPANIES THAT SELL COMPUTER SERVICES, PROGRAMMING, PROGRAMS, COMPUTER OUTPUT.

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Q DID YOUR RESPONSIBILITIES AT THE CONGRESSIONAL CLUB INCLUDE ANYTHING OTHER THAN THE COMPUTER OPERATIONS?

A YES.

Q COULD YOU STATE WHAT THOSE ADDITIONAL RESPONSIBILITIES WERE?

A TO THE BEST OF MY KNOWLEDGE, IT WAS MOSTLY ADMINISTRATIVE; SOME POLITICAL WORK. ADMINISTRATIVE POLITICAL WORK.

Q WHEN YOU SAY "ADMINISTRATIVE," WERE YOU WORKING---DID YOU WORK IN ANY OF THE BOOKKEEPING OR ACCOUNTING INVOLVED IN THE CONGRESSIONAL CLUB?

A I HAD ACCESS TO SOME OF THE BOOKKEEPING AND ACCOUNTING WHERE IT RELATED TO WHAT I WAS WORKING ON.

Q ARE YOU FAMILIAR GENERALLY WITH THE CONGRESSIONAL CLUB'S BOOKKEEPING PROCEDURES AS THEY EXISTED WHEN YOU WORKED FOR THEM IN 1979?

A VERY VAGUELY.

Q YOU MENTIONED ALSO "POLITICAL RESPONSIBILITIES." WHAT WOULD YOUR POLITICAL RESPONSIBILITIES HAVE ENTAILED?

A THE CONGRESSIONAL CLUB HAS NUMEROUS POLITICAL CONTACTS THOUGHOUT NORTH CAROLINA. I CALLED THEM AND WORKED ON VARIOUS POLITICAL PROJECTS.

Q WOULD "VARIOUS POLITICAL PROJECTS" INCLUDE THE

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CAMPAIGNS OF CANDIDATES RUNNING FOR FEDERAL OFFICE?

A GOSH, I CAN'T REMEMBER.

Q DO YOU RECALL WHETHER OR NOT IT INCLUDED CANDIDATES RUNNING FOR STATE OFFICE?

A GOSH, I CAN'T REMEMBER. THAT WAS TOO LONG AGO.

Q WHO FIRST---DO YOU RECALL WHO FIRST TALKED TO YOU ABOUT JEFFERSON MARKETING?

A NO, I CAN'T REMEMBER THAT.

Q DO YOU RECALL HAVING ANY DISCUSSIONS WITH MR. WRENN CONCERNING THE CREATION OF JEFFERSON MARKETING?

A COULD YOU DEFINE WHAT YOU MEAN BY "CREATION"?

Q I MEAN THE FORMING OF IT, THE IDEA FOR ITS EXISTENCE.

MR. MAYO: ARE YOU REFERRING TO CONVERSATIONS AT A PARTICULAR POINT IN TIME?

MR. ANDERSEN: YES, I THINK WE ARE STILL TALKING ABOUT---AT LEAST IN MY MIND, WE ARE STILL TALKING ABOUT THE PERIOD OF TIME WHEN YOU WERE WORKING FOR THE CONGRESSIONAL CLUB IN 1979, JUST PRIOR TO THE TIME AT WHICH MR. DAVIDSON BECAME AN EMPLOYEE OR OFFICER OF JEFFERSON MARKETING.

A THAT IS HARD TO SAY. YES, I HAD DISCUSSED WITH MR. WRENN JEFFERSON MARKETING, BUT I CAN'T REMEMBER WHETHER IT WAS BEFORE JEFFERSON EXISTED OR AFTER IT EXISTED.

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Q WAS JEFFERSON MARKETING YOUR IDEA?

A NO, NO, IT WASN'T MY IDEA.

Q DO YOU KNOW WHOSE IDEA IT WAS?

A I BELIEVE IT WAS ALEX CASTELLANOS' IDEA, TO THE BEST OF MY KNOWLEDGE.

Q WAS MR. CASTELLANOS ALSO WORKING FOR THE CONGRESSIONAL CLUB AT THAT TIME?

A I DON'T---NO, I DON'T THINK SO, BUT I DON'T KNOW.

Q IS MR. CASTELLANOS SOMEONE THAT WAS AN ACQUAINTANCE OF YOURS DURING THAT TIME PERIOD?

A YES.

Q DO YOU RECALL WHETHER OR NOT YOU WORKED TOGETHER ON ANY PROJECTS? LET ME SAY "PROJECTS" FOR THE CONGRESSIONAL CLUB.

MR. MAYO: AT THAT TIME?

MR. ANDERSEN: AT THAT TIME.

WITNESS: THIS IS WHEN JEFFERSON WAS IN BUSINESS AND I WAS WORKING FOR THE CONGRESSIONAL CLUB?

MR. ANDERSEN: EITHER THAT OR BEFORE JEFFERSON WAS IN BUSINESS. WE DON'T KNOW EXACTLY WHEN THOSE TWO---WHEN THE OVERLAP OF THOSE TWO EVENTS MAY BE.

A I'M SURE I DID. I CAN'T REMEMBER SPECIFICALLY, BUT

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I'M SURE I DID.

Q WHAT WAS YOUR FIRST JOB TITLE AT JEFFERSON MARKETING?

A THE COMPANY IS SO LOOSELY STRUCTURED. WE NEVER HAVE BEEN BIG ON TITLES SO I DON'T THINK THAT I HAD A TITLE AS SUCH; BUT I GUESS, IF YOU HAD TO PIN ME DOWN, IT WOULD HAVE BEEN IN THE AREA OF COMPUTER AND PRODUCTION.

Q WHO RAN THE COMPANY WHEN YOU JOINED THE COMPANY, WHENEVER THAT WAS, IN 1979?

A I CAN'T REMEMBER. TO BE HONEST WITH YOU, I DON'T REMEMBER.

Q WHO SEEMED TO BE THE MOST RESPONSIBLE PERSON FOR THE ACTIVITIES OF THE CORPORATION WHEN YOU JOINED THE STAFF?

A WHEN I JOINED JEFFERSON IN 1979, I CAN'T REMEMBER.

Q WHO WOULD YOU HAVE---

A THE COMPANY WAS IN TRANSITION AT THE TIME, AND I JUST CAN'T REMEMBER WHAT---YOU'VE GOT TO REALIZE IT WAS A VERY SMALL COMPANY AT THE TIME.

Q WHEN YOU JOINED JEFFERSON MARKETING, HOW MANY PERSONS WERE IN ITS EMPLOY?

A I CAN'T REMEMBER THAT EITHER.

Q DO YOU RECALL THE NAMES OF ANY OF THE PERSONS THAT YOU WOULD CONSIDER TO HAVE BEEN MANAGERS OF JEFFERSON

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MARKETING IN THE BEGINNING OF ITS EXISTENCE?

MR. MAYO: OBJECTION. THIS SOUNDS TO ME LIKE THE THIRD PHRASEOLOGY OF THE SAME QUESTION THAT HAS BEEN ANSWERED TWICE NOW. IF IT IS DIFFERENT, I DON'T KNOW HOW IT IS DIFFERENT.

Q (BY MR. ANDERSEN) DO YOU REMEMBER THE NAMES OF ANY OF THE OTHER PERSONS THAT WERE WORKING AT JEFFERSON MARKETING WHEN YOU JOINED THE STAFF?

A AT SOME POINT IN THE FUTURE---AND I CAN'T REMEMBER WHEN---RICK MILLER JOINED JEFFERSON MARKETING. I CAN'T REMEMBER IF I JOINED AT THE SAME TIME HE DID OR I JUST---THAT'S FIVE---SIX YEARS AGO. I DON'T REMEMBER THE DETAILS, BUT RICK MILLER WAS ON THE STAFF OF JEFFERSON.

Q WHEN YOU JOINED THE STAFF OF JEFFERSON MARKETING, DID YOU HAVE A SENSE OF WHAT THE PURPOSE OF THAT ORGANIZATION WAS?

A YES.

Q COULD YOU STATE WHAT YOU BELIEVED TO BE THE PURPOSE WHEN YOU JOINED IN 1979?

MR. MAYO: ARE YOU ASKING FOR HIS BELIEF IN 1979---FOR THE PURPOSE IN 1979?

MR. ANDERSEN: YES.

MR. MAYO: OKAY. I JUST WANTED TO MAKE IT

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CLEAR.

A IN 1979, TO THE BEST OF MY KNOWLEDGE, THE PURPOSE OF JEFFERSON MARKETING WAS TO BE A COMMERCIAL FIRM TO GIVE DIRECT MAIL COMPUTER EXPERTISE TO VARIOUS CLIENTS.

Q ABOUT HOW MANY---DO YOU RECALL HOW MANY PERSONS WORKED FOR JEFFERSON MARKETING WHEN YOU JOINED IT?

A I'D BE SPECULATING. I DON'T KNOW.

Q LESS THAN A HUNDRED?

A YES, I'D SAY THAT IT WAS LESS THAN A HUNDRED. YES.

Q LESS THAN FIFTY?

A YEAH, I THINK SO.

Q LESS THAN TWENTY-FIVE?

A I DON'T KNOW.

Q AT THE TIME YOU JOINED JEFFERSON MARKETING, WERE ANY OF THOSE---SOMEWHERE BETWEEN TWENTY-FIVE AND FIFTY OR SO PERSONS---WERE ANY OF THOSE PERSONS PREVIOUSLY EMPLOYED BY THE CONGRESSIONAL CLUB?

A YES.

Q WERE ALL OF THEM PREVIOUSLY EMPLOYED BY THE CONGRESSIONAL CLUB, TO THE BEST OF YOUR RECOLLECTION?

A I DON'T THINK SO, BUT I DON'T KNOW.

Q THE MAJORITY OF THOSE PERSONS?

A I BELIEVE THE MAJORITY WERE, YES.

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Q DO YOU RECALL WHO HIRED YOU TO WORK FOR JEFFERSON MARKETING IN 1979?

A THIS MIGHT SOUND FUNNY, BUT I REALLY CAN'T.

MR. MAYO: MR. ANDERSEN, A COUPLE OF QUESTIONS AGO, I THINK YOU REFERRED ON THE BASIS OF ONE OF MR. DAVIDSON'S ANSWERS TO THE TWENTY-FIVE-TO-FIFTY EMPLOYEES OF JEFFERSON MARKETING AT THE TIME. THE RECORD SHOULD REFLECT THAT MR. DAVIDSON'S ANSWER TO A PRIOR QUESTION WAS THAT HE WASN'T SURE IF THERE WERE FEWER THAN TWENTY-FIVE EMPLOYEES. SO, AT BEST, THE RECORD SUPPORTS THE NOTION THAT THERE WERE ZERO TO FIFTY EMPLOYEES.

MR. ANDERSEN: FINE. VERY GOOD.

Q (BY MR. ANDERSEN) YOU ARE NOW THE PRESIDENT OF JEFFERSON MARKETING, IS THAT CORRECT?

A YES.

Q WHEN DID YOU ASSUME THAT POSITION?

A I BELIEVE IN AUGUST OF 1982.

Q WHEN YOU ASSUMED THAT POSITION, DID YOUR DUTIES CHANGE ANY FROM WHAT YOU HAD BEEN DOING PREVIOUS TO THAT?

A A LITTLE.

Q COULD YOU---STATE, FIRST, WHAT YOUR DUTIES WERE JUST

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PRIOR TO BECOMING PRESIDENT OF JEFFERSON MARKETING?

A THEY WERE MORE OR LESS PRODUCTION ORIENTED. WE HAD A MAIL SHOP AND A COMPUTER SHOP, AND WE PRODUCED LETTERS AND COMPUTER PRINTOUTS, AND MY JOB WAS TO MANAGE THOSE.

Q AND WHEN YOU TOOK ON THE JOB OF PRESIDENT, WHAT ADDITIONAL RESPONSIBILITIES---OR LET ME REPHRASE THE QUESTION---DID YOU MAINTAIN THOSE PREVIOUS RESPONSIBILITIES?

A YES, I MAINTAINED THOSE.

Q AND DID YOU TAKE ON ADDITIONAL RESPONSIBILITIES?

A YES, I DID.

Q COULD YOU STATE WHAT THOSE ADDITIONAL RESPONSIBILITIES WERE?

A IT ALL DIDN'T HAPPEN RIGHT AWAY, IT WAS GRADUAL; BUT THEY INCLUDED BOOKKEEPING, LOOKING AFTER THE BOOKKEEPING, PAYROLL, BUDGETING, MORE OR LESS FINANCIAL MATTERS.

Q ARE YOU THE CHIEF ADMINISTRATIVE OFFICIAL AT JEFFERSON MARKETING?

A YES.

Q YOU ARE ULTIMATELY RESPONSIBLE FOR THE ACCOUNTING PROCEDURES AND THE RECORDS OF JEFFERSON MARKETING?

A YES, I BELIEVE SO.

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Q YOU ARE ALSO THE TREASURER OF JEFFERSON MARKETING, IS THAT CORRECT?

A I HATE TO SAY THIS, BUT I DON'T BELIEVE SO. I DON'T KNOW. I THINK WE SUBMITTED THOSE RECORDS, BUT---

Q THEN THERE IS ONE OTHER OFFICER?

A RIGHT.

Q AND IT ISN'T YOURSELF. THAT PERSON'S NAME IS---

A ELIZABETH SMITH.

Q ELIZABETH SMITH. DO YOU KNOW HER OFFICE?

A I BELIEVE WE SUBMITTED THAT TO YOU. I WOULDN'T WANT TO SPECULATE.

Q LET'S JUST GO, THEN, TO---WHAT I WAS REALLY TRYING TO GET TO WAS WHAT HER RESPONSIBILITIES WERE, RATHER THAN HER TITLE WHETHER IT IS TREASURER OR SECRETARY. I BELIEVE IT IS SECRETARY---AND WE COULD REFER TO THE RECORDS---BUT, REALLY, I AM MORE INTERESTED IN WHAT HER RESPONSIBILITIES ARE.

COULD YOU TELL US WHAT THOSE---WHAT HER JOB IS AT JEFFERSON MARKETING?

A SHE IS THE OFFICE MANAGER. SHE PURCHASES ALL THE DESKS AND PAPER AND THAT SORT OF THING. JUST OFFICE MANAGER.

Q WOULD YOU SAY THAT SHE IS SECOND IN COMMAND TO YOU?

A NO.

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Q IS THIS A FULL-TIME JOB FOR MS. SMITH?

A YES.

Q IS YOUR JOB AS PRESIDENT A FULL-TIME JOB FOR YOU?

A YES.

Q HAVE YOU BEEN WORKING FULL-TIME SINCE YOU JOINED JEFFERSON MARKETING IN 1979 FOR JEFFERSON MARKETING?

A YES.

Q DO YOU SERVE IN ANY CAPACITY, IN ANY OFFICIALLY RECOGNIZED CAPACITY, FOR THE CONGRESSIONAL CLUB AT THE PRESENT TIME?

A NO.

Q DO YOU SERVE IN ANY OTHER CAPACITY SUCH AS A CONSULTANT? THIS IS FOR THE CONGRESSIONAL CLUB NOW.

A WHAT DO YOU MEAN BY THAT?

Q DO YOU OFFER YOUR SERVICES FOR REMUNERATION TO THE CONGRESSIONAL CLUB AS AN INDEPENDENT CONTRACTOR?

A NO, NO, I DON'T DO THAT.

Q DO YOU EVER ACT AS A VOLUNTEER FOR ANY OF THE CONGRESSIONAL CLUB'S PROJECTS OR ACTIVITIES?

A WHEN?

Q AS IN THE PRESENT, WITHIN---LET'S LIMIT IT TO THE LAST---DURING THE LAST YEAR.

A I DON'T BELIEVE IN THE LAST YEAR I HAVE VOLUNTEERED ANY OF MY TIME TO THE CONGRESSIONAL CLUB.

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Q DO YOU EVER---DO YOU EVER ADVISE THE BOARD OF DIRECTORS OF THE CONGRESSIONAL CLUB IN ANY CAPACITY?

A NO.

Q DO YOU EVER MEET WITH THEM AS A BOARD?

A NO, NO, I'VE NEVER MET WITH THEM.

Q IS MR. WRENN INVOLVED IN THE DAY-TO-DAY OPERATIONS OF JEFFERSON MARKETING?

A NO.

Q IS MR. THOMAS ELLIS INVOLVED IN THE DAY-TO-DAY OPERATIONS OF JEFFERSON MARKETING?

A NO.

Q DO THEY HAVE ANY RESPONSIBILITIES WHATSOEVER FOR THE OPERATIONS OF JEFFERSON MARKETING?

A (NO RESPONSE)

Q LET ME JUST TAKE THEM ONE AT A TIME.

DOES MR. WRENN HAVE ANY RESPONSIBILITIES FOR THE DAY-TO-DAY OPERATION OF JEFFERSON MARKETING?

A NOT THE DAY TO DAY, BUT HE OVERSEES SOME OF JEFFERSON MARKETING.

Q WHEN YOU SAY THAT MR. WRENN "OVERSEES SOME OF THE OPERATION OF JEFFERSON MARKETING," COULD YOU EXPLAIN WHAT YOU MEAN BY THAT?

A WELL, HE IS ONE OF OUR CHIEF CLIENTS; SO, FROM A CLIENT STANDPOINT, HE IS VERY MUCH INTERESTED IN

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GETTING THE BEST PRODUCTION FOR WHATEVER WE PRODUCE. SO, HE IS RIGHT INTIMATELY INVOLVED IN OUR DIRECT MAIL AND ADVERTISING.

Q WHAT PERCENTAGE OF JEFFERSON MARKETING'S BUSINESS IS WITH THE CONGRESSIONAL CLUB?

A GOSH, I DON'T KNOW.

Q YOU STATED THAT HE WAS ONE OF YOUR BIGGEST CLIENTS?

A YES.

Q AND YOU ALSO STATED THAT YOU WERE RESPONSIBLE FOR THE OVERALL ACCOUNTING BUSINESS ADMINISTRATION---

A YES.

Q ---OF JEFFERSON MARKETING, IS THAT CORRECT?

A YES.

Q AND YET YOU DON'T HAVE ANY IDEA OF WHAT PROPORTION OF THE BUSINESS OF JEFFERSON MARKETING THE CONGRESSIONAL CLUB PROVIDES?

MR. MAYO: OBJECTION. ARGUMENTATIVE. HE HAS ANSWERED THE QUESTION.

MR. ANDERSEN: COUNSEL, I THINK THAT IT IS A LEGITIMATE QUESTION TO ASK.

MR. MAYO: YOU HAVE ASKED HIM THAT QUESTION ALREADY, AND NOW YOU ARE REMINDING HIM OF PRIOR TESTIMONY AND ASKING HIM A SECOND TIME.

MR. ANDERSEN: I AM TRYING TO REPHRASE THE

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QUESTION SO THAT HE WILL UNDERSTAND IT IN A WAY THAT FITS IN HIS CAPACITY AND HIS RESPONSIBILITIES. LET ME TRY AGAIN. I AM NOT WEDDED TO THAT QUESTION BY ANY MEANS.

MR. MAYO: HE CAN ANSWER THAT QUESTION FOR THAT MATTER. I'M JUST STATING AN OBJECTION FOR THE RECORD.

Q (BY MR. ANDERSEN) CAN YOU RESPOND TO THAT QUESTION?

MR. MAYO: DO YOU RECALL THE QUESTION?

A CAN YOU SAY WHAT THE QUESTION WAS?

Q CAN YOU SAY APPROXIMATELY WHAT PROPORTION OF JEFFERSON MARKETING'S BUSINESS IS WITH THE CONGRESSIONAL CLUB?

A I WOULD BE SPECULATING. I HAVEN'T SEEN ANY COMPILATION THIS YEAR OF WHAT PROPORTION IT IS.

Q WHO WOULD BE THE PERSON TO ASK THAT QUESTION? WHO WOULD HAVE KNOWLEDGE OF THAT INFORMATION?

A MY BOOKKEEPER.

Q WHO IS YOUR BOOKKEEPER?

A JANNETTE PENNINGTON.

Q WHAT SERVICES DOES JEFFERSON MARKETING PROVIDE THE CONGRESSIONAL CLUB?

A WE PROVIDE COMPUTER SERVICES, MAINTAIN THEIR COMPUTER FILES. WE PROVIDE CAGING SERVICES. WE PROVIDE

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CLERICAL WORK. WE PROVIDE MAIL PRODUCTION. WE PROVIDE TELEPHONE MARKETING, AND I BELIEVE WE PROVIDE SOME MEDIA ADVERTISING CONSULTING, BUT I---YEAH, I THINK THAT COVERS IT ALL, TO THE BEST OF MY KNOWLEDGE.

Q ARE THESE THE SAME SERVICES THAT YOU PROVIDE OTHER CLIENTS?

A YES. SOME OTHER CLIENTS WE DO PROVIDE THOSE.

Q ARE THERE SOME SERVICES THAT YOU PROVIDE ONLY TO THE CONGRESSIONAL CLUB AND NOT TO OTHER CLIENTS?

A NO, I DON'T BELIEVE SO. TO THE BEST OF MY KNOWLEDGE, I DON'T BELIEVE SO. I DON'T KNOW.

Q DO YOU PROVIDE SERVICES AS A GENERAL ADVERTISING AGENCY?

A MY BACKGROUND IS IN COMPUTER WORK, YOU KNOW. I'M NOT--- I'VE NEVER WORKED FOR AN ADVERTISING AGENCY SO I DON'T KNOW WHAT ALL OF THE SERVICES THAT AN ADVERTISING AGENCY PROVIDES. WE DO PROVIDE ADVERTISING TO THE CONGRESSIONAL CLUB.

Q DO YOU PROVIDE---YOU PROVIDE SERVICES, IN ADDITION TO THE CONGRESSIONAL CLUB, TO OTHER CLIENTS THAT HAVE POLITICAL PROJECTS GOING, DO YOU NOT?

A YES.

Q DO YOU PROVIDE SERVICES TO CLIENTS WHO ARE NOT RELATED TO THE CONGRESSIONAL CLUB AND WHO ARE ALSO NOT RELATED

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OR NOT CONDUCTING ANY POLITICAL CAMPAIGNS?

A YES, YES, WE DO.

Q WOULD THESE BE GENERAL BUSINESS CLIENTS?

A YES.

Q ARE THESE CLIENTS IN THE LOCAL COMMUNITY?

A WE HAVE SOME IN THE LOCAL COMMUNITY, YES.

Q WITH RESPECT TO SERVICES THAT YOU PROVIDE TO POLITICAL CANDIDATES, ARE ANY OF THESE REFERRED TO YOU BY THE CONGRESSIONAL CLUB?

A I DIDN'T UNDERSTAND THE QUESTION.

Q WITH RESPECT TO CLIENTS WHO ARE POLITICAL CANDIDATES OR POLITICAL CANDIDATE COMMITTEES---I THINK WE CAN USE THOSE INTERCHANGEABLY FOR THE PURPOSE OF THIS QUESTION, POLITICAL CANDIDATES OR POLITICAL COMMITTEES---ARE ANY OF THOSE REFERRED TO YOU BY THE CONGRESSIONAL CLUB?

A DO YOU MEAN THAT THE CLUB REFERRED THEM TO US TO DO BUSINESS? IS THAT WHAT YOU MEAN?

Q YES.

A WE HAVE CANDIDATES LIKE THAT, YES.

Q WOULD THE GILBERT (SIC) COMMITTEE BE ONE OF THOSE CANDIDATES REFERRED TO YOU BY THE CONGRESSIONAL CLUB?

A GOSH, I CAN'T REMEMBER. THAT WAS BEFORE I WAS PRESIDENT. I DON'T KNOW.

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A I DO.

Q WITH WHOM DO YOU CONSULT ON THIS, THE BUSINESS POLICY OF JEFFERSON MARKETING?

A I CONSULT WITH EACH ONE OF MY DEPARTMENT HEADS.

Q ANYONE ELSE?

A YES. I CONSULT WITH CARTER WRENN.

Q WHAT ARE THE NAMES OF YOUR DEPARTMENT HEADS, PLEASE?

A ROBERT HOLDEN RUNS THE ADVERTISING. CINDY EDWARDS RUNS THE TELEMARKETING TELEPHONE BANK.

MR. MAYO: IS THAT "TELEPHONE BANK"?

WITNESS: YES.

A LIL MURRAY RUNS THE CAGING OPERATION. LAMAR PHILLIPS RUNS ALL OF THE PRODUCTION, AND SOMETIMES I DISCUSS WITH SOME EMPLOYEES---OH, YES, AND THE OFFICE MANAGER---MS. SMITH IS THE OFFICE MANAGER. I DISCUSS---

Q WE TOOK THE DEPOSITION OF MS. HARDISON YESTERDAY, AND SHE MENTIONED COST CENTERS AS PART OF THE WAY JEFFERSON MARKETING IS ORGANIZED. IS JEFFERSON MARKETING DIVIDED FUNCTIONALLY ALONG THE LINES OF COST CENTERS?

A YES.

Q AND ARE THOSE COST CENTERS THE SAME AS THE DEPARTMENTS YOU JUST MENTIONED, ADVERTISING, TELEPHONE BANKS, CAGING, AND PRODUCTION?

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TYPES OF SERVICES? HE HAS IDENTIFIED A NUMBER OF DIFFERENT KINDS.

MR. ANDERSEN: CERTAINLY.

Q (BY MR. ANDERSEN) HOW DOES JEFFERSON MARKETING DETERMINE, IN A CASE WHERE A STAFF MEMBER IS ASSIGNED TO ASSIST IN THE PRODUCTION OF, LET'S SAY, A VIDEO TAPE, AND THE STAFF PERSON IS ASSIGNED TO ASSIST IN THE PRODUCTION OF THAT VIDEO TAPE THAT IS BEING PRODUCED OUTSIDE OF JEFFERSON MARKETING, HOW WOULD YOU DETERMINE WHAT THE CLIENT WOULD BE CHARGED?

A THIS IS IN PRODUCTION OF A VIDEO TAPE?

Q OUTSIDE PRODUCTION.

MR. MAYO: ARE YOU ASKING WITH RESPECT TO A SPECIFIC EXAMPLE OR AS A GENERAL POLICY?

MR. ANDERSEN: IT HAS ALREADY BEEN ESTABLISHED THAT HE DOESN'T KNOW ANYTHING ABOUT THE GIBSON ACCOUNT AND THE PRODUCTION SERVICES THERE AND HE DOESN'T KNOW WHO AT JEFFERSON MARKETING IS RESPONSIBLE; SO I AM ASKING HOW, AS PRESIDENT---WHETHER HE KNOWS AND WHAT WOULD BE THE RATE, HOW WOULD A CHARGE BE ESTABLISHED FOR SUCH AN EVENT SHOULD IT OCCUR TODAY.

A WELL, THERE ARE A LOT OF THINGS THAT GO INTO THAT PRODUCTION. WE CALCULATE PRODUCTION BASED ON THE

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DIFFERENT ELEMENTS OF WHAT GOES INTO IT. IF THERE'S ANY ART CHARGES, WE HAVE A RATE SHEET FOR ARTWORK. IF THERE'S ANY COPY WORK, WE HAVE A RATE SHEET FOR COPY WORK. IF THERE'S ANY PRODUCTION COSTS THAT WE'RE NOT INVOLVED WITH, WE BILL THOSE---AS THEY ARE PASSED ON TO US, WE PASS THEM ON TO THE CLIENT. SO, IT DEPENDS ON WHAT GOES INTO---

Q WOULD YOU HAVE A MARKUP OF SOME PERCENTAGE ON OUTSIDE PRODUCTION CHARGES?

A FOR PRODUCTION, OUR PROFIT IS MADE IN THE COPY WORK AND THE ARTWORK. THAT'S WHERE OUR CHARGES ARE MARKED UP. WE DO NOT INCREASE THE COST FOR GOING TO ANOTHER STUDIO.

Q WHAT ABOUT IN A CASE WHERE YOU HAVE PROVIDED SOME MEMBER OF YOUR STAFF TO THAT OUTSIDE PRODUCTION BUSINESS FOR THE PURPOSE OF CONSULTATION AS APPARENTLY ONE WOULD EXPECT TO THE SPECIFIC NEEDS---TAILORING THE SPECIFIC NEEDS OF YOUR CLIENT TO THAT PRODUCTION? HOW WOULD YOU ESTABLISH A CHARGE FOR THAT?

MR. MAYO: FOR THAT PERSON'S TIME? IS THAT WHAT YOU ARE ASKING?

MR. ANDERSEN: THAT IS WHAT I AM ASKING--- FOR THAT PERSON'S TIME.

A WE HAVE A STANDARD CHARGE. WE CHARGE THEM JUST LIKE,

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I ASSUME, LAWYERS CHARGE FOR THEIR STANDARD TIME. WE HAVE A STANDARD RATE FOR CONSULTING AND COPY WORK.

Q AND WHAT IS THAT RATE?

A FIFTY DOLLARS AN HOUR.

Q YOU STATED THE STANDARD CHARGE IS FIFTY DOLLARS?

A FIFTY DOLLARS AN HOUR.

Q PER HOUR.

DO SUCH EMPLOYEES KEEP TIME RECORDS FOR THE PURPOSES OF ESTABLISHING THE BILLING CHARGES?

A YES. THEY ARE SUPPOSED TO.

Q DO THEY MAINTAIN SUCH RECORDS?

A YES, THEY MAINTAIN THOSE RECORDS.

Q WERE SUCH TIME RECORDS KEPT FOR THE WORK PERFORMED FOR THE GIBSON COMMITTEE?

A THAT WAS BEFORE MY---I WAS NOT INVOLVED IN THE ADVERTISING DEPARTMENT AS SUCH DURING THE GIBSON CAMPAIGN SO I JUST DON'T KNOW.

Q AND, AGAIN, THE PERSON THAT YOU WOULD EXPECT TO KNOW ABOUT THIS WOULD BE MR. HOLDEN?

A I WOULD THINK THAT HE COULD ANSWER THOSE QUESTIONS, YES.

Q DOES JEFFERSON MARKETING CHARGE A DIFFERENT RATE FOR POLITICAL VERSUS NONPOLITICAL CLIENTS FOR ANY OF ITS SERVICES?

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A NO.

Q DOES JEFFERSON MARKETING CHARGE A DIFFERENT RATE FOR ANY CLIENT REFERRED BY THE CONGRESSIONAL CLUB AS OPPOSED TO ANY OTHER CLIENT WHICH YOU MAY PICK UP?

A NO.

Q DO YOU KNOW WHETHER AUDIOFONICS, THE BUSINESS AUDIOFONICS, DO YOU KNOW WHETHER THEY DISCOUNT SERVICES PROVIDED TO JEFFERSON MARKETING FOR THIRD PARTIES?

A I DON'T KNOW HOW---

Q DO YOU UNDERSTAND THE QUESTION?

A I BELIEVE I DO. THE QUESTION IS, DOES AUDIOFONICS GIVE US A VOLUME DISCOUNT BECAUSE WE GIVE THEM BUSINESS?

I'LL BE HONEST WITH YOU; I HAVE NO IDEA.

Q DO YOU KNOW WHETHER ANY OF THE---ANY OF THE VENDORS THAT YOU MAY USE IN YOUR---AS A PART OF THE SERVICES YOU PROVIDE TO CLIENTS GIVE JEFFERSON MARKETING A DISCOUNT BASED ON THE VOLUME OF ITS BUSINESS?

A I THINK THAT IS PRETTY STANDARD IN MOST OF THE VENDORS THAT I DEAL WITH. THEY GIVE YOU A VOLUME DISCOUNT IF YOU GIVE THEM A LOT OF BUSINESS.

Q FOR EXAMPLE---I'M SORRY.

A FOR EXAMPLE, COMPUTER PAPER---IF WE BUY ONE CASE OF

COMPUTER PAPER VERSUS A HUNDRED. YOU GET QUITE A CONSIDERABLE DISCOUNT FOR GIVING A VENDOR MORE BUSINESS, YES.

Q HOW ABOUT IN YOUR DEALINGS WITH THE TELEVISION STATIONS? IF A CLIENT---IF ONE OF YOUR CLIENTS---IF YOU DO THE TIME BUYING FOR A CLIENT, DO THEY GET A PRICE BREAK?

A IN VOLUME DO WE GIVE A BREAK?

Q DOES A CLIENT GET A PRICE BREAK BY COMING TO YOU TO HAVE THEIR TIME BUYING?

MR. MAYO: SOLELY BY VIRTUE OF THAT FACT? YOU'RE NOT TALKING ABOUT VOLUME DISCOUNTS NOW? I JUST WANT TO BE CLEAR ABOUT WHAT MR. DAVIDSON IS ANSWERING.

MR. ANDERSEN: LET ME REFORMULATE THAT QUESTION.

Q (BY MR. ANDERSEN) JEFFERSON MARKETING DOES TIME BUYING FOR A VARIETY OF ITS CLIENTS, IS THAT CORRECT?

A YES.

Q IT IS ONE OF THE SERVICE THAT YOU OFFER?

A YES.

Q IF A PERSON WERE TO CALL UP A TELEVISION STATION AND PURCHASE ADVERTISING TIME ON HIS OWN, DO YOU KNOW WHETHER HE WOULD PAY MORE FOR THAT SAME TIME THAN HE

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WOULD PAY BY GOING THROUGH YOU?

A I WOULD THINK THAT HE WOULD PAY A LOT MORE.

Q IF HE WENT ON HIS OWN?

A YES. I WOULD ASSUME IF YOU CALLED UP A WASHINGTON, D.C., STATION WITH NO EXPERIENCE AND BOUGHT TIME ON YOUR OWN THEY WOULD TAKE YOU TO THE CLEANERS.

Q FOR CLIENTS THAT ARE NOT REFERRED TO YOU BY THE CONGRESSIONAL CLUB, DO YOU PROVIDE THE CONGRESSIONAL CLUB WITH COPIES OF INVOICES PREPARED FOR THOSE CLIENTS?

A I DON'T BELIEVE SO, NO.

Q HOW ABOUT FOR CLIENTS THAT ARE REFERRED TO YOU BY THE CONGRESSIONAL CLUB?

A I'M NOT QUITE CLEAR ON---

MR. ANDERSEN: LET ME TRY TO REFORMULATE THE QUESTION FOR YOU THEN.

Q LET'S SAY THAT THE CONGRESSIONAL CLUB REFERS A CLIENT TO YOU. SAY IT'S CANDIDATE JONES. AND JEFFERSON MARKETING PROVIDES SERVICES TO CANDIDATE JONES, AND YOU PROVIDE CANDIDATE JONES WITH INVOICES DESCRIBING THE CHARGES AND THE SERVICES PROVIDED. DO YOU PROVIDE COPIES OF THOSE INVOICES, AS A MATTER OF COURSE, TO THE CONGRESSIONAL CLUB?

A NO. NOT AS A MATTER OF COURSE, NO.

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Q COULD YOU SAY UNDER WHAT CIRCUMSTANCES YOU WOULD PROVIDE COPIES OF INVOICES?

A IF A CLIENT, CANDIDATE JONES IN YOUR EXAMPLE, COULD NOT PAY HIS BILL, WE MIGHT DISCUSS WITH THE CONGRESSIONAL CLUB MEANS OF PAYING THAT BILL AND GO OVER AN INVOICE.

Q SO, IT COULD HAPPEN THAT IF THE CANDIDATE---IF A CANDIDATE CANNOT PAY A BILL, A CANDIDATE THAT WAS REFERRED TO YOU BY THE CONGRESSIONAL CLUB, YOU WOULD THEN DISCUSS POSSIBLE PAYMENT OF THAT BILL BY THE CONGRESSIONAL CLUB?

A WE WOULD DISCUSS MEANS OF COLLECTING THAT BILL. THE CLUB HAS PAID IN-KIND SOME CANDIDATE BILLS.

Q WHAT OTHER WAYS OF TAKING CARE OF THAT BILL HAS BEEN USED IN THE PAST?

A WE HAVE BROUGHT TO THE ATTENTION OF THE CONGRESSIONAL CLUB THAT BILLS ARE OUTSTANDING, AND THE CLUB---THEY ASSIST THE CANDIDATE IN MAILINGS.

Q SO, THE CLUB, THEN, MIGHT---WOULD THE CLUB USE THE SERVICE OF JEFFERSON MARKETING FOR SUCH MAILINGS THEN?

A SOMETIMES, YES.

Q IT COULD HAPPEN THAT WAY?

A (NODS AFFIRMATIVELY).

Q IT HAS HAPPENED THAT WAY IN THE PAST?

PEERED CO., ESTORIL, P.J. 07002 · 800 221 · 8500 240 6002

A (NODS AFFIRMATIVELY) YES.

Q DO YOU KNOW WHETHER THIS IS WHAT HAPPENED WITH THE GIBSON ACCOUNT?

MR. MAYO: OBJECTION. COULD YOU INDICATE WHAT IT IS THAT THIS HAPPENED?

MR. ANDERSEN: I'M SORRY.

MR. MAYO: THE REFERENCE OF "THIS HAPPENED."

Q (BY MR. ANDERSEN) THE CONGRESSIONAL CLUB MADE CERTAIN IN-KIND CONTRIBUTIONS TO THE GIBSON COMMITTEE. DID THIS OCCUR AFTER---AT A POINT WHEN THERE WAS A QUESTION OF THE BILLS BEING PAID?

A YOU HAVE GOT TO REMEMBER THAT I WAS---JUST BECAME PRESIDENT IN LATE OF 1982, AND I DON'T KNOW HOW THOSE BILLS WERE HANDLED.

Q DO YOU KNOW WHETHER AUDIOFONICS---KEEPING IN MIND YOUR LAST RESPONSE, I JUST WANT TO ASK YOU IF YOU RECALL WHETHER AUDIOFONICS CONTACTED YOU AT JEFFERSON MARKETING OR SOMEONE ELSE AT JEFFERSON MARKETING, TO YOUR KNOWLEDGE, WITH RESPECT TO THE BILL FOR PRODUCTION SERVICES PROVIDED TO THE GIBSON COMMITTEE THAT DID GO UNPAID FOR SOME TIME?

A I'VE BEEN CONTACTED BY SO MANY VENDORS THAT ARE TICKED OFF BY CANDIDATES WHO WOULDN'T PAY THEIR BILLS---YOU KNOW, I CAN'T REMEMBER.

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Q LET ME ASK YOU IF YOU HAVE KNOWLEDGE ABOUT THIS. IN ITS RESPONSE TO THIS PROCEEDING TO THE COMMISSION, JEFFERSON MARKETING, THROUGH COUNSEL, STATED THAT THE CONGRESSIONAL CLUB REQUESTED TO BE BILLED FOR THE COST ASSOCIATED WITH THE PRODUCTION OF THE GIBSON TAPE. DO YOU RECALL THIS? DO YOU HAVE ANY KNOWLEDGE OF THIS?

A NO.

MR. MAYO: DO YOU HAVE A REFERENCE TO THAT STATEMENT, COUNSEL?

MR. ANDERSEN: I CAN FIND IT. I TELL YOU WHAT. LET'S TAKE---THIS IS A CONVENIENT TIME TO TAKE A BREAK BECAUSE I AM NOT GOING TO HAVE IT RIGHT AT MY FINGER TIPS. WHY DON'T WE TAKE A TEN-MINUTE BREAK?

(THEREUPON, THERE WAS A RECESS.)

MR. ANDERSEN: LET'S GO BACK ON THE RECORD THEN. COUNSEL HAS ASKED ME TO INDICATE THE REFERENCE FOR THE STATEMENT I MADE IN PREFACING MY QUESTION CONCERNING A STATEMENT THAT N.C.C., OR THE CONGRESSIONAL CLUB, REQUESTS TO BE BILLED FOR CERTAIN COSTS ASSOCIATED WITH THE PRODUCTION OF A GIBSON TAPE, AND I DIRECT COUNSEL'S ATTENTION TO PAGE THREE OF THAT RESPONSE.

PENGAD CO., BAYONNE, N.J. 07002 1-800-631-6989

THE DEPOSITION.

Q (BY MR. ANDERSEN) DOES THE CONGRESSIONAL CLUB PAY ANY OF THE OVERHEAD FOR JEFFERSON MARKETING?

A NO.

Q DOES THE CONGRESSIONAL CLUB PAY ANY OF THE BAD DEBTS OF JEFFERSON MARKETING?

A NO.

Q DOES THE CONGRESSIONAL CLUB PAY ANY OF THE SALARIES OF JEFFERSON MARKETING EMPLOYEES?

A NO.

Q ARE CONGRESSIONAL CLUB EMPLOYEES OR OFFICERS---LET ME STRIKE THAT; LET'S STICK TO EMPLOYEES---CONGRESSIONAL CLUB EMPLOYEES EVER ASSIGNED TO WORK TEMPORARILY AT JEFFERSON MARKETING?

A NOT THAT I AM AWARE OF.

Q ARE ANY OF JEFFERSON MARKETING'S EMPLOYEES ASSIGNED TO WORK FOR THE CONGRESSIONAL CLUB?

A I DON'T KNOW WHAT YOU MEAN.

Q AN EMPLOYEE THAT IS PAID---A REGULAR EMPLOYEE OF JEFFERSON MARKETING BEING PAID BY JEFFERSON MARKETING ON THE ACCOUNTING BOOKS OF JEFFERSON MARKETING---ARE SUCH EMPLOYEES EVER ASSIGNED TO WORK FOR THE CONGRESSIONAL CLUB WHILE BEING PAID BY JEFFERSON MARKETING?

PIERSON CO., BAYONNE, N.J. 07002 · (201) 858-5040 · (800) 526-2482

A I STILL DON'T KNOW WHAT YOU MEAN BECAUSE---

MR. MAYO: AS DISTINCT FROM PERFORMING SERVICES FOR THE CONGRESSIONAL CLUB IN THEIR ROLE AS EMPLOYEES FOR JEFFERSON MARKETING?

MR. ANDERSEN: RIGHT.

MR. MAYO: IS THAT THE DISTINCTION THAT YOU ARE AIMING FOR?

MR. ANDERSEN: THE DISTINCTION IS I AM AWARE--- AND YOU HAVE TESTIFIED---THAT THE CONGRESSIONAL CLUB HAS CONTRACTS AND DOES BUSINESS WITH JEFFERSON MARKETING AND PAYS FOR THE SERVICES OF JEFFERSON MARKETING.

Q (BY MR. ANDERSON) ARE THERE OTHER INSTANCES, ASIDE FROM ANY OF THOSE KINDS OF SITUATIONS, WHERE A JEFFERSON MARKETING EMPLOYEE ON JEFFERSON MARKETING TIME PERFORMS SERVICES FOR THE CONGRESSIONAL CLUB BUT IS NOT COMPENSATED BY THE CONGRESSIONAL CLUB AND JEFFERSON MARKETING IS NOT COMPENSATED BY THE CONGRESSIONAL CLUB?

A OH, I SEE WHAT YOU MEAN. THAT'S HARD. THAT IS A HARD QUESTION TO REALLY DEAL BECAUSE WE ARE A SERVICE BUREAU; AND AS A SERVICE BUREAU, WE ARE SELLING SERVICES; AND A CERTAIN AMOUNT OF THAT SELLING IS TIME THAT YOU ARE NOT COMPENSATED FOR. JEFFERSON IS

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PAYING AND YOU'RE TRYING TO SELL A CLIENT ON A PROJECT, AND IF YOU ARE SAYING SALES TIME, CONSULTANT TIME, YOU KNOW, PREPARATION TIME WITH THE OBJECT OF GETTING SOME KIND OF CONTRACT OR JOB IN THE END, YES, WE DO THAT. THAT IS FAIRLY STANDARD IN OUR BUSINESS.

IF YOUR QUESTION IS THAT---IS THERE ANYBODY ON JEFFERSON'S PAYROLL WHO WORKS FOR THE CLUB AND IS NOT COMPENSATED AND WE DON'T EXPECT ANY KIND OF PROJECT OR COMPENSATION DOWN THE ROAD, THE ANSWER TO THAT IS NO.

MR. ANDERSEN: THANK YOU. I ASK THE COURT REPORTER TO HAND THE WITNESS HARDISON EXHIBIT "A."

(THEREUPON, THE COURT REPORTER HANDS HARDISON EXHIBIT "A" TO THE WITNESS AS REQUESTED.)

Q IF YOU COULD, TURN TO PAGE 35---PAGES 35 AND 36 OF EXHIBIT "A."

(THEREUPON, THE WITNESS COMPLIES.)

Q THIS LEDGER PAGE IS ENTITLED, "LOANS RECEIVABLE," AND IT IS A JEFFERSON MARKETING LEDGER SHEET; AND THERE ARE SEVERAL ENTRIES REGARDING THE JEFFERSON MARKETING, INC., FOUNDATION. ARE YOU FAMILIAR WITH THE JEFFERSON MARKETING, INCORPORATED, FOUNDATION, MR. DAVIDSON?

PEERED CO., BATONRE, B.J. 07001 · 800-527-0488

CCC # 5310

October 26, 1982

Mr. Frank P. Reiche, Chairman
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Dear Chairman Reiche:

I am writing to ask you to investigate the following facts regarding what I believe are violations of the Federal Election Campaign Act.

Democrats for Better Government to Elect Gibson, the principal campaign committee of Thomas Gibson, a candidate in North Carolina's 7th Congressional District Democratic Primary, reported in its July 15, 1982, Quarterly FEC Report that it had $7200.00 in total receipts, and $6900.00 in operating expenditures.

A review of all relevant committee reports has disclosed only the following media related expenses (Appendix 1): $5000.00 to Jefferson Marketing, Raleigh, N.C., for the purposes of a "T.V. Ad and Buying Time," $600.00 to Jefferson Marketing for additional "T.V. Time," and $1300.00 to WKFT-TV 40, Fayetteville, N.C., for "T.V. Time."

It is my belief that the frequency with which this ad was aired and the total cost of production of this ad, accounted for more than a total cost of $6900.00, reported as operating expenses (Appendix 1), based on the documentation contained in Appendices 1 and 2.

My contention is that the actual cost of television time purchased was approximately $6900.00 (Appendix 2), which would mean that Jefferson Marketing has made a corporate political contribution in the form of the production of this ad, in violation of the provisions of 2 U.S.C. 441b. The failure to report this contribution would constitute a violation of 2 U.S.C. 434.

In addition, it is also my understanding that candidate Thomas Gibson has paid for the broadcasting of this ad with his own personal check, in violation of the provisions of 2 U.S.C. 432.

Democrats for Better Government to Elect Gibson relied primarily on a single ad (1) for its advertising campaign. Further, the very same television ad which Democrats for Better Government

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to Elect Gibson has claimed it purchased from Jefferson Marketing, has reentered the campaign as a part of the media campaign currently employed by Edward Johnson, the Republican candidate in the 7th Congressional District General Election campaign. The only change in the original ad occurred in the final seconds, specifically in regard to the reference to the Ed Johnson for Congress committee, the principal campaign committee of Edward Johnson.

It is also my contention that this ad is the very ad used by the Democrats for Better Government to Elect Gibson committee, and that the "in-kind" contribution of a video ad by the Democrats to Elect Gibson committee listed in the October 15, 1982, Quarterly FEC Report of the Ed Johnson for Congress committee confirms the ownership of the ad by the Gibson committee, and the violations alleged against the Democrats to Elect Gibson committee (Appendix 3, Schedule B-Itemized Disbursements).

Therefore, if the ad was an illegal corporate contribution from Jefferson Marketing to the Democrats for Better Government to Elect Gibson committee, the illegality of this contribution has continued, albeit in a new form, with the contribution of the ad to the Ed Johnson for Congress committee. Pursuant to the provisions of 11 C.F.R. 100.7 (a) (1), the Ed Johnson for Congress committee would also be in violation of the Federal Election Campaign Act.

11 C.F.R. 100.7 (a) (1) requires that any "in-kind" contribution be valued at its usual and normal charge. It is my contention that the production of a sophisticated video ad, such as the one in question, could not be accomplished for, nor could the value of such an ad be, a mere $100. I feel that the facts regarding the cost of production of such ads and the potential political value of such ads clearly support the conclusion that this ad has been grossly undervalued in a deliberate attempt to further violate provisions of the Federal Election Campaign Act.

In addition to the above stated request to review the specific violations of the Federal Election Campaign Act alleged, I would also request that the FEC investigate whether Jefferson Marketing, the subsidiary, and The Congressional Club, the parent corporation, are in violation of the prohibitions and limitations reporting requirements, specifically 2 U.S.C. 434, 2 U.S.C. 432, 2 U.S.C. 441a, and 2 U.S.C. 441b, with respect to the campaigns of candidates Gibson and Johnson.

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I believe that the structure and organization of Jefferson Marketing and The Congressional Club is nothing but a clever attempt to violate the specific provisions of the Federal Election Campaign Act previously cited.

I call your attention to the law governing the operations of corporations incorporated in North Carolina, and also the fact that Jefferson Marketing was incorporated under North Carolina law in December 1978. I believe that you will find the provisions of North Carolina law governing corporate existence important in your analysis, particularly as far as they shed light on the issue of whether or not Jefferson Marketing is in effect the "alter ego," "agent," or "instrumentality" of The Congressional Club.

North Carolina law provides that the subsidiary (Jefferson Marketing) will not be deemed to be a separate corporate entity in the instance where the formalities of separate corporate procedures governing each corporation's existence are not adhered to.

North Carolina requires that both corporations, the parent (The Congressional Club), and the subsidiary (Jefferson Marketing), be held out to the public as separate entities and that corporate policies be significantly different. Adequate capitalization of the subsidiary is required, and there must exist capital reasonably adequate for its prospective liabilities. Key to the requirement of existence of adequate capitalization is the issue of whether the subsidiary may reasonably expect to achieve independent financial ability from its operation.

In addition, where the subsidiary has been formed solely to avoid existing obligations, to commit fraud, or to evade statutory provisions, specifically the Federal Election Campaign Act, the corporate entity will be disregarded under North Carolina law.

The facts on the structure, organization, and function of Jefferson Marketing are clear (Appendix 5). The record and history of this organization speaks for itself. Jefferson Marketing, which may also do business under the name of the Campaign Committee, is merely an extension of the parent corporation, The Congressional Club, and therefore everything Jefferson Marketing did on behalf of The Congressional Club was reportable under the aforementioned provisions of the FECA.

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Jefferson Marketing was established and is financed by The Congressional Club. Jefferson Marketing, sold to a member of The Congressional Club for a mere $50.00, works hand in hand with The Congressional Club and backs only those candidates supported by The Congressional Club, and undertakes only those campaigns approved by The Club. The advertising and campaign staff of The Congressional Club was merely transferred to Jefferson Marketing's payroll. In addition, Jefferson Marketing was not formed with the purpose of making a profit, and continues to be funded by the parent corporation, The Congressional Club.

Although Jefferson Marketing is incorporated and would claim the status of an independent corporation, or independent political committee, these claims would not be supported by the facts, nor do I believe by a careful investigation of Jefferson Marketing or The Congressional Club's records.

By a Congressional Club spokesperson's very own admissions, Jefferson Marketing and The Congressional Club continue to act and were established to act as a single entity, though technically separately. While legally they may appear to be separate entities, I firmly believe that Jefferson Marketing, regardless of the fact that it has incorporated, still acts with the approval and constant guidance and management provided by The Congressional Club.

Therefore, it is my second request that the Federal Election Commission investigate violations of 2 U.S.C. 434, 2 U.S.C. 432, 2 U.S.C. 441a, and 2 U.S.C. 441b, with respect to both Jefferson Marketing and The Congressional Club, as they relate to the campaigns of both Gibson and Johnson. All of the laws applicable to Jefferson Marketing and the violations alleged are also applicable to The Congressional Club.

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I look forward to your attention to my requests, and await your timely response.

Sincerely,

Charlie Rose

Charlie Rose
P.O. Box 1891
Fayetteville, N.C. 28302

SUBSCRIBED AND SWORN TO ME
THIS THE 29th DAY OF OCTOBER, 1982.

Nancy S. Nelson
NOTARY PUBLIC

MY COMMISSION EXPIRES: 11-18-1985

NANCY S. NELSON
NOTARY PUBLIC
NEW HANOVER COUNTY, N. C.

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8 6 0 4 0 4 0 2 4 9 5

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER

662-5498

TWX: 710 822-0008 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER (202) 662-6290
CABLE: COVLING

DEC 7 P4:19

December 7, 1982

Charles N. Steele, Esq.
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Mr. Steele:

This letter is submitted on behalf of the National Congressional Club and Jefferson Marketing, Inc. in response to the written complaint dated October 26, 1982, filed by Congressman Charlie Rose in the above-entitled matter. In his complaint, Mr. Rose alleges that the National Congressional Club and Jefferson Marketing violated the provisions of the Federal Election Campaign Act ("Act") with respect to the campaigns of Thomas Gibson and Edward Johnson, Mr. Rose's respective opponents in the North Carlina 7th Congressional District primary and general elections. These violations are alleged to have occurred through the production by Jefferson Marketing of a Gibson campaign television advertisement concerning a trip to Rio de Janeiro, Brazil, taken at government expense by Mr. Rose and a staff member.

As shown below, however, Mr. Rose is fundamentally uninformed concerning the production of the advertisement in question. His allegations not only are unsupported, but are unsupportable. Accordingly, the Federal Election Commission ("Commission") should find no reason to believe that Jefferson Marketing or the National Congressional Club has violated the Act with respect to the campaigns of candidates Gibson and Johnson.

Facts

The National Congressional Club is an unincorporated multicandidate political committee, as that term is defined in the Act, and is duly registered with the Commission.

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Thomas F. Ellis serves as the Chairman of the National Congressional Club and its Treasurer is Carter Wrenn. Senators Jesse Helms and John East serve as Honorary Chairmen.

Jefferson Marketing, Inc. is a for-profit business corporation organized under the laws of North Carolina. It is primarily engaged in the provision of direct-mail, consulting and computer services, and also purchases television time on behalf of its clients, which include political, nonprofit and business entities. Jefferson Marketing does not produce, and indeed does not possess, the physical plant, personnel or equipment to produce, video advertisements of any kind. Douglas M. Davidson serves as the corporation's President.

In June 1982, Jefferson Marketing was requested by the Democrats For Better Government To Elect Gibson ("Gibson Committee") to arrange for the production of the video advertisement at issue in this case, concerning the trip by Mr. Rose and a member of his staff to Rio de Janeiro, Brazil, at the expense of the federal government. As is its practice in such situations, Jefferson Marketing issued a purchase order to have the requested advertisement produced by a company that, unlike Jefferson Marketing, is in the business of producing video advertisements. In this case the purchase order, a copy of which is attached hereto as Exhibit A, was issued to a company named Audiofonics of Raleigh, North Carolina, as the "vendor," and specified the Gibson Committee as the "client." The purchase order further provided that invoices should be mailed "TO JEFFERSON MARKETING FOR FORWARDING TO CLIENT" and that "THE CLIENT SHALL BE SOLELY RESPONSIBLE FOR THE PAYMENT OF ANY INVOICE ARISING OUT OF THIS PURCHASE ORDER." Pursuant to the terms of the purchase order, Audiofonics produced the advertisement in question and provided Jefferson Marketing with invoices covering such production, copies of which invoices are attached hereto as Exhibit B. The invoices, in turn, were forwarded by Jefferson Marketing to the Gibson Committee for payment. The National Congressional Club incurred no expenses and made no payments with respect thereto.

In addition to the foregoing, Jefferson Marketing's involvement with the advertisement at issue was limited to the following. First, it procured a segment of video tape of Rio de Janeiro for incorporation by Audiofonics into the advertisement in question. This video segment was obtained from a company named Interface Video Systems, Inc. of Washington, D.C., the invoice with respect to which is attached

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hereto as Exhibit C. Second, a Jefferson Marketing employee was made available to assist in the production of the Rio de Janeiro advertisement. Finally, Jefferson Marketing, on behalf of the Gibson Committee, purchased time from several television stations in North Carolina for the airing of the advertisement in question.

Pursuant to the request of the National Congressional Club, which desired to provide in kind support to the Gibson Committee, the National Congressional Club was billed by Jefferson Marketing for the costs of the foregoing services and the video segment.*/ The National Congressional Club paid the bills upon receipt, and such payments, totalling $592.73, were duly recorded and reported by the National Congressional Club in its reports to the Commission, copies of the relevant pages of which are attached hereto as Exhibit D.

Other than the foregoing, Jefferson Marketing provided no services and incurred no expenses in connection with the Rio de Janeiro advertisement. Further, except for the in kind contributions to the Gibson Committee identified above, all of which were properly recorded and reported, the National Congressional Club incurred no expenses and made no payments with respect to the production of the Gibson campaign advertisement.

Notwithstanding the facts surrounding production of the Rio de Janeiro advertisement, and having made no identifiable effort to ascertain them, Mr. Rose, on October 26, 1982, generated this compliance proceeding. Apparently wholly ignorant of the nature of Jefferson Marketing's business, Mr. Rose alleged that Jefferson Marketing had produced, without charge, the Gibson campaign advertisement at issue and thereby made an illegal corporate contribution to the Gibson Committee. See 2 U.S.C. § 441b. This is the sole basis set forth in Mr. Rose's complaint for alleging violations of the Act by Jefferson Marketing with respect to the Gibson campaign.**/

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*/ As the agent of the Gibson Committee, Jefferson Marketing paid the participating television stations for the purchased time with funds received in advance from the Gibson Committee.

**/ Although Mr. Rose alleged violations by the National Congressional Club and Jefferson Marketing of various other provisions of the Act, all such alleged violations are based upon the alleged conduct described herein.

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Mr. Rose further alleged in his complaint that the advertisement in question subsequently was transferred by the Gibson Committee to the Ed Johnson For Congress Committee ("Johnson Committee"), and that the allegedly illegal corporate contribution by Jefferson Marketing to the Gibson Committee therefore constituted an illegal corporate contribution by Jefferson Marketing to the Johnson Committee as well. This is the sole basis set forth in Mr. Rose's complaint for alleging violations of the Act by Jefferson Marketing with respect to the Johnson campaign.

Finally, relying upon the foregoing alleged illegal corporate contributions by Jefferson Marketing to the Gibson and Johnson campaigns, Mr. Rose alleges that the National Congressional Club has violated the Act with respect to both such campaigns by virtue of Mr. Rose's belief, although couched in his complaint as a statement of fact, that the National Congressional Club is the "parent corporation" of Jefferson Marketing. This is the sole basis set forth in Mr. Rose's complaint for alleging that the National Congressional Club has violated the Act with respect to the campaigns of Gibson and Johnson.

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Discussion

The complaint filed by Mr. Rose alleges that the National Congressional Club and Jefferson Marketing have violated the provisions of the Act, in particular, 2 U.S.C. §§ 432, 434, 441a and 441b, "as they relate to the campaigns of both Gibson and Johnson." As the facts described above amply demonstrate, the violations alleged by Mr. Rose are the product of fantasy, and his complaint should be dismissed.

Mr. Rose's allegations that the National Congressional Club and Jefferson Marketing violated the Act are premised entirely upon the alleged production by Jefferson Marketing, without charge, of the Gibson campaign advertisement criticizing the trip by Mr. Rose and a staff member to Rio de Janeiro at the taxpayers' expense. However, Mr. Rose has provided the Commission with absolutely no evidence to support this allegation -- the very linchpin of his complaint against the National Congressional Club and Jefferson Marketing. Mr. Rose therefore has given the Commission no reason whatsoever to believe that the National Congressional Club and Jefferson Marketing violated the provisions of the Act.

Indeed, even had Mr. Rose fully investigated the matter before filing his complaint, he could not have provided evidence to support his accusations, because none exists. The fact is that the advertisement in question was produced by a company other than Jefferson Marketing. Jefferson Marketing does not even have the capacity to produce video advertisements. Moreover, as shown above, the minimal involvement by Jefferson Marketing with respect to the Rio de Janeiro advertisement and the in kind contributions to the Gibson Committee by the National Congressional Club were properly reported and entirely permissible.

Given that the alleged events that form the basis of Mr. Rose's complaint against the National Congressional Club and Jefferson Marketing did not occur, Mr. Rose's other allegations and unsupported conclusory statements concerning the National Congressional Club and Jefferson Marketing are irrelevant. This includes Mr. Rose's mischaracterization of the natures of these two entities, his discourse on the subject of North Carolina corporation law, and the alleged transfer of the Rio de Janeiro advertisement from the Gibson Committee to the Johnson Committee.

Conclusion

For the reasons stated above, the Commission should find no reason to believe that the National Congressional Club or Jefferson Marketing violated any provisions of the Act, and Mr. Rose's complaint should be dismissed.

Sincerely,

Brice M. Clagett

Scott D. Gilbert

R5040 0250

JEFFERSON MARKETING, INC.

P.O. BOX 18746 • RALEIGH, NORTH CAROLINA 27619

PURCHASE ORDER
NO. 4352
THIS NUMBER MUST APPEAR ON ALL INVOICES, PACKAGES AND CORRESPONDENCE

VENDOR
AUDIOFONICS
1101 Downtown Blvd.
Raleigh, NC

SHIP TO

CLIENT (BILL TO)
GIBSON FOR CONGRESS
c/o Jefferson Marketing, Inc.
P.O. Box 19307
Raleigh, NC 27619

BILL DIRECT TO THE CLIENT. BY ACCEPTING AND FULFILLING THIS PURCHASE ORDER THE SUPPLIER EXPRESSLY ACKNOWLEDGES AND AGREES THAT THIS PURCHASE ORDER IS TO BE CHARGED AGAINST THE ACCOUNT OF THE CLIENT, AND THAT THE CLIENT SHALL BE SOLELY RESPONSIBLE FOR THE PAYMENT OF ANY INVOICE ARISING OUT OF THIS PURCHASE ORDER.

MAIL INVOICE IN TRIPLICATE TO JEFFERSON MARKETING FOR FORWARDING TO CLIENT.

PURCHASE ORDER DATE	DATE REQUIRED	JOB NUMBER	F.O.B.	YES	NO	NO. OF SAMPLES REQUIRED	ACCOUNT
6/11/82							

QUANTITY ORDERED	QUANTITY SHIPPED	PLEASE SUPPLY ITEMS LISTED BELOW	UNIT PRICE	TOTAL
		Production of Gibson for Congress commercials		$1,500.00
		Inv # 12470 - 965.59		
		Inv # 12434 - 2,145.00		
		Inv # 12435 - 152.35		
		Inv # 12436 - 151.79		
		ADVERTISING/Earl Ashe/sc		
		Inv # 12488 - 26.00		

CHANGES WILL BE BINDING ON CLIENT LISTED ON THIS PURCHASE ORDER UNLESS WRITTEN AUTHORIZATION IS GIVEN.

BY _____
PURCHASING AGENT

REGISTER

Exhibit A

INVOICE

Audiotronics

PURCHASE ORDER—4152
DESCRIPTION—GIBSON FOR CONGRESS
INVOICE DATE—6/11/82
INVOICE NUMBER— 12434

GIBSON MARKETING
P O BOX 10848
RALEIGH NC 27609

QTY	DESCRIPTION	PRICE	AMOUNT
3	HR 1-IN VIDEO EDIT/SCHED	300.00	900.00
1.5	HR 3/4-1-IN TRANSFER/CODE	125.00	187.50
35	MINUTES 1-IN MASTER TAPE	4.00	140.00
2	1-SPOT VIDEO B/CST DUBS	25.00	50.00
1	TALENT - HODGES M	115.00	115.00
1	TALENT - SIMMONS H	115.00	115.00
1	TALENT - ABERNETHY R	115.00	115.00
3	HR STUDIO VIDEO PROD-FULL CREW	120.00	360.00
1	20 MIN 3/4IN MSTR TAPE	40.00	40.00
1	5 MIN 3/4IN DUB	40.00	40.00
	TOTAL		2,062.50
	4% NC SALES TAX		82.50
	INVOICE TOTAL		2,145.00

---INVOICE NO. 12434---PAYMENT DUE WITHIN 30 DAYS.

SERVICE CHARGE OF 1.5% PER MONTH (18% APR) MAY BE
FOUND FOR INVOICES PAID AFTER DUE DATE.

PAGE 2

JUN 17 1982

PAID .....
Dept. O.K. .....
Adm. O.K. .....
Acct Verif. .....
By .....
Appd .....
Ck. # .....

Exhibit B

...M INVOICE:

Audiofonics

Bill Jones

PURCHASE ORDER--4252
JOB DESCRIPTION--TV W/O-LASETER-GIBSON FOR CONGRESS
INVOICE DATE--6/3/82
INVOICE NUMBER-- 12435

6/7/82

JEFFERSON MARKETING
P O BOX 18048
RALEIGH NC 27609

QTY	DESCRIPTION	PRICE	AMOUNT
.75	HR. STUDIO-DAY-SCHED.	60.00	45.00
1	C-30 CASSETTE DUPLICATES	5.34	5.34
1	REELS 1200'-1/4 MSTR TAPE	9.90	9.90
1	TALENT - LASETER F	86.25	86.25
	TOTAL		146.49
	4% NC SALES TAX		5.86
	INVOICE TOTAL		152.35

...INVOICE NO. 12435--PAYMENT DUE WITHIN 30 DAYS.

SERVICE CHARGE OF 1.5% PER MONTH (18% APR) MAY BE ...ED FOR INVOICES PAID AFTER DUE DATE.

...TE ?

JUN 17 1982

Rec'd .....
Dept O.K. .....
Acct. O.K. .....
Ven. Cert. .....
W/ .....
Acct.# .....
Pd. ... / ... / ...
Ck. # .....

INVOICE

Audiofonics

PURCHASE ORDER--4752 Bill Issued
JOB DESCRIPTION--GIBSON FOR CONGRESS TV V/O-REVISED
INVOICE DATE--6/11/82 6/17/82
INVOICE NUMBER— 12436

JEFFERSON MARKETING
P O BOX 18348
RALEIGH NC 27609

QTY	DESCRIPTION	PRICE	AMOUNT
.5	HR STUDIO-DAY-SCHED.	60.00	30.00
.5	HR TAPE EDIT-UNSCHED.	45.00	22.50
1	REELS 600'-1/4 MSTR TAPE	7.20	7.20
1	TALENT - LASETER F	86.25	86.25
	TOTAL		145.95
	4% NC SALES TAX		5.84
	INVOICE TOTAL		151.79

INVOICE NO. 12436--PAYMENT DUE WITHIN 30 DAYS.

SERVICE CHARGE OF 1.5% PER MONTH (18% APR) MAY BE ADDED FOR INVOICES PAID AFTER DUE DATE.

TYPE 7

JUN 17

Prod.
Dept. AE
Adm. Ass.
Acct. Verif.
Rel.
Acct'g
Pd. / /
Ck. #

>>>>INVOICE<<<<

Audiofonics

This invoice issued 7/6/82

PURCHASE ORDER--4252
JOB DESCRIPTION--GIBSON FOR CONG TV-RE EDIT/RE-VOICE
INVOICE DATE--6/15/32
INVOICE NUMBER-- 12470

Gibson for Congress
JEFFERSON MARKETING
P O BOX 13848
RALEIGH NC 27609

QTY	DESCRIPTION	PRICE	AMOUNT
.5	HR STUDIO-O'TIME-SCHED.	80.00	40.00
2	HR 1-IN VIDEO EDIT/O-TIME	350.00	700.00
5	MINUTES 1-IN MASTER TAPE	4.00	20.00
1	REELS 600'-1/4 MSTR TAPE	7.20	7.20
3	1-SPOT VIDEO B'CST DUBS	25.00	75.00
1	TALENT--LASETER E	86.25	86.25
	TOTAL		928.45
	4% NC SALES TAX		37.14
	INVOICE TOTAL		965.59

INVOICE NO. 12470--PAYMENT DUE WITHIN 30 DAYS.

SERVICE CHARGE OF 1.5% PER MONTH (18% APR.) MAY BE ADDED FOR INVOICES PAID AFTER DUE DATE

TYPE 8

JUL 06 1982

Rec'd. .....
Dept. O.K. .....
Adm. O.K. .....
Acct. Verif. .....
Ind. .....
Acct.# .....
Pd. ___/___/___
Ck.# .....

R60406U2503

>>>>INVOICE<<<<

Audiofonics

This invoice
Received 7/9/82

PURCHASE ORDER—4352
JOB DESCRIPTION—2IN DUB-GIBSON TV SPOT
INVOICE DATE—6/20/82
INVOICE NUMBER— 12488

Tom Gibson for Congress
JEFFERSON MARKETING
P O BOX 18848
RALEIGH NC 27609

QTY	DESCRIPTION	PRICE	AMOUNT
1	1-SPOT VIDEO B/CST DUBS	25.00	25.00
	TOTAL		25.00
	4% NC SALES TAX		1.00
	INVOICE TOTAL		26.00

>>>>INVOICE NO. 12488—PAYMENT DUE WITHIN 30 DAYS.

SERVICE CHARGE OF 1.5% PER MONTH (18% APR) MAY BE ADDED FOR INVOICES PAID AFTER DUE DATE.

TYPE 9

JUL 10 1982

Rec'd
Appr. O.K. EA
O.K.
Paid
Acct.
Pd. / /
Ck #

Interface

Inter
Suite 5

No. 004763

INVOICE

INTERFACE VIDEO SYSTEMS, INC.
1333 New Hampshire Ave., N.W.
Suite LL200
Washington, D.C. 20036
(202) 861-0500

DATE 6/30/82

TO JEFFERSON MARKETING INC.
3825 Barrett Drive
Suite 301
Raleigh, NC 27619
CLIENT PO # 4317

P.O. NUMBER IVS # 06080

TERMS NET-15

QUANTITY	DESCRIPTION	PRICE
1 hr.	clean & splice film	$ 25.00
45 min.	film to tape transfer @ $250/hr.	187.50
1	40 min. video tape cassette	35.00
	****PAID ON ACCOUNT 160.00	
	****CURRENT BILLING 253.50	
	*****AMOUNT NOW DUE $ 93.50	
	SUBTOTAL	$ 247.50
	CA TAX	OUT OF STATE
	DELIVERIES	6.00
	TAX TOTAL	$ 253.50

ORIGINAL

BOOKKEEPING-PENDING

Exhibit C

REPORT OF RECEIPTS AND DISBURSEMENTS
... a Political Committee Other Than an Authorized Committee

(Summary Page)

1. Name of Committee (In Full)

The National Congressional Club

Address (Number and Street)

P.O. Box 18848

City, State and ZIP Code

Raleigh, NC 27619

☐ Check if address is different than previously reported.

2. FEC Identification Number

C00119370

3. ☐ This committee qualified as a multicandidate committee during this Reporting Period on _____ (date)

4. TYPE OF REPORT (check appropriate boxes)

(a)
- ☐ April 15 Quarterly Report
- ☒ July 15 Quarterly Report
- ☐ October 15 Quarterly Report
- ☐ January 31 Year End Report
- ☐ July 31 Mid Year Report (Non-election Year Only)
- ☐ Monthly Report for _____
- ☐ Twelfth day report preceding _____ (Type of Election) election on _____ in the State of _____
- ☐ Thirtieth day report following the General Election on _____ in the State of _____
- ☐ Termination Report

(b) Is this Report an Amendment? ☐ YES ☐ NO

SUMMARY	Column A This Period	Column B Calendar Year-to-Date
5. Covering Period 6-10-82 Through 6-30-82		
6. (a) Cash on Hand January 1, 19 82		$ 179,752.46
(b) Cash on Hand at Beginning of Reporting Period	$ 21,015.56	
(c) Total Receipts (from Line 18)	$ 252,469.37	$ 2,371,471.79
(d) Subtotal (add lines 6(b) and 6(c) for Column A and lines 6(a) and 6(c) for Column B)	$ 273,484.93	$ 2,551,224.25
7. Total Disbursements (from Line 28)	$ 270,101.94	$ 2,547,861.26
8. Cash on Hand at Close of Reporting Period (subtract line 7 from 6(d))	$ 3,362.99	$ 3,362.99
9. Debts and Obligations Owed TO the Committee (Itemize all on Schedule C or Schedule D)	$ 2,000.00	
10. Debts and Obligations Owed BY the Committee (Itemize all on Schedule C or Schedule D)	$ 46,590.22	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Carter Wrenn
Type or Print Name of Treasurer

_____
SIGNATURE OF TREASURER

10/7/82
Date

For further information, contact:
Federal Election Commission
Toll Free 800-424-9530
Local 202-523-4068

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §4...

All previous versions of FEC FORM 3 and FEC FORM 3a are obsolete and should no longer be used.

FEC FORM 3X (2...

Exhibit D

R 5 0 4 0 5 0 0 3 0 8

DETAILED SUMMARY P,
of Receipts and Disburseme...
(Page 2, FEC FORM 3X)

Name of Committee (in Full)	Report Covering the Period:
The National Congressional Club	From: 6/10/82 To: 7/1/82

	COLUMN A Total This Period	COLUMN B Calendar Year-to-Date
I. RECEIPTS		
11. CONTRIBUTIONS (other than loans) FROM:		
(a) Individuals/Persons Other Than Political Committees	242,302.69	2,344,069.69
(Memo Entry Unitemized $ 205,807.69)		
(b) Political Party Committees		
(c) Other Political Committees	15.00	1,880.00
(d) TOTAL CONTRIBUTIONS (other than loans) (add 11a, 11b and 11c)	242,317.69	2,345,949.69
12. TRANSFERS FROM AFFILIATED/OTHER PARTY COMMITTEES	-0-	-0-
13. ALL LOANS RECEIVED	-0-	-0-
14. LOAN REPAYMENTS RECEIVED	-0-	-0-
15. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	10,000.00	23,627.15
16. REFUNDS OF CONTRIBUTIONS MADE TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	-0-	-0-
17. OTHER RECEIPTS (Dividends, Interest, etc.)	131.68	1,894.95
18. TOTAL RECEIPTS (Add 11d, 12, 13, 14, 15, 16 and 17).	252,449.37	2,371,471.79
II. DISBURSEMENTS		
19. OPERATING EXPENDITURES	233,939.22	2,485,262.94
20. TRANSFERS TO AFFILIATED/OTHER PARTY COMMITTEES	3,630.72	6,630.72
21. CONTRIBUTIONS TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	34,233.01	54,568.61
22. INDEPENDENT EXPENDITURES (Use Schedule E)	-0-	-0-
23. COORDINATED EXPENDITURES MADE BY PARTY COMMITTEES (2 U.S.C. §441a(d)) (Use Schedule F)	-0-	-0-
24. LOAN REPAYMENTS MADE	-0-	-0-
25. LOANS MADE	-0-	-0-
26. REFUNDS OF CONTRIBUTIONS TO:		
(a) Individuals/Persons Other Than Political Committees	400.00	400.00
(b) Political Party Committees		
(c) Other Political Committees		
(d) TOTAL CONTRIBUTION REFUNDS (add 26a, 26b and 26c)	400.00	400.00
27. OTHER DISBURSEMENTS		1,000.00
28. TOTAL DISBURSEMENTS (Add Lines 19, 20, 21, 22, 23, 24, 25, 26d and 27)	270,101.94	2,547,861.26
III. NET CONTRIBUTIONS AND NET OPERATING EXPENDITURES		
29. TOTAL CONTRIBUTIONS (other than loans) from Line 11d	242,317.69	2,345,949.69
30. TOTAL CONTRIBUTION REFUNDS from Line 26d	400.00	400.00
31. NET CONTRIBUTIONS (other than loans) (subtract Line 30 from Line 29)	241,917.69	2,345,549.69
32. TOTAL OPERATING EXPENDITURES from Line 19	233,939.22	2,485,262.94
33. OFFSETS TO OPERATING EXPENDITURES from Line 15	10,000.00	23,627.15
34. NET OPERATING EXPENDITURES (subtract Line 33 from Line 32)	223,939.22	2,461,635.79

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SCHEDULE B — ITEMIZED DISBURSEMENTS

Page 2 of 2 for LINE NUMBER 21
(Use separate schedule(s) for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full)

The National Congressional Club

Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for:	Date (month, day, year)	Amount of Each Disbursement This Period
Gene Johnston for Congress P. O. Box 9089 Greensboro, NC 27408	In-kind Printing costs, mailing fee and services, computer use, list rental ☒ Primary ☐ General ☐ Other (specify):	6/25/82	$2,894.27
Ed Johnson For Congress P. O. Box 1576 Lumberton, NC 28358	In-kind Staff expenses, art-work and logo design ☒ Primary ☐ General ☐ Other (specify):	6/29/82	$ 32.89
Tom Gibson for Congress P. O. Box 1030 Lumberton, NC 28358	In-kind Video tape production and time buying ☒ Primary ☐ General ☐ Other (specify):	6/25/82	$ 513.08
Harris Blake for Congress P. O. Box 1982 Southern Pines, NC 28387	In-kind Staff assist. and expenses and mailing costs ☐ Primary ☐ General ☐ Other (specify):	6/25/82	$4,824.78
Harris Blake for Congress same	In-kind Staff assistance and expenses ☐ Primary ☒ General ☐ Other (specify):	6/30/82	$ 802.20
	Purpose of Disbursement: ☐ Primary ☐ General ☐ Other (specify):		
	Purpose of Disbursement ☐ Primary ☐ General ☐ Other (specify):		
	Purpose of Disbursement ☐ Primary ☐ General ☐ Other (specify):		
	Purpose of Disbursement ☐ Primary ☐ General ☐ Other (specify):		
TOTAL of Disbursements This Page (optional)			
ALL This Period (last page this line number only)			$33,398.41

REPORT OF RECEIPTS AND DISBURSEMENTS
For a Political Committee Other Than an Authorized Committee

(Summary Page)

1. Name of Committee (in Full)

The National Congressional Club

Address (Number and Street)

P.O. Box 18848

City, State and ZIP Code

Raleigh, NC 27619

☐ Check if address is different than previously reported.

2. FEC Identification Number
C00119370

3. ☐ This committee qualified as a multicandidate committee during this Reporting Period on _____ (date)

4. TYPE OF REPORT (check appropriate boxes)

(a)
- ☐ April 15 Quarterly Report
- ☐ July 15 Quarterly Report
- ☒ October 15 Quarterly Report
- ☐ January 31 Year End Report
- ☐ July 31 Mid Year Report (Non-election Year Only)
- ☐ Monthly Report for _____
- ☐ Twelfth day report preceding _____ (Type of Election) election on _____ in the State of _____
- ☐ Thirtieth day report following the General Election on _____ in the State of _____
- ☐ Termination Report

(b) Is this Report an Amendment?
☐ YES ☒ NO

SUMMARY	Column A This Period	Column B Calendar Year-to-Date
5. Covering Period July 1, 1982 Through Sept. 30, 1982		
6. (a) Cash on Hand January 1, 1982		$ 179,752.46
(b) Cash on Hand at Beginning of Reporting Period	$ 3,362.99	
(c) Total Receipts (from Line 18)	$ 1,127,732.54	$ 3,499,204.33
(d) Subtotal (add lines 6(b) and 6(c) for Column A and lines 6(a) and 6(c) for Column B)	$ 1,131,095.53	$ 3,678,956.79
7. Total Disbursements (from Line 28)	$ 1,105,025.69	$ 3,652,886.95
8. Cash on Hand at Close of Reporting Period (subtract line 7 from 6(d))	$ 26,069.84	$ 26,069.84
9. Debts and Obligations Owed TO the Committee (Itemize all on Schedule C or Schedule D)	$ 2,000.00	
10. Debts and Obligations Owed BY the Committee (Itemize all on Schedule C or Schedule D)	$ 57,349.42	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Carter Wrenn
Type or Print Name of Treasurer

Carter Wrenn
SIGNATURE OF TREASURER

Oct 15, 1982
Date

For further information, contact:
Federal Election Commission
Toll Free 800-424-9530
Local 202-523-4068

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

All previous versions of FEC FORM 3 and FEC FORM 3a are obsolete and should no longer be used.

FEC FORM 3X (2/80)

R5040502511

DETAILED SUMMARY PAGE
of Receipts and Disbursements
(Page 2, FEC FORM 3X)

Name of Committee (in Full)	Report Covering the Period: From: 7-1-82 To: 10-1-82	
The National Congressional Club	COLUMN A Total This Period	COLUMN B Calendar Year-to-Date
I. RECEIPTS		
11. CONTRIBUTIONS (other than loans) FROM:		
(a) Individuals/Persons Other Than Political Committees	1,091,353.03	3,435,422.72
(Memo Entry Unitemized $ 814,497.73)		
(b) Political Party Committees		
(c) Other Political Committees	3,265.00	5,145.00
(d) TOTAL CONTRIBUTIONS (other than loans) (add 11a, 11b and 11c)	1,094,618.03	3,440,567.72
12. TRANSFERS FROM AFFILIATED/OTHER PARTY COMMITTEES	-0-	-0-
13. ALL LOANS RECEIVED	-0-	-0-
14. LOAN REPAYMENTS RECEIVED	-0-	-0-
15. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	33,045.91	56,673.06
16. REFUNDS OF CONTRIBUTIONS MADE TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	-0-	-0-
17. OTHER RECEIPTS (Dividends, Interest, etc.)	68.60	1,963.55
18. TOTAL RECEIPTS (Add 11d, 12, 13, 14, 15, 16 and 17)	1,127,732.54	3,499,204.33
II. DISBURSEMENTS		
19. OPERATING EXPENDITURES	1,047,159.99	3,532,422.93
20. TRANSFERS TO AFFILIATED/OTHER PARTY COMMITTEES	-0-	6,629.71
21. CONTRIBUTIONS TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	48,847.27	103,415.88
22. INDEPENDENT EXPENDITURES (Use Schedule E)	-0-	-0-
23. COORDINATED EXPENDITURES MADE BY PARTY COMMITTEES (2 U.S.C. §441a(d)) (Use Schedule F)	-0-	-0-
24. LOAN REPAYMENTS MADE	-0-	-0-
25. LOANS MADE	-0-	-0-
26. REFUNDS OF CONTRIBUTIONS TO:		
(a) Individuals/Persons Other Than Political Committees	1,365.00	1,765.00
(b) Political Party Committees		
(c) Other Political Committees		
(d) TOTAL CONTRIBUTION REFUNDS (add 26a, 26b and 26c)	1,365.00	1,765.00
27. OTHER DISBURSEMENTS	7,653.43	8,653.43
28. TOTAL DISBURSEMENTS (Add Lines 19, 20, 21, 22, 23, 24, 25, 26d and 27)	1,105,025.69	3,652,886.95
III. NET CONTRIBUTIONS AND NET OPERATING EXPENDITURES		
29. TOTAL CONTRIBUTIONS (other than loans) from Line 11d	1,094,618.03	3,440,567.72
30. TOTAL CONTRIBUTION REFUNDS from Line 26d	1,365.00	1,765.00
31. NET CONTRIBUTIONS (other than loans) (subtract Line 30 from Line 29)	1,093,253.03	3,438,802.72
32. TOTAL OPERATING EXPENDITURES from Line 19	1,047,159.99	3,532,422.93
33. OFFSETS TO OPERATING EXPENDITURES from Line 15	33,045.91	56,673.06
34. NET OPERATING EXPENDITURES (subtract Line 33 from Line 32)	1,014,114.08	3,475,749.87

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SCHEDULE B — ITEMIZED DISBURSEMENTS

LINE NUMBER 21
(Use separate schedule(s) for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (in Full)
The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for:	Date (month, day, year)	Amount of Each Disbursement This Period
Bill Hendon For Congress Comm. P. O. Box 123 Asheville, NC 28802	in-kind contribution Printing, postage, list rental, mail fee & services. ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 4,083.00
B. Full Name, Mailing Address and ZIP Code Gene Johnston P. O. Box 9089 Greensboro, NC 27408	in-kind contribution Printing of letters ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 162.92
C. Full Name, Mailing Address and ZIP Code Ed Johnson For Congress Comm. P. O. Box 1576 Lumberton, NC	in-kind contribution Staff Assist. & Video Production ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 1,262.00
D. Full Name, Mailing Address and ZIP Code Harris Blake for Congress Comm. P. O. Box 1982 Southern Pines, NC 28387	in-kind contribution Staff assist., reception expense, & mailing fee & servi ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 3,303.47
E. Full Name, Mailing Address and ZIP Code Ann Bagnal for Congress Comm. 1 N. Marshall Street Winston-Salem, NC 27102	in-kind contribution Staff Assist., mailing services & fee, list dona. & rec ex ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 4,545.79
F. Full Name, Mailing Address and ZIP Code Rad McDaniel For Congress Comm. P. O. Box 160 Dunn, NC 28334	in-kind contribution Staff Assist., Computer print-outs, & recep. expense. ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 402.97
G. Full Name, Mailing Address and ZIP Code Bill Cobey For Congress Comm. P. O. Box 1982 Chapel Hill, NC 27514	In-kind contribution Staff assist., time buying, TV produc., mail serv. & fees print-outs, recep. exp., post ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 4,760.03
H. Full Name, Mailing Address and ZIP Code Jack Marin For Congress Comm. P. O. Box 8600 Durham, NC 27707	In-kind contribution Staff Assist., mailing serv. & fees, list donation, comp ter print-outs, recep. expense ☐ Primary ☒ General ☐ Other (specify):	9/30/82	$ 4,717.40
I. Full Name, Mailing Address and ZIP Code Tom Gibson for Congress Comm. P. O. Box 1030 Lumberton, NC 28358	In-kind Contribution Video tapes & Shipping chgs. ☒ Primary ☐ General ☐ Other (specify):	9/30/82	$ 104.41
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			$48,847.27

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 2, 1983

Brice M. Clagett, Esquire
Covington and Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

RE: MUR 1503

Dear Mr. Clagett:

In letters dated November 2, 1982, the Federal Election Commission notified your clients of a complaint which alleges that they violated certain sections of the Federal Election Campaign Act of 1971, as amended ("Act"). Copies of the complaint were forwarded with these notifications. On December 8, 1982, you submitted a response in behalf of your clients, Jefferson Marketing, Inc. and the National Congressional Club ("Congressional Club").

Upon further review of the allegations set forth in the complaint, information supplied by you, and a review of reports on file with the Commission, the Commission, on May 3, 1983 found reason to believe that Jefferson Marketing, Inc. and the Congressional Club violated certain provisions of the Act. Specifically, it appears that Jefferson Marketing, Inc. violated:

> 2 U.S.C. § 441b by making prohibited in-kind contributions to Democrats For Better Government To Elect Gibson ("Gibson Committee") in connection with services to the Gibson Committee for the production and airing of a videotape advertisment used in the Gibson campaign.

It also appears that Jefferson Marketing, Inc. and the Congressional Club violated 2 U.S.C. §§ 433, 434, and 441a on the basis of their activities with respect to the campaigns of Thomas Carr Gibson and Edward H. Johnson.

Enclosed with this letter are subpoenas for the production of documents and orders to submit written answers to questions issued to Jefferson Marketing, Inc. and the Congressional Club.

The Office of General Counsel would like to settle this matter through conciliation prior to a finding of probable cause. However, in the absence of any information which demonstrates that no further action should be taken against your clients, the Office of General Counsel must proceed to the next compliance stage as noted on page 2, paragraph 2 of the enclosed procedures.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A).

If you have any questions, please contact attorney Daniel J. Blessington of this office at 523-4060.

Sincerely,

Charles N. Steele
General Counsel

Enclosures

Procedures
Subpoenas and Orders

9604062510

3 6 0 4 0 6 0 2 5 1 7

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N. W.
P. O. BOX 7566
WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER
202/662-5498

TWX: 710 822-0008 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER: (202) 662-6280
CABLE: COVLING

August 12, 1983

BY HAND

Lee Anderson, Esq.
Federal Election Commission
Seventh Floor
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 1503

Dear Lee:

As per our telephone conversation of August 10, 1983, I am enclosing a copy of a newspaper article reporting, among other things, the agreement of Federal Election Commission attorneys in the Rose action in U.S. District Court for the District of Columbia to provide Mr. Rose's attorney with "investigative materials" obtained in MUR 1503 concerning our clients The National Congressional Club and Jefferson Marketing, Inc. As I explained to you over the telephone, our clients naturally view with grave concern the possibility of such disclosure of investigative materials by the Commission, particularly in light of the confidentiality provisions of the Federal Election Campaign Act and the Commission's regulations. While you have stated to me your understanding that the article in question appears to be in error concerning any alleged agreement between Commission attorneys and the attorney for Mr. Rose, our clients remain concerned about the voluntary disclosure by the Commission of confidential materials.

Accordingly, prior to continuing our document production, I must request from you a statement that: (1) contrary to the statements in the article in question, Commission attorneys have not agreed to provide Mr. Rose or his attorney with investigative materials concerning MUR 1503; (2) except pursuant to court order or the express consent of our clients, Commission attorneys will not provide to any members of the public, including Mr. Rose or

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his attorneys, copies of any materials provided by our clients to the Commission in MUR 1503; and (3) except pursuant to court order or the express consent of our clients, Commission attorneys will not provide to any members of the public, including Mr. Rose or his attorney, any materials prepared or developed in the course of their investigation in MUR 1503.

If you have any questions concerning this matter, please let me know.

Very truly yours,

Scott D. Gilbert
Attorney for
The National Congressional Club
and
Jefferson Marketing, Inc.

Enclosure

SDG:lk

0040025179

86040502520

Carolina CLIPPING SERVICE
1015 HILLSBOROUGH
RALEIGH, NC 27603
TEL. (919) 833-3073
Rose
STAR
WILMINGTON, N. C.
JUL 9 '83

(315) -78-333

Rose will be allowed to see FEC's ad probe findings

By Bernadette Henrno
Staff Writer

The Federal Elections Commission agreed Friday in federal court to share with U.S. Rep. Charles G. Rose III, D-N.C., the findings of its investigation into the use of "Free-o to Rio" television advertisements by Rose's opponents in the 1982 election.

Rose filed suit against the FEC in U.S. District Court for the District of Columbia, charging that the FEC failed to act within the required 120 days on a complaint Rose filed Oct. 29, 1982.

His action named Jefferson Marketing and Tom Gibson and Ed Johnson, both of Lumberton. Gibson was Rose's opponent in the 1982 Democratic primary for the 7th District House seat. Johnson was Rose's Republican challenger in the 1982 general election and is chairman of the Republican Party in the 7th District.

The original complaint charges that Jefferson Marketing, which Rose alleges is a subsidiary of the N.C. Congressional Club, made an illegal campaign contribution to Gibson by selling him TV advertisements at less than market value. The TV spots attacked Rose for a junket he took to Rio de Janeiro, Brazil.

The Congressional Club is a national political fund-raising organization founded by U.S. Sen. Jesse Helms, R-N.C.

Johnson also used the ads, and Rose's complaint charges Johnson's official campaign files show no record of Johnson's having received the ads as a campaign contribution or having paid for them.

On Friday, the FEC agreed to share its investigative materials with Rose in secret after Aug. 14. After reviewing the material, if Rose believes the FEC has failed to adequately investigate his complaint, he will have the option of filing a motion for summary judgment. If approved by the courts, a motion for summary judgment will allow Rose to file suits against Jefferson Marketing, Gibson and John-

son rather than going through the FEC.

"We'll just have to wait until Aug. 14 and see what happens," said William Oldaker, Rose's attorney. "The FEC is going to answer our complaint in court at that time. Until then, we don't know what information is being obtained, how much is being obtained or even whether there is an investigation."

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 24, 1983

Scott D. Gilbert
COVINGTON & BURLING
1201 Pennsylvania Avenue
P.O. Box 7566
Washington, D.C. 20044

Dear Mr. Gilbert:

This is in response to your letter of August 12, 1983. As you know, Judge Gesell, who was originally assigned, recused himself from the action brought by Congressman Rose against the Commission regarding MUR 1503. Judge Oberdorfer has now been assigned to the case, and a status hearing has been scheduled for September 15, 1983.

Attorneys for the Commission have spoken with counsel for Congressman Rose, but have entered into no agreement to provide Rose with any of the materials submitted by the respondents in this matter. The Commission will provide to Rose, under consent order, only those materials developed in the course of the Commission's investigation that are deemed by the court to be necessary to its determination of issues in the case. Any such materials would be submitted under seal and with specific instructions limiting access to those who have demonstrated a need to the court's satisfaction. See Common Cause v. FEC, 82 F.R.D. 59 (D.D.C. 1979), 83 F.R.D. 410 (D.D.C. 1979), 489 F. Supp. 738 (D.D.C. 1980). If the plaintiff seeks investigatory materials provided by your clients, the Commission will strenuously object and release such materials only if ordered by the court.

In accordance with your agreement to supplement the document production of July 8, 1983, we ask that your clients, Jefferson Marketing Inc., ("JMI"), and the National Congressional Club ("NCC") provide the Commission with the following documents:

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For Jefferson Marketing, Inc.

1. referring to an Accounts Payable ledger page dated 1983 concerning equipment and furniture purchases from NCC, the ledger page where the purchases were originally recorded; they have it — late '82

2. the Advertising Escrow - NCC ledger pages for the Democrats for Better Government to Elect Gibson Committee ("Gibson Committee") and the Ed Johnson for Congress Committee ("Johnson Committee"); they have this too — may not be anything —

3. the 1982 Accounts Receivable ledger pages represented by "AR 9-1," "AR 3," "AR 6," "AR 9-2" and "AR 12-2";

4. the 1981 Cash Receipts journal page "CR 9," and 1982 pages "CR 3," "CR 5" and "CR 6";

5. all Cost of Sales Advertising Purchases - NCC ledger or journal pages for the Gibson Committee; got this

6. the ledger page where is recorded invoices (P.O. No.'s 4437 and 4369) showing an expenditure of $1,190 and $200, respectively, for advertising during the Miss North Carolina Pagent on behalf of the Gibson Committee;

7. the ledger page where is recorded the invoices showing reimbursement of the $1,190 and the $200 noted in request No. 6 above;

8. the ledger page where is recorded the invoice (P.O. Box 4361) for purchase of air time for the Gibson Committee in the amount of $3,667.75;

9. the invoice supporting the $93.50 in-kind contribution by NCC to the Gibson Committee for video tape;

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10. all accounting data used by JMI to cost out services to the Gibson and Johnson Committees;

For the National Congressional Club

11. indicate the total amount of disbursements made by NCC to JMI during the existence of the two entities;

12. referring to NCC Advance ledgers dated 1982, the ledger pages "AP 3," "AP 7," "AP 12," also, journal pages "JE 1" and JE 12"; and

13. referring to Loans Receivable ledger page Account Number 13003, dated 1982, the journal pages represented by "CD 3," "CD 5," "CD 6" and "CR 6."

Please submit the requested supplementary document production to the Commission within five (5) days of your receipt of this letter. If you have any questions, call Lee Andersen at (202) 523-5071.

Sincerely,

Charles N. Steele
General Counsel

8504052524

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 21, 1984

William C. Oldaker
Epstein, Becker, Borsody and
Green
1140 19th Street, N.W.
Washington, D.C. 20036

Dear Mr. Oldaker:

This is in response to the March 7, 1984, Freedom of Information Act request filed by you and Peter S. Gray for "copies of the documents in the Commission's file for the matter designated 'MUR 1503' and captioned as follows: 'In the Matter of Ed Johnson for Congress, Democrats for a Better Government to Elect Gibson, Thomas Carr Gibson, National Congressional Club, [and] Jefferson Marketing, Inc.'"

MUR 1503 is an enforcement matter, generated by complaint, which is under active investigation by the Commission. 2 U.S.C. § 437g(a)(12) prohibits any member or employee of the Commission from making public any investigation being conducted pursuant to section 437g of the Federal Election Campaign Act without the written consent of the person under investigation. None of the respondents in MUR 1503 has authorized this agency to make public its investigation. Because the statutory provision cited above grants the Commission no discretion with respect to the possible release of information, 5 U.S.C. § 552(b)(3) exempts the documents you have requested from disclosure under FOIA.

Additionally, since the Commission has not made a final determination on MUR 1503, we regard documents which have been generated thus far in the proceedings to be pre-decisional deliberative materials, exempt from FOIA disclosure under 5 U.S.C. §552(b)(5). Finally, it is our position that premature release of the documents in question would significantly impede the Commission in conducting the enforcement proceedings in MUR 1503. Thus, the investigatory materials in question will not be disclosed pursuant to 5 U.S.C. § 552(b)(7)(A).

As you know, on February 15, 1984, the Commission filed a subpoena enforcement action against several of the respondents in MUR 1503. See FEC v. Jefferson Marketing, Inc., et al., No. 84-29 Misc. 5 (E.D.N.C.). Copies of all documents filed with the court in that proceeding will be made available for inspection and copying.

You may appeal any adverse FOIA determination to the full Commission. For the particulars of any such appeal. See 11 C.F.R. §4.8.

Sincerely,

Fred S. Eiland
FOIA Officer

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Ed Johnson for Congress	)	
Democrats for Better Government to Elect Gibson	)	MUR 1503
Thomas Carr Gibson	)	
National Congressional Club	)	
Jefferson Marketing, Inc.	)	

CERTIFICATION

I, Marjorie W. Emmons, Recording Secretary for the Federal Election Commission Executive Session on May 3, 1983, do hereby certify that the Commission took the following actions in MUR 1503:

1. Decided by a vote of 4-2 to find reason to believe that Jefferson Marketing, Inc. violated 2 U.S.C. §441b by making prohibited contributions to the principal campaign committee of Thomas Carr Gibson.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

2. Decided by a vote of 4-2 to find reason to believe that Jefferson Marketing, Inc. and the National Congressional Club violated 2 U.S.C. §§433, 434, and 441a on the basis of their activities with respect to the campaigns of Thomas Carr Gibson and Edward H. Johnson.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively. Commissioners Aikens and Elliott dissented.

(Continued)

EXHIBIT B

Attachment I 163

3. Decided by a vote of 4-2 to find reason to believe that the Democrats for Better Government to Elect Gibson violated 2 U.S.C. §441b by knowingly accepting prohibited contributions from Jefferson Marketing, Inc..

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision. Commissioners Aikens and Elliott dissented.

4. Decided by a vote of 4-2 to find reason to believe that the Democrats for Better Government to Elect Gibson violated 2 U.S.C. §434(b)(8) by failing to report in its July and October Quarterly Reports and Amendments thereto the amount and nature of outstanding debts owed by the committee for production costs of its videotape advertisement.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision. Commissioners Aikens and Elliott dissented.

5. Decided by a vote of 4-2 to find reason to believe that the Democrats for Better Government to Elect Gibson violated 2 U.S.C. §441a(a)(1)(A) by making contributions to Ed Johnson for Congress in excess of $1,000 in the form of an in-kind contribution to the Johnson campaign of a videotape advertisement and 2 U.S.C. §434(b) by not reporting the proper value of said in-kind contribution.

   Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision. Commissioners Aikens and Elliott dissented.

6. Decided by a vote of 4-2 to find reason to believe that Ed Johnson for Congress violated 2 U.S.C. §441a(f) by knowingly accepting an excessive contribution from the principal campaign committee of Thomas Carr Gibson in the form of an in-kind contribution of a videotape advertisement and 2 U.S.C. §434(b) by not reporting the proper value of said in-kind contribution.

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(6) (Continued)

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

(7) Decided by a vote of 6-0 to reject the FEC General Counsel's recommendation to find reason to believe that the Ed Johnson for Congress Committee violated 2 U.S.C. §441b by knowingly accepting prohibited contributions from Jefferson Marketing, Inc.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

(8) Decided by a vote of 6-0 to direct the FEC Reports Analysis Division to review the apparent violations of 2 U.S.C. §441a(a)(2)(A) by the Republican National Committee and of 2 U.S.C. §441a(f) by Ed Johnson for Congress with respect to the apparent excessive contribution of $3,000.

Commissioners Aikens, Elliott, Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision.

(9) Decided by a vote of 5-1 that the letters, orders and subpoenas attached to the General Counsel's April 21, 1983 report be returned to the Office of General Counsel for revision, and that the scope of the inquiry be limited to establishing the facts of the alleged violations on which the Commission has found reason to believe, plus any facts which will assist in determining the relationship between the National Congressional Club and Jefferson Marketing, Inc., and that the revised documents be circulated to the Commission for approval on a tally vote basis.

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

Attest:

5/4/83
Date

Marjorie W. Emmons
Secretary of the Commission

R 6 0 4 0 5 5 3 1

p-t in FEC v JHI pleadings file

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 31, 1984

Thomas Wm. Mayo
COVINGTON & BURLING
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044

Dear Mr. Mayo:

This is in response to your telephone request of April 19, 1984, and letter of April 20, 1984, asking for the return of certain documents in the Commission's possession. The Commission received those documents on April 26, 1984, and after considering your request, declines to return them to you at the present time.

The Commission has received no original documents, only copies of those already sent by the Raleigh News and Observer to the North Carolina State Board of Elections, the accounting firm of Ernst & Whinney and your client, Jefferson Marketing, Inc. If you deem it desirable, the Commission will treat the documents as "trade secret or business records" under our March 21, 1984, stipulation.

Sincerely,

Charles N. Steele
General Counsel

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THE NATIONAL CONGRESSIONAL CLUB
P.O. Box 18348
Raleigh N.C. 27619
919-782-3700

84 JUL 16 P 1:28

July 15, 1984

Federal Election Commission
1325 K. Street, N. W.
Washington, DC 20463

Re: FEC # C00119370

Dear Sir:

Enclosed please find the July 15, 1984 quarterly FEC Report for the National Congressional Club. It covers the period April 19 through June 30, 1984.

We have requested Names of employers and occupations of our contributers and have submitted in the enclosed report the responses to requests.

Should you have any questions, please do not hesitate to call upon me.

Sincerely,

Carter Wrenn
Treasurer

CW/ab
cc: NC State Board of Elections

The foregoing report together with all attachments and enclosures is authorized and sent for filing by The National Congressional Club. Thomas F. Ellis, Chairman. Carter Wrenn, Treasurer

SCHEDULE L

ITEMIZED DISBURSEMENTS

LINE NUMBER ____
(List alphabetically within each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code Alfred Williams & Company 1813 North Blvd. Raleigh, NC 27604	Purpose of Disbursement Office Supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/19/84	Amount of Each Disbursement This Period 321.70
B. Full Name, Mailing Address and ZIP Code National Security Service, Inc. PO Box 33568 Raleigh, NC 27606	Purpose of Disbursement Service contract Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/19/84	Amount of Each Disbursement This Period 220.00
C. Full Name, Mailing Address and ZIP Code Garner W. Sizemore, Inc. PO Box 2108 Asheboro, NC 27203	Purpose of Disbursement Printing supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/19/84	Amount of Each Disbursement This Period 2,870.83
D. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Purpose of Disbursement Telephone service Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/19/84	Amount of Each Disbursement This Period 1,686.22
E. Full Name, Mailing Address and ZIP Code Bedford Printing Company 1107 Downtown Blvd. Raleigh, NC 27603	Purpose of Disbursement Printing supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/19/84	Amount of Each Disbursement This Period 8,087.00
F. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/24/84	Amount of Each Disbursement This Period 17,692.50
G. Full Name, Mailing Address and ZIP Code Maupin, Taylor & Ellis, PA PO Box 829 Raleigh, NC 27602	Purpose of Disbursement Legal services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/25/84	Amount of Each Disbursement This Period 1,011.97
H. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/26/84	Amount of Each Disbursement This Period 5,542.51
I. Full Name, Mailing Address and ZIP Code Alfred Williams 1813 North Blvd. Raleigh, NC 27604	Purpose of Disbursement Office Supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/26/84	Amount of Each Disbursement This Period 791.79
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER: 17
(Use same line number for each category on the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Hardison Corporation PO Box 30034 Raleigh, NC 27622	Bookkeeping services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	1,000.00
B. Full Name, Mailing Address and ZIP Code First Citizens Bank North Hills Branch Raleigh, NC 27609	Purpose of Disbursement Withholding taxes: FICA and Federal Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/30/84	Amount of Each Disbursement This Period 2,831.53
C. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/30/84	Amount of Each Disbursement This Period 1,650.00
D. Full Name, Mailing Address and ZIP Code Xerox Corporation PO Box 7286 2301 W. Meadowview Greensboro, NC 27407	Purpose of Disbursement Maintenance agreement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/30/84	Amount of Each Disbursement This Period 521.80
E. Full Name, Mailing Address and ZIP Code Carter Wrenn 417-P Hensley Dr. Raleigh, NC 27609	Purpose of Disbursement Expense reimbursement: meals, office furniture Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/2/84	Amount of Each Disbursement This Period 1,487.44
F. Full Name, Mailing Address and ZIP Code Mike Dunne & Associates 11601 Chappells Way Raleigh, NC 27614	Purpose of Disbursement Consulting services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/8/84	Amount of Each Disbursement This Period 1,000.00
G. Full Name, Mailing Address and ZIP Code Kay Hovey 607 Buffaloe Rd. Garner, NC 27529	Purpose of Disbursement Bookkeeping services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/3/84	Amount of Each Disbursement This Period 435.00
H. Full Name, Mailing Address and ZIP Code Joint Insurance Escrow Account 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement Insurance Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/3/84	Amount of Each Disbursement This Period 882.61
I. Full Name, Mailing Address and ZIP Code Leith-Lincoln 5601 North Blvd. Raleigh, NC	Purpose of Disbursement Equipment repair Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/7/84	Amount of Each Disbursement This Period 253.31
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER ____
(Use one line number for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Fund Raising and Financial Mgmt. Inc. 5085 Lowell Street, N.W. Washington, DC 20016	Reimbursement of expenses; airfare, hotel, cab, parking	5/8/84	6,422.94
B. Full Name, Mailing Address and ZIP Code Fund Raising & Financial Mgmt., Inc. 5085 Lowell Street, N.W. Washington, DC 20016	Consulting services	5/8/84	4,259.63
C. Full Name, Mailing Address and ZIP Code Covington & Burling PO Box 7566 Washington, DC 20044	Legal Services	5/9/84	27,000.00
D. Full Name, Mailing Address and ZIP Code International Business Machines Corp. 3739 National Drive Raleigh, NC 27612	Equipment maintenance	5/9/84	456.96
E. Full Name, Mailing Address and ZIP Code Alfred Williams & Co. 1813 North Blvd. Raleigh, NC 27604	Office Supplies	5/9/84	352.22
F. Full Name, Mailing Address and ZIP Code Caskie Paper Company, Inc. PO Box 64466 Fayetteville, NC 28306	Office Supplies	5/9/84	308.62
G. Full Name, Mailing Address and ZIP Code Commercial Investment Mgmt., Inc. PO Box 18565 Raleigh, NC 27619	Office Rent	5/9/84	1,618.68
H. Full Name, Mailing Address and ZIP Code U.S. Postmaster North Hills Branch Raleigh, NC 27609	Postage	5/11/84	500.00
I. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone services	5/14/84	2,489.61
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER
(Use separate schedule(s) for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
First Citizens Bank North Hills Branch Raleigh, NC 27609	Withholding taxes: FICA & Federal Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84	2,980.99
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Alfred Williams 1813 North Blvd. Raleigh, NC 27604	Office Supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/18/84	641.63
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Xerox Corporation 1616 N Fort Myer Dr. Arlington, VA 22209	Equipment Lease Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/18/84	263.85
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/18/84	668.08
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Jefferson Marketing, Inc.-Postage 3825 Barrett Drive Raleigh, NC 27609	Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/18/84	3,000.00
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
American Express PO Box 13784 Phoenix, Arizona 85002	Expense reimbursement: lodging, mileage, meals Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/22/84	381.83
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Maupin, Taylor & Ellis, P.A. PO Drawer 19764 Raleigh, NC 27619	Legal Services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/22/84	1,019.24
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone services Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/24/84	833.92
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Jim Cain 6179-B Shanada Drive Raleigh, NC 27609	Expense reimbursement: mileage, lodging, meals Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/29/84	803.76
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER
(Use separate schedule for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code Carter Wrenn 417-P Hensley Dr. Raleigh, NC 27609	Purpose of Disbursement Reimbursed expenses: meals, office supplies Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 5/30/84	Amount of Each Disbursement This Period 248.70
B. Full Name, Mailing Address and ZIP Code Maupin, Taylor & Ellis, P.A. PO Box 19764 Raleigh, NC 27619	Purpose of Disbursement Purchase of used safe Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 5/31/84	Amount of Each Disbursement This Period 500.00
C. Full Name, Mailing Address and ZIP Code First Citizens Bank North Hills Branch Raleigh, NC 27609	Purpose of Disbursement Withholding taxes: FICA & Federal Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 5/31/84	Amount of Each Disbursement This Period 2,958.06
D. Full Name, Mailing Address and ZIP Code Vern Strickland PO Box 17311 Raleigh, NC 27619	Purpose of Disbursement Advertising/Production Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 5/17/84	Amount of Each Disbursement This Period 687.50
E. Full Name, Mailing Address and ZIP Code Commercial Investment Mgmt, Inc. PO Box 18565 Raleigh, NC 27619	Purpose of Disbursement Rent Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 6/1/84	Amount of Each Disbursement This Period 665.00
F. Full Name, Mailing Address and ZIP Code Hardison Corporation PO Box 30034 Raleigh, NC 27622	Purpose of Disbursement Bookkeeping services Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 6/4/84	Amount of Each Disbursement This Period 1,000.00
G. Full Name, Mailing Address and ZIP Code Commercial Investment Mgmt, Inc. PO Box 18565 Raleigh, NC 27619	Purpose of Disbursement Rent Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 6/6/84	Amount of Each Disbursement This Period 1,565.32
H. Full Name, Mailing Address and ZIP Code Mike Dunne 11601 Chappells Way Raleigh, NC 27614	Purpose of Disbursement Consulting services Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 6/8/84	Amount of Each Disbursement This Period 1,500.00
I. Full Name, Mailing Address and ZIP Code Joint Insurance Escrow 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement Insurance premium Disbursement for: ☐Primary ☐General ☐Other (specify):	Date (month, day, year) 6/11/84	Amount of Each Disbursement This Period 882.61
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B — ITEMIZED DISBURSEMENTS

LINE NUMBER ____
(Use separate schedule(s) for each category of the Detailed Summary Page)

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (in Full)

The National Congressional Club

	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
A. Full Name, Mailing Address and ZIP Code Air Care, Inc. PO Box 2727 Rocky Mount, NC 27801	Air charter Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	420.00
B. Full Name, Mailing Address and ZIP Code Alfred Williams & Co. 1813 North Blvd. Raleigh, NC 27604	Office supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	689.72
C. Full Name, Mailing Address and ZIP Code Moore & Johnson Agency, Inc. PO Box 10367 Raleigh, NC 27605	Insurance Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	809.00
D. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone service Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	2,364.76
E. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone service Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	719.65
F. Full Name, Mailing Address and ZIP Code Alfred Williams & Co. 1813 North Blvd. Raleigh, NC 27604	Office Supplies Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/12/84	557.24
G. Full Name, Mailing Address and ZIP Code American Express PO Box 13784 Phoenix, Arizona 85002	Expense reimbursement: meals, mileage, lodging Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/13/84	370.00
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
I. Full Name, Mailing Address and ZIP Code First Citizens Bank North Hills Branch Raleigh, NC 27609	Withholding taxes: FICA and Federal Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/15/84	3,461.39
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

FEC FORM 3 (5-1-82)

SCHEDULE B

ITEMIZED DISBURSEMENTS

List (Schedule ___)
(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
A. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone service Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/19/84	625.27
B. Full Name, Mailing Address and ZIP Code DLC Company 3053 Granville Dr. Raleigh, NC 27609	Equipment lease Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/19/84	564.01
C. Full Name, Mailing Address and ZIP Code Southern Bell Telephone PO Box 32000 Raleigh, NC 27622	Telephone service Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/26/84	719.65
D. Full Name, Mailing Address and ZIP Code U.S. Postmaster North Hills Branch Raleigh, NC 27609	Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/28/84	500.00
E. Full Name, Mailing Address and ZIP Code First Citizens Bank North Hills Branch Raleigh, NC 27609	Withholding taxes: FICA & Federal Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/29/84	5,096.99
F. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. 3825 Barrett Drive Raleigh, NC 27609	Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/13/84	20,000.00
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

SCHEDULE E

ITEMIZED DISBURSEMENTS

LINE NUMBER: 23
(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (In Full)

The National Congressional Club

Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
A. Virgie T. Anderson Rt. 2, Box 232-B Fuquay-Varina, NC 27526	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	518.15
B. Annie C. Barnes 1623 Trinity Rd. Raleigh, NC 27607	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	572.24
C. Elizabeth D. Berryhill 5920 Sandy Forks Rd. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	690.93
D. Julie J. Brisson Rt. 2, Box 124-35 Raleigh, NC 27610	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	390.32
E. Johnnie B. Dean 2212 Byrd St. Raleigh, NC 27608	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	359.28
F. Laura P. Gooch Rt. 1, Box 1, Brantley Dr. Apex, NC 27502	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	474.69
G. Michael K. Holt Rt. 1, Box 498 Granite Falls, NC 28630	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	980.57
H. Lynda Joslyn 7605 Starling Ct. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	389.00
I. Ann H. May 2908 Debra Drive Raleigh, NC 27607	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	974.82
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE No. ____
(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Robert E. Carter Wrenn 417-P Hensley Dr. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	956.18
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
William David Thayer 1205 Fairfax Dr. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/30/84	228.49
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Virgie T. Anderson Rt. 2, Box 232-B Fuquay-Varina, NC 27526	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	518.15 518.15
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Annie C. Barnes 1623 Trinity Rd. Raleigh, NC 27607	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	572.24 572.24
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Elizabeth D. Berryhill 5920 Sandy Forks Rd. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	690.93 690.93
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Julie J. Brisson Rt. 2, Box 124-35 Raleigh, NC 27610	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	390.32 390.32
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Johnnie B. Dean 2212 Byrd St. Raleigh, NC 27608	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	359.28 359.28
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Laura P. Gooch Rt. 1, Box 1, Brantley Drive Apex, NC 27502	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	474.69 474.69
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Michael K. Holt Rt. 1, Box 498 Granite Falls, NC 28630	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/15/84 5/31/84	980.57 980.57
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B

ITEMIZED DISBURSEMENTS

Line Number ___
(Use separate schedule for each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code Lynda Joslyn 7605 Starling Ct. Raleigh, NC 27609	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/15/84 5/31/84	Amount of Each Disbursement This Period 389.00 389.00
B. Full Name, Mailing Address and ZIP Code Ann H. May 2908 Debra Drive Raleigh, NC 27607	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/15/84 5/31/84	Amount of Each Disbursement This Period 974.82 974.82
C. Full Name, Mailing Address and ZIP Code Robert E. Carter Wrenn 417-P Hensley Drive Raleigh, NC 27609	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/15/84 5/31/84	Amount of Each Disbursement This Period 956.18 956.18
D. Full Name, Mailing Address and ZIP Code Caroline P. Davis 3312 Fairhill Dr. Raleigh, NC 27612	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/15/84	Amount of Each Disbursement This Period 329.97
E. Full Name, Mailing Address and ZIP Code Donald Ray Peebles, Jr. 504 Northcliff Drive Raleigh, NC 27609	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/31/84	Amount of Each Disbursement This Period 236.19
F. Full Name, Mailing Address and ZIP Code Lynn Reynolds 1305 Duplin Rd. Raleigh, NC 27607	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/15/84	Amount of Each Disbursement This Period 265.41
G. Full Name, Mailing Address and ZIP Code William David Thayer 1205 Fairfax Drive Raleigh, NC 27609	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/31/84	Amount of Each Disbursement This Period 221.22
H. Full Name, Mailing Address and ZIP Code Virgie T. Anderson Rt. 2, Box 232-B Fuquay-Varina, NC 27526	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 485.55 501.85
I. Full Name, Mailing Address and ZIP Code Annie C. Barnes 1623 Trinity Rd. Raleigh, NC 27607	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 572.24 572.24
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B — ITEMIZED DISBURSEMENTS

(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
A. Full Name, Mailing Address and ZIP Code Elizabeth D. Berryhill 5920 Sandy Forks Rd. Raleigh, NC 27609	Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/15/84 6/29/84	690.93 690.93
B. Full Name, Mailing Address and ZIP Code Julie J. Brisson Rt. 2, Box 124-35 Raleigh, NC 27610	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 390.32 390.32
C. Full Name, Mailing Address and ZIP Code Johnnie B. Dean 2212 Byrd St. Raleigh, NC 27608	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 342.68 350.98
D. Full Name, Mailing Address and ZIP Code Kimberly D. Ennis R.t 1, Box 206-B Angier, NC 27501	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/29/84	Amount of Each Disbursement This Period 298.63
E. Full Name, Mailing Address and ZIP Code Laura P. Gooch Rt. 1, Box 1, Brantley Drive Apex, NC 27502	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 474.69 474.69
F. Full Name, Mailing Address and ZIP Code Michael K. Holt Rt. 1, Box 498 Granite Falls, NC 28630	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 963.72 975.89
G. Full Name, Mailing Address and ZIP Code Lynda Joslyn 7605 Starling Ct. Raleigh, NC 27609	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 389.00 389.00
H. Full Name, Mailing Address and ZIP Code Ann H. May 2908 Debra Drive Raleigh, NC 27607	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 974.82 974.82
I. Full Name, Mailing Address and ZIP Code Shannon Teague 6708 Glendower Raleigh, NC	Purpose of Disbursement Salary Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/15/84 6/29/84	Amount of Each Disbursement This Period 336.49 336.49
SUBTOTAL of Disbursements This Page (optional)			
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SCHEDULE B — ITEMIZED DISBURSEMENTS

(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (In Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Susan Woods 401-E Woods of N. Bend Drive Raleigh, NC 27609	Salary	6/29/84	336.49
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Carter Wrenn 417-P Hensley Drive Raleigh, NC 27609	Salary	6/7/84 6/15/84 6/29/84	696.28 956.18 956.18
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Carter Wrenn 417-P Hensley Dr. Raleigh, NC 27609	Salary	6/29/84	2,425.76
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
James P. Cain 6119-B Shanada Drive Raleigh, NC 27609	Salary	6/15/84 6/29/84	335.70 576.73
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Donald Ray Peebles, Jr. 504 Northcliff Drive Raleigh, NC 27609	Salary	6/15/84 6/29/84	303.19 271.53
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
Lynn Reynolds 1305 Duplin Rd. Raleigh, NC 27607	Salary	6/15/84 6/29/84	276.26 237.03
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
William David Thayer 1205 Fairfax Drive Raleigh, NC 27609	Salary	6/29/84	241.70
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement / Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER
(Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (In Full)

The National Congressional Club

	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
A. Full Name, Mailing Address and ZIP Code Omni Direct Mail Services 8330 Old Courthouse Rd., Suite 700 Vienna, VA 22180	Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	5/24/84	2,475.00
B. Full Name, Mailing Address and ZIP Code Omni Direct Mail Services 8330 Old Courthouse Rd., Suite 700 Vienna, VA 22180	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/1/84	Amount of Each Disbursement This Period 4,950.00
C. Full Name, Mailing Address and ZIP Code Omni Direct Mail Services 8330 Old Courthouse Rd., Suite 700 Vienna, VA 22180	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/8/84	Amount of Each Disbursement This Period 3,300.00
D. Full Name, Mailing Address and ZIP Code Omni Direct Mail Services 8330 Old Courthouse Rd., Suite 700 Vienna, VA 22180	Purpose of Disbursement Postage Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 6/13/84	Amount of Each Disbursement This Period 1,650.00
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			200,957.17

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SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER
(Use one schedule for each category of the Detailed Summary Page)

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Name of Committee (In Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Helms for Senate Committee PO Box 177000 Raleigh, NC 27619	Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	4/27/84	4,500.00
B. Full Name, Mailing Address and ZIP Code Cockerham for Congress 1108 Grecade St. Greensboro, NC 27408	Purpose of Disbursement Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/27/84	Amount of Each Disbursement This Period 1,600.00
C. Full Name, Mailing Address and ZIP Code Phil Gramm for U.S. Senate PO Box 34306 Houston, Texas 77234	Purpose of Disbursement Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 4/24/84	Amount of Each Disbursement This Period 5,000.00
D. Full Name, Mailing Address and ZIP Code Tom Delay for Congress PO Box 101 Sugar Land, Texas 77478	Purpose of Disbursement Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/2/84	Amount of Each Disbursement This Period 2,500.00
E. Full Name, Mailing Address and ZIP Code Bob Morris for U.S. Senator PO Box 1605 Point Pleasant Beach, NJ 08742	Purpose of Disbursement Politican Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/9/84	Amount of Each Disbursement This Period 500.00
F. Full Name, Mailing Address and ZIP Code Fleming for Congress 1804 Albany Street Lubbock, Texas 79416	Purpose of Disbursement Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/25/84	Amount of Each Disbursement This Period 500.00
G. Full Name, Mailing Address and ZIP Code Fleming for Congress 1804 Albany Street Lubbock, Texas 79416	Purpose of Disbursement Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/25/84	Amount of Each Disbursement This Period 500.00
H. Full Name, Mailing Address and ZIP Code Friends of Joe Barton for Congress PO Box 1444 Ennis, Texas 75119	Purpose of Disbursement Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/25/84	Amount of Each Disbursement This Period 2,000.00
I. Full Name, Mailing Address and ZIP Code Texans for Sweeney PO Box 2087 Victoria, Texas 77902	Purpose of Disbursement For Congress Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/25/84	Amount of Each Disbursement This Period 2,000.00
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

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SCHEDULE B — ITEMIZED DISBURSEMENTS

LINE NUMBER: 21
(Use one per each entry in each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Slake for Congress PO Box Congress Pinehurst, NC 28374	Political contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/26/84	4,500.00
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Cobey for Congress PO Box 1984 Apex, NC 27502	Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/27/84	4,500.00
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Smith for Senate PO Drawer 59309 Birmingham, Alabama 35259	Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/26/84	2,500.00
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Jepsen '84 Committee PO Box 84 Davenport, Iowa 52805	For Senate Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/15/84	2,500.00
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
The Humphrey Team 27 Webster Street Manchester, NH 03104	For Senate Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/11/84	2,500.00
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Epperson for Congress 3040 Healey Drive Winston-Salem, NC 27103	Political Contribution Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	6/6/84	2,250.00
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
	Disbursement for: ☐ Primary ☐ General ☐ Other (specify):		
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
	Disbursement for: ☐ Primary ☐ General ☐ Other (specify):		
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
	Disbursement for: ☐ Primary ☐ General ☐ Other (specify):		
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			

8 4 03 3 25 17 10

SCHEDULE B

ITEMIZED DISBURSEMENTS

LINE NUMBER: [illegible] (Use separate schedule(s) for each category of the Detailed Summary Page)

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Name of Committee (in Full)

The National Congressional Club

A. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. 3825 Barrett Drive Raleigh, NC 27609	Purpose of Disbursement In-Kind contribution to Cockerham for Congress Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year) 5/31/84	Amount of Each Disbursement This Period 1,668.86
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
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G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: ☐ Primary ☐ General ☐ Other (specify):	Date (month, day, year)	Amount of Each Disbursement This Period
SUBTOTAL of Disbursements This Page (optional)			
TOTAL This Period (last page this line number only)			39,518.86

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BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF:

ED JOHNSON FOR CONGRESS,	)	
DEMOCRATS FOR BETTER GOVERNMENT	)	
TO ELECT GIBSON,	)	MUR 1503
THOMAS CARR GIBSON,	)	
NATIONAL CONGRESSIONAL CLUB,	)	
JEFFERSON MARKETING, INC.	)	

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DEPOSITION

OF

SHIRLEY KATHERINE HARDISON

* * * * * * * * * * * * * * * *

RALEIGH, NORTH CAROLINA
SEPTEMBER 12, 1983

REPORTED BY: FAYE STEVENS, CVR
ASSOCIATED REPORTING & TRANSCRIPTION
2806 OVERBROOK DRIVE
RALEIGH, NORTH CAROLINA 27608
(919) 782-5526

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APPEARANCES

FOR THE COMMISSION:

MR. LEE ANDERSEN
MR. GARY JOHANSEN
FEDERAL ELECTION COMMISSION
1325 "K" STREET, N. W.
WASHINGTON, D. C. 20463

FOR THE RESPONDENTS:

MR. THOMAS WM. MAYO
MR. SCOTT D. GILBERT
COVINGTON & BURLING
P. O. BOX 7566
WASHINGTON, D. C. 20044

MR. WILLIAM SCHWEITZER
BAKER & HOSTETLER
818 CONNECTICUT AVENUE, N. W.
WASHINGTON, D. C. 20006

ALSO APPEARING AS A REPRESENTATIVE OF THE NATIONAL CONGRESSIONAL CLUB

MR. R. E. CARTER WRENN
TREASURER & EXECUTIVE DIRECTOR
NATIONAL CONGRESSIONAL CLUB

8004045054

MR. ANDERSEN: BACK ON THE RECORD. MR. WILLIAM SCHWEITZER HAS JOINED US.

Q (BY MR. ANDERSEN) WOULD YOU LIKE THE QUESTION REPEATED?

A PLEASE.

MR. ANDERSEN: COULD YOU PLEASE READ IT BACK?

(THEREUPON, THE COURT REPORTER READ BACK THE QUESTION APPEARING ON PAGE 23, LINES 18 THRU 21, INCLUSIVE, AS REQUESTED.)

A NO.

MR. MAYO: MR. ANDERSEN, THAT RESPONSE IS LIMITED TO THE DOCUMENTS THAT HAVE BEEN REVIEWED SO FAR. AS YOU'RE AWARE, OUR DOCUMENT REVIEW CONTINUES; AND WE CERTAINLY DO NOT WAIVE ANY PRIVILEGE THAT MAY APPLY TO DOCUMENTS THAT ARE UNCOVERED IN THE FUTURE.

MR. ANDERSEN: YES, I UNDERSTAND, MR. MAYO.

Q (BY MR. ANDERSEN) MISS HARDISON, WHAT IS YOUR OCCUPATION?

A PRESIDENT OF HARDISON CORPORATION.

Q IS THERE A SPECIFIC TYPE OF WORK THAT YOU DO AS PRESIDENT OF THE HARDISON CORPORATION?

A I SUPERVISE BOOKKEEPERS.

Q DID YOU ATTEND COLLEGE AFTER HIGH SCHOOL?

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A YES, I DID.

Q WHERE DID YOU ATTEND COLLEGE?

A EAST CAROLINA UNIVERSITY.

Q DO YOU HAVE A DEGREE FROM EAST CAROLINA UNIVERSITY?

A NO, I DO NOT.

Q HAVE YOU ATTENDED ANY OTHER COLLEGES?

A NO.

Q HAVE YOU HAD ANY OTHER TRAINING IN BOOKKEEPING?

A NO.

Q HOW LONG HAVE YOU BEEN PRESIDENT OF HARDISON CORPORATION?

A FOUR AND A HALF YEARS.

Q DID YOU WORK AS A BOOKKEEPER OR SUPERVISING BOOKKEEPERS PREVIOUS TO THAT DATE?

A YES, I DID.

Q FOR HOW LONG PREVIOUS TO THAT DATE HAD YOU BEEN WORKING AS A BOOKKEEPER?

A AS ANY BOOKKEEPER?

Q YES.

A TWO FULL YEARS.

Q HAVE YOU EVER GIVEN TESTIMONY AT A DEPOSITION BEFORE?

A NO, I HAVE NOT.

Q HAVE YOU EVER GIVEN TESTIMONY IN A COURT PROCEEDING WITH RESPECT TO YOUR WORK AS A BOOKKEEPER?

A NO.

Q WHEN DID YOU FIRST HEAR OF THE ORGANIZATION KNOWN AS JEFFERSON MARKETING?

A IN THE YEAR 1979.

Q AND, HOW DID YOU HEAR OF THE ORGANIZATION?

A I DON'T REMEMBER.

Q WHAT WAS YOUR OCCUPATION DURING 1979?

A PRESIDENT OF HARDISON CORPORATION.

Q AT THAT TIME, WERE YOU PERFORMING SERVICES FOR THE NATIONAL CONGRESSIONAL CLUB THROUGH YOUR CORPORATION?

A YES.

Q WHAT SERVICES WERE YOU PERFORMING THROUGH YOUR CORPORATION FOR THE CONGRESSIONAL CLUB?

A BOOKKEEPING SERVICES.

Q ANY OTHER SERVICES?

A I REFER TO MY SERVICES AS BOOKKEEPING SERVICES.

Q ALL OF THE SERVICES.

COULD YOU DEFINE FOR US WHAT YOU MEAN BY "BOOKKEEPING SERVICES"?

A SUPERVISING THE ACCOUNTING OF CASH RECEIPTS AND CASH DISBURSEMENTS AND THE PRODUCTION OF STATEMENTS.

Q HOW MANY EMPLOYEES DO YOU DIRECTLY SUPERVISE AT THE PRESENT TIME?

A ELEVEN.

PEGASUS CO., CAYONNE, N.J. 07008 800 526 2337

Q ARE ANY OF THOSE EMPLOYEES ALLOCATED SPECIFICALLY TO JEFFERSON MARKETING?

A YES, THEY ARE.

Q AND, HOW MANY OF THOSE EMPLOYEES ARE SO ALLOCATED?

A THREE.

Q AND, DO YOU HAVE EMPLOYEES SPECIFICALLY ALLOCATED TO THE NATIONAL CONGRESSIONAL CLUB?

A YES.

Q AND, HOW MANY EMPLOYEES WOULD THAT BE?

A TWO.

Q DOES YOUR CORPORATION HAVE CLIENTS OTHER THAN N.C.C. AND J.M.I.?

A YES.

Q ARE ANY OF THOSE CLIENTS IN PRIVATE BUSINESS?

A YES.

Q WOULD YOU KNOW WHAT PROPORTION OF YOUR CORPORATION'S WORK WOULD BE DEVOTED TO WORKING WITH JEFFERSON MARKETING AND THE CONGRESSIONAL CLUB?

A OF THE CORPORATION'S WORK?

Q THAT'S CORRECT.

A REPEAT THE QUESTION AGAIN.

Q WOULD YOU KNOW APPROXIMATELY WHAT PROPORTION OF YOUR CORPORATION'S WORK IS CONCERNING THE NATIONAL CONGRESSIONAL CLUB AND JEFFERSON MARKETING?

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A APPROXIMATELY 25 PERCENT.

Q IN ADDITION TO SERVICES PERFORMED FOR PRIVATE BUSINESS, DO YOU PERFORM---DOES YOUR CORPORATION PERFORM BOOKKEEPING SERVICES FOR FOUNDATIONS, FOR EXAMPLE?

A YES.

Q DO YOU PERFORM SERVICES FOR NONPROFIT ORGANIZATIONS?

A YES.

Q WOULD YOU CHARACTERIZE YOUR CORPORATION'S BUSINESS ACTIVITY AS A GENERAL ACCOUNTING BUSINESS OUTSIDE OF THAT WORK THAT YOU DO FOR J.M.I. AND N.C.C.?

A NO.

Q IN WHAT WAY WOULD IT DIFFER FROM A GENERAL ACCOUNTING PRACTICE?

A A BOOKKEEPING SERVICE.

Q I'M SORRY?

A A BOOKKEEPING SERVICE.

Q IT IS A BOOKKEEPING SERVICE ONLY?

A THAT IS CORRECT.

Q DO YOU HAVE ANY OFFICIAL POSITION WITH THE NATIONAL CONGRESSIONAL CLUB?

A WHAT DO YOU MEAN BY "OFFICIAL POSITION"?

Q ARE YOU AN EMPLOYEE?

A PERSONALLY?

Q PERSONALLY.
A NO.
Q ARE YOU AN OFFICER?
A NO.
Q ARE YOU A MEMBER OF THE BOARD OF DIRECTORS?
A NO.
Q WITH RESPECT TO J.M.I., ARE YOU AN EMPLOYEE?
A NO.
Q ARE YOU AN OFFICER?
A NO.
Q AND, I TAKE IT, YOU'RE NOT A DIRECTOR?
A NO.
Q DO YOU HAVE AUTHORITY TO SIGN CHECKS FOR JEFFERSON MARKETING?
A YES, I DO.
Q DO YOU HAVE AUTHORITY TO SIGN CHECKS FOR THE CONGRESSIONAL CLUB?
A NO, I DO NOT.
Q DO YOU KNOW HOW LONG YOU'VE HAD AUTHORITY TO SIGN CHECKS FOR JEFFERSON MARKETING?
A NOT EXACTLY, NO.
Q DO YOU BELIEVE YOU'VE HAD AUTHORITY TO SIGN CHECKS SINCE THE CORPORATION BEGAN ITS EXISTENCE?
A NO.

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Q DID YOU SET UP THE BOOKS FOR JEFFERSON MARKETING?

A I DON'T RECALL.

Q WERE THE BOOKS SET UP WHEN YOU BEGAN PERFORMING BOOKKEEPING SERVICES FOR JEFFERSON MARKETING?

A WERE THEY ALREADY IN EXISTENCE?

Q THAT'S CORRECT.

A I DO NOT RECALL.

Q DID YOUR CORPORATION IN ANY WAY CHANGE THE BOOKKEEPING OPERATIONS OF JEFFERSON MARKETING ONCE YOU BEGAN WORKING WITH THEM?

A WHAT DO YOU MEAN BY "CHANGE"?

Q DID YOU OFFER SUGGESTIONS FOR IMPROVEMENT, FOR EXAMPLE?

MR. MAYO: OBJECT TO THE FORM OF THE QUESTION. IT'S VAGUE.

MR. ANDERSEN: LET ME TRY TO DO BETTER.

Q (BY MR. ANDERSEN) DO YOU HAVE A CHART OF ACCOUNTS?

A DOES HARDISON HAVE A CHART OF ACCOUNTS?

Q A CHART OF ACCOUNTS FOR JEFFERSON MARKETING.

A YES.

Q DID YOU ASSIST IN PREPARING THE STRUCTURE THAT THAT CHART OF ACCOUNTS REFLECTS?

A DID I ASSIST?

Q THAT'S CORRECT.

PEERLESS CO., DATAGRAF, N.J. 07663 800-631-2000 8504025361

A WHAT DO YOU MEAN BY "ASSIST"?

Q DID YOU HELP TO DESIGN IN ANY WAY HOW THE VARIOUS ACCOUNTS AT J.M.I. RELATE TO ONE ANOTHER?

MR. MAYO: DOES THE QUESTION REFER TO THE PRESENT TIME, AS FAR AS THE PRESENT CHART OF ACCOUNTS?

MR. ANDERSEN: YES, EXISTING ACCOUNTS.

A WOULD YOU MIND REPEATING YOUR QUESTION AGAIN?

MR. ANDERSEN: COULD YOU READ THAT BACK, PLEASE?

(THEREUPON, THE COURT REPORTER READ BACK THE QUESTION APPEARING ON PAGE 31, LINES 3 AND 4, INCLUSIVE, AS REQUESTED.)

A I STILL HAVE SOME DIFFICULTY WITH WHAT YOU ARE REFERRING TO---IF IT'S A POLICY, IF IT'S PROCEDURE, IF YOU ARE MEANING DID I ALTER THE TITLES OF THE ACCOUNTS BY REFERRING TO THIS CHART OF ACCOUNTS.

Q (BY MR. ANDERSEN) HAVE YOU EVER SAT DOWN WITH ANY OF THE MANAGERS OF J.M.I. TO DISCUSS HOW THE ACCOUNTS FOR J.M.I. ARE WORKING?

A YES.

Q IN THE COURSE OF THESE CONVERSATIONS, HAVE YOU EITHER MADE SUGGESTIONS OR PERHAPS RECEIVED SUGGESTIONS THAT WOULD HAVE RESULTED IN CHANGES TO THESE ACCOUNTS?

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A I DON'T RECALL SPECIFICALLY.

Q MAYBE I CAN EXPLAIN A LITTLE MORE CLEARLY WHAT I'M SAYING. I DON'T MEAN CHANGES IN THE ACCOUNTS WITH RESPECT TO THE NUMBERS THAT MAY BE IN THE BOXES, BUT RATHER IF CHANGES MAY HAVE BEEN MADE AS THE RESULT OF CONVERSATIONS OR DISCUSSIONS YOU HAD WITH THE MANAGERS OF J.M.I. TO HELP THE ACCOUNTING PROCEDURES TO BE MORE EFFICIENT, FOR EXAMPLE.

A IS THAT A QUESTION?

Q WOULD YOU HAVE DONE---WOULD YOU HAVE BEEN INVOLVED IN SUCH INTERACTION?

A I WOULD HAVE BEEN.

Q YOU STATED THAT YOU DID NOT RECALL WHETHER YOU SET UP THE BOOKS ORIGINALLY FOR J.M.I. DO YOU KNOW WHO DID SET UP THE BOOKS?

A NO.

Q WOULD YOU KNOW WHO WOULD HAVE THAT INFORMATION?

A NO.

Q LET'S GO BACK BRIEFLY TO A QUESTION I ASKED YOU EARLIER ABOUT YOUR AUTHORITY TO SIGN CHECKS.

WHAT IS THE PURPOSE OF YOUR HAVING AUTHORITY TO SIGN CHECKS?

A SO THAT THE CHECK CAN BE GOOD---CASHED, DEPOSITED, WHATEVER.

PEGGED CO., BAYONNE, N.J. 07002 FORM 2006

Q DO YOU KNOW WHY YOU WERE GIVEN AUTHORITY TO SIGN CHECKS FOR JEFFERSON MARKETING?

A WE NEEDED A SIGNATURE THAT WAS EASILY AVAILABLE.

Q THANK YOU.

WITH RESPECT NOW TO THE CONGRESSIONAL CLUB, DID YOU SET UP THE BOOKS FOR THE CONGRESSIONAL CLUB?

A WHAT DO YOU MEAN BY THE CONGRESSIONAL CLUB? WHAT TIME FRAME ARE YOU REFERRING TO NOW?

Q LET'S START WITH---LET'S ASK ANOTHER QUESTION THEN.

WHEN DID YOU FIRST HEAR OF THE CONGRESSIONAL CLUB EITHER IN ITS FORM PRESENT OR THE NORTH CAROLINA CONGRESSIONAL CLUB?

A 1977.

Q LOOKING BACK TO 1977, WERE YOU INVOLVED IN SETTING UP THE BOOKS FOR THE CONGRESSIONAL CLUB?

A AS THEY PRESENTLY EXIST?

Q I'M SORRY?

A THE BOOKS AS THEY PRESENTLY EXIST?

Q AS THEY EXISTED THEN.

A NO.

Q DID YOU ASSIST IN any WAY IN SETTING UP THE BOOKS AS THEY PRESENTLY EXIST?

A YES.

Q WHEN DID YOU SET UP THE BOOKS AS THEY PRESENTLY

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EXIST?

A IN 1977.

Q WITH WHOM DID YOU WORK WHEN YOU WERE SETTING UP THE BOOKS FOR N.C.C.?

A ARE YOU REFERRING TO PROFESSIONAL ASSISTANCE AS IN A C.P.A. FIRM?

Q DID YOU WORK WITH ANY PROFESSIONAL ASSISTANCE IN A C.P.A. FIRM?

A I DON'T RECALL SPECIFICALLY.

Q DID YOU WORK WITH ANY ATTORNEYS IN ESTABLISHING THE BOOKS?

A NO.

Q DID YOU WORK WITH ANY OF THE DIRECTORS OF N.C.C. IN ESTABLISHING AND SETTING UP THE BOOKS?

A NO.

Q DID YOU WORK WITH ANY OF THE MANAGERS OF N.C.C.?

A NO.

Q DID YOU WORK WITH ANY OF THE EMPLOYEES OF N.C.C. IN SETTING UP THE BOOKS?

A WHAT DO YOU MEAN BY "WORK WITH"?

Q DID YOU SEEK THE ADVICE OR HAVE DISCUSSIONS WITH ANY OF THE EMPLOYEES OF N.C.C. DURING THE PROCESS OF SETTING UP THOSE BOOKS?

A I DON'T RECALL.

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Q TO DISCUSS THE SERVICES THAT YOU PROVIDE TO THE ORGANIZATION, TO DISCUSS ANY PROBLEMS THAT YOU MAY HAVE. WHO WOULD YOU GO TO IF YOU HAD A PROBLEM WITH SOMETHING GOING ON IN THE ACCOUNTING DEPARTMENT?

A I WOULD GO TO TWO PEOPLE. I WOULD GO TO DOUG DAVIDSON AND I WOULD GO TO CARTER WRENN.

Q DID MR. DAVIDSON HANDLE ANY OF THE TIME BUYING DURING 1982?

A I DO NOT KNOW.

MR. MAYO: MR. ANDERSEN, I AM GOING TO INTERPOSE A STANDING OBJECTION TO CONTINUED QUESTIONS CONCERNING THE INTERNAL OPERATIONS OF JEFFERSON MARKETING THAT GO FAR BEYOND THE DEMONSTRATED EXPERIENCE OF THIS WITNESS. SHE IS AN EMPLOYEE OF HARDISON CORPORATION AND PROVIDES BOOKKEEPING SERVICES ONLY TO THIS ORGANIZATION. TO PUT IT BLUNTLY, I THINK QUESTIONS ALONG THIS LINE SIMPLY ARE BARKING UP THE WRONG TREE. WITH THE LIMITED AMOUNT OF TIME WE HAVE LEFT, I'M GETTING CONCERNED THAT WE ARE SPINNING OUR WHEELS ON A SUBJECT THAT THIS WITNESS CAN'T HELP US WITH.

MR. ANDERSEN: I UNDERSTAND WHAT YOU'RE SAYING. I THINK THAT A QUESTION SUCH AS TO WHO

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DOES THIS WITNESS REPORT TO, HOWEVER---

MR. MAYO: THAT'S WHY I SAVED MY OBJECTION TO YOUR NEXT QUESTION AFTER THAT. I AGREE THAT WAS A PROPER QUESTION.

MR. ANDERSEN: THERE HAS BEEN SOME DIFFICULTY GETTING TO SOME OF THOSE ANSWERS TO QUESTIONS, SOME OF WHICH I THINK WERE NO MORE DIFFICULT THAN THE ONE AS TO WHO YOU REPORT TO.

MR. MAYO: I DISAGREE WITH THAT, BUT GO AHEAD.

MR. ANDERSEN: I'LL TRY TO PROCEED AS QUICKLY AS WE CAN TO AREAS WHEN I DISCOVER THERE IS NO KNOWLEDGE. BUT, AGAIN---

MR. MAYO: YOU'VE NOTICED THE DEPOSITION OF THE PRESIDENT OF JEFFERSON MARKETING.

MR. ANDERSEN: YES.

MR. MAYO: HE'S IN A POSITION TO KNOW SOME OF THESE THINGS, AND YOU'LL HAVE THAT OPPORTUNITY.

MR. ANDERSEN: YES.

LET ME JUST FOLLOW UP WITH ONE BRIEF QUESTION ON THE MATTER WE'VE JUST BEEN DISCUSSING.

Q (BY MR. ANDERSEN) WHY WOULD YOU GO TO CARTER WRENN

PEGASO CO., BAYONNE, N.J. 07002 8500402567

IF HE IS NOT AN EMPLOYEE OR DIRECTOR OF JEFFERSON MARKETING?

A BECAUSE HE ASKS ME TO.

Q DOES JEFFERSON MARKETING HAVE A METHOD FOR COSTING--- DETERMINING THE COST OF THE SERVICES IT PROVIDES TO CLIENTS?

A DO THEY HAVE A WHAT?

Q A METHOD---

A A METHOD?

Q ---FOR DETERMINING THE COST OF SERVICES PROVIDED TO CLIENTS.

A I DO NOT KNOW.

Q IS THERE ANY BOOKKEEPING THAT YOU ARE FAMILIAR WITH THAT REFLECTS AN ATTEMPT TO ARRIVE AT COSTS FOR VARIOUS SERVICES THAT JEFFERSON MARKETING SUPPLIES TO ITS CLIENTS?

A DO YOU MIND REPEATING THAT AGAIN? I'M HAVING A HARD TIME CONCENTRATING ON WHAT YOU'RE SAYING BECAUSE OF THE NOISE.

Q I KNOW IT IS DISTRACTING.

DOES JEFFERSON MARKETING HAVE ANY BOOKKEEPING SYSTEMS OR BOOKKEEPING LEDGERS THAT REFLECT AN ATTEMPT TO ARRIVE AT THE COSTS TO JEFFERSON MARKETING OF THE VARIOUS SERVICES THAT IT PROVIDES TO ITS

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Q (BY MR. ANDERSEN) IS THE POLITICAL DIVISION A DIVISION THAT HANDLES---DO YOU KNOW IF THE POLITICAL DIVISION IS THE DIVISION THAT HANDLES SERVICES TO CANDIDATES?

A I DON'T KNOW.

MR. ANDERSEN: YOU MENTIONED THE POSSIBILITY OF A WITNESS WHO WOULD BE ABLE TO TALK ABOUT RATES. CAN YOU OFFER THAT WITNESS AT A SUBSEQUENT TIME? WOULD THIS BE MR. DAVIDSON OR MR. WRENN?

MR. MAYO: I'M NOT SURE WHAT MR. DAVIDSON AND MR. WRENN NECESSARILY KNOW ABOUT RATES. I THINK WHAT I DID SAY WAS THAT SOME OTHER WITNESS WHO HAS KNOWLEDGE WOULD BE THE APPROPRIATE PERSON TO ASK. THAT WAS AN OFFER OF SOMEONE WHO EXISTS. I DON'T KNOW WHERE THAT PERSON IS OR WHO HE MIGHT BE.

MR. ANDERSEN: I THINK THIS WOULD BE AN APPROPRIATE TIME TO THINK ABOUT THAT A LITTLE BIT.

MR. MAYO: WE CAN CERTAINLY THINK ABOUT IT. I SHOULD THINK THAT THE WITNESSES WHO REMAIN TO BE DEPOSED HERE WILL SHED A CONSIDERABLE AMOUNT OF LIGHT ON THE SUBJECT. WHETHER THEY CAN

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SATISFY ALL OF YOUR QUESTIONS, I DON'T KNOW, BUT YOU'VE CERTAINLY IDENTIFIED SOME OF THE KEY PEOPLE.

MR. ANDERSEN: WELL, WE CERTAINLY WOULD BE ASKING THE KINDS OF QUESTIONS THAT YOU SUGGESTED TO MR. DAVIDSON WITH RESPECT TO THE RATES CHARGED, THE COSTS OF THE COMPUTER AND SO ON.

MR. MAYO: WELL, YOU NOTICED YOUR DEPOSITIONS BY NAME; AND THEY'RE BEING PROVIDED.

MR. ANDERSEN: RIGHT.

I THINK THAT WE CAN FINISH BY 4:30 TODAY WITH RESPECT TO ANY QUESTIONS WE HAVE. I JUST WANT TO GO INTO ONE AREA THAT WE HAVE TOUCHED ON VERY BRIEFLY EARLIER THIS AFTERNOON AND THAT WAS WHEN I ASKED THE QUESTION AS TO WHO MISS HARDISON REPORTED TO, AND YOU RESPONDED IT WAS MR. DAVIDSON AND MR. WRENN. AND, WHEN I ASKED YOU---NOW, THIS WAS WITH REGARD TO JEFFERSON MARKETING. AND, THEN I ASKED YOU---

MR. MAYO: THE QUESTION I THINK WAS NOT WHO SHE REPORTS TO, BUT WHO SHE GOES TO WITH PROBLEMS IN TERMS OF HER BOOKKEEPING

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SERVICES.

MR. ANDERSEN: YES, I THINK AT LEAST BOTH OF THOSE MATTERS WERE IN THERE; BUT PROBLEMS WITH RESPECT TO BOOKKEEPING MATTERS WOULD BE OKAY.

AND, I ASKED YOU WHY YOU WENT TO MR. WRENN; AND YOU SAID BECAUSE HE ASKED YOU TO.

Q (BY MR. ANDERSEN) AND, I WOULD LIKE TO ASK YOU, IN REPORTING OR IN TALKING TO MR. WRENN ABOUT PROBLEMS, HAVE YOU ASKED MR. DAVIDSON, THE PRESIDENT OF J.M.I.---OR ASKED HIM IF THIS IS APPROPRIATE OR HAVE DISCUSSED THESE CONVERSATIONS WITH HIM?

A MAY I REPEAT YOUR QUESTION TO SEE IF I UNDERSTOOD YOU?

Q YES.

A ARE YOU ASKING ME THAT, WHEN I DISCUSSED PROBLEMS WITH MR. WRENN, DID I TELL MR. DAVIDSON THAT I DID SUCH? IS THAT WHAT YOU'RE SAYING?

Q THAT'S CORRECT.

A NO.

Q DOES MR. WRENN---HAS MR. WRENN GIVEN YOU DIRECTION AS TO SOLVING SOME OF THESE PROBLEMS WITH RESPECT TO JEFFERSON MARKETING?

PERSCO CO., REPORTERS, N.A. DENVER · FORM 1001
A50405 2571

A YES.

Q DOES ANYTHING IN PARTICULAR COME TO MIND, THE KIND OF DIRECTION?

A NO.

Q WHAT AUTHORITY WOULD MR. WRENN HAVE TO GIVE YOU DIRECTION AS TO WHAT TO DO WITH RESPECT TO PROBLEMS IN JEFFERSON MARKETING?

A I BEG YOUR PARDON?

Q WHAT AUTHORITY WOULD MR. WRENN HAVE TO GIVE YOU ANY ADVICE OR INSTRUCTIONS OR DIRECTION AS TO HOW TO APPROACH PROBLEMS WITH JEFFERSON MARKETING?

MR. MAYO: OBJECT TO THE QUESTION TO THE EXTENT IT CALLS FOR A LEGAL CONCLUSION FROM THE WITNESS. SHE CAN ANSWER IT, THOUGH.

A I DON'T KNOW WHAT AUTHORITY.

Q (BY MR. ANDERSEN) MISS HARDISON, DO YOU HAVE ANY HESITATION IN DISCUSSING BOOKKEEPING DATA FROM JEFFERSON MARKETING THAT MAY BE CONFIDENTIAL WITH MR. WRENN WHO IS NOT AN EMPLOYEE OR AN OFFICER OF JEFFERSON MARKETING?

A NO.

Q WHY?

A WHY DO I NOT HAVE RESERVATIONS? I JUST DON'T.

Q WOULD IT BE CONSIDERED NORMAL PROCEDURE FOR A PERSON

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INVOLVED IN THE BOOKS OF A CORPORATION TO DISCUSS THOSE BOOKS WITH A PERSON WHO IS NOT AN OFFICER OR AN EMPLOYEE OF THE CORPORATION?

A I CAN'T SPEAK FOR OTHER PEOPLE. I CAN ONLY SPEAK FOR MYSELF IN THAT SITUATION.

Q AND, YOU ARE SAYING THAT, IN THIS SITUATION, IT SEEMS APPROPRIATE TO YOU?

A IT CERTAINLY DOES.

Q DO YOU HAVE ANY BASIS FOR MAKING THAT STATEMENT?

A THEY ARE---I'M ASKED TO DO THAT, AND I DO.

Q BY MR. WRENN?

A YES.

Q MR. DAVIDSON IS AWARE OF THIS AS PRESIDENT OF THE CORPORATION?

A YES.

Q DO YOU DISCUSS WITH MR. DAVIDSON ANY OF THE BOOK-KEEPING PROCEDURES OR PROBLEMS THAT YOU MAY HAVE WITH RESPECT TO THE N.C.C.?

A REPEAT YOUR QUESTION, PLEASE.

Q DO YOU DISCUSS WITH MR. DAVIDSON ANY OF THE BOOK-KEEPING PROBLEMS YOU MAY HAVE WITH N.C.C.?

A YES.

Q ONE FINAL QUESTION: HOW DOES THE---MISS HARDISON, DO YOU KNOW WHETHER JEFFERSON MARKETING SENT ANY

PENCAD CO., HAYDEN, N.J. 07083 (800) 631-6989

INVOICES TO THE GIBSON COMMITTEE FOR SERVICES PERFORMED?

A YES.

Q THEY DID SEND SUCH INVOICES?

A YES.

Q MY FINAL QUESTION IS: YOU MENTIONED THAT THERE WERE THREE BOOKKEEPERS THAT WORKED FOR J.M.I. COULD I HAVE THEIR NAMES, PLEASE?

A JANNETTE PENNINGTON, ANNA LITTLE, MARYELLEN JORDAN.

Q J-O-R-D-A-N?

A YES.

Q AND, FOR N.C.C., YOU SAID THERE WERE TWO BOOKKEEPERS IN YOUR EMPLOY. COULD I HAVE THEIR NAMES, PLEASE?

A ANNIE---A-N-N-I-E---BARNES, LAURA GOOCH---G-O-O-C-H.

Q DO YOU KNOW WHETHER OR NOT---YOU MENTIONED THAT J.M.I.---I HAVE ONE MORE QUESTION. J.M.I. SENT INVOICES TO THE GIBSON COMMITTEE. DO YOU KNOW WHETHER OR NOT INVOICES WERE SENT FOR THE FIVE THOUSAND DOLLARS ($5,000) AND THE SIX HUNDRED DOLLARS ($600) THAT WERE ADVANCE PAYMENTS MADE FROM THE COMMITTEE---

A NO, I DON'T.

Q ---TO J.M.I.?

YOU DON'T KNOW?

PEGGED CO., BAYONNE, N.J. 07002

A (NODS NEGATIVELY)

MR. ANDERSEN: DO YOU HAVE ANY CROSS-EXAMINATION?

MR. MAYO: I DO. I HAVE A QUESTION FOR YOU, THOUGH. HAVE YOU FINISHED YOUR PRINCIPAL EXAMINATION WITH THIS WITNESS, SUBJECT TO LEARNING MORE BACKGROUND TOMORROW FROM YOUR OTHER WITNESSES? HAVE YOU FINISHED WITH THIS WITNESS, SUBJECT TO RECALLING HER TO PURSUE NEW ITEMS THAT YOU DISCOVER TOMORROW?

MR. ANDERSEN: I THINK THAT---YES, AS WE SAID, ANYTHING THAT COMES UP IN THE TESTIMONY TOMORROW---

MR. MAYO: I THINK OUR AGREEMENT WAS WITH RESPECT TO THE TESTIMONY OF THE TREASURERS THAT YOU'RE GOING TO BE DEPOSING AND MR. BIGGS.

MR. ANDERSEN: YES. WE'VE HAD A CHANCE TO LOOK OVER SOME OF---AT LEAST SOME OF THE SUPPLEMENTAL DOCUMENTS IN OUR DISCUSSION TODAY. I'M NOT SURE THAT WE'RE ANY FURTHER ALONG IN UNDERSTANDING WHERE ANY OF THAT MAY LEAD TO. SO, I'LL AGREE THAT WE'RE FINISHED WITH THE PHYSICAL EXAMINATION, SUBJECT TO THE THREE WITNESSES TOMORROW.

MR. MAYO: I HAVE A FEW BRIEF QUESTIONS.

CROSS-EXAMINATION BY MR. MAYO:

Q MISS HARDISON, WAS IT YOUR TESTIMONY THAT MR. DAVIDSON IS AWARE OF THE FACT THAT YOU DISCUSS JEFFERSON MARKETING ISSUES, AT LEAST WITH RESPECT TO BOOKKEEPING AND THE NATIONAL CONGRESSIONAL CLUB ACCOUNTS, WITH MR. CARTER WRENN?

A YES.

Q HAS MR. DAVIDSON EVER TOLD YOU THAT YOU SHOULDN'T TALK ABOUT THESE SUBJECTS WITH MR. WRENN?

A NO.

Q HOW LONG HAVE YOU KNOWN MR. WRENN?

A SIX AND A HALF YEARS.

Q AND, WHEN DID YOU FIRST MEET HIM? WHAT WAS HE DOING WHEN YOU FIRST MET HIM? WHAT WAS THE CONNECTION IN WHICH YOU FIRST MADE HIS ACQUAINTANCE?

A HE WAS AT THE CONGRESSIONAL CLUB AND WAS THE PERSON WHO HIRED ME.

Q IN THE COURSE OF THOSE SIX-PLUS YEARS, HAVE YOU DEALT WITH MR. WRENN CONTINUOUSLY WITH RESPECT TO THE CLUB'S AFFAIRS, FINANCIAL AFFAIRS?

A YES.

Q WHAT IS YOUR OPINION OF MR. WRENN'S JUDGMENT ON SUCH MATTERS?

0 4 0 5 7 2 5 7 0

A ACCURATE, HONEST, BELIEVED TO BE IN THE BEST INTEREST OF THOSE CONCERNS I SHARED WITH HIM FOR BOTH JEFFERSON AND THE CLUB.

MR. MAYO: NO FURTHER QUESTIONS.

MR. ANDERSEN: WE ARE FINISHED FOR TODAY.

(THEREUPON, THE WITNESS WAS DISMISSED.)

_____

SIGNED THIS _____ DAY OF _____, 1983.

_____

KATHIE HARDISON

_____

STATE OF NORTH CAROLINA

COUNTY OF _____

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____ DAY OF _____, 1983.

_____

NOTARY PUBLIC

MY COMMISSION EXPIRES:

_____ (SEAL)

PENDER CO., INCORPORATED, N.C. 28584 800/633-2004

STATE OF NORTH CAROLINA

COUNTY OF WAKE

C E R T I F I C A T E

I, FAYE BUNN STEVENS, NOTARY PUBLIC/REPORTER, DO HEREBY CERTIFY THAT SHIRLEY KATHERINE HARDISON WAS DULY SWORN BY ME PRIOR TO THE TAKING OF THE FOREGOING DEPOSITION; AND THAT SAID DEPOSITION WAS TAKEN AND TRANSCRIBED UNDER MY DIRECTION; AND THAT THE FOREGOING ONE HUNDRED FIFTY-SIX (156) PAGES CONSTITUTE A TRUE AND ACCURATE TRANSCRIPT OF THE TESTIMONY OF THE WITNESS.

I DO FURTHER CERTIFY THAT THE PERSONS WERE PRESENT AS STATED IN THE CAPTION.

I DO FURTHER CERTIFY THAT I AM NOT OF COUNSEL FOR OR IN THE EMPLOYMENT OF EITHER OF THE PARTIES TO THIS ACTION, NOR AM I INTERESTED IN THE RESULTS OF THIS ACTION.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY NAME THIS _____ DAY OF _____, 1983.

_____

NOTARY PUBLIC

MY COMMISSION EXPIRES: AUGUST 18, 1986.

8504025578

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BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF:

ED JOHNSON FOR CONGRESS,	)	
DEMOCRATS FOR BETTER GOVERNMENT	)	MUR 1503
TO ELECT GIBSON,	)	
THOMAS CARR GIBSON,	)	
NATIONAL CONGRESSIONAL CLUB,	)	
JEFFERSON MARKETING, INC.	)	

* * * * * * * * * * * * * * * * *

DEPOSITION

OF

THOMAS F. ELLIS

* * * * * * * * * * * * * * * * *

RALEIGH, NORTH CAROLINA
SEPTEMBER 14, 1983

REPORTED BY: FAYE STEVENS, CVR
ASSOCIATED REPORTING & TRANSCRIPTION
2806 OVERBROOK DRIVE
RALEIGH, NORTH CAROLINA 27608
(919) 782-5526

8504062580

APPEARANCES

FOR THE COMMISSION:	MR. LEE ANDERSEN MR. GARY JOHANSEN FEDERAL ELECTION COMMISSION 1325 "K" STREET, N. W. WASHINGTON, D. C. 20463
FOR THE RESPONDENTS:	MR. THOMAS WM. MAYO MR. SCOTT D. GILBERT COVINGTON & BURLING P. O. BOX 7566 WASHINGTON, D. C. 20044
ALSO APPEARING AS A REPRESENTATIVE OF THE NATIONAL CONGRESSIONAL CLUB:	MR. R. E. CARTER WRENN TREASURER & EXECUTIVE DIRECTOR NATIONAL CONGRESSIONAL CLUB

1 8 5 2 5 8 1

I, FAYE BUNN STEVENS, BEING A NOTARY PUBLIC IN AND FOR THE STATE OF NORTH CAROLINA, WAS APPOINTED COMMISSIONER BY CONSENT TO TAKE THE DEPOSITION OF THOMAS F. ELLIS ON THE 14TH DAY OF SEPTEMBER, 1983, BEGINNING AT 2:30 P.M., IN ROOM 209, FEDERAL COURTHOUSE, 310 NEW BERN AVENUE, RALEIGH, NORTH CAROLINA.

ALL PERSONS LISTED ON THE APPEARANCE PAGE WERE PRESENT FOR THE TAKING OF THE DEPOSITION, AND THE DEPOSITION WAS TAKEN PURSUANT TO THE FEDERAL RULES OF CIVIL PROCEDURE.

WHEREUPON,

THOMAS F. ELLIS,

HAVING FIRST BEEN DULY SWORN,

WAS EXAMINED AND TESTIFIED

AS FOLLOWS:

DIRECT EXAMINATION BY MR. ANDERSEN:

Q CAN YOU STATE YOUR NAME FOR THE RECORD, SIR?

A THOMAS F. ELLIS---E-L-L-I-S.

Q YOUR ADDRESS, PLEASE?

A 2744 LAKEVIEW DRIVE, RALEIGH, NORTH CAROLINA.

Q ARE YOU MARRIED?

A I AM.

PERDUE CO., RALEIGH, N.C. 0040 Rev. 0 4 0 5 0 2 5 8 2

Q ARE YOU REPRESENTED BY COUNSEL TODAY?

A I AM.

Q IS COUNSEL WITH YOU?

A HE IS.

Q COULD YOU IDENTIFY COUNSEL, PLEASE?

A TOM MAYO.

MR. MAYO: AND, I'LL BE JOINED IN A FEW MINUTES BY SCOTT GILBERT.

Q (BY MR. ANDERSEN) DID YOU HAVE ANY ASSISTANCE IN PREPARATION FOR TODAY'S DEPOSITION?

A I TALKED TO THE ATTORNEYS.

Q DID YOU REVIEW ANY WRITINGS TO REFRESH YOUR RECOLLECTION?

A NO.

Q WHAT IS YOUR OCCUPATION, MR. ELLIS?

A ATTORNEY.

Q ARE YOU IN THE PRIVATE PRACTICE OF LAW?

A I AM.

Q HOW LONG HAVE YOU BEEN PRACTICING?

A SINCE 1948.

Q ARE YOU FAMILIAR WITH AN ORGANIZATION BY THE NAME OF THE NATIONAL CONGRESSIONAL CLUB?

A I AM.

Q DO YOU HAVE A POSITION WITH THE CONGRESSIONAL CLUB?

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A YES.

Q AND, WHAT IS THAT POSITION, PLEASE?

A CHAIRMAN.

Q HOW LONG HAVE YOU HELD THAT POSITION?

A I THINK SINCE THE INCEPTION OF THE CLUB.

Q COULD YOU DESCRIBE YOUR DUTIES WITH RESPECT TO THE CONGRESSIONAL CLUB?

A WELL, IT USED TO BE THAT I WAS INVOLVED IN THE EVERY-DAY THINGS THAT THE CLUB DID. THAT WAS WHEN IT FIRST GOT STARTED, I GUESS IN 1973-74---SOMETIME IN THAT PERIOD. AND, WHEN MR. WRENN WAS HIRED BY THE CLUB IN SOME TIME PERIOD, 1974---ALONG IN THERE--- OR 1975, WHY, I CEASED TO HAVE ANY DAY-TO-DAY DUTIES WITH THE CONGRESSIONAL CLUB. THAT'S ALL HANDLED BY MR. WRENN.

Q SO, FROM THAT TIME TO THE PRESENT, HOW WOULD YOU DESCRIBE YOUR ACTIVITIES WITH RESPECT TO THE CONGRESSIONAL CLUB?

A I WOULD SAY THAT I AM CALLED ON FOR POLICY MATTERS, BROAD OVERALL TYPES OF THINGS.

Q DO YOU GIVE DIRECTION TO MR. WRENN WITH RESPECT TO THESE BROAD POLICY ITEMS?

A I DON'T KNOW. I'D SAY THAT SOMETIMES WE CONSULT ONE ANOTHER; AND, CERTAINLY, I GUESS IF I FELT

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STRONGLY ABOUT GOING IN ONE DIRECTION OR ANOTHER, WHY, WE WOULD PROBABLY GO IN MY DIRECTION. BUT, NORMALLY, IN THE DAY-TO-DAY OPERATION AND EVEN IN THE BROAD-POLICY AREA, WHY, MR. WRENN HAS FULL AUTHORITY TO DO EVERYTHING.

Q DO PEOPLE SEEK YOU OUT IN ORDER TO PUT THEMSELVES IN TOUCH WITH THE CONGRESSIONAL CLUB TO OBTAIN SERVICES OR ASSISTANCE?

A WELL, I DON'T KNOW ABOUT SERVICES AND ASSISTANCE. I DON'T KNOW EXACTLY WHAT YOU MEAN.

Q DO CANDIDATES FOR POLITICAL OFFICE EVER CONTACT YOU AS A WAY TO SEEK CAMPAIGN CONTRIBUTIONS FROM THE CONGRESSIONAL CLUB, FOR EXAMPLE?

A I HAVE PEOPLE THAT CONTACT ME; YES; AND WHAT I DO IS REFER THEM TO CARTER.

Q DO YOU EVER CONSULT SENATOR HELMS WITH RESPECT TO THE POLICY DIRECTION THAT THE CONGRESSIONAL CLUB---

A NO.

Q ---MIGHT TAKE?

A AS A MATTER OF FACT, WE SOMETIMES ARE ON DIFFERENT TRACKS ALTOGETHER.

Q HAVE YOU HAD ANY RESPONSIBILITY FOR THE---LET ME REPHRASE THAT.

DID YOU HAVE ANY RESPONSIBILITY IN THE ESTABLISHMENT

OF THE JEFFERSON MARKETING, INC., ORGANIZATION?

A NOT DIRECTLY, NO.

Q DO YOU RECALL WHEN YOU FIRST HEARD OF JEFFERSON MARKETING?

A TO GIVE YOU AN EXACT TIME FRAME, I REALLY DON'T KNOW EXACTLY WHEN IT CAME INTO EXISTENCE.

Q BEFORE THE EXISTENCE OF JEFFERSON MARKETING, DID YOU SEE A NEED FOR THE CONGRESSIONAL CLUB TO BE ABLE TO CALL ON A LOCAL COMPANY FOR SERVICES, SUCH AS DIRECT-MAIL, ADVERTISING, POLITICAL CONSULTATION FOR THE CONGRESSIONAL CLUB?

(THEREUPON, MR. GILBERT ENTERS THE DEPOSITION.)

A WELL, NOT JUST FOR THE CONGRESSIONAL CLUB, BUT FOR---I THINK THAT THERE'S ALWAYS BEEN A NEED FOR A FIRM THAT CAN---AN ADVERTISING FIRM THAT CAN DO WORK FOR CANDIDATES OR FOR THE CLUB OR FOR ANYBODY ELSE, AS FAR AS THAT GOES.

Q DID YOU HAVE DISCUSSIONS WITH OTHER PERSONS AT THE CONGRESSIONAL CLUB PRIOR TO THE ORGANIZATIN OF JEFFERSON MARKETING IN WHICH IDEAS WERE DISCUSSED FOR A COMPANY SUCH AS THE KIND WE ARE DISCUSSING?

A I WOULD SAY IN A VERY GENERAL WAY. I FEEL SURE THAT CARTER---THAT I PROBABLY TALKED WITH CARTER ABOUT

THAT THERE CERTAINLY WAS A NEED IN THIS AREA FOR A GOOD ADVERTISING FIRM.

Q DO YOU RECALL IF ANY ONE PERSON TOOK THE LEAD IN ACTUALLY MOVING TOWARD ORGANIZING JEFFERSON MARKETING?

A I DON'T KNOW.

Q DO YOU RECALL WHETHER YOU HAD DISCUSSIONS WITH MR. CASTELLANOS REGARDING THE ORGANIZATION?

A NOT THAT I CAN RECOLLECT, NO.

Q THE ORGANIZATION OF J.M.I. IS WHAT I WAS REFERRING TO.

A NO.

Q AGAIN, TURNING BACK TO THE CONGRESSIONAL CLUB, IN YOUR OPINION, HOW DOES THE CLUB DETERMINE WHETHER IT WILL SUPPORT A CANDIDATE WITH CONTRIBUTIONS?

A I CAN ONLY GIVE YOU SORT OF A GENERAL ANSWER AND THAT IS, WE TRY TO SUPPORT CONSERVATIVE CANDIDATES AND THE MORE CONSERVATIVE THEY ARE, THE MORE WE TRY TO GIVE THEM SUPPORT. AND, THEN IT'S THE MATTER OF WHETHER WE HAVE THE WHEREWITHAL TO DO IT; BUT, IN GENERAL, THOSE DECISIONS ARE MADE BY MR. WRENN.

Q DOES THE CONGRESSIONAL CLUB USUALLY SUGGEST THAT A CANDIDATE GO TO JEFFERSON MARKETING FOR SERVICES THAT JEFFERSON MARKETING CAN PROVIDE?

MR. MAYO: OBJECTION. THE REFERENCE TO

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"USUALLY" IS VAGUE, IMPRECISE; CAN'T TELL WHETHER YOU'RE ASKING ABOUT A SPECIFIC TIME OR THE NUMBERS OR THE PERCENTAGES.

MR. ANDERSEN: LET ME TRY TO MAKE THAT MORE SPECIFIC.

Q (BY MR. ANDERSEN) MR. ELLIS, DO YOU KNOW WHETHER THERE ARE OCCASIONS DURING WHICH THE CONGRESSIONAL CLUB WILL RECOMMEND TO CANDIDATES THAT IT SEEKS TO SUPPORT---THERE ARE OCCASIONS IN WHICH THE CONGRESSIONAL CLUB HAS RECOMMENDED THAT THE CANDIDATE SEEK ASSISTANCE FROM JEFFERSON MARKETING---EXCUSE ME, STRIKE "ASSISTANCE"---SEEK SERVICES?

MR. MAYO: ARE YOU ASKING WHETHER THERE HAVE BEEN SUCH OCCASIONS?

MR. ANDERSEN: YES.

A NOT THAT I'M AWARE OF.

Q (BY MR. ANDERSEN) DO YOU KNOW WHETHER THE CONGRESSIONAL CLUB HAS A POLICY OF PICKING UP OR PAYING UNPAID BILLS THAT CANDIDATES HAVE OUTSTANDING WITH JEFFERSON MARKETING?

A NOT THAT I'M AWARE OF.

MR. ANDERSEN: I HAVE HERE AN ARTICLE FROM THE BALTIMORE SUN, OCTOBER 17, 1982. I'M GOING TO ASK THAT THE COURT REPORTER MARK THIS AS

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ELLIS EXHIBIT NO. 1.

(THEREUPON, THE DOCUMENT REFERRED TO ABOVE WAS MARKED AS ELLIS DEPOSITION EXHIBIT NO. 1 - FOR IDENTIFICATION.)

MR. ANDERSEN: I ASK THE REPORTER TO HAND EXHIBIT NO. 1 TO THE WITNESS AND ASK THAT THE WITNESS REVIEW OR EXAMINE THE EXHIBIT.

(THEREUPON, THE COURT REPORTER COMPLIES.)

WITNESS: DO YOU WANT ME TO READ THE WHOLE THING?

MR. ANDERSEN: NO, I'M NOT GOING TO---IF YOU WILL, JUST LOOK IT OVER TO YOUR SATISFACTION. I'M NOT GOING TO ASK YOU ABOUT THE ENTIRE ARTICLE.

(THEREUPON, THE WITNESS REVIEWS ELLIS DEPOSITON EXHIBIT 1.)

WITNESS: THERE IS SOMETHING CUT OFF AT THE BOTTOM, SO I CAN'T---I DON'T KNOW WHAT ELSE IS IN HERE, BUT I HAVE READ THE ARTICLE, OTHER THAN THE BOTTOM PART OF THAT SECOND PAGE.

MR. ANDERSEN: I'M NOT SURE WHETHER OUR REPRODUCTION OR THE COPY IN THE---THIS CAME FROM THE COMPLAINT IN THE MATTER. I'M NOT SURE

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WHETHER OUR REPRODUCTION OR THAT INITIAL REPRODUCTION CUT OFF THOSE LAST TWO LINES.

WITNESS: YOU SEE WHAT I'M TALKING ABOUT?

MR. ANDERSEN: YES. IT LOOKS THE SAME ON MINE. I WON'T ASK YOU ANYTHING REGARDING THAT AREA DOWN THERE.

Q (BY MR. ANDERSEN) HAVE YOU READ THIS ARTICLE BEFORE TODAY?

A YES. I BELIEVE I SAW IT SOMETIME AFTER IT CAME OUT.

Q AND, YOU DID GIVE AN INTERVIEW TO MR. ROBERT TIMBERG FROM THE SUN STAFF?

A I DON'T RECALL, BUT I DON'T DENY THAT I DID. I'VE GOT NO RECOLLECTION OF IT.

Q DO YOU RECALL SPEAKING WITH HIM ON THE TELEPHONE?

A NO, NOT SPECIFICALLY. YOU'VE GOT TO REMEMBER, I GET TWO OR THREE REPORTERS CALLING ME, YOU KNOW, EVERY DAY. SO, I'VE GOT NO IDEA. THEN, WHEN SOMEBODY---IF IT HAD BEEN SOMEBODY FROM A LOCAL PAPER HERE, I'D PROBABLY HAVE SOME RECOLLECTION; BUT I'VE NEVER HEARD OF MR. TIMBERG.

Q I'M GOING TO ASK YOU ABOUT CERTAIN OF THE STATEMENTS HERE THAT YOU'RE QUOTED AS MAKING AND PERHAPS ONE OR TWO THAT ARE ATTRIBUTED TO YOU AND ASK YOU IF YOU RECALL MAKING THEM AND WHETHER OR NOT YOU BELIEVE THEM TO

BE ACCURATE STATEMENTS, IN ANY CASE. I'LL ONLY BE LOOKING AT THE SECOND PAGE OF THE EXHIBIT NO. 1.

IN THE FIRST COLUMN ABOUT MIDWAY THROUGH THE SIXTH PARAGRAPH, THERE IS A STATEMENT TO THE EFFECT THAT JEFFERSON MARKETING IS DECIDEDLY PRIVATE; AND THEN THE ARTICLE GOES ON TO SAY, COMMA, AND I QUOTE FROM THE EXHIBIT, "BUT IT IS A FOR-PROFIT IN NAME ONLY, ACCORDING TO THOMAS F. ELLIS."

DID YOU MAKE THAT STATEMENT WHICH WAS ATTRIBUTED TO YOU?

A I DON'T RECOLLECT IT, NO.

Q IS IT AN ACCURATE STATEMENT?

A NO.

Q FURTHER IN THAT SAME COLUMN---EXCUSE ME. LET ME RETURN TO THAT.

WHY IS THAT NOT AN ACCURATE STATEMENT?

A WELL, I THINK MAYBE I CAN---AFTER HAVING READ THIS ENTIRE ARTICLE, AFTER THIS ARTICLE CAME OUT AND CAME TO THE ATTENTION OF MR. WRENN, HE AND I DISCUSSED IT; AND HE SAID THAT, "YOU ARE WRONG IN WHAT YOU HAVE SAID TO THE REPORTER," ASSUMING THAT I SAID THAT, BECAUSE I KNEW NOTHING ABOUT THE OPERATION OF JEFFERSON AND I MISSPOKE MYSELF WHEN I SAID IT WAS NOT A PROFIT-MAKING CORPORATION AND THAT SORT

OF THING; BECAUSE I REALLY KNEW NOTHING ABOUT THE OPERATION OF IT.

Q SO, THAT WOULD GO TO THAT STATEMENT AND TO---

A AND SOME OF THE OTHERS THAT I'VE READ IN THERE. IT'S THE SAME SORT OF THING. I REALLY KNEW NOTHING ABOUT THE---HOW JEFFERSON OPERATED. I'VE NEVER SEEN ITS BOOKS---YOU KNOW, THAT SORT OF THING.

Q AND, YOU BELIEVE THAT, IF YOU DID MAKE THESE STATEMENTS, YOU MISSPOKE YOURSELF WITH RESPECT ALSO TO THE ADVERTISING STATEMENTS, THAT JEFFERSON MARKETING---WELL, LET ME---

MR. MAYO: LET'S REFER TO THE SPECIFIC---

MR. ANDERSEN: LET'S REFER TO THIS. THERE ARE ONLY A FEW STATEMENTS, ANYWAY. SO, LET ME GO THROUGH THEM. I UNDERSTAND WHAT YOU'RE SAYING, SIR; BUT LET'S GO ON THROUGH THEM.

Q (BY MR. ANDERSEN) IN THAT SAME COLUMN, THE NEXT TO THE LAST FULL PARAGRAPH QUOTES YOU---I'LL READ IT, SO WE'LL HAVE IT IN THE RECORD HERE: QUOTE, "NECESSITY IS THE MOTHER OF INVENTION, COMMA, AND WE HAD CANDIDATES WHO HAD NEED OF SERVICE, COMMA, AND THEY WERE PAYING AN ARM AND A LEG TO THE TRADITIONAL ADVERTISING AGENCIES, PERIOD. SO, WE SET UP THE ADVERTISING AGENCY THAT WOULD DO THEIR WORK, COMMA,

C 8'85 0 4 0 F U 2 5 9 2

HOPEFULLY BETTER AND AT A MORE REASONABLE RATE," QUOTING YOU.

YOU'VE STATED THAT YOU DON'T RECOLLECT ANY OF THIS. SO, I'M NOT GOING TO KEEP ASKING YOU IF YOU RECOLLECT THAT STATEMENT. IS THAT AN ACCURATE STATEMENT?

A ONLY INSOFAR---FIRST OF ALL, I CAN'T SPEAK FOR JEFFERSON; BECAUSE I DON'T KNOW WHAT THEY WERE DOING. BUT, IN A GENERAL WAY, I CAN SEE WHY I MIGHT HAVE SAID SOMETHING OF THAT SORT TO THE REPORTER; BECAUSE I HAD HAD EXPERIENCE WITH ADVERTISING AGENCIES THAT I THOUGHT CHARGED TOO MUCH FOR THE SERVICES THEY WERE GIVING. SO, I THINK MY MIND SET WOULD HAVE BEEN THAT I THOUGHT THERE WAS A NEED FOR AN ADVERTISING AGENCY THAT CHARGED A FAIR RATE FOR WHAT THEY DID. SO, IN THAT CONTEXT, I CAN SEE HOW I MIGHT HAVE SAID THAT; BUT AS FAR AS KNOWING WHAT JEFFERSON WAS OR WAS NOT DOING OR WHAT RATES THEY HAD, I HAD NO KNOWLEDGE.

Q YOU USED THE TERM "WE." YOU DON'T BELIEVE NOW THAT YOU COULD REALLY SPEAK FOR JEFFERSON MARKETING ON THOSE ISSUES?

A THAT'S TRUE; THAT'S CORRECT.

Q THE PARAGARPH I READ SAYS THAT, "WE" SET UP AN

ADVERTISING AGENCY. BY "WE," WERE YOU SPEAKING THERE OF THE CONGRESSIONAL CLUB?

MR. MAYO: OBJECTION. JUST FOR THE RECORD, FOR THIS QUESTION AND ALL OTHER QUESTIONS ABOUT THESE QUOTATIONS, YOU RECOGNIZE THAT MR. ELLIS HAS SAID THAT HE DOESN'T HAVE ANY SPECIFIC RECOLLECTION OF HAVING SAID THESE PRECISE STATEMENTS TO THE REPORTER OR HAVING HAD A CONVERSATION WITH THE REPORTER. SO, SUBJECT TO THAT STATEMENT, WHEN YOU ASKED DID HE MEAN TO REFER TO A PARTICULAR ENTITY OR INDIVIDUAL, THAT ASSUMES THAT HE SAID THOSE WORDS; AND I'D LIKE TO MAKE YOUR QUESTIONS SUBJECT TO HIS LIMITATION THAT HE DOES NOT RECALL HAVING SAID THOSE WORDS.

MR. ANDERSEN: THAT WOULD BE CORRECT.

A I DON'T KNOW WHO I WAS REFERRING TO WITH THAT "WE," IF I SAID "WE."

Q (BY MR. ANDERSEN) IN THE SECOND COLUMN, THE FIRST FULL PARAGRAPH ACCORDING TO THIS ARTICLE, YOU ARE QUOTED AS SAYING THAT JEFFERSON MARKETING IS---AND THE QUOTED PART IS---"CHEAPER THAN ANYBODY ELSE IS, BECAUSE IT WAS ESTABLISHED NOT TO MAKE MONEY," UNQUOTE. WOULD YOU STATE THAT---DO YOU BELIEVE THAT THAT'S AN

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ACCURATE STATEMENT?

A I HAVE NO WAY TO KNOW. AND, AGAIN, I AM NOT DENYING THAT I MAY HAVE SAID SOMETHING---THAT OR SOMETHING LIKE THAT; BUT, AGAIN, I DIDN'T KNOW ANYTHING ABOUT THE OPERATION OF JEFFERSON. SO, I WAS STATING SOMETHING TO THAT REPORTER THAT I REALLY HAD NO KNOWLEDGE OF; AND THAT'S THE PROBLEM YOU HAVE WITH TALKING WITH REPORTERS.

Q IN THE VERY NEXT SENTENCE, THE AUTHOR OF THE ARTICLE ATTRIBUTES TO YOU A STATEMENT THAT, "JEFFERSON MARKETING CHARGED THE CLUB CANDIDATES A LOT LESS THAN OTHER VENDORS WOULD." IS THAT ACCURATE?

A I'M NOT FOLLOWING YOU NOW.

Q THE NEXT SENTENCE.

A OH, OKAY.

AGAIN, I DO NOT RECALL MAKING THE STATEMENT; AND I HAD NO KNOWLEDGE FROM WHICH TO MAKE THAT STATEMENT.

Q LET ME DIRECT YOUR ATTENTION TO THE FOURTH COLUMN, THE FIRST FULL PARAGRAPH. AND, THIS IS REFERRING TO TIME BUYING, ADVERTISING PURCHASES FROM MEDIA. AND, THE STATEMENT THAT PURPORTEDLY QUOTES YOU IS--- REFERRING TO A CANDIDATE NOW---"AND HE'S GOING TO SPEND, COMMA, I THINK THE TRADITIONAL CHARGE IS

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15 TO 20 PERCENT, COMMA, AND WE TRIED TO OFFER THAT SERVICE TO THEM AT NEARLY COST."

IS THAT AN ACCURATE STATEMENT?

A AGAIN, AS I SAY, IT'S NOT AN ACCURATE STATEMENT, I DO NOT BELIEVE AT THIS TIME. I WILL NOT---I CANNOT, AGAIN, SAY THAT I DID NOT TELL THE REPORTER THAT; BUT I JUST HAD NO KNOWLEDGE.

Q THE VERY NEXT SENTENCE, THE PART QUOTING YOU FIRST MENTIONED---BEFORE THE QUOTE, SAYS THAT THE COMMERCIAL ADVERTISING AGENCY MIGHT CHARGE 15---OR PROBABLY WOULD CHARGE 15 PERCENT FOR PURCHASING TELEVISION TIME; AND YOU'RE QUOTED AS SAYING, QUOTE, "BUT IF YOU DO IT THROUGH JEFFERSON MARKETING, COMMA, YOU'RE PROBABLY GOING TO PAY TWO OR THREE PERCENT; BECAUSE IT'S NOT A PROFIT-MAKING VEHICLE," END OF QUOTE.

IS THAT AN ACCURATE STATEMENT?

MR. MAYO: OBJECTION. I'D LIKE TO GET A PERFECTLY LITERAL QUOTATION ON THE RECORD IF YOU'RE GOING TO READ THIS, SO THAT THE RECORD REFLECTS EXACTLY WHAT'S THERE.

MR. ANDERSEN: WELL, DO YOU WANT ME TO START QUOTING THE ENTIRE ARTICLE AT MR. ELLIS?

MR. MAYO: NO, BUT IF YOU'RE GOING TO READ

OR PURPORT TO READ THE ARTICLE INTO THE RECORD, THERE ARE CERTAIN KEY WORDS THAT I THINK WERE INCLUDED OR EXCLUDED IN YOUR STATEMENT THAT MIGHT CHANGE THE COLORATION OF THIS; AND I'D LIKE THE RECORD TO REFLECT AN ACCURATE READING. THAT'S ALL.

MR. ANDERSEN: WAS MY READING OF THE QUOTED PORTION INCORRECT? IS THAT WHAT YOU'RE SAYING?

MR. MAYO: AND, YOUR READING, IF THAT'S WHAT IT WAS, OF THE UNQUOTED PORTION, AS WELL.

MR. ANDERSEN: THAT WAS A SUMMARIZING OF THE UNQUOTED PORTION. I CAN JUST READ--- LET ME JUST READ THAT ENTIRE PARAGRAPH.

MR. MAYO: I'D APPRECIATE IT.

MR. ANDERSEN: THE ENTIRE PARAGRAPH BEGINS "MR. ELLIS SAID THAT A TRADITIONAL, COMMERCIAL ADVERTISING AGENCY MIGHT CHARGE 15 PERCENT FOR PURCHASING TELEVISION TIME FOR A POLITICAL CANDIDATE, COMMA," I BELIEVE THERE. QUOTE, "BUT IF YOU DO IT THROUGH JEFFERSON MARKETING, COMMA, YOU'RE PROBABLY GOING TO PAY TWO OR THREE PERCENT." AND THEN THERE ARE ELLIPSES---

MR. MAYO: "BECAUSE..." ELLIPSES.

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MR. ANDERSEN: "BECAUSE..." ELLIPSES "IT'S NOT A PROFIT-MAKING DEAL," PERIOD, QUOTE.

Q (BY MR. ANDERSEN) IS THAT AN ACCURATE STATEMENT, MR. ELLIS?

A I DO NOT BELIEVE IT TO BE AN ACCURATE STATEMENT; AND, AGAIN, I THINK IT WAS BECAUSE I MISSPOKE, NOT KNOWING WHAT THE FACTS REALLY WERE AND I WAS JUST, I GUESS, GIVING HIM AN EXAMPLE OF THE FACT THAT I THOUGHT THAT SOME ADVERTISING AGENCIES CHARGED TOO MUCH.

Q BEFORE OCTOBER OF 1982 WHEN THIS ARTICLE CAME OUT, WERE YOU UNDER THE IMPRESSION THAT JEFFERSON MARKETING CHARGED LESS THAN OTHER ADVERTISING AGENCIES?

A I DON'T KNOW HOW TO ANSWER THAT. I WOULD HAVE TO BELIEVE IN LIGHT OF THIS ARTICLE---AND ASSUMING THAT IT IS ACCURATE IN WHAT THE REPORTER IS PURPORTING TO SAY I SAID---THAT I MIGHT HAVE HAD THAT IMPRESSION. BUT, I NOW KNOW THAT I WAS INCORRECT IN WHAT I TOLD HIM.

Q ONE FINAL QUOTE, IN THE VERY NEXT SENTENCE, THE ARTICLE READS, "JEFFERSON MARKETING IS, QUOTE, 'NOT MAKING ANY PROFIT,' UNQUOTE, AND WOULD LIKE, COMMA, QUOTE, 'WHEN THE END OF THE YEAR COMES, COMMA, TO SHOW ZERO,' QUOTE, PROFIT, HE ADDED, PERIOD."

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AGAIN, WITH RESPECT TO THE ACCURACY?

A I HAVE NO KNOWLEDGE OF THAT. AND, AGAIN, I'M NOT SAYING THAT I DID NOT SAY THAT. ALL I'M SAYING IS THAT I HAD NO KNOWLEDGE ON WHICH TO BASE THAT STATEMENT, IF I DID IN FACT MAKE IT TO THE REPORTER.

Q YOU STATED, MR. ELLIS, THAT YOU DISCUSSED THIS ARTICLE WITH MR. WRENN. WHAT DID MR. WRENN TELL YOU ABOUT THE PROFITS OF JEFFERSON MARKETING?

A NOTHING AS TO THE PROFITS. HE TOLD ME THAT---IF YOU'RE ASKING ME WHETHER HE SAID THAT WE HAD A PROFIT--- OR THEY HAD A PROFIT OF 5 PERCENT OR 20 PERCENT, THAT WAS NEVER DISCUSSED WITH HIM. ALL HE SAID WAS THAT WHAT I HAD TOLD THE REPORTER---LET ME START OVER AGAIN, IF I MAY.

IN THE SETUP OF ANY OF THESE ORGANIZATIONS, I WAS NOT INVOLVED IN IT. SO, I REALLY DON'T HAVE ANY KNOWLEDGE OF IT NOR HAVE I BEEN INVOLVED IN THE OPERATION OF THEM. SO, I'VE GOT NO IDEA AS TO THE OPERATION OF THEM. SO, WHEN I GAVE THAT STATEMENT TO THE REPORTER, IT WAS JUST, YOU KNOW, OUT OF MY MIND SET AT THAT PARTICULAR POINT IN TIME; BUT IT HAD NOTHING TO DO WITH REALITY, AT LEAST I ASSUME THAT IT DIDN'T.

Q REFERRING TO YOUR CONVERSATION WITH MR. WRENN AFTER

PERSER CO., GAITHERSBURG, N.J. 07033 (201) 670-2569

THE ARTICLE WAS PRINTED, DID YOU ASK MR. WRENN WHAT WAS WRONG WITH YOUR STATEMENT?

A IN A GENERAL WAY, YES, SIR.

Q DO YOU RECALL WHAT HE RESPONDED?

MR. MAYO: I'LL OBJECT TO THAT QUESTION. IT CALLS FOR A HEARSAY ANSWER. IF MR. ELLIS CAN ANSWER THAT QUESTION, HE MAY, ALTHOUGH I'LL ALSO OBJECT SPECIFICALLY TO THAT PART OF THE QUESTION THAT ASKS FOR ANY RESPONSE---ANY STATEMENT BY MR. WRENN TO MR. ELLIS AS TO THE PROFITABILITY, VEL NON, OF JEFFERSON MARKETING. AND, WITH RESPECT TO THAT SPECIFIC OBJECTION AND THAT PART OF MR. ELLIS' ANSWER, IF HE HAS SUCH A PART---AND I HAVE NO KNOWLEDGE OF THAT--- I INSTRUCT THE WITNESS NOT TO ANSWER ON THAT SUBJECT; BUT IF HE CAN RESPOND GENERALLY TO YOUR REQUEST, SUBJECT TO MY HEARSAY OBJECTION, HE MAY DO SO.

DO YOU UNDERSTAND MY STATEMENT, MR. ELLIS?

WITNESS: NOT ENTIRELY.

MR. MAYO: IT IS A LITTLE COMPLICATED, YES.

IF YOU HAD SUCH A CONVERSATION WITH MR. WRENN, MY OBJECTIONS STAND ON THE RECORD; BUT MY INSTRUCTION TO YOU IS NOT TO DISCLOSE ANY.

PERRY CO. OSBORNE, N.J. 07662 800-631-1917

STATEMENTS BY MR. WRENN CONCERNING THE PROFITABILITY OF JEFFERSON MARKETING, WHETHER IT DID OR DID NOT TURN A PROFIT. BUT, IN ANY OTHER RESPECT, YOU'RE FREE TO ANSWER THE QUESTION.

Q (BY MR. ANDERSEN) WOULD YOU LIKE THE QUESTION REPEATED?

A I DON'T THINK THAT WILL BE NECESSARY. I THINK I KNOW WHAT YOU'RE SAYING.

I DON'T THINK I'VE EVER HAD A CONVERSATION WITH HIM CONCERNING THE PROFITABILITY OF JEFFERSON MARKETING. WHAT I WAS REFERRING TO WAS WHETHER THEY WERE CHARING RATES AT WHICH THEY COULD MAKE A PROFIT; AND HE SAID THAT THEY WERE CHARGING, AS I RECALL, STANDARD INDUSTRY RATES OR SOMETHING OF THAT NATURE. I DON'T KNOW EXACTLY WHAT IT WAS, BUT THAT'S---SO, WHETHER THAT YIELDED A PROFIT OR NOT, I DON'T KNOW; AND I DON'T RECALL HIM TELLING ME.

Q WE'RE FINISHED WITH THE EXHIBIT.

MR. ELLIS, WERE YOU AWARE IN 1982 OF A TOM GIBSON CAMPAIGN?

A YES, SIR.

Q DID YOU PARTICIPATE IN THAT CAMPAIGN IN ANY WAY?

A YOU'D HAVE TO TELL ME WHAT YOU MEANT BY "PARTICIPATE." I KNEW THAT HE WAS GOING TO RUN, AND I PERSONALLY---

Q I CAN BE MORE SPECIFIC.

0402501

A AND I PERSONALLY SUPPORTED HIS RUNNING.

Q DID YOU DISCUSS HIS CAMPAIGN WITH HIM, WITH MR. GIBSON?

A I AM SURE THAT I---I DON'T HAVE ANY SPECIFIC RECOLLECTION, BUT I'M SURE THAT IN A GENERAL WAY I WAS AWARE THAT HE WAS GOING TO RUN AND I WAS ENCOURAGING HIM TO RUN.

Q DID YOU---DO YOU RECALL HAVING ANY DISCUSSIONS WITH MR. GIBSON CONCERNING WHAT THE CONGRESSIONAL CLUB MIGHT BE ABLE TO CONTRIBUTE TO HIS CAMPAIGN?

A NOT THAT I CAN RECOLLECT.

Q DO YOU RECALL HAVING ANY DISCUSSIONS WITH MR. GIBSON OR ANYONE FROM---DO YOU RECALL HAVING ANY DISCUSSIONS WITH MR. GIBSON REGARDING SERVICES THAT JEFFERSON MARKETING MIGHT PROVIDE HIS CAMPAIGN?

A NONE THAT I CAN RECOLLECT.

Q DO YOU RECALL DISCUSSING WITH ANY REPRESENTATIVE OF HIS CAMPAIGN COMMITTEE THE PROVISION OF SUCH SERVICES BY JEFFERSON MARKETING?

A NOT THAT I CAN RECOLLECT.

Q WERE YOU---DID YOU PARTICIPATE IN ANY WAY AT THE CONGRESSIONAL CLUB IN THE PROVISION OF ANY CONTRIBUTIONS TO THE TOM GIBSON CAMPAIGN?

A NOT THAT I'M AWARE OF. YOU KNOW, I'M SURE WE MAY

PENCO CO., BATONRE, N.A. 01000 Reorder No. 4 0 7 0 2 6 0 2

HAVE GIVEN HIM CONTRIBUTIONS, BUT---I SAY "WE" AGAIN. THAT'S THAT OLD WORD. I AM SURE THAT THE CONGRESSIONAL CLUB MAY HAVE MADE A CONTRIBUTION TO HIM. I CERTAINLY WOULD HAVE HOPED THEY DID; BUT IF ONE WAS MADE, MR. WRENN WOULD HAVE DONE IT.

Q MR. ELLIS, ARE YOU FAMILIAR WITH THE VIDEOTAPE--- I BELIEVE THE TITLE OF IT WAS "FREE-O AND RIO"--- THAT MR. GIBSON USED AS A PART OF HIS CAMPAIGN?

A I HAVE SEEN THE COMMERCIAL, YES, SIR.

Q YOU SAW THE COMMERCIAL ON TELEVISION AS AN ADVERTISEMENT?

A YES, SIR.

Q DID YOU EVER HAVE ANY DISCUSSIONS WITH ANYONE FROM--- DID YOU HAVE ANY DISCUSSIONS BEFORE YOU SAW IT ON T.V. CONCERNING THE PRODUCTION OF THAT ADVERTISEMENT?

A I CAN ONLY SAY IN A GENERAL WAY THAT I WAS AWARE THAT A COMMERCIAL WAS BEING PREPARED.

Q DID YOU KNOW THAT JEFFERSON MARKETING WAS IN SOME WAY ASSISTING WITH THE PRODUCTION OF THAT---

A NO.

Q ---ADVERTISEMENT?

WERE YOU AWARE THAT THE CONGRESSIONAL CLUB HAD PROVIDED SOME IN-KIND CONTRIBUTIONS TOWARD MAKING THAT VIDEOTAPE AVAILABLE?

A NOT THAT I CAN RECOLLECT, NO, SIR.

Q DID YOU---IN YOUR CAPACITY AS CHAIRMAN OF THE CONGRESSIONAL CLUB, DID YOU PARTICIPATE IN THE ED JOHNSON CAMPAIGN?

A IN THE SAME MANNER, BASICALLY, THAT I DID IN THE GIBSON ONE. I KNEW THAT ED JOHNSON WAS INTERESTED IN RUNNING, AND I WAS ENCOURAGING HIM TO RUN. WHETHER THAT'S AS AN INDIVIDUAL OR AS THE CONGRESSIONAL CLUB, I DON'T KNOW WHICH. I WOULD SAY, PROBABLY, AS AN INDIVIDUAL.

Q DID YOU PARTICIPATE IN A DECISION BY THE CONGRESSIONAL CLUB TO MAKE IN-KIND CONTRIBUTIONS TO THE ED JOHNSON CMAPAIGN?

A NO, SIR. THAT, AGAIN, WOULD HAVE BEEN SOMETHING IN MR. WRENN'S DOMAIN.

Q ARE YOU AWARE THAT THE ED JOHNSON CAMPAIGN USED AT LEAST PART OF THE TAPE THAT GIBSON USED, THE "FREE-O AND RIO"? ARE YOU AWARE THAT HE USED THAT TAPE AS A PART OF HIS CAMPAIGN?

A I HAVE NO DIRECT KNOWLEDGE OF THAT.

MR. ANDERSEN: I HAVE NO FURTHER QUESTIONS.

MR. MAYO: I HAVE NO CROSS-EXAMINATION QUESTIONS.

MR. ANDERSEN: CLOSE THE DEPOSITION.

PERSER CO., DENVER, N.Y. (800) 8[illegible]

0 4 0 4 2 6 0 4

WITNESS: THANK YOU.

(THEREUPON, THE WITNESS WAS DISMISSED.)

SIGNED THIS _____ DAY OF _____, 1983.

_____

THOMAS F. ELLIS

STATE OF NORTH CAROLINA

COUNTY OF _____

SUBSCRIBED AND SWORN TO BEFORE ME THIS _____ DAY OF

_____, 1983.

_____

NOTARY PUBLIC

MY COMMISSION EXPIRES: (SEAL)

_____

PENDER CO., REGISTER, N.C. 8/8/83 0400 25 03

STATE OF NORTH CAROLINA

COUNTY OF WAKE

C E R T I F I C A T E

I, FAYE BUNN STEVENS, NOTARY PUBLIC/REPORTER, DO HEREBY CERTIFY THAT THOMAS F. ELLIS WAS DULY SWORN BY ME PRIOR TO THE TAKING OF THE FOREGOING DEPOSITION; AND THAT SAID DEPOSITION WAS TAKEN AND TRANSCRIBED UNDER MY DIRECTION; AND THAT THE FOREGOING TWENTY-SIX (26) PAGES CONSTITUTE A TRUE AND ACCURATE TRANSCRIPT OF THE TESTIMONY OF THE WITNESS.

I DO FURTHER CERTIFY THAT THE PERSONS WERE PRESENT AS STATED IN THE CAPTION.

I DO FURTHER CERTIFY THAT I AM NOT OF COUNSEL FOR OR IN THE EMPLOYMENT OF EITHER OF THE PARTIES TO THIS ACTION, NOR AM I INTERESTED IN THE RESULTS OF THIS ACTION.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY NAME THIS _____ DAY OF _____, 1983.

_____

NOTARY PUBLIC

MY COMMISSION EXPIRES: AUGUST 18, 1986.

MASSEY CO., RALEIGH, N.C. 27609

VOL. 82 — NO. 42—B BALTIMORE, SUNDAY, OCTOBER 17, 1982 BALTIMORE SUN

New Right campaign operation bypasses election laws

By Robert Timberg
Sun Staff Correspondent

Raleigh, N.C.—Senator Jesse Helms, the New Right's congressional champion, has created a political money machine here that has succeeded so far in rendering at least two key federal election laws irrelevant.

The major cog in the machine is Senator Helms's National Congressional Club, the wealthiest of the nation's nearly 3,300 political action committees.

In concert with a technically profit-making corporation it created four years ago, the club has devised a method for providing selected right-wing candidates with highly sophisticated political services at cut-rate

ose services—which include direct-mail raising, advertising and broad-ranged political consulting—are made available virtually at cost because Jefferson Marketing, Inc., the club's corporate partner, was set up to do exactly that, not to make a profit.

As a result, Congressional Club candidates can contract with Jefferson Marketing for a host of campaign services and are able to save thousands upon thousands of dollars they otherwise might have to spend on the open market.

But in operating as they do, the club and its Jefferson Marketing spin-off appear to be in direct conflict with two key provisions of federal election law:

Section 441b(a) of the Federal Election Campaign Act of 1971, as amended, prohibits private, for-profit corporations from making any contributions whatsoever in connection with federal elections.

Section 441a(a)(1)(A) of the same law states that political action committees such as the Congressional Club may contribute no

THE [illegible] PAC POLITICAL ACTION COMMITTEE BUSINESS [illegible]

THE HELMS MONEY MACHINES

more than $5,000 to an individual candidate per election.

Moreover, by charging its candidates bargain basement prices for top-of-the-line services, the Congressional Club-Jefferson Marketing combine may also be undermining Federal Election Commission regulations that implement laws designed to prevent private firms from circumventing the prohibition on corporate contributions.

The club's major asset is Senator Helms, the North Carolina Republican who serves as honorary chairman and signs many of the millions of direct-mail fund-raising letters sent annually to his ardently right-wing followers around the nation.

North Carolina's junior senator, Republican John P. East, is the other honorary chairman. The club recruited Mr. East, a little-known college professor, and masterminded his successful 1980 campaign against incumbent Democrat Robert B. Morgan.

For the 1981-1982 election cycle, the club has raised $7.7 million and spent $8.4 million, according to the latest reports on file with the Federal Election Commission.

By comparison, its only close competitor, the National Conservative Political Action Committee, has raised $9.8 million and spent $8.3 million.

The club has contributed only about $40,000 directly to candidates' campaigns—less than 1 percent of the $8.4 million it had spent through June 30.

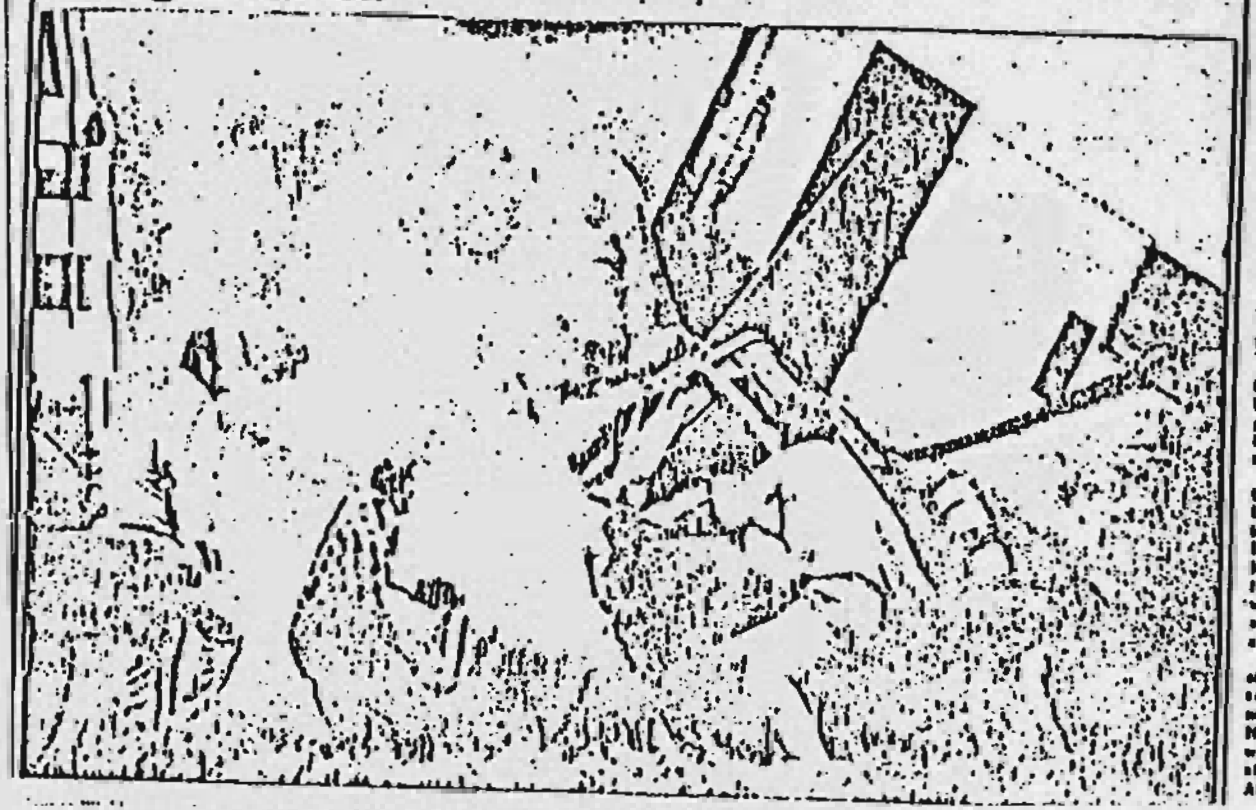
In addition, its FEC reports show no spending for or against candidates independent of their campaigns. This is in striking contrast to NCPAC, which had made independent expenditures of about $8 million through June.

FEC records show that the majority of the club's money is going for direct-mail solicitations that also serve as a medium for keeping Senator Helms's name before his supporters in the nation and in North Carolina, where he is likely to face a strong reelection challenge in 1984 from Democratic Governor Jim Hunt.

Although their activities are extensive, the club and Jefferson Marketing are merely part of a wide-ranging, politically priceless Helms

See PAC, A14, Col. 1

Strong samaritan



U.S. threatens to boycott U.N. to back Israel

By Henry Trewhitt
Washington Bureau of The Sun

Washington—The administration threatened yesterday to boycott and to stop financial support for any organ of the United Nations, including the General Assembly, that expel Israel.

With the announcement by Secretary of State George P. Shultz, the United States tried to head off growing activity in world agencies against Israel led mainly by Iraq and Libya. Mr. Shultz appealed to the United Nations to "turn aside such initiatives," which he said would do "grave damage to the U.N. system and hurt us all."

The immediate reason for the U.S. statement was a threat to expel Israel from the International Telecommunications Union, now meeting in Nairobi, Kenya. It followed by two weeks a similar effort against Israel at a meeting of the International Atomic Energy Agency in Vienna.

At the same time, a campaign by Libya and Iraq in the U.N. General Assembly has been gaining momentum, recently among Third World governments. Israel has been a frequent target of hostile U.N. resolutions.

The U.S. statement yesterday was calculated to let the rest of the world know the consequences if such activities lead to expulsion. The United States provides about one-fourth the financial support for all U.N. activities and still has pending about $150 million

That

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and a decision has been delayed by the General Assembly until later this month.

Mr. Shultz's statement

DEPOSITION EXHIBIT 1 EIIS

New Right Campaign Operation Is Skirting Federal Election Laws

PAC, from A1

enough that includes at least five tax-exempt organizations.

The Institute of American Relations, American Family Institute, Center for a Free Society and Institute on Money and Inflation are all based in Washington. The fifth, Coalition for Freedom, is in Raleigh.

Because of their status as educational organizations, each of the groups may accept unlimited tax-deductible contributions from rich conservatives — unlike the Congressional Club, which may collect no more than $5,000 annually from individual givers.

Right-wing billionaire Nelson Bunker Hunt, for example, contributed $90,000 to the Institute of American Relations between 1975 and 1979, according to the IAR's 1980 tax return.

The Congressional Club itself operates with a full-time paid staff of 150 people working on the top floor of an unremarkable three-story brick building in a modern office park in North Raleigh.



"We want every dollar that we take in to be expended for the conservative cause and not to be going into anybody's pocket."

—Thomas F. Ellis, Congressional Club chairman

THE PAC POLITICAL ACTION COMMITTEE BUSINESS

A stone's throw below, on the ground floor, are offices of Jefferson Marketing, an advertising and all-purpose political consulting firm the club created in December, 1979, as a private, for-profit corporation.

Jefferson Marketing is decidedly private, but it is for-profit in name only, according to Thomas F. Ellis, the Congressional Club chairman and one of Senator Helms's closest associates.

The relationship between the not-for-profit National Congressional Club and the supposedly for-profit Jefferson Marketing has become the field's cube of American politics, winning raves from conservatives and infuriating liberals. But few in either group claim to understand fully how it works.

The club was established as the North Carolina Congressional Club after Senator Helms's 1972 election to help pay off his campaign debt. By 1978, in conjunction with conservative direct-mail consultant Richard A. Viguerie, the club raised a record $7 million for the senator's reelection effort.

Realizing they had created a potent political money machine — thanks in large measure to Senator Helms's enthusiasm for hard-hitting, cajoling letters — club elders decided to take its base and start backing selected conservative candidates across the country.

But there was a problem. The federal election law, primarily those provisions enacted in the aftermath of the Watergate scandal to reduce the impact of big money on the political process.

Although the club was bringing in money hand over fist, the new rules permitted it to contribute no more than $5,000 per election to each of its candidates. Jefferson Marketing was born of that quandary.

"Necessity is the mother of invention, and we had candidates who had tired of our love, and they were paying an arm and a leg to the traditional advertising agencies. And so we set up an advertising agency that would do the job much, hopefully better and at a more reasonable rate," Mr. Ellis said.

During a recent interview at his Raleigh law office, Mr. Ellis explained that the "more reasonable rate" was achieved by creating Jefferson Marketing, a nominally for-profit firm that had no interest in making profits.

Usual and normal charge for goods is defined as "the price ... by the vendor from which they ordinarily would have been purchased at the time of the contribution." Similarly, for services, usual and normal charge means "the hourly or piecework charge ... of a commercially reasonable rate prevailing at the time the services were rendered."

Thus, if the commercially reasonable rate for a specific direct-mail job was established as $10,000 and Jefferson Marketing, disdaining a profit, did it for $9,000, the $1,000 difference would seem to be a contribution to the candidate for whom the service was provided.

But if Jefferson Marketing is viewed as a separate corporation, the contribution could be illegal since candidates for federal office are forbidden to receive corporate contributions.

And if the Congressional Club-Jefferson Marketing combine is looked on as a single entity and the club already has contributed the maximum $5,000 to the candidate, then the $1,000 puts it over the contribution limit.

As it happens, a direct comparison of Jefferson Marketing's charges with those of truly for-profit firms is not possible from FEC records, the primary source of public information on the operations of political committees.

Reports submitted to the FEC are routinely vague. A candidate, for example, might note a $10,000 payment to Jefferson Marketing for "advertising services" or "consulting services" but would not normally detail what those services were.

The club, for its part, did not establish Jefferson Marketing without considering the legal implications. The entire setup is largely the product of high-powered legal minds at the prestigious Washington law firm of Covington and Burling.

"We wanted to try to do everything we could to make sure we dotted every 'i' and crossed every 't' and all the rest of it — try to be like Caesar's wife, because we knew we were living in a glass house," Mr. Ellis said.

A legal challenge to the Congressional Club-Jefferson Marketing operation probably would begin at the FEC, but a spokesman, Sharon Snyder, indicated that a clear-cut ruling might not be forthcoming even if a complaint were filed.

"The commission would have to have a complaint regarding this, but the commission has traditionally been reluctant to interject itself into the relationship between a political committee and its vendors," Ms. Snyder said.

She said the commission also has been reluctant to look into vendor pricing policies "because it's been so difficult to get a reading on what industry-wide practices are in the field of politics."

Whatever the legal determination might be — if in fact one is ever made — Mr. Ellis who very close about the operation of Congressional Club-Jefferson Marketing.

"Let's say you were running for Congress and you came to the Congressional Club and said, 'How about helping,'" he said. "You know, there's only so much we can do. We're limited by the Democrats' law to contribute $5,000 to that campaign.

"So that guy takes our $5,000 and he wants to get the best he can get for that $5,000. He's say he decides to put $2,000 worth of TV [advertising] on. First of all, he has to find a company, and then produce it, and then buy the time and get it on.

"And he's going to spend, I think the traditional charge is 15 to 20 percent, and we try to offer that service to them at nearly cost."

Mr. Ellis said that a traditional commercial advertising agency might charge 15 percent for purchasing television time for a political candidate, "but if you do it through Jefferson Marketing, you're probably going to pay 3 or 3 percent because ... it's not a profit-making vehicle."

Jefferson Marketing is "not making any profit" and would like, "when the end of the year comes, to show zero" profit, he added.

The relationship between the club and Jefferson helps cut costs for candidates in other ways, Mr. Ellis said.

"They buy paper [for direct mailings] in large quantities and that sort of thing so they save a fair amount of money for you," he said. Do they pass on the savings to the club's candidates? "Oh, sure, sure," he said.

Then there is the club's mailing list, a multimillion-dollar asset that contains the names of an estimated 250,000 active conservative donors. The mailing list is widely viewed as one of the most awesome weapons in the American right wing's arsenal.

The list did not just appear at the club's door. During the current election cycle alone, four companies owned by Mr. Viguerie — who handles most of the club's never-ending "prospecting" for new contributors — were paid $1.6 million.

While Mr. Viguerie was working to expand the list, the club itself — through Jefferson Marketing — spent hundreds of thousands of dollars (not counting printing, envelopes or postage), putting the bite on existing contributors and keeping them in the habit of giving, an exercise that direct-mail experts call critical to maintaining a list's vitality.

Compiled and maintained over the years at a cost of millions, the list can be legally rented to the club's candidates for a relatively small sum.

Even assuming a rental fee of $100 per 1,000 names [which direct-mail industry sources call extremely high], a candidate backed by the club could get 100,000 of the best conservative names in the country for $10,000.

Beyond facilitating aid to candidates, Jefferson Marketing's private, profit-making status, however meaningless, pays another big dividend. Its books are closed, protected by the veil of secrecy that private firms legally may draw over their operations.

In this case, it effectively shields the operations of the Congressional Club, Inc., since the club pays Jefferson vast sums for a variety of services that show up on FEC reports with only such general labels as "advertising" or "consulting services."

The amounts are not pennies. FEC records show that for the 1979-1980 election cycle the club made payments to Jefferson Marketing totaling $1.1 million. It paid another $291,000 to the now-inactive Campaign Committee, the latter merely another name under which Jefferson did business.

In addition, once the money is paid to Jefferson, it cannot be traced on the public record.

Mr. Ellis said the club was Jefferson's major client, contracting with it for a variety of consulting.

The combined $1.3 million in fees to Jefferson and the Campaign Committee, which were paid at regular intervals, thus raises the possibility that the club has been subsidizing a "profitless for-profit" company with contributors' money.

Asked about that, Mr. Ellis said the question was unclear but maintained that the company could continue to operate without the club's business.

The ownership of Jefferson Marketing is murky at best. The articles of incorporation on file with the North Carolina secretary of state list the name of only one director — Alejandro Castellanos.

Mr. Castellanos, a political consultant whose name appears with a New York City address on recent club reports to the FEC, could not be reached for comment.

Adding to the mystery about Jefferson's ownership is the fact that North Carolina, unlike Maryland and many other states, does not require an annual public report listing the officers and directors of a corporation.

Moreover, the Congressional Club itself flatly refused a request from The Sun to interview its executive director, R. K. Carter Wrenn, and to tour its facilities. Ann May, a Wrenn aide, said the club has no interest in discussing its activities with the press. Ironically, Senator Helms, in defending the club there weeks ago against his opponents in the abortion and school prayer battles, told reporters that he wished "all of you could go down and really look at what it is."

Mr. Ellis agreed to an interview only reluctantly but was generous with his time after he did so. But he did little to shed light on Jefferson's ownership other than to say that Douglas Davidson, who runs the company, "is one of the stockholders and that another is one Senator Helms held any stock. Mr. Davidson did not return a reporter's calls.

As a result of the club's refusal to identify Jefferson's stockholders, the ownership of a multimillion-dollar corporation with an enormous potential for profit, whether or not that potential currently is being realized, remains a mystery.

Currently, Jefferson Marketing is providing services for a number of congressional candidates, including several Republicans challenging Democratic incumbents in North Carolina.

FEC records show that Jefferson Marketing has done work for GOP candidates William W. Cobey, Jr., Jack Hawke [who played professional basketball with the Baltimore Bullets], Anne Bagnal and Eugene [Ted] McDaniel.

Mr. Cobey, a former athletic director of the University of North Carolina, has relied heavily on Jefferson. FEC records show, for example, that he made three payments totaling $12,500 during the last week in June. The payments were for the marketing and production of television advertisements. Earlier the same month, Mr. Cobey paid Jefferson $35,000 for television ads.

Meanwhile, reports are circulating in Washington that the activities of the Congressional Club and Jefferson Marketing may soon be challenged at the FEC and possibly in the courts.

"If nothing else, it would be an interesting discovery process," said one Democrat help-

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 1, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

RE: MUR 1503

Dear Mr. Biggs:

The Federal Election Commission, established in April, 1975, has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26 Internal Revenue Code of 1954. In connection with an investigation being conducted by the Commission, the attached subpoena which requires you to produce documents within five days and to appear and give sworn testimony on September 12, 1983, at 3:30 p.m. has been issued.

Since this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section of the Act prohibits the making public of any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us, in writing, of the name and address of your attorney prior to the date of deposition.

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid $30.00, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

8604026009

Please confirm your scheduled appearance with R. Lee Andersen within two days of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202/523-5071.

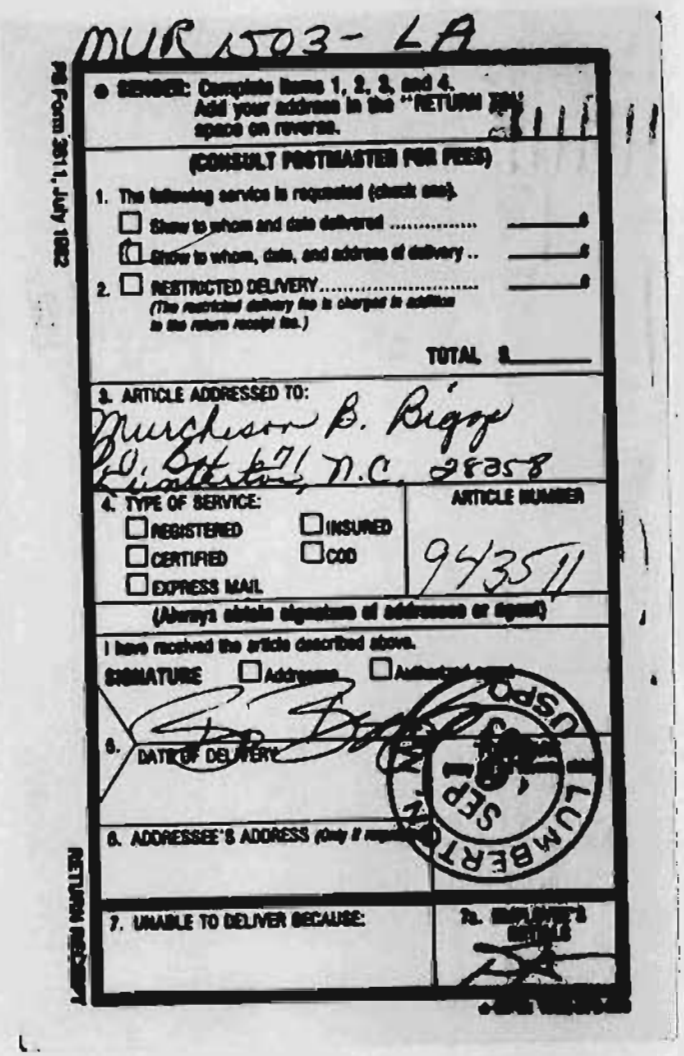
Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer

R6040526610



MUR 1503-LA

PS Form 3811, July 1983

• SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
☐ Show to whom and date delivered ..... ___¢
☐ Show to whom, date, and address of delivery .. ___¢
2. ☐ RESTRICTED DELIVERY ..... ___¢
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL $ ___

3. ARTICLE ADDRESSED TO:
Murchison B. Biggs
P.O. Box 671, N.C. 28358

4. TYPE OF SERVICE:
☐ REGISTERED ☐ INSURED
☐ CERTIFIED ☐ COD
☐ EXPRESS MAIL

ARTICLE NUMBER
943511

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

6. DATE OF DELIVERY

8. ADDRESSEE'S ADDRESS (Only if requested)

7. UNABLE TO DELIVER BECAUSE:

RETURN RECEIPT

USPO SEP LUMBERTON

FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition
Upon Oral Examination and to
Produce Books, Records and other
Relevant Documents

TO: Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition as a witness with regard to MUR 1503, a matter being investigated by the Federal Election Commission. Notice is hereby given that the deposition is to be taken at United States District Court, Room 209, 310 New Bern Avenue, Raleigh, North Carolina 27601, on September 12, 1983, beginning at 3:30 p.m. and continuing each day thereafter as necessary.

Pursuant to section 437d of Title 2, United States Code, you are hereby subpoenaed to produce within five (5) days of your receipt of this subpoena, at the Federal Election Commission, Office of General Counsel, 1325 K Street, N.W., Washington, D.C. 20463, the following documents and materials:

1. All documents and materials which relate, refer or pertain to any goods or services provided to the Democrats for Better Government to Elect Gibson Committee (the "Gibson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

8604026111

2. All documents and materials which relate, refer or pertain to any goods or services provided to the Ed Johnson for Congress Committee (the "Johnson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

3. All documents and materials which relate, refer or pertain to any contracts, agreement or arrangements between the Gibson Committee and Johnson Committee.

4. All documents and materials which relate, refer or pertain to any contribution made by the Gibson Committee to the Johnson Committee.

5. All documents and materials which relate, refer or pertain to any contributions made by the Johnson Committee to the Gibson Committee.

6. All documents and materials which relate, refer or pertain to any transfers of property between the Gibson Committee and the Johnson Committee.

7. All documents and materials which relate, refer or pertain to the sharing of any expenses or property between or among the Gibson Committee, the Johnson Committee, Jefferson Marketing, Inc., or the National Congressional Club.

86040502612

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C., this 1st day of Sept., 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

R5040502613

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES N. STEELE

FROM: MARJORIE W. EMMONS/JODY C. RANSOM

DATE: SEPTEMBER 1, 1983

SUBJECT: SUBPOENA RE: MUR 1503

The attached subpoena regarding MUR 1503 has been signed and sealed this date.

Attachment

8504050261 4

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

RHF 8/30/83

Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

RE: MUR 1503

Dear Mr. Biggs:

The Federal Election Commission, established in April, 1975, has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26 Internal Revenue Code of 1954. In connection with an investigation being conducted by the Commission, the attached subpoena which requires you to produce documents within five days and to appear and give sworn testimony on September 12, 1983, at 3:30 p.m. has been issued.

Since this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section of the Act prohibits the making public of any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us, in writing, of the name and address of your attorney prior to the date of deposition.

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid $30.00, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

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Please confirm your scheduled appearance with R. Lee Andersen within two days of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202/523-5071.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer

8504050261 6

FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition
Upon Oral Examination and to
Produce Books, Records and other
Relevant Documents

TO: Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition as a witness with regard to MUR 1503, a matter being investigated by the Federal Election Commission. Notice is hereby given that the deposition is to be taken at United States District Court, Room 209, 310 New Bern Avenue, Raleigh, North Carolina 27601, on September 12, 1983, beginning at 3:30 p.m. and continuing each day thereafter as necessary.

Pursuant to section 437d of Title 2, United States Code, you are hereby subpoenaed to produce within five (5) days of your receipt of this subpoena, at the Federal Election Commission, Office of General Counsel, 1325 K Street, N.W., Washington, D.C. 20463, the following documents and materials:

1. All documents and materials which relate, refer or pertain to any goods or services provided to the Democrats for Better Government to Elect Gibson Committee (the "Gibson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

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2. All documents and materials which relate, refer or pertain to any goods or services provided to the Ed Johnson for Congress Committee (the "Johnson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

3. All documents and materials which relate, refer or pertain to any contracts, agreement or arrangements between the Gibson Committee and Johnson Committee.

4. All documents and materials which relate, refer or pertain to any contribution made by the Gibson Committee to the Johnson Committee.

5. All documents and materials which relate, refer or pertain to any contributions made by the Johnson Committee to the Gibson Committee.

6. All documents and materials which relate, refer or pertain to any transfers of property between the Gibson Committee and the Johnson Committee.

7. All documents and materials which relate, refer or pertain to the sharing of any expenses or property between or among the Gibson Committee, the Johnson Committee, Jefferson Marketing, Inc., or the National Congressional Club.

R5040502618

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C., this day of , 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

8504050269

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Murchison B. Biggs)

MUR 1503

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on August 29, 1983, the Commission decided by a vote of 5-1 to take the following actions in MUR 1503:

1. Authorize the subpoena for Mr. Murchison B. Biggs as submitted with the General Counsel's August 24, 1983 Memorandum to the Commission.

2. Approve the letter as attached to the August 24, 1983 Memorandum.

Commissioners Elliott, Harris, McDonald, McGarry and Reiche voted affirmatively in this matter; Commissioner Aikens dissented.

Attest:

Aug. 29, 1983
Date

Jody C. Ranson
for Marjorie W. Emmons
Secretary of the Commission

Received in the Office of Commission Secretary: 8-24-83, 3:06
Circulated on 48 hour tally basis: 8-25-83, 11:00

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: Office of the Commission Secretary

FROM: Office of General Counsel

DATE: August 24, 1983

SUBJECT: MUR 1503 - Memorandum to The Commission

The attached is submitted as an Agenda document for the Commission Meeting of _____

Open Session _____

Closed Session _____

CIRCULATIONS		DISTRIBUTION	
48 Hour Tally Vote	[X]	Compliance	[X]
Sensitive	[X]		
Non-Sensitive	[ ]	Audit Matters	[ ]
24 Hour No Objection	[ ]	Litigation	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Closed MUR Letters	[ ]
Information	[ ]	Status Sheets	[ ]
Sensitive	[ ]		
Non-Sensitive	[ ]	Advisory Opinions	[ ]
Other	[ ]	Other (see distribution below)	[ ]

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RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

83 AUG 24 P 3: 06

August 24, 1983

MEMORANDUM TO: The Commission

FROM: Charles N. Steele
General Counsel

SENSITIVE

SUBJECT: Authorization of Subpoena MUR 1503

Introduction

The Office of General Counsel has scheduled depositions for the week of September 12, 1983, to take the testimony of seven witnesses in this matter. At this time we are requesting authority for one additional deposition.

During the course of discussions with counsel for respondents to schedule depositions, it was suggested that a Mr. Murchison B. Biggs, who acted as bookkeeper and FEC reporting officer for both the Democrats for Better Government to Elect Gibson Committee and the Johnson for Congress Committee, should give testimony. Accordingly, we are requesting authority to take the deposition of Mr. Biggs in North Carolina during the time period that the other depositions in this matter are scheduled. We are also requesting that Mr. Biggs produce any relevant documents that he has in his possession.

Recommendation

The Office of General Counsel recommends that the Commission:

1. authorize the attached subpoena for Mr. Murchison B. Biggs; and

2. approve the attached letter.

Attachments
1. Subpoena
2. Letter

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FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition
Upon Oral Examination and to
Produce Books, Records and other
Relevant Documents

TO: Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

At the instance of the Federal Election Commission pursuant to section 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition as a witness with regard to MUR 1503, a matter being investigated by the Federal Election Commission. Notice is hereby given that the deposition is to be taken at United States District Court, Room 209, 310 New Bern Avenue, Raleigh, North Carolina 27601, on September 12, 1983, beginning at 3:30 p.m. and continuing each day thereafter as necessary.

Pursuant to section 437d of Title 2, United States Code, you are hereby subpoenaed to produce within five (5) days of your receipt of this subpoena, at the Federal Election Commission, Office of General Counsel, 1325 K Street, N.W., Washington, D.C. 20463, the following documents and materials:

1. All documents and materials which relate, refer or pertain to any goods or services provided to the Democrats for Better Government to Elect Gibson Committee (the "Gibson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

Attachment 1.

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2. All documents and materials which relate, refer or pertain to any goods or services provided to the Ed Johnson for Congress Committee (the "Johnson Committee") by Jefferson Marketing, Inc., or the National Congressional Club.

3. All documents and materials which relate, refer or pertain to any contracts, agreement or arrangements between the Gibson Committee and Johnson Committee.

4. All documents and materials which relate, refer or pertain to any contribution made by the Gibson Committee to the Johnson Committee.

5. All documents and materials which relate, refer or pertain to any contributions made by the Johnson Committee to the Gibson Committee.

6. All documents and materials which relate, refer or pertain to any transfers of property between the Gibson Committee and the Johnson Committee.

7. All documents and materials which relate, refer or pertain to the sharing of any expenses or property between or among the Gibson Committee, the Johnson Committee, Jefferson Marketing, Inc., or the National Congressional Club.

8604062624

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C., this day of , 1983.

Danny L. McDonald
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Murchison B. Biggs
P.O. Box 671
Lumberton, North Carolina 28358

RE: MUR 1503

Dear Mr. Biggs:

The Federal Election Commission, established in April, 1975, has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26 Internal Revenue Code of 1954. In connection with an investigation being conducted by the Commission, the attached subpoena which requires you to produce documents within five days and to appear and give sworn testimony on September 12, 1983, at 3:30 p.m. has been issued.

Since this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section of the Act prohibits the making public of any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made.

You may consult with an attorney and have an attorney present with you at the deposition. If you intend to be so represented, please advise us, in writing, of the name and address of your attorney prior to the date of deposition.

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid $30.00, plus mileage at the rate of 20.5 cents per mile. You will be given a check for your witness fee and mileage at the time of the deposition.

Attachment 2.

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Please confirm your scheduled appearance with R. Lee Andersen within two days of your receipt of this notification.

If you have any questions, please direct them to Mr. Andersen, the attorney handling this matter, at 202/523-5071.

Sincerely,

Charles N. Steele
General Counsel

Enclosure
Subpoena

cc: William H. Schweitzer

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Steele

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE

MEMORANDUM TO: THE COMMISSION

FROM: MARJORIE W. EMMONS/THERESE M. GRETHER 2mg

DATE: WEDNESDAY, AUGUST 22, 1984

SUBJECT: MUR 1503-Memorandum to Commission and General Counsel's Briefs dated August 22, 1984.

The attached has been circulated for your information.

Attachment

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RECEIVED
OFFICE OF THE FEC
COMMISSION SECRETARY
84 AUG 22 A10:22

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 22, 1984

MEMORANDUM

SENSITIVE

TO : The Commission

FROM : Charles N. Steele
General Counsel

SUBJECT: MUR 1503

Attached for the Commission's review are briefs stating the position of the General Counsel on the legal and factual issues of the above-captioned matter. A copy of these briefs and letters notifying the respondents of the General Counsel's intent to recommend to the Commission a finding of probable cause to believe was mailed on August 22, 1984. Following receipt of the respondents' replies to these notices, this Office will make a further report to the Commission.

Attachments
1. Briefs
2. Letters to Respondents

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BEFORE THE FEDERAL ELECTION COMMISSION

July 31, 1984

In the Matter of	)	
	)	
Jefferson Marketing, Inc. and the National Congressional Club	)	MUR 1503
	)	
	)	

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

On October 29, 1982, Congressman Charles G. Rose filed a signed and sworn complaint with the Commission asking the Commission to investigate alleged violations of the Federal Election Campaign Act of 1971, as amended, 2 U.S.C. § 431 et seq. (the "Act" or "FECA"). Specifically, Congressman Rose alleges that Jefferson Marketing, Inc. ("JMI") made contributions to the Democrats for Better Government to Elect Gibson ("Gibson Committee") and the Ed Johnson for Congress Committee ("Johnson Committee") by providing goods and services at less than the usual and normal charge in contravention of the FECA's prohibition against corporate contributions in 2 U.S.C. § 441b. The complaint also alleges that JMI and the National Congressional Club ("NCC"), are in effect and operation a single organization, thus raising the possibility of additional violations of the reporting requirements and contribution limitations of the FECA. 2 U.S.C. §§ 441a, 433 and 434.

On May 3, 1983, the Commission found reason to believe that: JMI violated 2 U.S.C. § 441b by making prohibited contributions

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to the Gibson Committee; that JMI and NCC violated 2 U.S.C. §§ 433, 434 and 441a on the basis of their activities with respect to the campaigns of the Gibson and Johnson Committees; that the Gibson Committee violated 2 U.S.C. §§ 441b by knowingly accepting prohibited contributions from JMI, 434(b)(8) by failing to report outstanding debts owed to the Raleigh, North Carolina, media production firm Audiofonics, Inc., 441a(a)(1)(A) by making contributions to the Johnson Committee in excess of $1,000 and 434(b) by failing to report the proper value of these in-kind contributions to the Commission; and that the Johnson Committee violated 2 U.S.C. §§ 441a(f) by knowingly accepting an excessive contribution from the Gibson Committee and 434(b) by failing to report this excessive in-kind contribution. The Commission also directed the Office of the General Counsel to conduct an investigation into the facts of the alleged violations concerning the Gibson and Johnson Committees plus any facts that would assist in determining the relationship between JMI and NCC. The Commission notified the Gibson Committee, the Johnson Committee, JMI and NCC of its determinations by letters dated June 2, 1983, and enclosed orders to answer written questions and subpoenas to produce documents. By July 8, 1983, the Commission received responses from all respondents. On August 24, 1983, the Commission sent a letter to counsel for JMI and NCC with additional requests for production of documents. Respondents JMI and NCC answered the requests on September 8, 1983.

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On August 16, 1983, the Commission issued subpoenas to appear for oral depositions to Murchison Biggs, accountant to the Gibson and Johnson Committees, Anthony C. Sessoms, treasurer of the Johnson Committee, Daniel M. Freeman, treasurer of the Gibson Committee, Thomas F. Ellis, chairman of NCC, R. E. Carter Wrenn, treasurer and executive director of NCC, Douglas M. Davidson, president of JMI, and S. Katherine Hardison, president of the Hardison Corporation and bookkeeper for both JMI and NCC. The Commission obtained the deposition testimony of these individuals on September 12, 13 and 14, 1983. On December 20, 1983, the Commission issued subpoenas for additional depositions, and on January 17, 1984, the Commission obtained the deposition testimony of Thomas C. Gibson and Edward H. Johnson.

On November 30, 1983, the Commission issued JMI and NCC additional orders to answer written questions and subpoenas to produce documents. On December 14, 1983, JMI and NCC requested an extension of time to respond to these orders and subpoenas until January 20, 1984. The Commission granted an extension until January 16, 1984. On January 16, 1984, JMI and NCC submitted their responses to the November 30, 1983, orders and subpoenas. JMI and NCC refused to answer some questions relevant to the Commission's investigation and failed to provide complete answers to others. Due to the failure of respondents JMI, NCC, Wrenn, Davidson and Hardison to answer and fully comply with the

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Commission's orders and subpoenas, the Commission sought judicial enforcement by filing a petition for an order to show cause in the United States District Court for the Eastern District of North Carolina. Suit was filed on February 16, 1984, and respondents requested discussions with Commission staff concerning settlement of the litigation. After substantial negotiations, the Commission and JMI, NCC, Mr. Wrenn, Mr. Davidson and Ms. Hardison entered into a stipulation providing for Commission withdrawal of its lawsuit if specified information was submitted by NCC and JMI. On April 10, 1984, the terms of the stipulation were met, and on April 23, 1984, the court approved withdrawal of the subpoena enforcement action, without prejudice.

On April 26, 1984, the Commission received an 84-page packet of materials from the Raleigh News & Observer. According to the cover letter attached to the materials, they were submitted to the newspaper by a person who wished to remain anonymous. The newspaper sent copies to the North Carolina State Board of Elections, JMI, JMI's accountant Ernst & Whinney, as well as the Commission. Counsel for JMI and NCC requested the return of the documents, but on May 22, 1984, the Commission declined this request.

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II. LEGAL ANALYSIS

A. Introduction

It is alleged in the complaint filed by Congressman Rose that JMI was established and is financed by NCC. For this and other reasons, the complaint maintains that JMI has no existence separate or distinct from NCC, that the two organizations are, in fact, one entity, and that the organizational boundaries between JMI and NCC are fictitious.

The following analysis of the creation, financing and control of JMI by NCC demonstrates that where a political committee and a business corporation are structured and operated so that the corporation is dominated and controlled by the political committee, there is no distinction between the two for purposes of the FECA. The corporation is thus a mere extension of the political committee subject to the same campaign financing regulation as the controlling political committee. Where a corporation is so dominated by the parent organization, and the latter is a political committee, the business transactions are not at arms length and self-dealing conferring special benefit to the political committee is presumed. In performing services for political committees the corporation is making prohibited contributions, and in accepting such services, political committees are receiving prohibited corporate contributions. It also follows that any payment to the corporation by political committees other than parent organizations are contributions to

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the latter subject to the contribution limitations of the Act. Furthermore, such a relationship between a political committee and a corporation permits the political committee to hide reportable expenditures in the form of bulk transfers of money to the controlled corporation.

The evidence below is substantial proof that since it was created in 1979, JMI has remained essentially an appendage of NCC. Through its executive director, R.E. Carter Wrenn, NCC financially dominates and controls the operations of JMI.

B. JMI Was Created By NCC.

Of the four witnesses questioned by the Commission concerning the creation of JMI, Carter Wrenn, Douglas Davidson, Katherine Hardison and Thomas Ellis, only Mr. Wrenn was able to recall details of JMI's beginnings and subsequent evolution. (See Wrenn deposition at pages 14-25.) Mr. Davidson, president of JMI since 1982, and an employee of JMI since 1979, could recall almost nothing of the details of the formation of JMI or who managed JMI before he was appointed to the office of president. (Davidson desposition at pages 11-18.) For that matter he could not even recall who hired him. (Davidson deposition at page 18.) Katherine Hardison, president of a bookkeeping business called Hardison Corporation, worked for the Helms for Senate Committee during the 1978 North Carolina Senate election and later for the NCC. Although she has supervised the bookkeeping of JMI since its inception in 1979, she was not able

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to recall how the JMI books came to be set up or who was responsible for their initial organization. (Hardison deposition at pages 26-32.) Mr. Ellis could recall only that before JMI was established, he had discussed the need for a political advertising firm in the Raleigh area with Mr. Wrenn. He could not recall who took the lead in organizing JMI. (Ellis deposition at pages 5-8.) Consequently, it is primarily upon the testimony of Mr. Wrenn, as well as the written answers to Commission interrogatories and documents produced by JMI and NCC, that the Office of General Counsel relies for its understanding of the sequence of events underlying the creation of JMI.

JMI was organized under the laws of North Carolina as a profit-making corporation by Alejandro Castellanos,[1/] a person involved with Mr. Wrenn in the 1978 campaign to reelect Senator Helms. (Excerpts from July 8, 1983, response of JMI -- Attachment A at pages 4-10.) According to Mr. Wrenn, JMI was Mr. Castellanos' idea. Mr. Wrenn's statements regarding the climate in which JMI was born, however, suggest that he took an active role in JMI's beginnings. (Wrenn deposition at pages 14-25.) Mr. Wrenn stated that Mr. Castellanos came to him with the idea of an organization to work in direct mail and discussed NCC becoming a client of the organization. (Id. at pages 15-16.)

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1/ Pursuant to North Carolina law, the person responsible for filing the articles of incorporation with the state must be designated as the incorporator. The incorporator of JMI was Charles B. Neely, Jr. (Attachment A pages 5-6.) Mr. Neely is a partner in the same Raleigh, North Carolina, law firm as Thomas Ellis, chairman of NCC.

Mr. Wrenn acknowledged that NCC was doing its own direct mail advertising at the time he was approached by Mr. Castellanos, and that the organization that Mr. Castellanos had in mind would assume those functions for NCC. (Id.) Mr. Wrenn then discussed the development of JMI's capability to provide other services after Castellanos' departure in early 1979. He stated that there was a need for a "central group of people" to provide services for several conservative candidates running for office in 1980 and that JMI came to be that group. (Id. at pages 19-20.) During that period, Mr. Wrenn was hired by JMI to provide guidance to JMI on structuring their operations and complying with relevant campaign laws. (Id. at pages 20-21.) Mr. Wrenn also sat on the board of directors of JMI as Secretary during 1979. (Attachment A at pages 5, 31-32.)

Richard Miller, who was chairman of NCC from 1977-1979, served as president of JMI through 1982, after Mr. Castellanos' four month term as president. (Id. at pages 5, 30-36.) After his tenure as president of JMI, Mr. Miller became Administrative Assistant to Senator East from North Carolina. (Senator East was mentioned by Mr. Wrenn as one of the three conservative candidates perceived as forming a "ticket" for whose benefit JMI was conceived. (Wrenn deposition at page 19.) Following Mr. Miller's resignation in 1982, Mr. Davidson, who had worked for Senator Helms reelection committee and then for NCC until 1979 when he began to do computer and production work for JMI, assumed the job of president of JMI. (Davidson deposition at

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pages 9-15; Attachment A at pages 4, 35-36.) The only other person who has served on the JMI board of directors is Ms. Elisabeth Smith, who was also treasurer of NCC from 1977-1979. She has served as secretary of JMI from 1979 (after Mr. Wrenn resigned) to the present. (Exhibit A at pages 4, 32-36.) Mr. Davidson described Ms. Smith as the general office manager of JMI. (Davidson deposition at pages 20-21.)

Thus, Mr. Wrenn and others associated with NCC were instrumental in bringing JMI into being, and there was considerable cross-fertilization between the boards of directors of JMI and NCC. While Mr. Wrenn refused to take credit for having the idea of JMI, he was one of the key people involved in the shaping of organization and the development of its operational goals. As chairman of NCC since 1979, when JMI was created, Mr. Wrenn has been overseer of the development of JMI through intervention on behalf of NCC, then and now JMI's largest client.

In addition to providing directors for JMI, NCC was the source of a majority of the line personnel who were employed by JMI when it opened for business in 1979. According to JMI, 32 of the original 53 employees hired to work for JMI had previously worked for NCC. (January 16, 1984, response of JMI -- Attachment B at pages 28-29.) And, although none of the officials who testified could recall exactly which of NCC's functions JMI absorbed, there was testimony strongly suggesting that JMI took

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over at the least NCC's direct mail computer operations. (Davidson deposition at pages 16 and 17; Wrenn deposition at pages 11-24; see also, statement of Mr. Wrenn in the Congressional Quarterly article attached to the complaint at page I-33.) JMI has also shared the same building with NCC since the beginning of its existence in 1979.2/ (Attachment A at page 9.)

C. NCC Dominates JMI's Financial Base.

Although there is no sharp line between analysis of the control of JMI and its financing, it is useful, insofar as it is possible, to consider these two aspects of the JMI corporation separately as an aid to understanding the complex interconnections between JMI and NCC.

Beginning with the ownership of JMI's stock, there is a strong evidence that NCC dominates JMI's financial base. JMI corporate documents show that in January of 1979 when JMI began its corporate existence, a resolution provided for issuance of 100 shares of stock at a par value of $1.00 each. (Attachment A at pages 24-28.) Mr. Castellanos, then the sole director, was designated by the charter as the sole shareholder. (Id. at page 27)

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2/ In 1983, NCC transferred office furniture and equipment and computer software to JMI. NCC reports $52,267 in furniture and equipment purchased by JMI with an outstanding balance of $39,628 as of January 1, 1984, and a debt of $72,127 owed by NCC to JMI for similar purchase of computer software. It is presumably unnecessary for NCC to own these since JMI is providing the services to NCC (as well as others) for which NCC had previously required the furniture, equipment and computer software. (See Attachment B at page 25; excerpts from January 31, 1984 report -- Attachment C.)

Upon Mr. Castellanos' resignation as president and treasurer four months later, Richard W. Miller, former chairman of NCC, became the sole shareholder. (Id. at page 5.) In 1981, the Congressional Club Foundation, Inc.,[3/] assumed ownership of all of JMI's stock, retaining ownership until 1983 when the Educational Support Foundation, Inc., became the sole shareholder.[4/] (Id.)

Thus with the exception of the four months during which Mr. Castellanos owned all of JMI's stock, the sole shareholder of JMI from 1979 to 1981 was former chairman of NCC, Mr. Miller. And, from 1981 to the present, the control of JMI's board of directors was vested in the board of directors either the Congressional Club Foundation, Inc., or the Educational Support Foundation, Inc. Both of these foundations are under the direction of Mr. Wrenn, by himself, or with Mr. Ellis, and these two men are the

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3/ The Congressional Club Foundation, Inc., lists its address as 3825 Barrett Drive, Raleigh, North Carolina, the same building that houses NCC and JMI. Mr. Wrenn stated that the Congressional Club Foundation, Inc., operates under his direction. (Wrenn deposition at page 106.)

4/ According to the testimony of Mr. Wrenn, the Educational Support Foundation, Inc., is a not-for-profit corporation "established to provide scholarships and other nonprofit activities, pursue nonprofit activities." (Wrenn deposition at page 108.) The board of directors of this foundation is composed of Mr. Wrenn and Mr. Ellis. While there are no records of JMI paying a dividend to the Educational Support Foundation, Inc., (or to any of its predecessor shareholders), JMI records submitted to the Commission show that for the year 1982, the total stockholder's equity was $156,328, and for year end 1983, it was $299,081. (April 10, 1984, supplemental response of JMI -- Attachment D at Exhibit E.)

only officers of NCC.[5] (Excerpts from July 8, 1983, response of NCC to Commission order and subpoena -- Attachment E at pages 3-4; 12-13.) (As representative of the sole shareholder Mr. Wrenn signed for the Educational Support Foundation, Inc., in 1982, approving the election of the most recent JMI directors, Mr. Davidson and Ms. Smith. (Attachment A at pages 35-36)). Under JMI's corporate charter Mr. Wrenn and Mr. Ellis have complete and total control of the composition of the board of directors of JMI. Thus Mr. Wrenn and Mr. Ellis, the managing officials of NCC, have retained ultimate control over the financial, as well as the general, management of JMI at least since 1981.[6]

During 1982, NCC and JMI implemented an arrangement for the use of JMI employees. According to supplemental responses of JMI to Commission interrogatories,

> (t)he...[NCC] reserved and paid for the full-time services of JMI's staff in 1982. During the course of a month, NCC would use these JMI employees for its own projects and, if unused time were available, to provide

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5/ The JMI articles of incorporation and bylaws provide for direct shareholder control over the election and dismissal of the board of directors of JMI. (Attachment A at pages 8-9; 11-27.)

6/ The Supreme Court of North Carolina has held that if a corporation is the alter ego of a sole or dominant shareholder, the corporate entity may be disregarded and the shareholder and the corporation treated as one. It is immaterial whether the dominant shareholder is an individual or another corporation. Henderson v. Security Mortgage and Finance Co., 160 S.E. 2d 39, 44 (NC 1968). The corporate entity may be disregarded where "there is such domination of the finances, policies and practices that the controlled corporation is but a business conduit for its principal." Martin v. Pilot Industries, 632 F. 2d 271, 276 (4th Cir. 1980).

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> in-kind services to candidates. Additional unused time was JMI's time to sell subject to the requirement that NCC had first call on JMI's employees and resources at any time. For instance, if time was sold to a JMI customer and NCC then needed the time, NCC got it immediately.

(Attachment D at page 3.) Because NCC was paying for all of JMI's salaries, overhead, a built-in fixed profit and other expenses (including outlays for capital equipment), JMI and NCC found it unnecessary to maintain records of the individual cost of each project that NCC might request of JMI (including the provision of services to the Gibson and Johnson Committees). NCC made monthly payments for use of JMI's staff and facilities. These payments were reported to the Commission in only the most general of terms, such as disbursements for consulting or advertising. (See e.g., NCC Reports -- Attachment F.) Respondents maintain, therefore, that it is not possible for JMI (or NCC for that matter) to reconstruct the cost to JMI of providing services to any of its clients for the year 1982.[7/] (Attachment D at pages 1-5.)

Nor was Mr. Wrenn's authority as president of NCC under the 1982 arrangement between NCC and JMI exercised in the abstract. When JMI provided services to the Gibson Committee, Mr. Wrenn initialed purchase orders to Audiofonics for production of the Rose/Rio video tape and for time-buying associated with airing it on television in the Lumberton, North Carolina, market. (Copies of invoices -- Attachment G.) JMI admitted that Mr. Wrenn had

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7/ In 1983, after the Rose complaint was filed, JMI and NCC modified their working agreements to permit JMI to keep track of its costs on a project-by-project basis. (Attachment D at page 11.)

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approval authority over the transactions.[8] (Attachment B at pages 11-25.) Futhermore, Mr. Wrenn admitted that he personally set the value on those services performed by JMI staff for the Gibson Committee and paid for by NCC through in-kind contributions. (Wrenn deposition at page 40.)

Although not reported to the Commission as such, NCC loaned $45,185, interest free, to JMI during 1981 and 1982. JMI stated that the "Foundation Division" of JMI borrowed the funds.[9] (Attachment B at page 28.) JMI repaid the NCC loans during the course of 1982 and 1983. (Id. at pages 27-28.) Interestingly, NCC stated in its response to Commission interrogatories that the loans and repayments were reported to the Commission as "expenditures and offsets to expenditures." (January 16, 1984, response of NCC -- Attachment H at page 27.)

In addition to the interest free loans provided by NCC directly to JMI, another organization known as the Coalition for Freedom (also headed by Mr. Wrenn and Mr. Ellis) made a loan of

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8/ Mr. Davidson knew little of what NCC or JMI did for the Gibson Committee. Of the persons whose depositions were taken by the Commission, only Mr. Wrenn was aware of any of the details of the in-kind contributions to the Gibson Committee. (Davidson deposition at pages 26-28; Wrenn deposition at pages 30-40.)

9/ JMI maintains that the funds were "to be used on behalf of an unnamed nonpolitical entity not subject to regulation under the federal election laws," (Attachment B at page 28), but this is irrelevant to whether the loans constituted financial support of JMI by NCC. Furthermore, 11 C.F.R. § 100.7(a)(1)(i)(E) requires that loans by political committees be repaid with funds subject to the prohibition on corporate contributions. Therefore, the loans from NCC to JMI were not legally repayable.

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$90,023 to JMI in December of 1983. (Coalition for Freedom brochure -- Attachment I; April 13, 1984, second supplemental response of JMI -- Attachment G at pages 2 and 3.) Although this loan was made at an interest rate of 11% with a specified repayment schedule, it is further evidence of ongoing financial support of JMI through enterprises controlled by NCC officials.

The total indebtedness of JMI (including all loans reportedly made to the corporation since inception) is $461,609. (Attachment J; Attachment B at page 28.) Of this amount, $135,208 or approximately 30% was made by NCC and the Coalition for Freedom under the direction and control of NCC officials, Mr. Wrenn and Mr. Ellis.

Another fact from which the Commission can draw an inference of financial support is the high percentage of JMI's business that is derived either directly or indirectly by providing goods and services to NCC. As discussed above, in 1982 NCC paid for all of the costs that JMI incurred while doing business (supplying an additional fixed amount for profit). Broken down as a percentage of gross receipts for 1982, JMI reported the following: (1) direct provision of services to NCC (may include payments to JMI reported in-kind contributions for other political committees) -- 76%; (2) provision of services to clients referred by NCC -- 2%;[10/] (3) provision of services to clients defined as political committees by 2 U.S.C. § 431(4) --

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10/ Officials from both JMI and NCC indicated that where a client referred by NCC could not pay his or her bill to JMI, discussions might be had with NCC people to determine if NCC could pay the outstanding bill. (Davidson deposition at pages 53-55; see Wrenn deposition at pages 73-75.)

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12%; and all other clients (includes the Coalition for Freedom and the Congressional Club Foundation, Inc., organizations that appear to be controlled by the same board of directors as NCC) -- 12%.[11/] (Attachment D at pages 5-6.) Thus, JMI was dependent upon NCC for nearly 80% (and possibly more considering the inference that can be drawn from the magnitude of the Coalition for Freedom's loan of $90,023 to JMI) of its gross receipts for the year 1982.

There is ample evidence that NCC both directly and indirectly exerts a dominating control over the financing of JMI. From 1981 to the present, the JMI board of directors has been under the control of one of two successive sole shareholders, the Congressional Club Foundation, Inc., and the Educational Support Foundation, Inc., both of whose boards of directors are controlled by either Mr. Wrenn alone or by Mr. Wrenn and Mr. Ellis, the governing officials of NCC. Throughout 1982, NCC was, in essence, JMI's only client, paying all salaries, overhead and a fixed percentage for profit and exercising first priority on all JMI personnel. It is apparent that Mr. Wrenn was the final authority over the conduct of projects undertaken by JMI for NCC and was for all practical purposes managing the flow of work passing through JMI. NCC made substantial interest free loans to JMI, and Mr. Wrenn and Mr. Ellis, directors of both NCC and the Coalition for Freedom, participated necessarily in the provision of substantial loans to JMI from the Coalition for

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11/ The total gross receipts reported by NCC is 102%, but there is no explanation for this apparent discrepancy in JMI's response.

Freedom. Finally, analyzing the gross receipts of JMI for 1982, at least 80% of the business income generated by JMI has its source in NCC, NCC referrals, or the Coalition for Freedom. These facts support the conclusion that the financing of JMI is inextricably interwoven with and dependent upon decisions made by Mr. Wrenn at NCC.12/

D. NCC Effectively Controls JMI.

Related to the financing of JMI, but encompassing issues of a larger scope, is the evidence supporting the conclusion that NCC exercises substantial control over the day-to-day operations of JMI through NCC's president and chief managing official, Carter Wrenn.

In addition to the financial implications of 1982 plan under which NCC purchased the full use of JMI's operations, it is clear from the testimony of witnesses that, through Mr. Wrenn, NCC ultimately controlled major business decisions during that period of time. A clear example is Mr. Wrenn's initialling and approving the invoices JMI issued to the Gibson Committee for the services performed by Audiofonics and for the time buying done to air the Rose/Rio video tape segment. (See Attachment G.) The initialling of these invoices "CW" signified Mr. Wrenn's approval and raises the question how an official of NCC came to exercise this authority. (See Attachment G; Attachment B at pages 14-25.) Furthermore, when it came to Mr. Wrenn's

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12/ It could be concluded that Mr. Ellis shared this authority with Mr. Wrenn from his position of chairman of NCC and from his comments concerning JMI in the Baltimore Sun newspaper article attached to the original complaint. However, during his deposition Mr. Ellis maintained that Mr. Wrenn was the day-to-day decision maker at NCC. Furthermore, he repudiated his statements concerning the operation of JMI and its lack of profitability attributed to him in the Baltimore Sun, stating that he did not recall making them, and that if he did make the comments he was mistaken. (Ellis deposition at pages 5, 6, 9-20.)

attention after the Rose complaint had been filed that the Gibson Committee had not yet paid Audiofonic's $3,671 bill for producing the Rose/Rio video tape, he set about the task of raising money to pay it. (Wrenn deposition at pages 65-72.) When it came time to set a value on the services of JMI employees, Mr. Ashe and Ms. Cashwell, for their work on the Gibson Committee's Rose/Rio tape, it was Mr. Wrenn who set it. (Wrenn deposition at pages 36-56.) Mr. Davidson had no knowledge of the details of these transactions, and was clearly uninvolved in the provision of these services to the Gibson Committee. (Davidson deposition at pages 26-27.) In fact, Mr. Davidson did not know that the person representing Gibson and JMI during the Audiofonics production of the Rose/Rio tape was Mr. Ashe. (Davidson deposition at page 45.)

That Mr. Wrenn was the only person having substantive knowledge about the services provided to the Gibson Committee by JMI, is consistent with the testimony of witnesses and the statements made by NCC and JMI in response to the Commission's interrogatories. Neither Katherine Hardison, bookkeeping supervisor for both NCC and JMI, nor Mr. Davidson, was able to describe, with any accuracy, the chain of command at JMI. For example, when asked who was in charge of the time buying for JMI in 1982, Ms. Hardison stated that Mr. Wrenn would know, but that she was not sure whether Mr. Davidson would. (Hardison deposition at page 130.) And, in fact, Mr. Davidson did not

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know, who was in charge of the Gibson Committee project at JMI. (Davidson deposition at page 29.) Incredibly, Ms. Hardison stated that she did not know who was the day-to-day manager of JMI, (Hardison deposition at page 130), even though she is directly responsible for managment of the bookkeeping systems of both organizations.

Furthermore, the testimony of Mr. Gibson and Mr. Johnson, reveals just how little they knew about the services JMI was providing to them. Mr. Gibson cannot recall participating in any way in the production or airing of his version of the tape save the act of having his picture taken for the advertisment. (See Gibson deposition at pages 38-69, 72-78) Mr. Johnson, who appears to have taken a more active role in his campaign than Mr. Gibson, seems to lack understanding of what agreements were involved in the utilization of JMI employees in the production of his television commercials. (Johnson deposition at pages 21-33.) For example, Mr. Ashe acted as the director of a video tape shooting of an advertisement concerning school prayer in Washington, D.C. for candidate Johnson. However, Mr. Johnson could not say whether Mr. Ashe was working for JMI at the time, how he happened to be there or even whether JMI was involved in the project. (Id.) It is also clear that at least in Mr. Gibson's opinion, Mr. Wrenn was to be held accountable for services JMI provided to the Gibson Committee. (Gibson deposition at pages 52, 65 and 72-78.)

A telling statement was made by Ms. Hardison in response to a question concerning to whom she reported JMI bookkeeping problems. She responded that she would go to two people,

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Mr. Davidson and Mr. Wrenn. When asked why she would go to Mr. Wrenn since he is not an employee or a director of JMI, Ms. Hardison responded, "because he asks me to." (Hardison deposition at pages 131-133.) Later in that deposition, counsel for the Commission revisited this topic. When asked whether she told Mr. Davidson when she reported bookkeeping problems to Mr. Wrenn, Ms. Hardison replied that she did not discuss it with Mr. Davidson, and further that she had no reservations about consulting Mr. Wrenn about JMI bookkeeping problems. (Hardison deposition at pages 150-153.) She repeated that she is asked by Mr. Wrenn to seek his counsel in such matters, and that Mr. Davidson is aware of it. (Id.) Ms. Hardison also stated that she discussed NCC bookkeeping problems with Mr. Davidson. (Hardison deposition at page 152.) These statements illustrate the pervasive blurring of authority, direction and control between the management of JMI and the management of NCC. In point of fact, there is but one management, Carter Wrenn.

Along these same lines, JMI stated that Mr. Davidson sought Mr. Wrenn's counsel and advice due to his greater experience. (Attachment H at page 23.) When asked directly whether Mr. Wrenn supervised the day-to-day operations of JMI, Mr. Davidson denied it, but then admitted in nearly the same breath that Mr. Wrenn did "oversee" some aspects of JMI. Mr. Davidson suggested that this was entirely appropriate since NCC was JMI's chief client. And, Mr. Wrenn himself stated that he rendered advice about JMI policy concerning clients other than NCC or those being supported

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by NCC through in-kind contributions. (Wrenn deposition at pages 99-100.) Mr. Davidson noted that Mr. Wrenn is "intimately involved with direct mail and advertising." (Davidson deposition at pages 22-23.) Of course, JMI describes itself as an advertising company, and, therefore, Mr. Davidson's statement is hardly one of limitation.

Finally, information contained in the materials sent to the Commission by the Raleigh News and Observer vividly illustrates the interconnectedness of JMI and NCC and the authority over the organization exercised by Mr. Wrenn. According to these documents, the accountants for JMI, Ernest and Whinney, were attempting to solve a problem that JMI was experiencing in disposing of a bad debt to the Lake for Governor Committee from the 1980 North Carolina gubernatorial race. The solution reportedly proposed and discussed with Mr. Wrenn and Ms. Hardison was for JMI to exchange the $75,000 debt owed by the Lake Committee for a mailing list that JMI had assisted in developing. However, the plan did not end with the solution of JMI's problems but rather called for NCC to purchase the list from JMI. (Excerpts from Raleigh News and Observer materials -- Attachment K.) Thus NCC was brought in as part of a proposed joint solution to problems that appear to concern only JMI -- reemphasizing the way in which the directors of JMI and NCC themselves conceive of

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the organizations as one entity. There is no line of demarcation where NCC ends and JMI begins. The directors and management personnel treat JMI and NCC as one entity, and so should the Commission.

The evidence is replete with examples of the domination of JMI by NCC. JMI was carved out of the direct mail and advertising functions of NCC by NCC directors. Most of JMI's initial employees were former employees of NCC, and their transfer to JMI furthered the interests of NCC's directors as much as it did the interests of JMI's directors. JMI's president and chief management official, Mr. Davidson, is in daily communication with Mr. Wrenn, who exerts a dominating influence over all but the most mechanical matters of JMI's business operations.

For purposes of the FECA, JMI and NCC are one in the same. In operation there is little practical distinction between the two. Commercial ventures between JMI and NCC are not at arms length and amount to self-dealing by NCC. The JMI/NCC combination permits the transfer of contributed funds to a corporation to serve the needs of a political committee thereby defeating important statutory purposes. The JMI/NCC combination circumvents reporting requirements, the prohibition on corporate contributions to political committees and contribution limitations -- all integral to the statutory scheme of the FECA. Under these circumstances the Commission may disregard the corporate entity of JMI and "pierce the corporate veil"

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in treating JMI and NCC as one organization.13/ For these reasons the General Counsel is recommending that the Commission find probable cause to believe that the JMI/NCC combination violated 2 U.S.C. §§ 434, 441a(a) and 441b.

1. Provision Of Services And Receipt of Payments For Services Are Contributions By And To NCC Subject To The Reporting Requirements of 2 U.S.C. § 434 And To The Limitations Of 2 U.S.C. § 441a(a).

With the exception of a small number of narrowly prescribed instances, the Commission has determined that business or

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13/ Federal agencies have been permitted to disregard corporate status when it would serve an important statutory purpose. For example, in Joseph A. Kaplan & Sons v. Federal Trade Commission, 347 F.2d 785 (D.C. Cir. 1965), the court found a sufficient relationship between the defendants to hold that "the corporate entity may be disregarded when the failure to do so would enable the corporate device to be used to circumvent a statute." Id., at 787 n.4. In Capital Telephone Company, Inc. v. Federal Communications Commission, 498 F.2d 734 (D.C. Cir. 1974), the court of appeals upheld the agency's treatment of separate applications by a corporation and an individual for two radio channels as a single application because the individual was the sole stockholder of the corporation and controlled its operations as well as his own. The court held,

> that a corporation will be looked upon as a legal entity as a general rule and until sufficient reason to the contrary appears; but when the notion of legal entity is used to defeat public convenience, justify wrong, protect fraud or defend crime, the law will regard the corporation as an association of person.

Id., at 738. Thus the courts have consistently allowed a federal agency to pierce the corporate veil of a legal entity when it is done to promote justice or prevent circumvention of a statute, or when the facts of the case indicate that "the corporation is simply the alter ego of its owners" and there is "such domination of [the] corporation as in reality to negate its separate personality." Quinn v. Butz, 510 F.2d 743, 758 (D.C. Cir. 1975).

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commercial ventures by political committees are another form of fundraising, the proceeds of which are subject to FECA regulation. See, e.g., Advisory Opinions 1983-2, 1980-34, 1980-19, 1979-76 and 1979-17. In JMI, NCC has created a corporation to conduct commerical operations in an attempt to circumvent prohibitions and limitations of the Act. Compare Advisory Opinion 1983-25. It follows that the provision of services by JMI to any political committee (such as the Gibson and Johnson Committees) are, in effect, in-kind contributions from the JMI/NCC combination. Thus all such contributions are subject to the reporting requirements of 2 U.S.C. § 434 and the contribution limitations of 2 U.S.C. § 441a(a).[14/]

Similarly, if provision of services by JMI to political committees other than NCC is a contribution by NCC, all payments made by such political committee for services rendered by JMI are contributions to the JMI/NCC combination, also subject to the reporting requirements of 2 U.S.C. § 434 and the contribution limitations of 2 U.S.C. § 441a(a).

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14/ During 1982, the JMI/NCC combination provided services to at least 10 authorized committees. (Attachment D at page 6; April 10, 1984, supplemental response of NCC -- Attachment L at page 2.) The committees reported that disbursements to JMI in the following amounts for the 1982 election cycle: Cobey for Congress Committee -- $266,074; Anne Bagnal for Congress -- $ 0; Blake for Congress Committee -- $3,968; Bill Hendon for Congress Committee -- $ 0; Gibson Committee -- $5,600; Johnson Committee -- $ 0 (the Johnson Committee did report, however, a debt owed to JMI in the amount of $346); Jack Marin for Congress Committee -- $35,281; Friends of Red McDaniel Committee -- $79,558; Johnston for Congress Committee -- $ 0 and Bill Ress for Senate Committee -- $3,602.

Because NCC failed to report the value of services provided to various political committees by JMI as contributions, the General Counsel recommends that the Commission find probable cause to believe that NCC violated 2 U.S.C. § 434. Where services were provided by JMI or payments were received by JMI in excess of the contribution limitations of the Act, the General Counsel recommends that the Commission find probable cause to believe that NCC violated 2 U.S.C. § 441a(a).

2. Provision of Services By JMI For Political Committee Are Corporate Contributions Prohibited by 2 U.S.C. § 441b.

The existence of JMI as a corporation within NCC's organizational umbrella precludes a legitimate vendor/vendee relationship with one another. With NCC determining the amount of the charges it is to pay for JMI's services, both for its own work and that referred to JMI for other political committees, a arms-length transactions cannot exist. One cannot tell whether the charges established by NCC through Mr. Wrenn were usual and normal (at fair market value) as neither JMI nor NCC can now document or support them. Furthermore, from the fact that JMI is not separate from NCC for purposes of the FECA, it can be concluded that when JMI provided services to political committees other than NCC, and NCC reported payment to JMI as in-kind contributions to these committees, JMI charged nothing for its services.

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For example, during 1982, NCC reported making in-kind contributions of $655 to the Gibson Committee and $1,284 to the Johnson Committee for services rendered by JMI in connection with the Committee's campaigns. These charges were established by NCC for purposes of reporting to the Commission and paid to JMI, unitemized, as part of NCC's June bulk payment for all of JMI's operations.15/ But since these monthly bulk payments by NCC to JMI were effectively internal transfers between the two parts of the JMI/NCC combination, there was no payment to JMI cognizable as payment for services rendered by a separate business entity on behalf of a political committee. Thus for purposes of the FECA services performed by JMI for the Gibson and Johnson Committees as well as the other political committees benefitting by NCC's largesse during 1982 were performed free of charge by JMI.

15/ For example, NCC reported an in-kind contribution to the Cobey for Congress Committee in the amount of $4,871 for the general election during the 1982 election cycle. NCC reported that the contribution consisted of "Staff asst., T.V. Produc., Time Buying, Mailing Serv. & Fees, Print outs, Recep. expenses & postage." These are precisely the kind of services that JMI provides to clients and apparently did provide to the Cobey Committee on behalf of NCC as part of the arrangement between NCC and JMI for 1982. (In response to Commission interrogatories NCC stated that it made in-kind contributions to the Cobey Committee in 1982 through services provided by JMI. (Attachment L at page 2.)) Under the JMI/NCC arrangement, however, there is no reporting that connects the services provided by JMI to the candidate committee with JMI. NCC reports bulk payments in various categories to JMI as disbursements, and candidates report the receipt of in-kind contributions from NCC, but there is no indication in the reports submitted to the Commission that JMI is the ultimate provider of the services. (See Attachment F at page 2.) Thus full disclosure is also impaired by the reporting practices of the JMI/NCC combination.

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However, 2 U.S.C. § 441b prohibits any corporation whatever from making contributions in connection with any federal election. This broad prohibition is subject to a limited number of exceptions none of which are appliable in this matter. Furthermore, the Commission has generally held that a corporate contribution results where the services of a corporation are provided free of charge to a political committee for election related purposes. See Advisory Opinions 1982-16, 1980-109, 1978-60 and 1976-50. Therefore, the General Counsel recommends that the Commission find probable cause to believe that JMI's provision of services to the aforementioned political committees were corporate contributions made in violation of 2 U.S.C. § 441b.

III. RECOMMENDATIONS

The General Counsel recomends that the Commission find probable cause to believe that:

1. the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made by JMI;

2. the National Congressional Club violated 2 U.S.C. § 434 by failing to report contributions made to JMI;

3. the National Congressional Club violated 2 U.S.C. § 441a(a) by making contributions in excess of the limitations of that section;

4. the National Congressional Club violated 2 U.S.C. § 441a(a) by accepting contributions in excess of that section; and

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5. Jefferson Marketing, Inc., violated 2 U.S.C. § 441b by making prohibited corporate contributions.

17 August 1984
Date

Charles N. Steele
General Counsel

Attachments

A. Excerpts from July 8, 1983, response of JMI to Commission orders and subpoenas (36 pages).

B. January 16, 1984, response of JMI to Commission order (40 pages).

C. Excerpts from the January 31, 1984, year end report (5 pages).

D. April 10, 1984, supplemental response of JMI to Commission order (16 pages).

E. Excerpts from July 8, 1983, response of NCC to Commission orders and subpoenas (45 pages).

F. Excerpts from January 31, 1982, NCC year end report (2 pages).

G. Copies of JMI invoices submitted by JMI (excerpted from Attachment A above) (19 pages).

H. January 16, 1984, response of NCC to Commission order (37 pages).

I. Coalition for Freedom Brochure (1 page).

J. April 13, 1984, second supplemental response of JMI to Commission order (4 pages).

K. Excerpts from materials mailed to the Commission by the Raleigh News and Observer cover letter dated April 18, 1984 (7 pages).

L. April 10, 1984, supplemental response of NCC to Commission order (5 pages).

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
Jefferson Marketing, Inc.)

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RESPONSE OF JEFFERSON MARKETING, INC.
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWERS

This is the response of Jefferson Marketing, Inc. to the Federal Election Commission Subpoena To Produce Documents and Order To Submit Written Answers mailed on June 2, 1983. The undersigned, Douglas M. Davidson, is President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

Jefferson Marketing, Inc. ("JMI") objects to the Subpoena To Produce Documents ("Suppoena") and Order To Submit Written Answers ("Order") on the grounds that they are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. However, in order to expedite a resolution of this matter, JMI responds to the Subpoena and Order as set forth below. By its response, JMI does not intend to waive its rights to press any of the objections raised herein or to raise other objections before the Federal Election Commission or the courts.

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RESPONSE TO SUBPOENA

1. JMI objects to this request for materials on the grounds that it is not sufficiently limited as to time, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith the documents requested.

2. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppresive, and requests materials that are irrelevant to this proceeding. JMI refuses to produce the requested documents.

3. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI responds by stating that it does not believe it has in its possession materials that are responsive to this request.

4. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, and requests documents that are irrelevant to the proceeding. In order to expedite this matter, and without waiving any of its

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objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

5. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials relating to agreements or contracts between JMI and Audiophonics that concern the 1982 campaign of Thomas C. Gibson.

6. JMI objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to review all available files at its office, and will supplement this request with additional materials from such files, as such materials become available.

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7. JMI objects to this request for materials in that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI is submitting herewith materials that it believes are responsive to this request. JMI is continuing to search all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

RESPONSE TO ORDER

A. JMI objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

1. The present directors of JMI, including officers, are: Douglas M. Davidson, 2200 Sprunt Avenue, Durham, North Carolina 27705 (President and Treasurer 1982 - present); and Elisabeth Smith, 2712 Mayview Road, Raleigh, North Carolina 27607 (Secretary 1979 - present).

2. Past directors of JMI, including officers, are: Alex Castellanos, Suite 1106, River Place South,

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1011 Arlington Boulevard, Arlington, Virginia 22209 (President and Treasurer 1979); Jose Castellanos, 6924 Rainwater, Raleigh, North Carolina 27609 (Secretary 1979); Carter Wrenn, 417 P Hensley Drive, Raleigh, North Carolina 27609 (Secretary 1979); and Richard W. Miller, 513 Bashford, #6, Alexandria, Virginia 22314 (President and Treasurer 1979).

3. The present shareholder of JMI is the Educational Support Foundation, Inc., 3825 Barrett Drive, Raleigh, North Carolina 27609 (1983).

4. Past shareholders of JMI are: Alex Castellanos (1979); Richard Miller (1979 -1982); and the Congressional Club Foundation, Inc., 3825 Barrett Drive, Raleigh, North Carolina 27609 (1981 - 1983).

5. A list of present employees and consultants of JMI is submitted herewith. Information as to past employees and consultants of JMI is not readily available.

B. JMI objects to this request for answers on the ground that it seeks information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

The incorporator of JMI is Charles B. Neely, Jr., 200 Insurance Building, 336 Fayetteville Street Mall,

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Raleigh, North Carolina 27602. The person directly involved in the organization of JMI is Alex Castellanos.

C. JMI objects to this request for answers on the ground that it seeks information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, JMI submits the following answer:

JMI has no real estate holdings.

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

July 8 1983
Date

Douglas M. Davidson
Douglas M. Davidson

Sworn and subscribed to before me this 8th day of July, 1983.

Kathleen Marchione
Notary Public

NOTARY PUBLIC, STATE OF FLORIDA
MY COMMISSION EXPIRES JAN. 18, 1987
Bonded By Hartford Insurance Co. of the Southeast

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BOOK 2693 PAGE 455

BOOK

Dec 21 10 29 AM '78

State of North Carolina

Department of the Secretary of State

To all to whom these presents shall come, Greeting:

I, **Thad Eure,** *Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached (* 3 *sheets) to be a true copy of*

ARTICLES OF INCORPORATION

OF

JEFFERSON MARKETING, INC.

and the probates thereon, the original of which was filed in this office on the 19th *day of* December *19* 78, *after having been found to conform to law.*

In Witness Whereof, *I have hereunto set my hand and affixed my official seal.*

Done in Office, *at Raleigh, this* 19th *day of* December *in the year of our Lord 19* 78.

Secretary of State

By Deputy Secretary of State

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ARTICLES OF INCORPORATION

OF

JEFFERSON MARKETING, INC.

SECRETARY OF STATE
NORTH CAROLINA

I, the undersigned natural person of the age of eighteen years or more, do hereby make and acknowledge these Articles of Incorporation for the purpose of forming a business corporation under and by virtue of the laws of the State of North Carolina.

1. The name of the corporation is Jefferson Marketing, Inc.

2. The period of duration of the corporation shall be perpetual.

3. The purpose or purposes for which the corporation is organized are:

To engage in any lawful activity, including, but not limited to, constructing, manufacturing, raising or otherwise producing, and repairing, servicing, storing or otherwise caring for any type of structure, commodity, or livestock whatsoever; processing, buying, selling, brokering, factoring, distributing, landing, borrowing or investing in any type of property whether real or personal, tangible or intangible; extracting and processing natural resources; transporting freight or passengers by land, sea or air; collecting and disseminating information or advertisement through any medium whatsoever; performing personal services of any nature; and entering into or serving in any type of management, investigative, advisory, promotional, protective, insurance, guarantyship, suretyship, fiduciary or representative capacity or relationship for any persons or corporations whatsoever.

4. The corporation shall have the authority to issue one hundred thousand (100,000) shares with a par value of One Dollar ($1.00) per share.

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(8)

5. The minimum amount of consideration for its shares to be received by the corporation before it shall commence business is One Hundred Dollars ($100.00) in cash or property of equivalent value.

6. The shareholders of the corporation shall have no preemptive right to acquire additional or treasury shares of the corporation.

7. The address of the initial registered office of the corporation in the State of North Carolina is 3825 Barrett Drive, Raleigh, Wake County, North Carolina 27609; and the name of its initial registered agent at such address is Alejandro Castellanos.

8. The number of directors of the corporation may be fixed by the bylaws, but shall not be less than three (3), except as permitted by N.C.G.S. 55-25. The number of directors constituting the initial Board of Directors shall be one (1) and the names and addresses of the persons who are to serve as directors until the first meeting of shareholders, or until their successors be elected and qualified are:

Names	Addresses
Alejandro Castellanos	3825 Barrett Drive Raleigh, N. C. 27609

9. The name and address of the incorporator is Charles B. Neely, Jr., 200 Insurance Building, 336 Fayetteville Street Mall, Raleigh, Wake County, North Carolina 27602.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of December, 1978.

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STATE OF NORTH CAROLINA

COUNTY OF WAKE

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I, Mary Katherine Legg, a Notary Public, do hereby certify that Charles S. Neely, Jr. personally appeared before me this 18th day of December, 1978, and acknowledged the due execution of the foregoing Articles of Incorporation.

Mary Katherine Legg
Notary Public

My Commission Expires:
[illegible]

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MARY KATHERINE LEGG
NOTARY PUBLIC
WAKE COUNTY, N.C.

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BYLAWS

OF

JEFFERSON MARKETING, INC.

ARTICLE I.

OFFICES

Section 1. Principal Office. The principal office of the corporation shall be located at Raleigh, North Carolina.

Section 2. Registered Office. The registered office of the corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 3. Other Offices. The corporation may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the affairs of the corporation may require from time to time.

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ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings. All meetings of shareholders shall be held at the principal office of the corporation, or at such other place, either within or without the State of North Carolina, as shall be designated in the notice of the meeting or agreed upon by a majority of the shareholders entitled to vote thereat.

Section 2. Annual Meetings. The annual meeting of shareholders shall be held at 10:00 A.M. on the 3rd Thursday of August of each year for the purpose of electing directors of the corporation and for the transaction of such other business as may be properly brought before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

Section 3. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated by these bylaws, a substitute annual meeting may be called in accordance with the provisions of Section 4 of this Article II. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings. Special meetings of the shareholders may be called at any time by the President, Secretary or Board of Directors of the corporation, or by any shareholder pursuant to the written request of the holders of not less than one-tenth of all the shares entitled to vote at the meeting.

Section 5. Notice of Meetings. Written or printed notice stating the time and place of the meeting shall be delivered not less than ten nor more than fifty days before the date of any shareholders' meeting, either personally or by mail, by or at the direction of the President, the Secretary, or other person calling the meeting, to each shareholder of record entitled to vote at such meeting; provided that such notice must be given not less than twenty days before the date of any meeting at which a merger or consolidation is to be considered. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the record of shareholders of the corporation, with postage thereon prepaid.

In the case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat unless such a statement is required by the provisions of the North Carolina Business Corporation Act.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

Section 6. Voting Lists. At least ten days before each meeting of shareholders the Secretary of the corporation shall prepare an alphabetical list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address of and number of shares held by each, which list shall be kept on file at the registered office of the corporation for a period of ten days prior to such meeting, and shall be subject to inspection by any shareholders at any time during the usual business hours. This list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding

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shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders, except that at a substitute annual meeting of shareholders the number of shares there represented either in person or by proxy, even though less than a majority, shall constitute a quorum for the purpose of such meeting.

The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

In the absence of a quorum at the opening of any meeting of shareholders, such meeting may be adjourned from time to time by a vote of the majority of the shares voting on the motion to adjourn; and at any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

Section 8. Proxies. Shares may be voted either in person or by one or more agents authorized by a written proxy executed by the shareholder or by his duly authorized attorney in fact. A proxy is not valid after the expiration of eleven months from the date of its execution, unless the person executing it specifies therein the length of time for which it is to continue in force, or limits its use to a particular meeting, but no proxy shall be valid after ten years from the date of its execution.

Section 9. Voting of Shares. Subject to the provisions of Section 4 of Article III, each outstanding share entitled to vote shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Except in the election of directors as governed by the provisions of Section 3 of Article III, the vote of a majority of the shares voted on any matter at a meeting of shareholders at which a quorum is present shall be the act of the shareholders on that matter, unless the vote of a greater number is required by law or by the charter or bylaws of this corporation.

Shares of its own stock owned by the corporation, directly or indirectly, through a subsidiary corporation or otherwise, or held directly or indirectly in a fiduciary capacity by it or by a subsidiary corporation, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares at a given time.

Section 10. Informal Action by Shareholders. Any action which may be taken at a meeting of the shareholders may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of

the persons who would be entitled to vote upon such action at a meeting, and filed with the Secretary of the corporation to be kept as part of the corporate records.

ARTICLE III.

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. Number, Term and Qualification. The number of directors constituting the Board of Directors shall be three (3), except as permitted by N.C.G.S. 55-25 as it is written on the date of the adoption of these bylaws. Each director shall hold office until his death, resignation, retirement, removal, disqualification, or his successor shall have been elected and qualified. Directors need not be residents of the State of North Carolina or shareholders of the corporation.

Section 3. Election of Directors. Except as provided in Section 6 of this Article III, the directors shall be elected at the annual meeting of shareholders; and those persons who receive the highest number of votes shall be deemed to have been elected. If any shareholder so demands, the election of directors shall be by ballot.

Section 4. Cumulative Voting. Every shareholder entitled to vote at an election of directors shall have the right to vote the number of shares standing of record in his name for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates. This right of cumulative voting shall not be exercised unless some shareholder or proxy holder announces in open meeting, before the voting for the directors starts, his intention so to vote cumulatively; and if such announcement is made, the chair shall declare that all shares entitled to vote have the right to vote cumulatively and shall thereupon grant a recess of not less than one nor more than four hours, as he shall determine, or of such other period of time as is unanimously then agreed upon.

Section 5. Removal. Any directors may be removed at any time with or without cause by a vote of the shareholders holding a majority of the outstanding shares entitled to vote at an election of directors. However, unless the entire Board is removed, an individual director shall not be

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removed when the number of shares voting against the proposal for removal would be sufficient to elect a director if such shares could be voted cumulatively at an annual election. If any directors are so removed, new directors may be elected at the same meeting.

Section 6. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum, or by the sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the authorized number of directors shall be filled only by election at an annual meeting or at a special meeting of shareholders called for that purpose.

Section 7. Chairman of the Board. There may be a Chairman of the Board of Directors elected by the directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board.

Section 8. Compensation. The Board of Directors may compensate directors for their services as such and may provide for the payment of any or all expenses incurred by directors in attending regular and special meetings of the Board.

ARTICLE IV.

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of shareholders. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. Such a meeting may be held either within or without the State of North Carolina, as fixed by the person or persons calling the meeting.

Section 3. Notice of Meetings. Regular meetings of the Board of Directors may be held without notice.

The person or persons calling a special meeting of the Board of Directors shall, at least two days before the meeting, give notice thereof by any usual means of communication.

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Such notice need not specify the purpose for which the meeting is called.

Section 4. Waiver of Notice. Any director may waive notice of any meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 5. Quorum. A majority of the number of directors fixed by these bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 6. Manner of Acting. Except as otherwise provided in these bylaws, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 8. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

ARTICLE V.

EXECUTIVE COMMITTEE

Section 1. Creation. The Board of Directors, by resolution adopted by a majority of the number of directors fixed by these bylaws, may designate two or more directors to constitute an Executive Committee, which committee, to the extent authorized by law and provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the corporation. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of

Directors, or any member thereof, of any responsibility or liability imposed upon it or him by law.

Section 2. Vacancy. Any vacancy occurring in an Executive Committee shall be filled by a majority of the number of directors fixed by these bylaws at a regular or special meeting of the Board of Directors.

Section 3. Removal. Any member of an Executive Committee may be removed at any time with or without cause by a majority of the number of directors fixed by these bylaws.

Section 4. Minutes. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

Section 5. Responsibility of Directors. The designation of an Executive Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors or any member thereof, of any responsibility or liability imposed upon it or him by law.

If action taken by an Executive Committee is not thereafter formally considered by the Board, a director may dissent from such action by filing his written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE VI.

OFFICERS

Section 1. Officers of the Corporation. The officers of the corporation shall consist of a President, a Secretary, a Treasurer and such Vice-Presidents, Assistant Secretaries, Assistant Treasurers, and other officers as the Board of Directors may from time to time elect. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

Section 2. Election and Term. The officers of the corporation shall be elected by the Board of Directors and each officer shall hold office until his death, resignation, retirement, removal, disqualification or his successor shall have been elected and qualified.

Section 3. Compensation of Officers. The compensation of all officers of the corporation shall be fixed by the Board of Directors and no officer shall serve the corporation in any other capacity and receive compensation therefor

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unless such additional compensation be authorized by the Board of Directors.

Section 4. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the corporation will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. Bonds. The Board of Directors may by resolution require any officer, agent, or employee of the corporation to give bond to the corporation, with sufficient sureties, conditioned on the faithful performance of the duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 6. President. The President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He shall, when present, preside at all meetings of the shareholders. He shall sign, with the Secretary, an Assistant Secretary, or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 7. Vice-Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice-Presidents in the order of their length of service as Vice-Presidents, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice-President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

Section 8. Secretary. The Secretary shall: (a) keep the minutes of the meetings of shareholders, of the Board of Directors and of all Executive Committees in one or more

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books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President or a Vice-President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors, (f) have general charge of the stock transfer books of the corporation; (g) keep or cause to be kept in the State of North Carolina at the corporation's registered office or principal place of business a record of the corporation's shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each, and prepare or cause to be prepared voting lists prior to each general meeting of shareholders as required by law; and (h) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. Assistant Secretaries. In the absence of the Secretary or in the event of his death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretary, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as may be assigned to them by the Secretary, by the President, or by the Board of Directors. Any Assistant Secretary may sign, with the President or a Vice-President, certificates for shares of the corporation.

Section 10. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such depositories as shall be selected in accordance with the provisions of Section 4 of Article VII of these bylaws; (b) prepare, or cause to be prepared, a true statement of the corporation's assets and liabilities as of the close of each fiscal year, all in reasonable detail, which statement shall be made and filed at the corporation's registered office or principal place of business in the State of North Carolina within four months after the end of such fiscal year and thereat kept available for a period of at least ten years; and (c) in general perform

all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors, or by these bylaws.

Section 11. Assistant Treasurers. In the absence of the Treasurer or in the event of his death, inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurer, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by the Treasurer, by the President, or by the Board of Directors.

ARTICLE VII.

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such depositories as the Board of Directors may select.

ARTICLE VIII.

CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. The

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corporation shall issue and deliver to each shareholder certificates representing all fully paid shares owned by him. Certificates shall be signed by the President or a Vice-President and by the Secretary or Treasurer or an Assistant Secretary or an Assistant Treasurer. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued with the number and class of shares and the date of issue, shall be entered on the stock transfer books of the corporation.

Section 2. Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and on surrender for cancellation of the certificate for such shares.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation claimed to have been lost or destroyed, upon receipt of an affidavit of such fact from the person claiming the certificate of stock to have been lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors shall require that the owner of such lost or destroyed certificate, or his legal representative, give the corporation a bond in such sum as the Board may direct as indemnity against any claim that may be made against the corporation with respect to the certificate claimed to have been lost or destroyed, except where the Board of Directors by resolution finds that in the judgment of the directors the circumstances justify omission of a bond.

Section 4. Closing Transfer Books and Fixing Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting.

In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such record date

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in any case to be not more than fifty days and, in case of a meeting of shareholders, not less than ten days immediately preceding the date on which the particular action, requiring such determination of shareholders, is to be taken.

If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

Section 5. Holder of Record. The corporation may treat as absolute owner of shares the person in whose name the shares stand of record on its books just as if that person had full competency, capacity and authority to exercise all rights of ownership irrespective of any knowledge or notice to the contrary or any description indicating a representative, pledge or other fiduciary relation or any reference to any other instrument or to the rights of any other person appearing upon its record or upon the share certificate except that any person furnishing to the corporation proof of his appointment as a fiduciary shall be treated as if he were a holder of record of its shares.

Section 6. Treasury Shares. Treasury shares of the corporation shall consist of such shares as have been issued and thereafter acquired but not cancelled by the corporation. Treasury shares shall not carry voting or dividend rights.

ARTICLE IX.

GENERAL PROVISIONS

Section 1. Dividends. The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in cash, property, or its own shares pursuant to law and subject to the provisions of its charter.

Section 2. Seal. The corporate seal of the corporation shall consist of two concentric circles between which is the name of the corporation and in the center of which is inscribed SEAL; and such seal, as impressed on the margin hereof, is

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hereby adopted as the corporate seal of the corporation.

Section 3. Waiver of Notice. Whenever any notice is required to be given to any shareholder or director by law, by the charter or by these bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 4. Fiscal Year. The fiscal year of the corporation shall end on June 30 of each year.

Section 5. Amendments. Except as otherwise provided herein, these bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors.

The Board of Directors shall have no power to adopt a bylaw: (1) prescribing quorum or voting requirements for action by shareholders or directors different from those prescribed by law; (2) increasing or decreasing the number of directors; or (3) classifying and staggering the election of directors.

No bylaw adopted or amended by the shareholders shall be amended or repealed by the Board of Directors, except to the extent that such bylaw expressly authorizes its amendment or repeal by the Board of Directors.

I, Jose O. Castellanos, do hereby certify that I am the duly elected and qualified Secretary of Jefferson Marketing, Inc., a corporation organized under the laws of the State of North Carolina, and that the foregoing is a true and correct copy of the bylaws adopted by consent of the Board of Directors in accordance with law and the Articles of Incorporation of said corporation on the 4th day of January, 1979.

IN WITNESS WHEREOF, I have affixed my name as Secretary and have caused the corporate seal of said corporation to be hereunto affixed this 4th day of January, 1979.

Jose O. Castellanos
Secretary

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CONSENT OF DIRECTORS

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only director of JEFFERSON MARKETING, INC., do hereby adopt the following resolutions by signing my written consent thereto:

ACCEPTANCE OF CHARTER

RESOLVED, that the Articles of Incorporation issued to the corporation by the Secretary of State of the State of North Carolina on the 19th day of December, 1978, a certified copy of which was recorded in the office of the Wake County Register of Deeds on December 21, 1978, be and it hereby is accepted as and for the charter of the corporation and that a copy of these Articles be recorded in this minute book.

ADOPTION OF BYLAWS

RESOLVED, that the bylaws which have been inserted in the minute book of the corporation immediately preceding this Consent be, and they hereby are, adopted as the bylaws of the corporation.

ELECTION OF OFFICERS

RESOLVED, that the following persons be, and they hereby are, elected as officers of the corporation to serve as such until their successors shall have been duly elected and qualified:

President	Alejandro Castellanos
Secretary	Jose O. Castellanos
Treasurer	Alejandro Castellanos

SALARIES AND EXPENSES

RESOLVED, that the matter of salaries for the corporation's officers be deferred until a future meeting of the Board of Directors.

BE IT FURTHER RESOLVED, that the directors and officers of the corporation be reimbursed by the corporation for any and all expenses which they may have incurred in connection with the organization of the corporation.

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ADOPTION OF THE CORPORATE SEAL

RESOLVED, that the corporate seal, the impression of which appears on this page will be, and the same hereby is, adopted as and for the seal of this corporation.

ADOPTION OF STOCK CERTIFICATE FORM

RESOLVED, that the form of stock certificate inserted immediately following these minutes be, and the same hereby is, adopted as the form of stock certificate for this corporation.

PLAN TO OFFER SMALL BUSINESS STOCK

WHEREAS, Section 1244 of the Internal Revenue Code and the regulations issued thereunder require that common stock of a corporation be issued pursuant to a written plan adopted by the corporation after June 30, 1958, which plan must offer only such must offer only such common stock during a period specified in the plan, ending not later than two years after the day the plan is adopted, and

WHEREAS, Section 1244 and the regulations issued thereunder further require that the plan must specifically state, in terms of dollars, the maximum amount to be received by the corporation in consideration of the stock to be issued pursuant thereto and that such stock must be issued only for money or property (other than stock or securities,) and

WHEREAS, this corporation qualifies as a small business corporation as defined in section 1244, and there is not unissued any portion of a prior offering of any of this corporation's stock, and

WHEREAS, pursuant to the requirements of Section 1244 and the regulations issued thereunder the following plan has been submitted to the corporation by the Board of the corporation:

PLAN TO ISSUE SECTION 1244 STOCK

1. The plan as herein set forth upon its adoption by the Board of Directors of the corporation shall become effective January 4, 1979.

2. The corporation is authorized to offer and issue One Hundred Thousand (100,000) shares of common stock, par value of One ($1.00) Dollar per share.

3. The corporation shall offer and issue such One Hundred Thousand (100,000) shares of common stock from the date hereof to January 1, 1981, or to the date when the corporation shall make a subsequent offering of any stock, whichever shall sooner occur.

4. During such period as set forth in paragraph 3 the corporation shall offer and issue only such common stock.

5. The maximum amount to be received by the corporation in consideration of the stock to be issued pursuant to this plan shall be One Hundred Thousand ($100,000.00) Dollars.

6. Such common stock shall be issued only for money and other property (other than stock or securities.)

7. Such other action shall be taken by the corporation which shall qualify the stock offered and issued under this plan as "Section 1244 stock" as such term is defined in the Internal Revenue Code and the regulations issued thereunder.

RESOLVED, that the foregoing plan to issue IRC Section 1244 stock be and the same is hereby adopted by the corporation.

IT IS FURTHER RESOLVED, that the proper officers of the corporation be and they are hereby authorized, empowered and directed to do and perform any and all acts and deeds necessary to carry out such plan.

ISSUANCE OF SHARES

WHEREAS, a plan to offer small business stock has heretofore been adopted by the corporation; and

WHEREAS, an offer has been made under that plan to sell common shares of the corporation, which offer has been accepted by the offeree(s);

NOW, THEREFORE, BE IT RESOLVED, that pursuant to the aforesaid plan and the offer and acceptance thereunder, common shares of the corporation be and they hereby are, issued for cash at the par value of One ($1.00) Dollar per share as follows:

(26)

Shareholder	No. of Shares
Alejandro Castellanos	100

RESOLVED FURTHER, that the proper officers of the corporation be, and they hereby are, authorized and directed to issue share certificates in accordance with the foregoing resolutions in such denominations as the shareholders shall direct.

BANKING RESOLUTIONS

RESOLVED, that the funds of the corporation be deposited in the First Citizens Bank & Trust Company, Raleigh, North Carolina, and that the printed resolutions supplied by that bank, which the appropriate officers of this corporation are hereby authorized and directed to complete, be deemed resolutions of this corporation, duly adopted by this Board of Directors and be filed with the records of the corporation.

COMMENCING BUSINESS

RESOLVED, that the officers of this corporation be, and they hereby are, authorized and directed to do and perform all acts and things necessary or appropriate to commence and carry on the business that the corporation was formed to conduct.

These actions are effective this the 4th day of January, 1979.

Alejandro Castellanos
Sole Director

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CONSENT OF SHAREHOLDERS

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only shareholder of JEFFERSON MARKETING, INC., do hereby adopt the following resolutions by signing my written consent thereto:

ISSUANCE OF SHARES

RESOLVED, that the Board of Directors of JEFFERSON MARKETING, INC., shall have the right to issue and sell from time to time all or any portion of the authorized but unissued capital stock of this corporation for cash or for such other consideration (other than stock or securities) that the Board deems proper without further authority from the shareholders, provided that such shares shall be issued and sold in such a manner as to satisfy the requirements of Section 1244 of the Internal Revenue Code.

ELECTION OF DIRECTORS

RESOLVED, that Alejandro Castellanos be and is hereby elected to the Board of Directors to serve for the ensuing year or until his successor or successors are elected and qualified.

These actions are effective this the 4th day of January, 1979.

Alejandro Castellanos
Sole Shareholder

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CONSENT OF DIRECTORS

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

We, the undersigned, being all of the directors of JEFFERSON MARKETING, INC., do hereby adopt the following resolutions by signing our written consent thereto:

SALARIES AND EXPENSES

WHEREAS, Alejandro Castellanos has previously been elected as president and treasurer of the corporation and

WHEREAS, is devoting all of his time and effort to the corporation, and

WHEREAS, it is deemed desirable by the Board of Directors to pay reasonable and fair compensation to its employees, and

WHEREAS, it is contemplated that this compensation be made in the form of an annual salary, payable on a monthly basis,

NOW, THEREFORE, BE IT RESOLVED, that commencing on January 1, 1979 and until changed by this Board, the salary of Alejandro Castellanos, President and Treasurer of the corporation shall be $22,440.00 per year, and that his salary shall be payable in equal monthly installments of $1,870.00 per month.

BE IT FURTHER RESOLVED, that the directors and officers of the corporation be reimbursed by the corporation for any and all expenses which they may have incurred in connection with the organization of the corporation.

These actions are effective this the 1st day of January, 1979.

Alejandro Castellanos
Sole Director

860405 0268

CONSENT OF SHAREHOLDERS

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only shareholder of Jefferson Marketing, Inc., do hereby adopt the following resolutions by signing my written consent thereto:

ELECTION OF DIRECTORS

WHEREAS, Alejandro Castellanos has resigned as a director of the corporation,

NOW, THEREFORE, BE IT RESOLVED, that Richard W. Miller be and he hereby is elected to the Board of Directors to serve for the ensuing year or until his successor or successors are elected and qualified.

This action is effective this the 13th day of April, 1979.

Richard W. Miller
Sole Shareholder

sal/Spec 4/N

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(37)

CONSENT OF DIRECTORS

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only director of Jefferson Marketing, Inc., do hereby adopt the following resolution by signing my written consent thereto:

ELECTION OF OFFICERS

WHEREAS, Alejandro Castellanos has resigned as president and treasurer of the corporation and Jose O. Castellanos has resigned as secretary of the corporation,

NOW, THEREFORE, BE IT RESOLVED, that the following persons be, and they hereby are, elected as officers of the corporation to serve as such until their successors shall have been duly elected and qualified:

President	Richard W. Miller
Secretary	Robert Edward Wrenn
Treasurer	Richard W. Miller

These actions are effective this the 13th day of April, 1979.

Richard W. Miller
Sole Director

sal/Spec 4/M

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(21)

CONSENT OF DIRECTORS OF

JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only director of Jefferson Marketing, Inc., do hereby adopt the following resolution by signing my written consent thereto:

ELECTION OF SECRETARY

WHEREAS, Carter Wrenn has resigned as Secretary of the corporation,

NOW, THEREFORE, be it resolved that the following person be, and she hereby is, elected as Secretary of the corporation to serve as such until her successor shall have been duly elected and qualified:

Secretary - Elizabeth Smith

This action is effective this the 10th day of October, 1979.

Richard W. Miller
Sole Director

sal/Wed B1

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CONSENT OF DIRECTORS OF

JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING

I, the undersigned, being the only director of Jefferson Marketing, Inc., do hereby adopt the following resolution by signing my written consent thereto:

CHANGE OF FISCAL YEAR

RESOLVED, that the fiscal year of the corporation is changed from the year ending June 30 to the year ending December 31.

This action is effective this the 5th day of December, 1979.

Richard W. Miller
Sole Director

sal/Wed B2

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CONSENT OF DIRECTOR AND SHAREHOLDER

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING (IN LIEU OF ANNUAL MEETING)

The undersigned, being the sole shareholder and the sole director of Jefferson Marketing, Inc., does hereby adopt the following resolutions by signing my written consent thereto:

RATIFICATION OF ACTIONS

RESOLVED, that all of the various actions taken and authorized by the directors and officers in the conduct of the corporation's business affairs during the past year are hereby approved, ratified and confirmed.

ELECTION OF DIRECTORS

RESOLVED, that the following named persons are hereby elected to the Board of Directors of this corporation to serve until the next annual meeting of the corporation, or until their successors shall have been duly elected and qualified: Richard W. Miller.

ELECTION OF OFFICERS

RESOLVED, that the following named persons are hereby elected to serve in the offices set forth opposite their names until the next annual meeting of the directors, or until their successors shall have been duly elected and qualified:

Richard W. Miller	President
Elizabeth Smith	Secretary
Richard W. Miller	Treasurer

These actions are effective this the 20th day of August, 1981.

Richard W. Miller, Sole Director and Sole Shareholder

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CONSENT OF DIRECTORS AND SHAREHOLDER

OF JEFFERSON MARKETING, INC.

TO ACTION WITHOUT MEETING (IN LIEU OF ANNUAL MEETING)

The undersigned, being the sole shareholder and the directors of Jefferson Marketing, Inc., do hereby adopt the following resolutions by signing their written consent thereto:

RATIFICATION OF ACTIONS

RESOLVED, that all of the various actions taken and authorized by the directors and officers in the conduct of the corporation's business affairs during the past year are hereby approved, ratified and confirmed.

ELECTION OF DIRECTORS

RESOLVED, that the following named persons are hereby elected to the Board of Directors of this corporation to serve until the next annual meeting of the corporation, or until their successors shall have been duly elected and qualified:

Douglas M. Davidson
Elisabeth Smith

ELECTION OF OFFICERS

RESOLVED, that the following named persons are hereby elected to serve in the offices set forth opposite their names until the next annual meeting of the directors, or until their successors shall have been duly elected and qualified:

Douglas M. Davidson	President
Elisabeth Smith	Secretary
Elisabeth Smith	Treasurer

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These actions are effective this the 10th day of August, 1982.

CONGRESSIONAL CLUB FOUNDATION, INC.
Sole Shareholder

BY: Carter Wenn

Douglas M. Davidson

Elisabeth W Smith

Elisabeth Smith

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.	)	

RESPONSE OF JEFFERSON MARKETING, INC.,
TO ORDER TO SUBMIT WRITTEN ANSWERS
AND SUBPOENA TO PRODUCE DOCUMENTS

This is the response of Jefferson Marketing, Inc., to the Federal Election Commission's Order to Submit Written Answers and Subpoena to Produce Documents, hand-delivered on December 1, 1983. The undersigned, Douglas Davidson, President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

Jefferson Marketing, Inc. ("JMI") objects to many of the items in the Order to Submit Written Answers and Subpoena to Produce Documents ("Order") on the grounds that these items are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. In order to expedite a resolution of this matter, however, JMI responds to the Order as set forth below. By its response, JMI does not waive its rights to press any of the objections raised herein or to raise other

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Attachment B

objections before the Federal Election Commission or the courts.

Further, at page one of the Order, the Commission has stated: "If NCC is in a position to better answer any of the above numbered questions than is Jefferson Marketing, Inc. ("JMI"), please so state in your response." Whenever appropriate, therefore, JMI has stated in this response that NCC is in a better position to answer a particular question than is JMI.

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RESPONSE

1. In his deposition testimony on September 14, 1983, at page 47 of the unsigned transcript, Carter Wrenn made reference to $353.08 that NCC estimated to be the value of services employees or agents of JMI provided in connection with Audiofonics, Inc.'s production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero and time buying done for the Democrats for Better Government to Elect Gibson ("Gibson"). (See Wrenn Exhibit A).

a. Please state the component factors used by NCC to establish the $353.08 figure.

b. Please state the identity of the person(s) at NCC who established the $353.08 figure.

c. Please state whether the $353.08 figure accurately reflects the value of services performed for Gibson by JMI. If the answer to this question is no, please describe in detail, how the estimate is deficient.

NCC is in a better position to respond to this item than is JMI.

1.d. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of services rendered by JMI to political committees (as defined by 2 U.S.C. § 431(4) of the Federal Election

Campaign Act of 1971, as amended (the "FECA")). If the answer to this question is yes, please state the identity of the person(s) at NCC having the authority to make estimates regarding the value of such services rendered by JMI.

JMI objects to this question on the ground that it seeks information that is irrelevant to this proceeding. Without waiving this objection JMI responds as follows: No.

1.e. If the answer to part d. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

During the period of time in question, most of JMI's employees worked full-time on NCC activities and provided services under NCC's direction. For these full-time services, as well as for the administrative convenience and the efficiencies that this arrangement afforded, NCC paid JMI a monthly fee, which covered the salaries of JMI's employees, JMI's overhead, and a fixed percentage of profit for JMI. When, with respect to the videotape production and time-buying for the Gibson Committee, NCC decided to make an in-kind contribution of some portion of the services of these JMI employees -- for which JMI had already been paid by NCC -- a value had to be determined for these services so that the contribution could be reported by NCC and by the candidate's committee. Accordingly, NCC determined the value of the contributed services.

1.f. Please state whether it is the usual business practice of JMI to permit NCC to estimate the value of

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JMI services rendered to political committees (as defined by §431(4) of the FECA) where NCC has agreed to provide in-kind contributions to the political committees. If the answer to this question is yes, please state:

1) the name of each such political committee for which NCC estimated the value of services rendered by JMI in 1983;

2) for each political committee named in part 1), a description of the services rendered by JMI;

3) for each political committee named in part 1), the value of the services rendered by JMI; and

4) for each political committee named in part 1), the amount of profit made by JMI on the transaction.

JMI's response to Item 1.f. is: No. JMI's response to Items 1.f(1) through 1.f(4) is: N/A.

1.g. If the answer to part f. is no, please state the reason NCC estimated the value of JMI's services in the case of Gibson.

See JMI's response to Item 1.e.

1.h. Please state the names of all political committees (other that those named in part f.(1)) in whose favor NCC made in-kind contributions through payment for services rendered to such committees by JMI in 1982.

NCC is in a better position to respond to Item 1.h. than is JMI.

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1.i. Please state whether a bill of $353.08 for services rendered to Gibson was presented to NCC. If the answer to this question is yes, please specify:

1) the date of the bill;
2) the date of payment of the bill; and
3) the JMI cost center credited upon payment of the bill.

JMI's response to Item 1.i. is: No. JMI's response to Items 1.i(1) through 1.i(3) is: N/A.

1.j. If the answer to part i. is yes, please submit a copy of the document to the Commission.

N/A.

1.k. If the answer to part i. is no, please state whether the $353.08 charge was billed to NCC as part of another larger bill. If the answer to this question is yes, please specify:

1) the JMI cost center credited upon payment of bill;
2) the amount of the larger bill;
3) the identity of all JMI clients, other than Gibson, represented in the larger bill;
4) the date the larger bill was submitted to NCC by JMI; and
5) the date the larger bill was paid by NCC.

JMI's response to Item 1.k. is: Yes.

1.k(1). No single cost center was credited upon payment of the bill.

1.k(2). $57,438.

1.k(3). JMI objects to this question on the grounds that it inquires into matters that are beyond the scope of

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this proceeding and is logically and legally irrelevant. In order to expedite the resolution of this matter, however, and in the spirit of co-operation, JMI responds as follows: As indicated in JMI's response to Item 1.e., JMI's bill was not constructed on a project-by-project basis, but was for the full-time services of JMI employees to NCC.

1.k(4). JMI submitted its bill in two parts. One bill was submitted on either June 15 or June 16, 1983. The second bill was submitted between June 30 and July 21, 1983.

1.k(5). NCC paid JMI's two bills with a series of checks between May 28 and July 26, 1983.

1.l. If the answer to part k. is yes, please submit a copy of the document to the Commission.

Copies of JMI's two bills are attached as Exhibit A hereto.

2. In his deposition testimony on September 14, 1983, at pages 36-38 of the unsigned transcript, Mr. Wrenn identified a document submitted to the Commission by NCC on July 8, 1983, and marked as Exhibit A. On page 1 of Exhibit A, Mr. Wrenn identified an entry titled "Staff Time Paid" for $353.08 as the amount of an in-kind contribution from NCC to Gibson in 1982. He further expressed the belief that the $353.08 for "Staff Time Paid" was for the services of two JMI employees, Earl Ashe and Susan Cashwell.

a. Please state the amount of the $353.08 allocable for the staff time of Mr. Ashe.

b. Please state the amount of the $353.08 allocable for the staff time of Ms. Cashwell.

c. Please state how many hours (or fraction thereof) Mr. Ashe was employed in conjunction with all staff time allocated to Gibson.

d. Please state the monetary rate at which Mr. Ashe's staff time allocated to Gibson was computed.

e. Please describe all of the services Mr. Ashe performed for Gibson.

f. Please state whether Mr. Ashe acted in any capacity as a consultant to Audiofonics, Inc. in its

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production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Mr. Ashe did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

NCC is in a better position to respond to Items 2.a. through 2.f. than is JMI.

2.g. Please state whether JMI prepared a written record of the staff time allocated by Mr. Ashe for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

There is no such written record in JMI's possession.

2.h. If the answer to part g. is yes, please submit a copy of the document to the Commission.

N/A.

2.i. Please state whether Mr. Ashe bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Mr. Ashe's services.

No.

2.j. Please state how many hours (or fraction thereof) Ms. Cashwell spent in conjunction with services she performed for Gibson.

k. Please state the monetary rate at which Ms. Cashwell's staff time allocated to Gibson was computed.

l. Please describe all of the services Ms. Cashwell performed for Gibson.

m. Please state whether Ms. Cashwell acted in any capacity as a consultant to Audiofonics, Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero. If the answer to this question is yes, please describe, in detail, what Ms. Cashwell did as consultant to Audiofonics, Inc. on the Gibson video tape segment.

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NCC is in a better position to respond to Items 2.j. through 2.m. than is JMI.

2.n. Please state whether JMI prepared a written record of the time allocated by Ms. Cashwell for the Gibson video tape segment. If the answer to this question is yes, please describe the contents of said record.

There is no such written record in JMI's possession.

2.o. If the answer to part n. is yes, please submit a copy of the document to the Commission.

N/A.

2.p. Please state whether Ms. Cashwell bought time for use in conjunction with the airing of the Gibson video tape segment. If the answer to this question is yes, please state the charge to Gibson for Ms. Cashwell's services.

NCC is in a better position to respond to Item 2.p. than is JMI.

2.q. Please state whether any persons, other than Mr. Ashe and Ms. Cashwell, employed by JMI in any capacity, provided services to Gibson for which payment was included in the $353.08 reported as staff time. If the answer to this question is yes, please state:

1) the names and business addresses of each person;
2) the amount of the total of $353.08 allocable to the staff time of each person;
3) a description of the services performed for Gibson by each person;
4) how many hours (or fraction thereof) each person was employed in conjunction with all staff time allocated to Gibson;
5) the monetary rate at which each person's staff time allocated to Gibson was computed;

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6) whether each person acted in any capacity as a consultant to Audiofonics Inc. in the production of the video tape segment concerning Congressman Rose's trip to Rio de Janiero;

7) if the answer to part 6) is yes, please describe, in detail, what each person did as consultant to Audiofonics Inc. on the Gibson video tape segment;

8) whether JMI prepared a written record of the time allocated by each person for the Gibson video tape segment;

9) if the answer to part 8) is yes, please submit a copy of the document to the Commission;

10) if the answer to part 8) is yes, please describe the contents of said record;

11) whether each person bought time for Gibson for use in conjunction with the airing of the Gibson video tape segment; and

12) if the answer to part 11) is yes, please state the charge to Gibson for said time buying services.

NCC is in a better position to respond to Item 2.q. than is JMI.

3. Documents submitted to Commission by JMI on July 8, 1983, include a letter from Ms. Amy L. Birke of WKFT-TV in Fayetteville, North Carolina, enclosing a $5 refund from a $400 cash payment made for a $395 television air time buy for Gibson, as well as a copy of the $5 check. No other record of the time buy from WKFT-TV was submitted to the Commission by JMI or NCC.

a. Please state whether the time buy alluded to in the letter from WKFT-TV took place. If the answer to this question is yes, please state:

1) whether JMI purchased the time on WKFT-TV for Gibson making payment from the $5,600 escrowed on June 17 and 22, 1982;

According to the records in JMI's possession, the time buy did not take place. JMI's response to Item 3.a(1) is: N/A.

3.a(2) if the answer to part 1) is no, what was the source of payment of the $395 to WKFT-TV;

JMI does not know the source of the payment to WKFT-TV.

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3.a(3) whether NCC reimbursed JMI for payment of the $395 to WKFT-TV;

No.

3.a(4) if the answer to part 3) is no, whether NCC reimbursed Gibson for payment of the $395 to WKFT-TV.

NCC is in a better position to respond to Item 3.a(4) than is JMI.

3.b. If the answer to both parts 2) and 4) are no, please state whether NCC reimbursed any person for any or all of the $395 time buy from WKFT-TV.

NCC is in a better position to respond to Item 3.b. than is JMI.

3.c. If the answer to part b. is yes, please state the name and business address of the person reimbursed by NCC for the $395 time buy from WKFT-TV.

N/A.

3.d. If the time buy alluded to in the letter from WKFT-TV was made by Gibson independent of JMI, please explain the reason the letter and refund check for $5 was sent to JMI.

JMI does not know why WKFT-TV sent the letter and refund check.

3.e. If the time buy alluded to in the letter from WKFT-TV did not take place, please explain the existence of said letter among the materials submitted to the Commission by JMI on July 8, 1983.

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In making its good-faith effort to respond fully and accurately to the Commission's earlier Subpoena to Produce Documents, JMI produced all documents in its files that related to the Gibson Committee, including this letter.

4. Documents submitted to the Commission by JMI on July 8, 1983, indicate that by June 22, 1982, $5,600 was placed in escrow by JMI on behalf of Gibson to buy television air time. In addition, a $5 refund from a Fayetteville television station, WKFT TV, was added on September 6, 1982, to the amount available to JMI to buy television air time for Gibson, leaving a total of $5,605.

a. JMI Purchase Order No. 4361 dated June 15, 1982, and submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2237 for $3,667.75 in favor of WECT-TV. A record of this check was also submitted to the Commission. Purchase Order No. 4361 indicates that the gross total for the time buy was $4,315 and that the net total was $3,667.75.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4361.

Based upon the poor quality of the available copies of this purchase order, JMI cannot state with certainty that Mr. Wrenn's initials appear on the document. JMI believes that Mr. Wrenn initialed Purchase Order No. 4361.

4.a(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4361.

JMI believes that Mr. Wrenn approved the issuance of Purchase Order No. 4361.

4.a.(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4361.

Susan Cashwell.

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4.a(4) Please explain the difference between the gross and net totals billed by WECT-TV.

The net total represents the price for which the station was willing to sell its television time. This is the amount charged by the station and the amount that the Gibson Committee paid the station to run its advertisement. The gross amount represents the figure the station reduced by 15 percent in order to derive the net total. It is standard billing procedure for this station to issue its bills with both a gross and a net figure.

4.a(5) Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome.

4.a(6) Please state the cost to JMI for the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4361.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to

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in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contributed to the cost of services provided.

4.a(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order 4361.

JMI received $3,667.75 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.a(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.a(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated on Purchase Order No. 4361 as gross and net totals. If the answer to this question is yes, please state:
a) the amount of said payment;
b) when said payment was made;
c) where said payment was recorded; and
d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

4.a(10) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4361. If the answer to this question is yes, please state the amount of profit.

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JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.a(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.b. JMI Purchase Order No. 4466 dated June 18, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2241 in the amount of $582.25 in favor of WWAY-TV. A record of check #2241 was also submitted. Purchase Order No. 4366 indicates that the gross billing for the time buy was $685.00 and the net total was $482.25.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4366.

Based upon the poor quality of the available copies of this purchase order, JMI cannot state with certainty that Mr. Wrenn's initials appear on the document. JMI believes that Mr. Wrenn initialed Purchase Order No. 4366.

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4.b(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4366.

JMI believes that Mr. Wrenn approved the issuance of Purchase Order No. 4366.

4.b(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4366.

Susan Cashwell.

4.b(4) Please explain the difference between the gross and net totals billed by WWAY-TV for the time buy designated in Purchase Order No. 4366.

See JMI's response to Item 4.a(4).

4.b(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4366.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome.

4.b(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by

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the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

4.b(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4366.

JMI received $582.25 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.b(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.b(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4366 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

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4.b(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4366. If the answer to this question is yes, please state the amount of the profit.

JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.b(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.c. JMI Purchase Order No. 4437 dated June 24, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2257 for $1,190 in favor of the Raleigh Jaycees. A record of this check was also submitted. Purchase Order No. 4437 indicates that the total billing for four spots on WECT-TV was $1,400 and the net total was $1,190.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4437.

Mr. Wrenn initialed Purchase Order No. 4437.

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4.c(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4437.

Mr. Wrenn approved the issuance of Purchase Order No. 4437.

4.c(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4437.

Susan Cashwell.

4.c(4) Please explain the difference between the gross and net totals billed by WECT-TV for the time buy designated in Purchase Order No. 4437.

See JMI's response to Item 4.a(4).

4.c(5) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the Complaint, and unreasonably burdensome.

4.c(6) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4437.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not

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know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

4.c(7) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4437.

JMI received $1190 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.c(8) Please state the identity of all persons or entities making payments described in part 7).

The Gibson Committee and NCC.

4.c(9) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between those amounts designated in Purchase Order No. 4437 as gross and net totals. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to this item than is JMI.

4.c(10) Please state whether JMI made a profit on the time buy represented by Purchase Order No. 4437. If the answer to this question is yes, please state the amount of the profit.

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JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.c(11) If the answer to part 10) is no, please explain the inconsistency between the response to part 10) and the statement by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn on September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rate charged other clients (deposition testimony of Mr. Davidson on September 12, 1983, at pages 50 and 51 of the unsigned transcript).

N/A.

4.d. JMI Purchase Order No. 4369 dated June 21, 1982, submitted to the Commission by JMI on July 8, 1983, authorized JMI check #2250 for $200 in favor of WECT-TV. A record of this check was also submitted. Purchase Order No. 4369 indicates that the total billing for four spots in the Miss North Carolina pageant was $200.

1) Please state whether Mr. Wrenn initialed Purchase Order No. 4369.

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Mr. Wrenn initialed Purchase Order No. 4369.

4.d(2) Please state whether Mr. Wrenn approved the issuance of Purchase Order No. 4369.

Mr. Wrenn approved the issuance of Purchase Order No. 4369.

4.d(3) Please state the identity of the JMI employee(s) or agent(s) who made the time buy designated in Purchase Order No. 4369.

Susan Cashwell.

4.d(4) Please state whether the $200 designated in Purchase Order No. 4369 is a gross or a net total.

The $200 figure is a net total.

4.d(5) If the $200 designated in Purchase Order No. 4369 is a gross amount, please state the amount of the net bill.

N/A.

4.d(6) If the $200 designated in Purchase Order No. 4369 is a net amount, please state the amount of the gross bill.

There was no gross bill.

4.d(7) If there is a difference between the gross and the net amount of the bill represented in Purchase Order No. 4369, please explain the difference.

N/A.

4.d(8) Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

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JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome.

4.d(9) Please state the cost to JMI of the services of the person(s) named in part 3) in making the time buy designated in Purchase Order No. 4369.

JMI objects to this question on the grounds that it is ambiguous and vague, beyond the scope of these proceedings, logically and legally irrelevant to the issues raised by the complaint, and unreasonably burdensome. In order to expedite the resolution of this matter, however, and in the spirit of cooperation JMI responds as follows: JMI does not know the number of hours required to buy the time referred to in this item. Even if JMI knew this figure, it could not determine the portion of its overhead that contribute to the cost of services provided.

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4.d(10) Please state the total amount of money that JMI received in payment for providing the time buy designated in Purchase Order No. 4369.

JMI received $200 plus an undifferentiated monthly payment from NCC for the full-time services of its employees.

4.d(11) Please state the identity of all persons or entities making payments described in part 10) above.

The Gibson Committee and NCC.

4.d(12) Please state whether, in either cash or services, NCC paid the difference, or any part of the difference, between the gross and net billings for the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state:

(a) the amount of said payment;
(b) when said payment was made;
(c) where said payment was recorded; and
(d) whether said payment was reported to the Commission.

NCC is in a better position to respond to Item 4.d than is JMI.

4.d(13) Please state whether JMI made a profit on the time buy designated in Purchase Order No. 4369. If the answer to this question is yes, please state the amount of the profit.

JMI objects to this question on the grounds that it inquires into the matters beyond the scope of this proceeding, and that it is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: See JMI's response to Item 1.e.

4.d(14) If the answer to part 13) is no, please explain the inconsistency between the response to part 13) and the statements by NCC and JMI officials that: (a) JMI always seeks a reasonable profit on its services (deposition testimony of Mr. Wrenn September 14, 1983, at page 96 of the unsigned transcript) and (b) JMI provided Gibson with services at the same rates charged other clients (deposition testimony of Mr. Davidson on

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September 12, 1983, pages 50 and 51 of the unsigned transcript).

N/A.

4.e. Please state whether it is the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees (as defined by § 431(4) of the FECA). If the answer to this question is yes, please state:
1) whether the initialization indicates approval of the purchase order by Mr. Wrenn;
2) if the answer to part 1) is yes, why Mr. Wrenn approves purchase orders for JMI;
3) if the answer to part 1) is no, the purpose of Mr. Wrenn's initialization of purchase orders;
4) the procedure employed by JMI for obtaining Mr. Wrenn's initialization; and
5) the names of all persons who must approve purchase orders for time buying in order for such orders to be valid.

JMI's response to Item 4.e. is that it is not the usual business practice of JMI for Carter Wrenn to initial JMI purchase orders for time buying on behalf of political committees. JMI's response to Items 4.e(1) through 4.e(5) is: N/A.

4.f. If the answer to part e. is no, please explain why the initials "CW" appear on Purchase Order No.'s 4361, 4366, 4437 and 4369 submitted to the Commission by JMI on July 8, 1983.

As stated in the deposition testimony of Mr. Wrenn and Mr. Davidson, at that time Mr. Wrenn was routinely consulted by JMI on such matters. On the basis of Mr. Wrenn's greater experience, Mr. Davidson valued Mr. Wrenn's judgment and routinely sought it.

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4.g. In addition to the $5,600 escrowed by Gibson to pay for time buying, the $5 refund from WWAY-TV and a $35 in-kind contribution from NCC, did JMI receive any payment of money or anything of value in consideration for time buying services performed for Gibson. If the answer to this question is yes, please state:

1) whether payment was in money or any other thing of value;

JMI's response to Item 4.g. is: Yes. JMI's response to Item 4.g(1) is: The payment was in money.

4.g(2) if any other thing of value is the answer to part 1), please describe the thing of value and estimate its worth.

N/A.

5. According to documents produced by JMI and NCC, and according to the September 14, 1983, deposition testimony of Mr. Wrenn (at page 83 of the unsigned transcript), NCC sold furniture and equipment to JMI at the end of 1982.

a. Please state the date of the sale.

JMI objects to this item in its entirety on the grounds that it inquires into matters that are beyond the scope of this proceeding, and is logically and legally irrelevant to this issue raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, JMI responds as follows: December 1, 1982.

5.b. Please state the terms of the sale.

The furniture and equipment were sold for $52,267.20, which was paid by a promissory note payable in five equal annual payments, with 12 percent annual interest on the unpaid balance.

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5.c. Please state whether JMI has made any payment to NCC for the furniture and equipment. If the answer to this part of the question is yes, please state the amount and date of all payments by JMI to NCC for said furniture and equipment.

JMI has made payment to NCC for the furniture and equipment. Payments were made on August 16, 1982 ($3,000) and December 30, 1982 ($11,499.43).

5.d. If the answer to part c. is no, please state whether JMI has paid any interest on any balances owed to NCC for said furniture and equipment.

N/A.

5.e. Please state whether JMI has performed any services for NCC in consideration of the transfer of furniture and equipment to JMI. If the answer to this questions is yes, please state:

1) a description of said services;
2) the value of said services;
3) the date(s) said services were rendered to NCC; and
4) the date(s) that said services were credited to JMI's account.

JMI has performed no services for NCC in consideration of the transfer of furniture and equipment to JMI. JMI's response to Items 5.e(1) through 5.3(4) is: N/A.

5.f. Please inventory the furniture and equipment transferred from NCC to JMI.

An inventory of furniture and equipment is attached as Exhibit B hereto.

5.g. If the answer to part e. is no, please state whether JMI has transferred anything of value to NCC in consideration for the furniture and equipment.

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JMI has not transferred anything of value to NCC in consideration for the furniture and equipment.

5.h. If the answer to part g. is yes, please state:
1) a description of the thing;
2) an estimate of its value in dollars;
3) the date(s) it was transferred; and
4) the date(s) the value was credited to JMI's account.

N/A.

6. According to the documents submitted to the Commission by JMI on July 8, 1983, and September 9, 1983, and according to the deposition testimony of Katherine Hardison at pages 78-83 of the unsigned transcript, NCC loaned money to JMI (to the JMI Foundation cost center), and JMI has made payments on these debts to NCC.

a. Please state the original amount and date(s) all debts from JMI to NCC were incurred.

JMI objects to Item 6 in its entirety on the grounds that it inquires into matters beyond the scope of this proceeding and is logically and legally irrelevant to the issues raised by the complaint. In order to expedite the resolution of this matter, however, and in the spirit of cooperation, NCC responds as follows:

9/18/81	$ 3,000.00
3/11/82	5,885.25
5/28/82	7,500.00
6/8/82	9,000.00
6/8/82	300.00
6/8/82	8,500.00
6/18/82	5,000.00
6/18/82	6,000.00
TOTAL	$48,185.25

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6.b. Please state the purpose of all loans noted in response to part a.

JMI (Foundation Division) borrowed these funds to be used on behalf of a nonpolitical entity not subject to regulation under the federal election laws.

6.c. Please state the date and amount of all payments made by JMI to NCC on indebtedness described in part a.

6/30/82	$10,000.00
7/1/82	4,000.00
7/1/82	2,500.00
7/14/82	7,685.25
7/30/82	7,000.00
8/11/82	3,500.00
5/17/83	6,500.00
5/17/83	4,000.00
TOTAL	$45,185.25

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6.d. Please state the interest paid by JMI to date on each loan described in the answer to part a.

None.

6.e. Please state the reason for NCC's failure to report said loans and repayment of loans to JMI in its reports to the Commission.

NCC is in a better position to respond to this item than is JMI.

7. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 17 of the unsigned transcript, a majority of the persons employed by JMI in 1979 had been previously employed by NCC.

a. Please state the total number of persons employed by JMI for the year 1979.

53.

7.b. Please state the number of persons that had been employed by NCC previous to their employment by JMI for the year 1979.

32.

7.c. Please list the names and present addresses (if known) of those persons that had been employed by NCC previous to their employment by JMI for the year 1979.

JMI knows the current addresses of 7 of the 32 individuals referred to in JMI's response to Item 7.b.:

Jimmy Gary Thompson
709 Thompson Road
Garner, NC 27520

Joy Nordeck Moseley
4008 Lehigh Court
Raleigh NC 27609

Leslie R. Murray
P.O. Box 10191
Raleigh, NC 27605

Elisabeth W. Smith
2712 Mayview Road
Raleigh, NC 27607

Peggy Underwood
100 E. Drewry Lane
Raleigh, NC 27609

Robert Bruce Harris
3806 Lassiter Hill Road
Raleigh, NC 27609

Willa Daniel
4908 Baylor Court
Raleigh, NC 27609

Douglas Davidson
2200 Sprunt Lane
Durham, NC 27705

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Saralee Gould
7600 Sterling Court
Raleigh, NC 27612

8. According to the deposition testimony of Mr Davidson on September 12, 1983, at pages 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) the FECA) in 1982.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

JMI objects to this question on the grounds that it goes beyond the scope of this matter, it is logically and legally irrelevant, and it is unreasonably burdensome.

9. The NCC reported in-kind contributions to the Ed Johnson for Congress Committee ("Johnson") of $1,200.

a. Please state whether any portion of this in-kind contribution of $1,200 was paid to JMI for services rendered to Johnson. If the answer to this question is yes, please state:

1) whether any of the $1,200 in-kind contribution was used to pay for modification of the video tape segment of Congressman Rose's trip to Rio de Janiero purchased from Gibson;

2) the total dollar amount of the in-kind contribution paid to JMI;

3) what services were rendered by JMI to Johnson for payment of the in-kind contribution;

4) the names of all employees or agents of JMI providing services to Johnson;

Because the nature and value of this in-kind contribution was determined by NCC, NCC is in a better

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position to respond to Items 9.a(1) through 9.a(4) than is JMI.

9.a(5) the total cost to JMI associated with the services described in 2) above; and
9.a(6) the total amount profit made by JMI on the services described in part 2).

JMI objects to these questions on the grounds that they seek information that is beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint. In addition, the request is vague and unreasonably burdensome.

9.b. Please state whether NCC made any contribution to Johnson that was not reported to the Commission. If the answer to this question is yes, please state the value of all contributions not reported and their date(s).

NCC is in a better position to respond to Item 9.b. than is JMI.

10. According to the deposition testimony of Mr. Wrenn (at pages 80-82 of the unsigned transcript), NCC did not provide any of the funds necessary to establish JMI.
a. Please state the amount of operating capital expended in establishing JMI in 1979.

$100, as stated in JMI's articles of incorporation.

10.b. Please state the source of the operating capital used to establish JMI in 1979.

Upon information and belief, the source of the operating capital used to establish JMI in 1978 was Alejandro Castellanos.

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10.c. Please state whether JMI borrowed funds from any source to establish its business in 1979. If the answer to this question is yes, please state:

1) the name of the lender or lenders
2) the names of any cosignors or guarantors;
3) the total amount borrowed by JMI from each lender;
4) the terms of each loan;
5) the amount of all outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI did not borrow funds from any source to establish its business in 1979. JMI's response to Items 10.c(1) through 10.c(6) is: N/A.

10.d. Please state whether JMI has borrowed funds from any sources other than NCC, from its inception in 1979 to the present. If the answer to this question is yes, please state:

1) the name of the lender or lenders;
2) the names of all cosignors or guarantors;
3) the total amount loaned to JMI by each lender;
4) the terms of each loan;
5) the amount of any outstanding balance owed to each lender; and
6) the total interest paid to date by JMI on each loan.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant. In addition, the question is unreasonably burdensome. In the interest of expediting the resolution of this proceeding, however, and in the spirit of cooperation, JMI responds as follows: Since its inception, JMI has received five loans from entities other than NCC.

11. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

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a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

b. Please state the profit made by each JMI cost center, in dollars, for all years available.

c. Please state the profit margin for JMI as percentage above the total cost of doing business for all years available.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. though d.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant to the issues raised by the complaint.

12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

JMI objects to this question on the grounds that it goes beyond the scope of this matter and is logically and legally irrelevant, vague and irrelevant and the question is unreasonably burdensome.

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Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

1/13/84
Date

Douglas M. Davidson
Douglas M. Davidson

Sworn and subscribed to before me this 13 day of January, 1984.

Virginia L. Anderson
Notary

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EXHIBIT A

Invoice

JEFFERSON MARKETING, INC. - Club Division
P. O. BOX 18748
RALEIGH, N. C. 27619
(919) 782-5431

NO. 129

DATE June 15, 1982

SOLD TO

National Congressional Club

SHIPPED TO

OUR ORDER NO.	YOUR ORDER NO.	SALESMAN	TERMS	SHIPPED VIA	Ppd. or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting services on Payroll for the month of June, 1982.		
	Advertising	$ 5,571.00	
	Bookkeeping	1,179.00	
	Computer 1 & 2	13,453.00	
	Direct Mail	3,316.00	
	Mail Production	11,078.00	
	AMOUNT DUE		$34,597.00

JUN 16 1982
Rec'd 11159.92
Dept ok
Adm ok
Acctg verif
Ref AR-6
Acct #
Pd 7/12/82 Ck # 15123
11,159.92

Ref 550.00 — 1/1/1 — Pd 6/15/82 Ck # 15514
Ref 3753.08 — 1/1/1 — Pd 6/15/82 Ck # 15514
Ref 9116.00 — 1/1/1 — Pd 1/1/82 Ck #
Ref 2335.00 — 1/1/1 — Pd 6/16/82 Ck # 15554
Ref 5500.00 — 1/1/1 — Pd 1/18/82 Ck # 15605
Ref 500.00 — 1/1/1 — Pd 7/14/82 Ck # 15713
Ref 1600.00 — 1/1/1 — 1/25/50 — Ck # 15650

- 550.00
39,097.08
3,783.08
30,263.92
2,738.00
27,525.92
5,500.00
22,025.92
11,000.00
20,825.92
9,166.00
11,659.92

[redacted], INC - CLUB DIVISION

[redacted]
P. O. BOX [redacted]
RALEIGH, N. C. 27619
(919) 781-5220

Invoice

NO. 135

DATE June 30, 1982

SOLD TO

National Congressional Club

SHIPPED TO

OUR ORDER NO.	YOUR ORDER NO.	SALESMAN	TERMS	SHIPPED VIA	Ppd. or Coll.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
	Consulting fees and services for the month of June, 1982.		
	Administration	$ 9,329.00 ✓	
	Advertising	5,829.00 ✓	
	Bookkeeping	36.00 ✓	
	Direct Mail	221.00 ✓	
	Mail Production #2	2,565.00 ✓	
	Computer 1 & 2	3,214.00	
			$ 21,194.0
	Adjustment for consulting services on payroll for 2nd qtr. 1982.		
	Computer 1 & 2	2,073.00	
	Direct Mail	159.00 ✓	
	Mail Production	(585.00) ✓	
			1,647.0
			$ 22,841.0
		Apply Against Advance	(5,000.0
		AMOUNT DUE	$ 17,841.0

Rec'd JUL 21 1981
Dept ok
Adm ok
Actg verified
Ref
Acct # 1794-17
Pd 7/26/82
Ck # 15271

- 2540.08
15000.92
- 6200.0
8800.9
- 2500.0
6300.4
- 1000.
5300.9
- 3569.75
1731.17
- 1731.17
- 0 -

Ref 6200.- 7/15/82 Pd Ck # 15223

Ref 2540.08 7/15/82 Pd Ck # 15220

Ref 2500.00 7/19/82 Pd Ck # 15241

Ref 1000.- 7/19/82 Pd Ck # 15245

Ck. 135A attached

Bal due

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E X H I B I T B

Inventory of Items Purchased

DESCRIPTION

Trane Air Conditioner (as is installed)

Isolation transformer & distribution panel
(as is installed)

Raised Floor

(2) Smoke Detectors

Pitney Bowes (#4371) Meter Base Model - Serial #8514

Bunn Typing Packaging Machine - Serial #72020

AB Dick (#234) Offset Printer - Serial #314422A

Gestetner Paper Folder - Serial #17508

Shredmate Accessory Cart - Serial #419-1122-250

Bowen Industries (#7800) Stampmaster (#78) -
Serial #0708

Bowen Industries (#8100) Stampmaster ('81) -
Serial #1212

(3) Quantor 307 Microfiche Readers

(2) Monroe #2810 Calculators
Serial #H094108, H093941

(1) Monroe #1430 Calculator - Serial #M161399

(1) IBM 6450 S-6 Information Processor -
Serial #0300404 with Document Printer
Serial #100313

(7) IBM Selectric II Typewriters - Serial
#3594248, #3594249, #2793642, #3814488,
#3814490, #3411084, #3652847

(1) Royfax Copier & Cabinet - Serial #7179432

(1) Refrigerator (Avanti)

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(2) Sony Betamax - 1/2 inch: (SL7200) 1-speed
(SL8200) 2-speed

(1) Bell & Howell 302 16mm Film Projector

(1) Singer Slide Projector System w/case

(2) JVC HR 7300 Video Recorders
Serial #15673515, #15682796

(1) Refrigerator - Avanti Dorm Size

(4) Typewriter Stands

(1) Tape Rack (Enclosed)

CABINETS

(1) Storage Cabinet

(1) 5-Drawn/Lateral w/Lock

(5) 4-Drawn File

(5) 2-Drawn File

CHAIRS

(1) Executive Swivel Chair

(6) Secretary Chairs w/arms

(1) Secretary Chair - wooden

(3) Secretary Chairs

(9) Secretary Chairs

(1) Executive Chair

(1) Executive Swivel High Chair

(6) Side Chairs

(20) Stack Chairs

(1) Metal Folding Chair

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DESKS

(5) Metal Desks

(6) Walnut Top Desks

(1) 1 L-unit Wooden Desk

(2) Wooden Desks

(1) Interview Desk

SHELVES

(10) 84" Metal Shelves

(2) 72" Wood Shelves
3 hand made shelf units

(5) 72" Metal Shelves

(1) 52" Wood Shelf

(2) 44" Wood Shelves

(4) 42" Metal Shelves

(2) 36" Metal Shelves

(1) 130" Wood Shelf

TABLES

(6) 8' Folding Tables

(10) 6' Folding Tables

(15) 5' Folding Tables

(1) Credenza Black/Walnut Top

SUPPLIES

(900) Magnetic Floppy Disks

(600) Mag Cards

(48) Bottles IBM (S-6) Ink

R60406U27732

(660) Magnetic Tapes ($3.00 each)

(5) Disk Packs

Miscellaneous Desk Supplies

R5040602733

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 6, 1984

MEMORANDUM

TO : CHARLES N. STEELE
GENERAL COUNSEL

ATTENTION : LEE ANDERSEN

THROUGH : JOHN C. SURINA
STAFF DIRECTOR

FROM : JOHN D. GIBSON
ASSISTANT STAFF DIRECTOR, RAD

SUBJECT : UPDATE ON MUR-1503 CONCERNING THE NATIONAL CONGRESSIONAL CLUB

Pursuant to your verbal request of April 5, 1984, we are forwarding the following information contained in the National Congressional Club's 1983 Year-End Report.

The attached Schedule A lists a total of $78,755.91 received by the Congressional Club from the Helms for Senate Committee for "staff assistance" and $1,669.54 received as a "reimbursement for TV Commercial." In addition, Schedule A discloses a total of $14,499.43 received from Jefferson Marketing, Inc. for "purchase of furniture," and an aggregate of $16,000.00 received as a "refund of overpayment."

Schedule D of the National Congressional Club's report discloses debts owed to the committee by Jefferson Marketing, Inc. of $39,628.42 for "furniture purchase" and $72,126.55 for "computer software."

If you have any questions regarding this information, please contact Lisa Stolaruk at 523-4048.

Attachments

Attachment C (1)

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RECEIVED THE FEC

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REPORT OF RECEIPTS AND DISBURSEMENTS
For a Political Committee Other Than an Authorized Committee

(Summary Page)

1. Name of Committee (In Full)

The National Congressional Club

Address (Number and Street)

PO Box 18848
3825 Barrett Drive

City, State and ZIP Code

Raleigh, North Carolina 27619

☐ Check if address is different than previously reported.

2. FEC Identification Number
C00119370

3. ☐ This committee qualified as a multicandidate committee during this Reporting Period on _____ (date)

4. TYPE OF REPORT (check appropriate box(es))

(a)
- ☐ April 15 Quarterly Report
- ☐ July 15 Quarterly Report
- ☐ October 15 Quarterly Report
- ☒ January 31 Year End Report
- ☐ July 31 Mid Year Report (Non-election Year Only)
- ☐ Monthly Report for _____
- ☐ Twelfth day report preceding _____ (Type of Election) election on _____ in the State of _____
- ☐ Thirtieth day report following the General Election on _____ in the State of _____
- ☐ Termination Report

(b) Is this Report an Amendment?
☐ YES ☒ NO

SUMMARY	Column A This Period	Column B Calendar Year-to-Date
5. Covering Period July 1, 1983 Through Dec. 31, 1983		
6. (a) Cash on Hand January 1, 19 83		$ 3,164.15
(b) Cash on Hand at Beginning of Reporting Period	$ 13,552.03	
(c) Total Receipts (from Line 18)	$ 1,090,045.71	$ 2,586,358.45
(d) Subtotal (add lines 6(b) and 6(c) for Column A and lines 6(a) and 6(c) for Column B)	$1,103,597.74	$ 2,589,522.60
7. Total Disbursements (from Line 28)	$ 1,005,542.46	$ 2,491,467.32
8. Cash on Hand at Close of Reporting Period (subtract line 7 from 6(d))	$ 98,055.28	$ 98,055.28
9. Debts and Obligations Owed TO the Committee (Itemize all on Schedule C or Schedule D)	$ 111,754.97	
10. Debts and Obligations Owed BY the Committee (Itemize all on Schedule C or Schedule D)	$ 394,060.46	

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Carter Wrenn
Type or Print Name of Treasurer

Carter Wrenn
SIGNATURE OF TREASURER

1/31/84
Date

For further information, contact:
Federal Election Commission
Toll Free 800-424-9530
Local 202-523-4068

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

All previous versions of FEC FORM 3 and FEC FORM 3a are obsolete and should no longer be used.

FEC FORM 3X (3/80)

(2)

DETAILED SUMMARY PAGE
of Receipts and Disbursements
(Page 2, FEC FORM 3X)

Name of Committee (In Full)	Report Covering the Period		
The National Congressional Club	From 7-1-83	To 1-1-84	
	COLUMN A Total This Period	COLUMN B Calendar Year-To-Date	
I. RECEIPTS			
11. CONTRIBUTIONS (other than loans) FROM:			
(a) Individuals/Persons Other Than Political Committees. (Memo Entry Unitemized $ 760,265.91)	982,739.41	2,465,985.31	11(a)
(b) Political Party Committees	-0-	-0-	11(b)
(c) Other Political Committees	5.00	105.00	11(c)
(d) TOTAL CONTRIBUTIONS (other than loans) (add 11(a), 11(b) and 11(c))	982,744.41	2,466,090.31	11(d)
12. TRANSFERS FROM AFFILIATED/OTHER PARTY COMMITTEES	0	0	12
13. ALL LOANS RECEIVED	-0-	4,500.00	13
14. LOAN REPAYMENTS RECEIVED	-0-	4,000.00	14
15. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	107,218.26	111,598.33	15
16. REFUNDS OF CONTRIBUTIONS MADE TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	-0-	-0-	16
17. OTHER RECEIPTS (Dividends, Interest, etc.)	83.04	169.81	17
18. TOTAL RECEIPTS (Add 11(d), 12, 13, 14, 15, 16 and 17)	1,090,045.71	2,586,358.45	18
II. DISBURSEMENTS			
19. OPERATING EXPENDITURES	910,478.77	2,368,898.63	19
20. TRANSFERS TO AFFILIATED/OTHER PARTY COMMITTEES	-0-	-0-	20
21. CONTRIBUTIONS TO FEDERAL CANDIDATES AND OTHER POLITICAL COMMITTEES	4,371.76	5,621.76	21
22. INDEPENDENT EXPENDITURES (use Schedule E)	89,429.69	89,429.69	22
23. COORDINATED EXPENDITURES MADE BY PARTY COMMITTEES (2 U.S.C. § 441 a(d)) (Use Schedule F)	-0-	-0-	23
24. LOAN REPAYMENTS MADE	-0-	4,500.00	24
25. LOANS MADE	-0-	4,000.00	25
26. REFUNDS OF CONTRIBUTIONS TO			
(a) Individuals/Persons Other Than Political Committees	2,750.00	10,405.00	26(a)
(b) Political Party Committees	-0-	-0-	26(b)
(c) Other Political Committees	-0-	-0-	26(c)
(d) TOTAL CONTRIBUTION REFUNDS (Add 26(a), 26(b) and 26(c))	2,750.00	10,405.00	26(d)
27. OTHER DISBURSEMENTS	(1,487.76)	8,612.24	27
28. TOTAL DISBURSEMENTS (add lines 19, 20, 21, 22, 23, 24, 25, 26(d) and 27)	1,005,542.46	2,491,467.32	28
III. NET CONTRIBUTIONS AND NET OPERATING EXPENDITURES			
29. TOTAL CONTRIBUTIONS (other than loans) from Line 11(d)	982,744.41	2,466,090.31	29
30. TOTAL CONTRIBUTION REFUNDS from Line 26(d)	2,750.00	10,405.00	30
31. NET CONTRIBUTIONS (other than loans) (Subtract Line 30 from Line 29)	979,994.41	2,455,685.31	31
32. TOTAL OPERATING EXPENDITURES from Line 19	910,478.77	2,368,898.63	32
33. OFFSETS TO OPERATING EXPENDITURES from Line 15	107,218.26	111,598.33	33
34. NET OPERATING EXPENDITURES (Subtract Line 33 from Line 32)	803,260.51	2,257,300.20	34

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Page 1 of 1 for LINE NUMBER 15
(Use separate schedule(s) for each category of the Detailed Summary Page)

SCHEDULE A — ITEMIZED RECEIPTS

Any information copied from such Reports or Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

Name of Committee (In Full)
The National Congressional Club

A. Full Name, Mailing Address and ZIP Code Helms for Senate Committee PO Box 17000 Raleigh, NC 27619 Receipt For: ☐ Primary ☐ General ☒ Other (specify): year end	Name of Employer Staff Assistance Occupation Aggregate Year-to-Date—$	Date (month, day, year) 7/13/83 7/18/83 8/15/83 10/04/83	Amount of Each Receipt this Period $ 4,500.00 4,000.00 3,734.79 12,000.00
B. Full Name, Mailing Address and ZIP Code same Receipt For: ☐ Primary ☐ General ☒ Other (specify): year end	Name of Employer same Occupation Aggregate Year-to-Date—$	Date (month, day, year) 11/04/83 12/05/83 12/30/83 78,755.91	Amount of Each Receipt This Period 20,000.00 13,088.66 21,432.46
C. Full Name, Mailing Address and ZIP Code Helms for Senate Committee PO Box 17000 Raleigh, NC 27619 Receipt For: ☐ Primary ☐ General ☒ Other (specify): year end	Name of Employer reimbursement for TV Commercial Occupation Aggregate Year-to-Date—$	Date (month, day, year) 12/30/83 1,669.54	Amount of Each Receipt This Period $ 1,669.54
D. Full Name, Mailing Address and ZIP Code Jefferson Marketing, Inc. PO Box 19807 Raleigh, NC 27619 Receipt For: ☐ Primary ☐ General ☒ Other (specify): year end	Name of Employer purchase of furniture Occupation Aggregate Year-to-Date—$	Date (month, day, year) 8/16/83 12/30/83 14,499.43	Amount of Each Receipt This Period $ 3,000.00 11,499.43
E. Full Name, Mailing Address and ZIP Code same Receipt For: ☐ Primary ☐ General ☒ Other (specify): year end	Name of Employer refund of overpayment made in 5/7/81 & 5/12/81 Occupation Aggregate Year-to-Date—$	Date (month, day, year) 7/13/83 16,000.00	Amount of Each Receipt This Period $ 12,000.00
F. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer Occupation Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
G. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify):	Name of Employer Occupation Aggregate Year-to-Date—$	Date (month, day, year)	Amount of Each Receipt This Period
SUBTOTAL of Receipts This Page (optional)			
TOTAL This Period (last page this line number only)			$106,924.88

(4)

SCHEDULE D
(Revised 2/88)

DEBTS AND OBLIGATIONS
Excluding Loans

Page 1 of 1pgs
Line Number ____
(Use separate schedules for each numbered line)

Name of Committee (In Full) The National Congressional Club	Outstanding Balance Beginning This Period	Amount Incurred This Period	Payment This Period	Outstanding Balance at Close of This Period
A. Full Name, Mailing Address and Zip Code of Debtor or Creditor Jefferson Marketing, Inc. PO Box 19807 Raleigh, NC 27619	-0-	39,628.62	-0-	$39,628.62
Nature of Debt (Purpose): furniture purchase				
B. Full Name, Mailing Address and Zip Code of Debtor or Creditor Jefferson Marketing, Inc. PO Box 19807 Raleigh, NC 27619	-0-	72,126.55	-0-	72,126.55
Nature of Debt (Purpose): computer software				
C. Full Name, Mailing Address and Zip Code of Debtor or Creditor Helms for Senate Committee PO Box 17000 Raleigh, NC 27619	5,789.60	7/13/83 7/18/83	received payment $4,500 $1,289.60	-0-
Nature of Debt (Purpose): staff assistance/dinner				
D. Full Name, Mailing Address and Zip Code of Debtor or Creditor				
Nature of Debt (Purpose):				
E. Full Name, Mailing Address and Zip Code of Debtor or Creditor				
Nature of Debt (Purpose):				
F. Full Name, Mailing Address and Zip Code of Debtor or Creditor				
Nature of Debt (Purpose):				
1) SUBTOTALS This Period This Page (optional)				
2) TOTAL This Period (last page this line only)				
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)				(5)
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)				$111,754.9

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
Jefferson Marketing, Inc.	)	

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SUPPLEMENTAL RESPONSE OF
JEFFERSON MARKETING, INC.

This is the supplemental response of Jefferson Marketing, Inc. ("JMI") to certain interrogatories and requests for documents, as specified in the Joint Stipulation and Order filed in Civil Action No. 84-29 Misc. 5 (E.D.N.C.) on March 27, 1984. The undersigned, Douglas Davidson, President of Jefferson Marketing, Inc., has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

Pursuant to the Joint Stipulation and Order, JMI has stamped certain pages of this supplemental response and some of the attached documents, as to which it claims a trade-secret or confidential-business-matter privilege, with the legend "Trade Secret or Business Record/MUR 1503/JMI." In addition, in order to alert all persons who are authorized to review this supplemental response that JMI asserts a privilege as to such pages and documents, the legend has also been stamped on the first page.

Attachment D (1)

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I. ORDER TO SUBMIT WRITTEN ANSWERS AND SUBPOENA TO PRODUCE DOCUMENTS (December 1, 1983)

Item 4.a(5). Please state the cost to JMI of providing the time buy designated in Purchase Order No. 4361.

Item 4.b(5). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4366.

Item 4.c(5). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4437.

Item 4.d(8). Please state the total cost to JMI for providing the time buy designated in Purchase Order No. 4369.

Response: These questions ask for JMI's costs in connection with four purchases of television time by JMI for the Gibson Committee in July 1982. JMI's costs were of two types. The easier type of cost to identify is the charge by the stations for the time. In each case, JMI's cost was the net amount billed by the television station and subsequently paid to the station by JMI out of the Gibson Committee's advertising escrow account. Thus, with respect to Purchase Order No. 4361, the cost for the television time was $3,667.75; for Purchase Order No. 4466, the cost for the television time was $582.25; for Purchase Order No. 4437, the cost for the television time was $1,190.00; and for Purchase Order No. 4369, the cost for the television time was $200.00.

The second type of cost to JMI was the overhead associated with making each time buy. This includes the portion of Susan Cashwell's salary and benefits allocable to each time buy, presumably on the basis of hours spent making the time buys,

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expressed as a percentage of her total work week, as well as a portion of JMI's overhead -- e.g., rent, equipment, telephones, utilities, insurance, taxes, etc. -- allocated on the same basis.

JMI is unable to determine the amount of overhead for these time buys. In order to understand why, it is necessary to understand how JMI billed and was paid for these services in 1982.

The National Congressional Club ("NCC") reserved and paid for the full-time services of JMI's staff in 1982. During the course of a month, NCC would use these JMI employees for its own projects and, if unused time were available, to provide in-kind services to candidates. Additional unused time was JMI's time to sell, subject to the requirement that NCC had first call on JMI's employees and resources at any time. For instance, if time was sold to a JMI customer and NCC then needed the time, NCC got it immediately.

Consequently, the expenses, salaries, overhead, equipment purchases (no matter whether the equipment was expensible or became an asset of JMI's) and similar costs were billed to NCC each month. An additional fixed-percentage markup was added to this total cost, and NCC paid the monthly bill.

This method of billing insured JMI a profit for at least three reasons. First, any assets purchased by JMI for work on NCC business was treated as an expense and billed to NCC, and this equipment became an asset of JMI's. Second, if JMI's employees were not fully occupied on NCC-related work, their salaries, rent, and other overhead were still billed and paid by NCC, even though they were available for income-producing

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activities for JMI's other clients. (Even if JMI did not use this incremental time for other projects, it had already been paid for 100 percent of its employees' time, although less than 100 percent of their time had been spent on NCC work.) Third, even when JMI's employees worked full-time on NCC projects and JMI purchased no equipment that could be expensed to NCC, JMI still received the fixed-percentage markup.

Because NCC was paying for all of JMI's time, expenses, and the like, no formal records were preserved reflecting the time each employee spent on a project for NCC. (Some indication -- written or oral -- of the time spent was available to Carter Wrenn at the time he established the value of the in-kind contribution of Ms. Cashwell's services, but that is no longer available and the hours are not known.) Each month in 1982, NCC simply received bills from JMI for all advertising staff time, expenses, rent, telephone, and other overhead for a number of projects without an itemization by project. There was, therefore, no need for JMI's employees to keep track of the hours they devoted to a particular project or of the expenses incurred by the project.

For example, a JMI employee might have spent 37 hours working on time buy for NCC, used 25 hours of JMI office time and 2 hours of telephone time, made 50 copies on the copier, spent 10 hours on the JMI tape-playing equipment, expenses 100 miles in travel, bought $150 in videotapes, used JMI research materials, and the like. None of these were tracked as an expense against the particular time buy because NCC was paying for those services, and other projects the employee was working on for NCC, at the

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same time. NCC in effect paid for each project it instructed JMI to undertake on its behalf by paying 100 percent of JMI's cost for all such projects.

It is, therefore, impossible to reconstruct the cost of the Gibson time buy, because JMI cannot presently determine specifically:

1. the time Ms. Cashwell spent purchasing the time;

2. the office material (e.g., copies, supplies) used;

3. the proper allocation of rent, furniture, etc. to Ms. Cashwell's expenses;

4. how the time was spent: whether in researching the time buy or in placing it;

5. the complexity of the time buy or whether JMI did the buy from scratch or was told what programs to buy;

6. the research materials used, if any; and

7. the allocation of the above expenses relative to the other projects underway at the same time.

In sum, JMI's accounting and billing system in 1982 was not established to provide cost analyses on a project-by-project basis. JMI's agreement with NCC was for full-time salaries and other expenses, and the system was designed to bill those expenses and to insure a profit.

Item 8. According to the deposition testimony of Mr. Davidson on September 12, 1983, at page 22-24 of the unsigned transcript, NCC is JMI's largest client.

a. Please state the percentage of JMI's gross receipts derived from the provision of services directly to NCC for 1982.

Response: 76 percent.

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BUSINESS RECORD
MUR 1503
JMI

b. Please state the percentage of JMI's gross receipts derived from clients referred to JMI by NCC for 1982.

Response: 2 percent.

c. Please state the percentage of JMI's gross receipts that were derived from services provided to political committees (as defined by § 431(4) of the FECA) other than NCC in 1982.

Response: 12 percent.

d. Please list the names of all clients of JMI that were political committees (as defined by § 431(4) of the FECA) in 1982.

Response: National Congressional Club, Cobey for Congress, Anne Bagnal for Congress, Harris Blake for Congress, Bill Henden for Congress, Ed Johnson for Congress, Jack Marin for Congress, Friends of Red McDaniel, North Carolina Republican Party, Bill Ress for Senate.

e. Please list the names of all clients of JMI other than those listed in part d. above for 1982.

Response: Save the Lighthouse Committee, North Carolina Hospital Association, Carolina Securities, Coalition for Freedom, M. L. Strickland, MDS, Tim McIntyre, Chuck Neely, Raleigh Civic Center, Congressional Club Foundation, Sperry and Associates, John Stott, Stuart Theatre, Ward Transformer.

f. Please state the percentage of JMI's gross receipts that were derived from services provided to those clients listed in part e.

Response: 12 percent.

Item 9.a(5). [Please state] the total cost to JMI associated with the services [rendered by JMI to the Johnson Committee].

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Response: The cost to JMI was of two types: Audiophonics' $929.89 bill for production charges and Earl Ashe's time (and associated overhead allocable to that time). The Audiophonics bill was paid by JMI, and JMI was then reimbursed by NCC. The cost for Earl Ashe's time cannot be determined, for all of the reasons stated in JMI's response to Items 4.a(5), 4.b(5), 4.c(5) and 4.d(8) with respect to Ms. Cashwell's time on the Gibson Committee time buys. Because JMI cannot presently determine how much time, office, space, equipment use, and other overhead were devoted to Mr. Ashe's work on this project, and cannot determine the percentage of JMI's service for NCC-related projects this job represents, JMI cannot answer this question.

Item 9.a(6). [Please state] the total amount of profit made by JMI on the services [rendered by JMI to the Johnson Committee].

Response: The precise amount of profit cannot be determined. As stated in JMI's response to Items 4.a(5), 4.b(5), 4.c(5), 4.d(8), and 9.a(5), JMI did not maintain records on a project-by-project basis, because in 1982 it was paid by NCC each month for all of its overhead expenses. Thus, as has previously been stated, JMI cannot presently determine the costs associated with this project. Moreover, JMI cannot presently determine what portion of the monthly bill or bills to NCC should be allocated for Ashe's services on the Johnson Committee project.

Item 11.a. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 70 and 71 of the unsigned transcript, Mr. Davidson has computed the profitability of JMI for at least the year 1982.

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BUSINESS RECORD
MUR 1503
JMI

a. Please state the profit, in dollars, made by JMI, as computed by Mr. Davidson or any other employee or agent of JMI, for all years available.

Response: JMI's gross profit and net profit for the years 1979 through 1983 are stated below. Gross profit is the difference between total income and expense against income; net profit is equal to gross profit minus JMI's depreciation deduction. In certain instances, JMI's internal, unaudited profit and loss statement does not agree with its audited tax return. Where this occurred, the audited tax figures were used to prepare JMI's response. Form 1040, lines 2, 13, 14, 16, 17, 18, 19, 26 and 31 set forth each year's expenses and may be subtracted from line 1 to determine gross profit. (Copies of JMI's tax returns for 1979-1982 are attached as Exhibit A hereto.) Both the gross and net profit figures have been reduced by the amount of tax paid in the year indicated. Profits were obviously higher before taxes were paid.

	Gross Profit	Net Profit
1979	$ 27,033.72	$ 25,951.19
1980	53,106.63	31,043.87
1981	27,793.50	16,038.30
1982	135,024.43	83,195.01
1983	312,539.65	142,752.64

b. Please state the profit made by each JMI cost center in dollars for all years available.

Response: A. 1979

In 1979 JMI had two departments: Jefferson Marketing and Campaign Committee. Because the internal, unaudited balance

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BUSINESS RECORD
MUR 1503
JMI

sheets have not been conformed to JMI's audited tax returns, these figures do not match precisely the profits reported above for JMI as a whole. JMI's pre-tax gross profits for each division (i.e., total revenues minus (total cost of sales plus operating expenses) minus depreciation and taxes) were:

	Gross Profit (Pre-Tax)
Jefferson Marketing	$23,742.89
Campaign Committee	$ 8,378.77

B. 1980

In 1980 JMI had three divisions: Jefferson, Campaign Committee, and Management Enterprises. In JMI's internal, unaudited balance sheets, all of the federal taxes ($3,225.59) and depreciation ($12,499.45) were applied against the Jefferson Marketing Division. Because these should be viewed as charges against JMI as a whole, they have been retained in JMI's consolidated statement but subtracted from the Jefferson Division statement. Although the consolidated balance sheet has been reconciled with JMI's audited tax return, the department figures have not. Thus, these profit figures do not correspond precisely to those given above for all of JMI.

	Gross Profit (Pre-Tax)
Jefferson Marketing	$24,348.92
Campaign Committee	$25,462.54
Management Enterprises	$ 4,603.30

C. 1981

The consolidated financial statement for 1981, which is the basis for JMI's response to Item 11.a, has been conformed to

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

JMI's audited tax return. The statements for the individual divisions, however, have not been corrected and reflect higher profits than the consolidated profit figure. JMI's 1981 gross profit (loss) figures by division are:

	Gross Profit (Loss)
Business Division	$11,386.04
Club Division	9,219.22
1981 Management Enterprises	(711.89)
1981 Campaign Committee	$12,956.98
1981 Foundation Division	(103.81)
1981 Coalition Division	(101.67)
1981 Political Division	(101.75)

These last three divisions were created in 1981 and generated no income.

D. 1982

In 1982 JMI was organized into five divisions: Club, Coalition, Political, Foundation, and Management Enterprises. In JMI's unaudited financial statements, which were prepared for internal use, the Club Division functioned as a general division, and many expense items were arbitrarily applied against the Club Division that did not relate solely to that division's cost of sales. These expenses include depreciation ($51,829.42) and the cost of furniture ($56,917.85) and have been subtracted from the Club Division's expenses to derive the division's true cost of sales. These amounts have been retained in the consolidated profit figures shown above, but not charged against all of the divisions on any basis, pro rata or otherwise.

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MUR 1503
JMI

In addition, $58,190.82 in payables have been subtracted from the Club Division's cost of sales, $25,000 of which was incorrectly listed for the Club Division and should have been shown as a Coalition Division payable. These represent expense items that JMI would pay, and for which JMI would be reimbursed, but which JMI had not paid by year-end, had not billed, and had not accrued a corresponding receivable. As with depreciation, these expense items do not affect the Club Division's cost of sales. There were no similar unbilled payables for the other divisions. The gross profit figures for the divisions are:

Club Division	$91,064.15
Coalition Division	66,482.20
Political Division	87,755.55
Foundation Division	70.51
Management Enterprise	4,755.55

E. 1983

JMI changed its bookkeeping procedures in 1983 and eliminated the division structure that had been used in 1981 and 1982. (At the same time, JMI changed its billing basis for all clients -- including NCC -- to a per project-cost basis.) Accordingly, there are no profit figures for divisions in 1983.

c. Please state the profit margin for JMI as [a] percentage above the total cost of doing business for all years available.

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

Response:

	Gross	Net
1979	13.8%	13.3%
1980	4.9	2.9
1981	3.6	2.1
1982	19.9	12.3
1983	19.7	9.0

These figures are based on a cost of doing business that excludes depreciation, which has tax significance only.

d. Please state the profit margin as a percentage above the total cost of doing business for each JMI cost center for all years available.

Response:

A. 1979

	Gross Profit
Jefferson	23.9%
Management Enterprises	9.2

B. 1980

	Gross Profit
Jefferson	11.9%
Campaign Committee	2.9
Management Enterprises	46.0

C. 1981

	Gross Profit
Business Division	5.7%
Club Division	5.1
Management Enterprises	($711.89)
Campaign Committee	3.5

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

	Gross Profit
Foundation Division	($103.81)
Coalition Division	($101.67)
Political Division	($101.75)

D. 1982

Club Division	17.7%
Coalition Division	317
Political Division	356
Foundation Division	187
Management Enterprises	141

The profit margins for the divisions other than the Club Division are exceedingly high. This is the result of JMI's 1982 practice of aggregating all overhead items in the Club Division for payment each month by NCC. The remaining expense items in the other divisions are reimbursable payables incurred in connection with non-NCC work.

E. 1983

N/A. See JMI's response to Item 11.b.

e. Please describe the method used (including all mathematical assumptions) to compute parts a. through d.

Response: In the interests of simplicity and clarity, JMI has described the method of calculation in its response to Items 11.a-d.

Item 12. According to the deposition testimony of Mr. Davidson on September 12, 1983, at pages 71-73 of the unsigned transcript, Mr. Davidson performed cost accounting calculations for the year 1982.

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a. Please state whether any record of these calculations has been preserved by JMI. If the answer to this question is no, please state how JMI establishes rates sufficient to achieve a profit on the services that it renders to its clients without records of such cost accounting calculations.

b. If the answer to this question is yes, please state with regard to 1982:

1) for each JMI cost center, the cost elements used to prepare the budget for that center;

2) for each JMI cost center, an explanation of how the rate of charges is calculated to cover the cost elements identified in part 1) and achieve a profit for that center;

3) for each JMI cost center, the target profit goal (as a percentage above the cost of doing business); and

4) for each JMI cost center, an estimate of the success of that center in achieving a profit.

Response: Mr. Davidson's "cost accounting calculations" are not as detailed as this question supposes. The calculations have been preserved and are attached as Exhibit F hereto.

II. MISCELLANEOUS REQUESTS FOR DOCUMENTS AND REQUESTS FOR ADDITIONAL INFORMATION

During the depositions of Kathie Hardison Waldrop and R. E. Carter Wrenn, September 12 and 14, 1983, counsel for the Federal Election Commission asked for a number of documents and for certain additional information. Since then, the Commission has withdrawn two of its requests. The remaining requests are summarized in Exhibit J to the Commission's Petition for Order to Show Cause (filed February 16, 1984) in Civil Action No. 84-29 Misc. 5 (E.D.N.C.). With respect to the outstanding requests to which it is able to respond, JMI responds as follows:

Item 1. JMI's chart of accounts is attached as Exhibit B hereto.

9504027552

contracts, agreements or understandings be
NCC other than those documents and materia
been produced to the Federal Election Comm

* * *

Under penalty of perjury, I decl
response is accurate and true to the best
belief.

Doug
DOUGL

4/10/84
Date

Sworn and subscribed to before me
this 10th day of April 1984.

Lois S. Imbert
NOTARY PUBLIC

My Commission Expires December 14, 1984

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Item 2. JMI's advertising escrow account records for the Gibson Committee are attached as Exhibit C hereto.

Item 3. Pages AR9-1, AR9-2, and AR12-2 from JMI's 1982 accounts receivable journal are attached as Exhibit D hereto.

III. SUBPOENA TO PRODUCE DOCUMENTS AND ORDER TO SUBMIT WRITTEN ANSWERS (June 2, 1983)

Item 2. JMI's statements of assets and liabilities for 1979 through 1983 are attached as Exhibit E hereto. These are internal documents that have not been audited. In certain instances, the figures shown in the statements do not agree with JMI's audited tax returns (attached as Exhibit A hereto), and in these cases the tax return figures prevail. JMI did not go back in every instance and conform its statements of assets and liabilities to its tax returns, principally because the statements were for internal use only and were usually four months old -- or as much as one year old -- when the discrepancy came to light. In addition, Jefferson's 1980 consolidated balance sheet cannot be reconciled with the balance sheets for its three departments (Jefferson Marketing, Campaign Committee, and Management Enterprises). Therefore, in addition to a consolidated balance sheet for 1980, JMI is producing the balance sheets for the three departments.

Item 6. JMI has reviewed its files and has found no documents or materials which relate, refer or pertain to any

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TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

Form 1120 — Department of the Treasury, Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1979 or other taxable year beginning ..... 1979, ending ..... 19.....

1979

Check if a— A Consolidated return ☐ B Personal Holding Co. ☐

C Business Code No. (See Page 8 of Instructions): 7389

Use IRS label. Otherwise please print or type.

Name: Jefferson Marketing, Inc.

Number and street: P. O. Box 18746

City or town, State, and ZIP code: Raleigh, N. C. 27619

COPY FOR YOUR FILE

D Employer Identification number (see instruction W): 56-1221396

E Date incorporated: 12/19/78

F Enter total assets (see instruction X): $ 68,878.34

Gross Income	1 (a) Gross receipts or sales $ 222,333.11 (b) Less returns and allowances $ ____ Balance ▶	1(c)	222 333 11
	2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	2	23 591 95
	3 Gross profit	3	198 741 16
	4 Dividends (Schedule C)	4	
	5 Interest on obligations of the United States and U.S. instrumentalities	5	
	6 Other interest	6	
	7 Gross rents	7	
	8 Gross royalties	8	
	9 (a) Capital gain net income (attach separate Schedule D)	9(a)	
	(b) Net gain or (loss) from Form 4797, line 11, Part II (attach Form 4797)	9(b)	
	10 Other income (see instructions—attach schedule)	10	
	11 TOTAL income—Add lines 3 through 10	11	198 741 16
Deductions	12 Compensation of officers (Schedule E)	12	
	13 (a) Salaries and wages ____ 13(b) Less WIN and jobs credit(s) ____ Balance ▶	13(c)	97 338 39
	14 Repairs (see instructions)	14	468 00
	15 Bad debts (Schedule F if reserve method is used)	15	
	16 Rents	16	9 383 75
	17 Taxes	17	8 714 22
	18 Interest	18	312 18
	19 Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)	19	1 029 03
	20 Amortization (attach schedule)	20	
	21 Depreciation from Form 4562 (attach Form 4562) 1,082.53 less depreciation claimed in Schedule A and elsewhere on return ____ Balance ▶	21	1 082 53
	22 Depletion	22	
	23 Advertising	23	
	24 Pension, profit-sharing, etc. plans (see instructions) (enter number of plans ▶ ____)	24	
	25 Employee benefit programs (see instructions)	25	
	26 Other deductions (attach schedule)	26	51 236 28
	27 TOTAL deductions—Add lines 12 through 26	27	169 564 38
	28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)	28	29 176 78
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a) ____ (b) Special deductions (Schedule I) 29(b) ____	29	
	30 Taxable income (subtract line 29 from line 28)	30	29 176 78
Tax	31 TOTAL TAX (Schedule J)	31	3 225 59
	32 Credits: (a) Overpayment from 1978 allowed as a credit ____ (b) 1979 estimated tax payments ____ (c) Less refund of 1979 estimated tax applied for on Form 4466 ( ) (d) Tax deposited: Form 7004 ____ Form 7005 (attach) ____ Total ▶ 1 625 00 (e) Credit from regulated investment companies (attach Form 2439) ____ (f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T) ____	32	1 625 00
	33 TAX DUE (subtract line 32 from line 31). See instruction G for depositary method of payment. (Check ▶ ☐ if Form 2220 is attached. See page 3 of instructions.) ▶ $ ____	33	1 600 59
	34 OVERPAYMENT (subtract line 31 from line 32)	34	
	35 Enter amount of line 34 you want: Credited to 1980 estimated tax ▶ ____ Refunded ▶	35	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ____ Date ____ Title ____

Paid Preparer's Information

Preparer's signature and date: ERNST & WHINNEY P. Ann Budelmeyer 332 4/13/80

Check if self-employed ▶ ☐

Preparer's social security no. 237 | 86 | 8683

Firm's name (or yours if self-employed) ▶ [illegible] 56-0565595

E.I. No. ▶

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TRADE SECRET
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Schedule A Cost of Goods Sold (See Instructions for Schedule A)

1	Inventory at beginning of year	
2	Merchandise bought for manufacture or sale	
3	Salaries and wages	
4	Other costs (attach schedule)	
5	Total	
6	Less: Inventory at end of year	
7	Cost of goods sold—Enter here and on line 2, page 1	

8 (a) Check all methods used for valuing closing inventory: (i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4 (see instructions) (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)

(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No
If "Yes," specify method used and attach explanation ▶

(c) Check if this is the first year LIFO inventory method was adopted and used. (If checked, attach Form 970.) ☐

(d) If the LIFO inventory method was used for this taxable year, enter percentage (or amounts) of closing inventory computed under LIFO

(e) Is the corporation engaged in manufacturing activities? ☐ Yes ☐ No
If "Yes," are inventories valued under Regulations section 1.471-11 (full absorption accounting method)? ☐ Yes ☐ No

(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach explanation.

Schedule C Dividends (See instruction 4)

1	Domestic corporations subject to 85% deduction	
2	Certain preferred stock of public utilities	
3	Foreign corporations subject to 85% deduction	
4	Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5	Other dividends from foreign corporations	
6	Includible income from controlled foreign corporations under subpart F (attach Forms 3646)	
7	Foreign dividend gross-up (section 78)	
8	Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3))	
9	Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d))	
10	Other dividends	
11	Total—Enter here and on line 4, page 1	

Schedule E Compensation of Officers (See instruction 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned 4. Common	5. Preferred	6. Amount of compensation	7. Expense account allowances
Richard W. Miller	[redacted]	100%			1,750.00	
Elisabeth W. Smith		100%			1,543.50	

Total compensation of officers—Enter here and on line 12, page 1

Schedule F Bad Debts—Reserve Method (See Instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1974						
1975						
1976						
1977						
1978						
1979						

Schedule I Special Deductions (See instructions for Schedule I)

1	(a) 85% of Schedule C, line 1	
	(b) 59.13% of Schedule C, line 2	
	(c) 85% of Schedule C, line 3	
	(d) 100% of Schedule C, line 4	
2	Total—See instructions for limitation	
3	100% of Schedule C, line 8	
4	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)	
5	Deduction for Western Hemisphere trade corporations (see instructions)	

8 5 0 4 0 5 0 2 7 5 5

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Schedule J Tax Computation

1 Taxable income (line 30, page 1)	JJ1	29 176 76
2 (a) Are you a member of a controlled group? ☐ Yes ☒ No		
(b) If "Yes," see instructions and enter your portion of the $25,000 amount in each taxable income bracket: (i) $ (ii) $ (iii) $ (iv) $		
3 Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D ☐		5 085 36
4 (a) Foreign tax credit (attach Form 1118)		
(b) Investment credit (attach Form 3468)	1 859 77	
(c) Work Incentive (WIN) credit (attach Form 4874)		
(d) Jobs credit (attach Form 5884)		
5 Total of lines 4(a), (b), (c), and (d)		1 859 77
6 Subtract line 5 from line 3		3 225 59
7 Personal holding company tax (attach Schedule PH (Form 1120))		
8 Tax from recomputing prior-year investment credit (attach Form 4255)		
9 Tax from recomputing prior-year WIN credit (attach computation)		
10 Minimum tax on tax preference items (see instructions—attach Form 4626)		
11 Total tax—Add lines 6 through 10. Enter here and on line 31, page 1		3 225 59

Schedule K Record of Federal Tax Deposit Forms 503

(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount	Date of deposit	Amount
3/15/80	1 625 00				

	Yes	No
G (1) Did you claim a deduction for expenses connected with:		
(a) Entertainment facility (boat, resort, ranch, etc.)?		X
(b) Living accommodations (except employees on business)?		X
(c) Employees attending conventions or meetings outside the U.S. or its possessions?		X
(d) Employee's families at conventions or meetings?		X
If "Yes," were any of these conventions or meetings outside the United States or its possessions?	N/A	
(e) Employee or family vacations not reported on Form W-2?		X
(2) Enter total amount claimed on Form 1120 for entertainment, entertainment facilities, gifts, travel, and conventions of the type for which substantiation is required under section 274(d). (See instruction Y.) ▶ 5,351.80		
H (1) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		X
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the taxable year ending with or within your taxable year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.		
(2) Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e)		X
(a) Attach a schedule showing name, address, and identifying number; (b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instruction S.)	N/A	
If "Yes," enter owner's country ▶		
(d) Enter highest amount owed by you to such owner during the year ▶		
(e) Enter highest amount owed to you by such owner during the year ▶		

	Yes	No
I Did you ever declare a stock dividend?		X
J Taxable income or (loss) from Form 1120, line 28, page 1, for your taxable year beginning in: 1978 N/A, 1977 N/A, 1978 N/A		
K If you were a member of a controlled group subject to the provisions of section 1561, check the type of relationship: (1) ☐ parent-subsidiary (2) ☐ brother-sister (3) ☐ combination of (1) and (2) (See section 1563.)		
L Refer to page 8 of instructions and state the principal: Business activity Marketing; Product or service Marketing lists		
M Did you file all required Forms 1087, 1096 and 1099?	X	
N Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation		X
O At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instruction V)?		X
P Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it?		X
If "Yes" you may have to file Forms 3520, 3520-A or 926.		
Q During this taxable year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
R During this tax year was any part of your tax accounting records maintained on a computerized system?	X	
S (1) Did you elect to claim amortization (under section 191) or depreciation (under section 167(o)) for a rehabilitated certified historic structure (see instructions for line 20)?		X
(2) Amortizable basis (see instructions for line 20):		

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Schedule B Balance Sheets

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1 Cash				(9 778 46)
2 Trade notes and accounts receivable			59 085 50	
(a) Less allowance for bad debts				59 085 50
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets			19 448 72	
(a) Less accumulated depreciation			1 082 53	18 366 19
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule) Prepaids				1 205 11
14 Total assets				68 878 34
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable				29 694 39
16 Mtges., notes, bonds payable in less than 1 yr.				
17 Other current liabilities (attach schedule)				13 144 82
18 Loans from stockholders				
19 Mtges., notes, bonds payable in 1 yr. or more				
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock				100 00
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated				25 939 13
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity				68 878 34

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1 Net income per books	25 939 13	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	3 200 00	(a) Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize)			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
(a) Depreciation $		(a) Depreciation $	
(b) Depletion $		(b) Depletion $	
Excess of state tax provision over actual	37 65		
6 Total of lines 1 through 5	29 176 78	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	29 176 78

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1 Balance at beginning of year	-0-	5 Distributions: (a) Cash	
2 Net income per books	25 939 13	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	

TRADE SECRET OR BUSINESS RECORD
JMI

Form 3468 — Computation of Investment Credit — 1979

Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return.

22

Name: Jefferson Marketing, Inc.

Identifying number as shown on page 1 of your tax return: 56-1221396

Check the applicable box(es) below to elect the provisions of the specified code section(s):

A The corporation elects the basic or basic and matching ESOP percentage under section 48(n)(1) . . . . . ☐

B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(5) . . . . . ☐

C I elect to increase my qualified investment under section 46(d) by all qualified progress expenditures made in the tax year and all subsequent years . . . . . ☐

1 Use the format below to list your qualified investment in new or used property acquired or constructed and placed in service during the tax year. Also list (a) qualified progress expenditures made during the tax year and certain prior tax years and (b) qualified rehabilitation expenditures for the year. See the instructions for line 1(a) through 1(j).

If you are claiming 100% investment credit on certain ships, check this block ▶ ☐. See instruction K for details.

Note: *Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.*

Type of property		Line	(1) Life years	(2) Cost or basis (See instruction C)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property		(a)	3 or more but less than 5	155 42	33⅓	51 81
		(b)	5 or more but less than 7	2 242 24	66⅔	1 494 83
		(c)	7 or more		100	
Commuter highway vehicle		(d)	3 or more		100	
Qualified progress expenditures	1974 through 1978	(e)	7 or more		20	
	1979	(f)	7 or more		100	
Used property (See instructions for dollar limits)		(g)	3 or more but less than 5		33⅓	
		(h)	5 or more but less than 7		66⅔	
		(i)	7 or more	17 051 06	100	17 051 06
Commuter highway vehicle		(j)	3 or more		100	

2 Qualified investment—Add lines 1(a) through (j) (see instruction M for special limits)	18 597 70
3 10% of line 2	1 859 77
4 7% (4% for public utility property) of certain property (see instruction Q)	
5 Corporations electing the basic or basic and matching ESOP percentage for contributions to ESOPs—Check election box A above (see instruction I and instruction for line 5)	
(a) Basic 1% credit—Enter 1% of line 2	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 2 (attach schedule)	
6 Patron's regular investment credit—Enter credit allocated from cooperative	
7 Total—Add lines 3 through 6	1 859 77
8 Carryover of unused credit(s)	
9 Carryback of unused credit(s)	
10 Tentative regular investment credit—Add lines 7, 8, and 9	1 859 77

Tax Liability Limitations

11 (a) Individuals—Enter amount from Form 1040, line 37, page 2		
(b) Estates and trusts—Enter amount from Form 1041, line 27, page 1		5 085 36
(c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3 . . .		
12 (a) Credit for the elderly (individuals only)		
(b) Foreign tax credit		
(c) Tax on lump-sum distribution from Form 4972 or Form 5544		
(d) Possessions corporation tax credit (corporations only)		
(e) Section 72(m)(5) penalty tax (individuals only)		
13 Total—Add lines 12(a) through (e)		
14 Subtract line 13 from line 11		5 085 36
15 (a) Enter smaller of line 14 or $25,000. See instruction M for special limits. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 15)		5 085 36
(b) If line 14 is more than line 15(a) and you are a 1979 calendar year taxpayer, enter 60% of the excess (if your tax year ends in 1980, enter 70% of the excess). (Public utilities, railroads, and airlines, see instruction J.)		
[illegible] limitation—Add lines 15(a) and (b)		5 085 36

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TRADE SECRET OR
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MAR 1983
JMT

17 Allowed regular investment credit—Enter smaller of line 10 or line 16. Note: If line 10 exceeds line 16, the excess is an unused regular investment credit. See Instruction F.	1 859 77
18 Nonrefundable business energy investment credit limitation—Subtract line 17 from line 14	3 225 59
19 Enter nonrefundable business energy investment credit from line 8 of Schedule B (Form 3468)	
20 Allowed nonrefundable business energy investment credit—Enter smaller of line 18 or line 19. Note: If line 19 exceeds line 18, the excess is an unused nonrefundable business energy investment credit. See Instruction F.	-0-
21 Total allowed regular investment credit and nonrefundable business energy investment credit—Add lines 17 and 20. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the appropriate line on other returns	1 859 77

Schedule A If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.

	Name (Partnership, estate, trust, etc.)	Address	Property: Progress expenditures	Property: New	Property: Used	Life years
5			$	$	$	
6						
7						
8						
9						
10						
11						

(If property is disposed of prior to the life years used in figuring the investment credit, see instruction E.)

☆ U.S. GOVERNMENT PRINTING OFFICE : 1979—O-283-346 13-2467299

[¶ 1305]

Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation

▶ See instructions.
▶ Attach this form to your return.

TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

3231-11

1979

Name(s) as shown on return: **Jefferson Marketing, Inc.**

Identifying number: **56-1224396**

Use this form as an attachment to an individual, partnership, fiduciary, or corporation return.

a. Description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) ▶						
2 Depreciation from Form 4832						
3 Other depreciation:						
Buildings						
Furniture and fixtures	6-79	155 42	-	SL	3	30 22
Transportation equipment						
Machinery and other equipment	Various	19 293 30	-	SL	Var.	1 052 31
Other (Specify)						
4 Totals (add amounts in columns c and g)		19 448 72				1 082 53

TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

Individual and partnership filers should include totals from line 4 on the corresponding lines of their regular depreciation schedule. Form 1120 or any of the Form 1120 series (Form 1120S, 1120F, etc.) and Form 1041 filers should attach Form 4562 to their return and enter total of line 4, column g, on appropriate depreciation expense line in "Deductions" section of return.

Instructions

(Section references are to the Internal Revenue Code unless otherwise specified.)

Note: *Information on Class Life Asset Depreciation Range (CLADR) System and the limitation of straight line depreciation method for certain boilers fueled by oil or gas is contained in Publication 534, Depreciation.*

Purpose of Form.—This form is for use by individuals, estates, trusts, partnerships, and corporations to report depreciation expense claimed on their return.

Reasonable Allowance.—You may deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or held to produce income. You may not take the allowance for stock in trade, inventories, land, personal assets or any property (including the allocable basis of any property) acquired with certain cost sharing payments described in section 126. To figure the allowance, write off the cost or other basis to be recovered over the expected useful life of the property.

Depreciation begins when the asset is placed in service and ends when it is retired from service. To figure the depreciation basis for personal property other than livestock, you do not have to take into account salvage value that is less than 10% of its cost or other basis. If the salvage value is more than 10%, take only the amount over 10% into account. These rules apply to property with a useful life of 3 or more years.

Depreciation Methods.—The methods of depreciation under section 167(b) are the following:

Straight Line Method.—To figure the depreciation on property for each year, divide its cost or other basis by its remaining useful life. Adjust its cost or other basis by

(Continued on back)

JEFFERSON MARKETING, INC.

12/31/79

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

Page 1, Line 2, Cost of Operations:

Mailing services		$ 953.23
Postage		1,198.55
Printing		3,131.49
Computer		7,450.26
Production -	personalization	8,246.56
	inserter	175.00
	labeling	30.00
	mailroom	52.50
List rental		2,354.36
TOTAL		$ 23,591.95

Page 1, Line 17, Taxes:

Payroll taxes	6,829.94
State income taxes	1,862.35
Misc. taxes	21.93
TOTAL	$ 8,714.22

Page 1, Line 26, Other Deductions:

Auto leasing	697.74
Bookkeeping	9,359.93
Dues and subscriptions	380.74
Insurance	2,165.45
Legal	285.25
Office	33.54
Postage	438.29
Supplies	3,070.03
Telephone	2,372.35
Travel and entertainment	5,351.80
Publications	142.09
Consulting	21,407.46
Shipping	164.64
Workshop and seminar	17.50
Computer services	5,075.81
Equipment supplies	50.75
Printing	152.91
Photography	70.00
TOTAL	$ 51,236.28

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JEFFERSON MARKETING, INC.

12/31/79

TRADE SECRET OR
BUSINESS RECORD
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JMI

Page 4, Line 17, Other Current Liabilities:

Payroll taxes withheld and accrued	$ 6,406.49
Postage escrow - clients	1,387.15
Insurance withheld	251.18
Federal income tax payable	3,200.00
N. C. income tax payable	1,900.00
TOTAL	$ 13,144.82

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COPY FOR YOUR 1980

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1980 or other tax year beginning ____, 1980, ending ____, 19__

Check if a—
A. Consolidated return ☐
B. Personal Holding Co. ☐
C. Business Code No. (See page 6 of instructions) 7389

Use IRS label. Otherwise please print or type.

Name: Jefferson Marketing, Inc.
Number and street: P. O. Box 18746
City or town, State, and ZIP code: Raleigh, NC 27619

TRADE SECRET OR BUSINESS RECORD MUR 1503

D Employer identification number (Employer Identification Number if assigned): 56-1221396
E. Date incorporated: 12-19-78
F. Total assets (see specific instructions): $ 204 995 38

Gross Income	1 (a) Gross receipts or sales $1 139 616 59 Less returns and allowances $ ____ Balance ▶		1(c)	1 139 616 59
	2 Cost of goods sold (Schedule A) and/or operations (attach schedule)		2	918 389 37
	3 Gross profit (subtract line 2 from line 1(c))		3	221 227 22
	4 Dividends (Schedule C)		4	
	5 Interest on obligations of the United States and U.S. instrumentalities		5	
	6 Other interest		6	
	7 Gross rents		7	
	8 Gross royalties		8	
	9 (a) Capital gain net income (attach separate Schedule D)		9(a)	
	(b) Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)		9(b)	
	10 Other income (see instructions—attach schedule)		10	
	11 TOTAL income—Add lines 3 through 10		11	221 227 22
Deductions	12 Compensation of officers (Schedule E)		12	27 174 00
	13 (a) Salaries and wages 26 002 49 13(b) Less WIN and jobs credit(s) ____ Balance ▶		13(c)	26 002 49
	14 Repairs (see instructions)		14	198 73
	15 Bad debts (Schedule F if reserve method is used)		15	
	16 Rents		16	27 692 54
	17 Taxes See Schedule 2		17	8 846 87
	18 Interest		18	521 55
	19 Contributions (not over 5% of line 30 adjusted per instructions—attach schedule)		19	
	20 Amortization (attach schedule)		20	
	21 Depreciation from Form 4562 (attach Form 4562) 22 610 86 less depreciation claimed in Schedule A and elsewhere on return 548 10 Balance ▶		21	22 062 76
	22 Depletion		22	
	23 Advertising		23	12 75
	24 Pension, profit-sharing, etc. plans (see instructions)		24	
	25 Employee benefit programs (see instructions)		25	
	26 Other deductions (attach schedule) See Schedule 3		26	75 333 33
	27 TOTAL deductions—Add lines 12 through 26		27	187 845 02
	28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)		28	33 382 20
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a) ____		29	
	(b) Special deductions (Schedule I) 29(b) ____			
	30 Taxable income (subtract line 29 from line 28)		30	33 382 20
Tax	31 TOTAL TAX (Schedule J)		31	2 338 33
	32 Credits: (a) Overpayment from 1979 allowed as a credit ____			
	(b) 1980 estimated tax payments 3 228 00			
	(c) Less refund of 1980 estimated tax applied for on Form 4466 ( )	3 228 00		
	(d) Tax deposited: Form 7004 ____ Form 7005 (attach) ____ Total ▶			
	(e) Credit from regulated investment companies (attach Form 2439)			
	(f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T)		32	3 228 00
	33 TAX DUE (subtract line 32 from line 31). See instruction C3 for depositary method of payment. (Check ▶ ☐ if Form 2220 is attached. See instruction D.) ▶ $ ____		33	
	34 OVERPAYMENT (subtract line 31 from line 32)		34	889 67
	35 Enter amount of line 34 you want: Credited to 1981 estimated tax ▶ 889 67 Refunded ▶		35	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer ____ Date ____ ▶ Title ____

Paid Preparer's Use Only

Preparer's signature and date ▶ P. Ann Buddenbaum 3/13/80 Check if self-employed ▶ ☐ Preparer's social security no. 237 56 8183

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Form 1120 (1980)

Schedule A Cost of Goods Sold (See Instructions for Schedule A)

1	Inventory at beginning of year	
2	Merchandise bought for manufacture or sale	
3	Salaries and wages	
4	Other costs (attach schedule) — See Schedule 1	918 389
5	Total—Add lines 1 through 4	918 389
6	Inventory at end of year	
7	Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, page 1	918 389

8 (a) Check all methods used for valuing closing inventory: (i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4 (see instructions) (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)

(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No
If "Yes," specify method used and attach explanation ▶

(c) Check if this is the first year LIFO inventory method was adopted and used. (If checked, attach Form 970.) ☐

(d) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

(e) Is the corporation engaged in manufacturing activities? ☐ Yes ☐ No
If "Yes," are inventories valued under Regulations section 1.471-11 (full absorption accounting method)? ☐ Yes ☐ No

(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach explanation.

Schedule C Dividends (See instructions for Schedule C)

1	Domestic corporations subject to 85% deduction	
2	Certain preferred stock of public utilities	
3	Foreign corporations subject to 85% deduction	
4	Dividends from wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5	Other dividends from foreign corporations	
6	Includible income from controlled foreign corporations under subpart F (attach Forms 3646)	
7	Foreign dividend gross-up (section 78)	
8	Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3))	
9	Taxable dividends from a DISC or former DISC not included in line 1 (section 246(d))	
10	Other dividends	
11	Total dividends—Add lines 1 through 10. Enter here and on line 4, page 1	

Schedule E Compensation of Officers (See instruction for line 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned: 4. Common	4. Preferred	5. Amount of compensation	6. Expense account allowances
Richard Miller	[redacted]	100%			21 000 00	
Elizabeth Smith		100%			6 174 00	
Total compensation of officers—Enter here and on line 12, page 1					27 174 00	

Schedule F Bad Debts—Reserve Method (See instruction for line 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1975						
1976						
1977						
1978						
1979						
1980						

Schedule C Special Deductions (See instructions for Schedule I)

1	(a) 85% of Schedule C, line 1	
	(b) 59.13% of Schedule C, line 2	
	(c) 85% of Schedule C, line 3	
	(d) 100% of Schedule C, line 4	
2	Total—Add lines 1(a) through 1(d). See instructions for limitation	
3	100% of Schedule C, line 8	
4	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)	
5	Total special deductions—Add lines 2 through 4. Enter here and on line 29(b), page 1	

T DE SECRET OR BUSINESS RECORD

Schedule J Tax Computation (See instructions for Schedule J on pages 6 and 7)

1	Taxable income (line 30, page 1)	32 382 20
2 (a)	Are you a member of a controlled group? ☐ Yes ☒ No	
(b)	If "Yes," see instructions and enter your portion of the $25,000 amount in each taxable income bracket: (i) $ (ii) $ (iii) $ (iv) $	
3	Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D ▶ ☐	5 926 44
4 (a)	Foreign tax credit (attach Form 1118)	
(b)	Investment credit (attach Form 3468)	3 588 11
(c)	Work incentive (WIN) credit (attach Form 4874)	
(d)	Jobs credit (attach Form 5884)	
5	Total—Add lines 4(a) through 4(d)	3 588 11
6	Subtract line 5 from line 3	2 338 33
7	Personal holding company tax (attach Schedule PH (Form 1120))	
8	Tax from recomputing prior-year investment credit (attach Form 4255)	
9	Minimum tax on tax preference items (see instructions—attach Form 4626)	
10	Total tax—Add lines 6 through 9. Enter here and on line 31, page 1	2 338 33

Schedule K Record of Federal Tax Deposit Forms 503

(List deposits in order of date made—See instruction G)

Date of deposit	Amount	Date of deposit	Amount

Date of deposit	Amount
6/30/80	3 228 00

Additional Information (See page 7 of instructions)

	Yes	No
G (1) Did you claim a deduction for expenses connected with:		
(a) Entertainment facility (boat, resort, ranch, etc.)?		X
(b) Living accommodations (except employees on business)?		X
(c) Employees attending conventions or meetings outside the U.S. or its possessions?		X
(d) Employees' families at conventions or meetings?		X
If "Yes," were any of these conventions or meetings outside the United States or its possessions?	N/A	
(e) Employee or family vacations not reported on Form W-2?		X
(2) Enter total amount claimed on Form 1120 for entertainment, entertainment facilities, gifts, travel, and conventions that requires substantiation under section 274(d). (See instructions.) ▶ $4,542.32		
H (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		X
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the tax year ending with or within your tax year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.		
(2) Did any individual, partnership, corporation, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e)		X
(a) Attach a schedule showing name, address, and identifying number; (b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions.)	N/A	
If "Yes," enter owner's country ▶		
(d) Enter highest amount owed by you to such owner during the year ▶		
(e) Enter highest amount owed to you by such owner during the year ▶		
(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts payable (receivable).)		
I Did you ever declare a stock dividend?		X
J Taxable income or (loss) from Form 1120, line 28, page 1, for your tax year beginning in: 1977 N/A		
1978 N/A 1979 29 176 78		
K If you were a member of a controlled group subject to the provisions of section 1561, check the type of relationship: (1) ☐ parent-subsidiary (2) ☐ brother-sister (3) ☐ combination of (1) and (2) (See section 1563.)		
L Refer to page 8 of instructions and state the principal: Business activity Marketing Product or service Marketing lists		
M Did you file all required Forms 1087, 1096, and 1099?	X	
N Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 1646 for each such corporation		X
O At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		X
P Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it?		X
If "Yes," you may have to file Forms 3520, 3520-A or 926.		
Q During this tax year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316.)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
R During this tax year was any part of your tax accounting records maintained on a computerized system?		X
S (1) Did you elect to claim amortization (under section 191) or depreciation (under section 167(o)) for a rehabilitated certified historic structure (see instructions for line 20)?		X
(2) Amortizable basis (see instructions for line 20):		

Form 1120 (1990)

TRADE SECRET OR BUSINESS RECORD

Page 4

Schedule L Balance Sheets

ASSETS	Beginning of tax year (A)	Beginning of tax year (B)	End of tax year (C)	End of tax year (D)
1 Cash		(9 778 46)		25 939 31
2 Trade notes and accounts receivable	59 085 50		106 682 99	
(a) Less allowance for bad debts		59 085 50		106 682 99
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule) Schedul		1 205 11		22 047 62
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets	19 448 72		74 018 85	
(a) Less accumulated depreciation	1 082 53	18 366 19	23 693 39	50 325 46
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		68 878 34		204 995 38
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable		29 694 39		64 108 88
16 Mtges., notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule) Sched		13 144 82		30 843 50
18 Loans from stockholders				
19 Mtges., notes, bonds payable in 1 year or more				52 947 92
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	100 00	100 00	100 00	100 00
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		25 939 13		56 995 06
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		68 878 34		204 995 38

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1 Net income per books	31 055 93	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	2 338 33	(a) Tax-exempt interest $	
3 Excess of capital losses over capital gains		See Schedule 6	12 00
4 Income subject to tax not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
		(a) Depreciation $	
5 Expenses recorded on books this year not deducted in this return (itemize)		(b) Contributions carryover $	
(a) Depreciation $		9 Total of lines 7 and 8	12 00
(b) Contributions carryover $		10 Income (line 28, page 1)—line 6 less 9	33 382 28
6 Total of lines 1 through 5	33 394 26		

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1 Balance at beginning of year	25 939 13	5 Distributions: (a) Cash	
2 Net income per books	31 055 93	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	

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TRADE SECRET OR BUSINESS REG
LOR 1503

Form **3468** — **Computation of Investment Credit** — **1980**

Department of the Treasury — Internal Revenue Service — ▷ Attach to your tax return.

Name: Jefferson Marketing, Inc.

Identifying number as shown on page 1 of your tax return:

Check the box(es) below that apply to you:

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . . ☐

B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . . . . ☐

C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years . . . ☐

D I claim full credit on certain ships under section 46(g)(3). (See the General Instructions for details.) . . . . . ☐

1 Use the format below to list your qualified investment in new or used property acquired or constructed and placed in service during the tax year. Also list qualified progress expenditures made during the tax year and qualified rehabilitation expenditures for the year. See the instructions for lines 1(a) through 1(j).

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property	(a)	3 or more but less than 5	1 497 00	33⅓	499 00
	(b)	5 or more but less than 7	53 073 13	66⅔	35 382 09
	(c)	7 or more		100	
New commuter highway vehicle	(d)	3 or more		100	
Qualified progress expenditures	(e)	7 or more		100	
Used property (See instructions for dollar limits)	(f)	3 or more but less than 5		33⅓	
	(g)	5 or more but less than 7		66⅔	
	(h)	7 or more		100	
Used commuter highway vehicle	(i)	3 or more		100	

2 Qualified investment—Add lines 1(a) through (i) (see General Instructions for special limits)	35 881 09
3 10% of line 2 (see instruction for line 3 for special limits)	3 588 11
4 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check election box A above (see instruction for line 4).	
(a) Basic 1% credit—Enter 1% of line 2	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 2 (attach schedule)	
5 Regular investment credit from cooperative	
6 Total—Add lines 3 through 5	3 588 11
7 Carryover of unused credit(s)	
8 Carryback of unused credit(s)	
9 Tentative regular investment credit—Add lines 6, 7, and 8	3 588 11

Tax Liability Limitations

10 (a) Individuals—Enter amount from Form 1040, line 37, page 2		5 926 44
(b) Estates and trusts—Enter amount from Form 1041, line 26, page 1		
(c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3		
(d) Others—Enter tax before credits from your return		
11 (a) Credit for the elderly (individuals only)		
(b) Foreign tax credit		
(c) Tax on lump-sum distribution from Form 4972 or Form 5544		
(d) Possessions corporation tax credit (corporations only)		
(e) Section 72(m)(5) penalty tax (individuals only)		
12 Total—Add lines 11(a) through (e)		
13 Subtract line 12 from line 10		5 926 44
14 (a) Enter smaller of line 13 or $25,000. See instruction for line 14		5 926 44
(b) If line 13 is more than line 14(a) and you are a 1980 calendar year taxpayer, enter 70% of the excess (if your tax year ends in 1981, enter 80% of the excess). (Railroads, and airlines see instruction for line 14.)		
15 Regular investment credit limitation—Add lines 14(a) and (b)		5 926 44
16 Allowed regular investment credit—Enter the smaller of line 9 or line 15		3 588 11
17 Business energy investment credit limitation—subtract line 16 from line 13		
18 Business energy investment credit (from line 11, Schedule B on page 2)		
19 Allowed business energy investment credit—Enter smaller of line 17 or line 18		
20 Total allowed regular and business energy investment credit—Add lines 16 and 19. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns		

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TRADE SECRET OR BUSINESS RECORD

Schedule A If any part of your investment in line 1, page 1, or Schedule B below was made by a partnership, estate, trust, small business corporation, or lessor, complete the following schedule and identify property qualifying for the regular or energy investment credit.

Name (Partnership, estate, trust, etc.)	Address	Property — Progress expenditures	Property — New	Property — Used	Property — Life years
		$	$	$	

Schedule B Business Energy Investment Credit (See Instructions for line 18.)

List your qualified investment in new energy property acquired or constructed and placed in service during the tax year. Also list qualified progress expenditures made during the tax year.

Type of Property	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
1 (a) Alternative energy property	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(b) Specially defined energy property	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(c) Recycling equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(d) Shale oil equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(e) Equipment for producing natural gas from geopressured brine	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(f) Cogeneration equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(g) Qualified intercity buses	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(h) Total 10% energy investment property (add lines 1(a) through (g))				
2 (a) Qualified hydroelectric generating equipment Nameplate KWH ▶	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(b) Total 11% energy investment property (add line 2(a))				
3 (a) Solar and wind equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(b) Ocean thermal equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(c) Geothermal equipment	3 or more but less than 5		33⅓	
	5 or more but less than 7		66⅔	
	7 or more		100	
(d) Total 15% energy investment property (add lines 3(a) through 3(c))				

4 Enter 10% of line 1(h) column (4)	
5 Enter 11% of line 2(b) column (4)	
6 Enter 15% of line 3(d) column (4)	
7 Business energy investment credit from cooperative	
8 Current year business energy investment credit—Add lines 4 through 7	
9 Carryover of unused credit(s)	
10 Carryback of unused credit(s)	
11 Tentative business energy investment credit—Add lines 8 through 10. Enter here and on line 18 on	

TRADE SECRET BUSINESS RECO ...R 1503

TRADE SECRET OR BUSINESS RECORD LUR 1503

Form **4562** — **Depreciation** — 1980

Department of the Treasury, Internal Revenue Service

▶ See instructions on back of page. ▶ Attach this form to your return.

Name(s) as shown on return: Jefferson Marketing, Inc.

Identifying number:

For grouping assets, see instructions for line 3.

a. Description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in earlier years	e. Method of figuring depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation. See instructions for limitation. ▶						
2 Class Life Asset Depreciation Range (CLADR) System depreciation from Form 4832 . .						
3 Other depreciation:						
Buildings						
Furniture and fixtures . . .	Various	646 83	30 22	Var.	3	176 67
Transportation equipment . .						
Machinery and other equipment .	Various	73 372 02	1 052 31	Var.	Var.	22 434 19
Other (Specify)						
4 a Totals (add amounts in columns c and g) .		74 018 85				22 610 86
b Total current year acquisitions (included in line 4a, column c)		54 570 13				

Individual and partnership filers enter the totals from line 4a on the corresponding lines of their regular depreciation schedul
Other filers should attach Form 4562 to their return and enter line 4a, column g, on the depreciation expense line in the "Deductions
section of their return.

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Jefferson Marketing, Inc
December 31, 1980

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

Schedule 1 - Schedule of Operations:

	Cost of Operations
Mailing fees	$ 139.20
Production fees	19,158.37
Printing fees	704.60
Computer fees	14,725.93
Campaign committee	873,664.57
Seminar	9,996.70
TOTAL	$918,389.37

Schedule 2 - Taxes:

Payroll taxes	$ 6,359.32
Accrued state income taxes	2,130.78
Property taxes	308.07
Intangibles tax	21.22
Franchise tax	27.48
TOTAL	$ 8,846.87

Schedule 3 - Other Deductions:

Bookkeeping	$ 17,556.36
Insurance	393.45
Insurance - liability	372.00
Supplies	966.25
Telephone	4,024.52
Travel & entertainment	4,542.32
Consulting fees	26,666.56
Shipping	1,522.95
Computer services	11,190.76
Equipment supplies	2,307.85
Professional fees	2,813.00
Utilities	875.50
Office expense	1,061.79
Dues & subscriptions	567.00
Postage	470.97
Miscellaneous	2.05
	$ 75,333.33

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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

Jefferson Marketing, Inc.
December 31, 1980

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

Schedule 4 - Other Current Assets:

	Beginning	Ending
Postage escrow & meters	$ 1,055.11	$ 6,210.90
Loan account		4,300.00
Deposits	150.00	225.00
Prepaid interest		11,311.72
TOTAL	$ 1,205.11	$22,047.62

Schedule 5 - Other Current Liabilities:

	Beginning	Ending
Payroll taxes	$ 6,406.49	$ 9,446.15
Postage escrow - clients	1,387.15	19,677.46
Insurance withheld	251.18	478.78
Federal & state income taxes payable	5,100.00	1,241.11
TOTAL	$13,144.82	$30,843.50

Schedule 6 - Income Recorded on Books not Deducted:

Overaccrual of 1979 taxes	$12.06

R504063027742

COPY

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1981 or other tax year beginning _____, 1981, ending _____, 19__
For Paperwork Reduction Act Notice, see page 1 of instructions.

OMB No. 1545-0123

1981

Check if a—
A. Consolidated return ☐
B. Personal Holding Co. ☐
C. Business Code No. (See page 9 of instructions)
7389

Use IRS label. Otherwise please print or type.

Name
JEFFERSON MARKETING, INC.
Number and street
P. O. BOX 18746
City or town, State, and ZIP code
RALEIGH, NC 27619

TRADE SECRET OR BUSINESS RECORD MUR 1503 JMT

D. Employer identification number
56-1221396
E. Date incorporated
12-19-78
F. Total assets (see Specific Instructions)
$ 191,768.43

Gross Income	1 (a) Gross receipts or sales $ _____ (b) Less returns and allowances $ _____ Balance ▶		1(c)	787,669	59
	2 Cost of goods sold (Schedule A) and/or operations (attach schedule)		2	672,718	41
	3 Gross profit (subtract line 2 from line 1(c))		3	114,951	18
	4 Dividends (Schedule C)		4		
	5 Interest on obligations of the United States and U.S. instrumentalities		5	TRADE SECRET OR	
	6 Other interest		6	BUSINESS RECORD	
	7 Gross rents		7	MUR 1503	
	8 Gross royalties		8	JMT	
	9 (a) Capital gain net income (attach separate Schedule D)		9(a)		
	(b) Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)		9(b)		
	10 Other income (see instructions—attach schedule)		10	2,582	01
	11 TOTAL income—Add lines 3 through 10		11	117,533	19
Deductions	12 Compensation of officers (Schedule E)		12	6,000	00
	13 (a) Salaries and wages _____ 13(b) Less WIN and jobs credit(s) _____ Balance ▶		13(c)	13,619	92
	14 Repairs (see instructions)		14	6,104	58
	15 Bad debts (Schedule F if reserve method is used)		15		
	16 Rents		16	4,846	62
	17 Taxes See Schedule 2		17	6,557	65
	18 Interest		18	3,049	39
	19 Contributions (not over 5% of line 30 adjusted per instructions)		19		
	20 Amortization (attach schedule)		20		
	21 Depreciation from Form 4562 (attach Form 4562) 18,948.96 less depreciation claimed in Schedule A and elsewhere on return 7,193.76 Balance ▶		21	11,755	20
	22 Depletion		22		
	23 Advertising		23	27	20
	24 Pension, profit-sharing, etc. plans (see instructions)		24		
	25 Employee benefit programs (see instructions)		25		
	26 Other deductions (attach schedule) See Schedule 3		26	47,723.	21
	27 TOTAL deductions—Add lines 12 through 25		27	99,683	77
	28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)		28	17,849	42
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a) _____ (b) Special deductions (Schedule C) 29(b) _____		29		
	30 Taxable income (subtract line 29 from line 28)		30	17,849	42
Tax	31 TOTAL TAX (Schedule J)		31	1,811	12
	32 Credits: (a) Overpayment from 1980 allowed as a credit 889.67				
	(b) 1981 estimated tax payments 1,450.33				
	(c) Less refund of 1981 estimated tax applied for on Form 4466 ( )	2,340.00			
	(d) Tax deposited: Form 7004 _____ Form 7005 (attach) _____ Total ▶				
	(e) Credit from regulated investment companies (attach Form 2439)				
	(f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T)		32	2,340	00
	33 TAX DUE (subtract line 32 from line 31). See instruction C3 for depositary method of payment. (Check ▶ ☐ if Form 2220 is attached. See instruction D.) ▶ $ _____		33		
	34 OVERPAYMENT (subtract line 31 from line 32)		34	528	88
	35 Enter amount of line 34 you want: Credited to 1982 estimated tax ▶ 528.88 Refunded ▶		35		

3 5 0 4 0 5 0 2 7 7 3

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ _____ Signature of officer ▶ _____ Date ▶ _____ Title

Paid Preparer's

Preparer's signature ▶ P. Glenn Buddenhagen | Date 3/12/82 | Check if self-employed ▶ ☐ | Preparer's social security no. 237 : 26 : 8453

TRADE SECRET OR
BUSINESS RECORD

Form 1120 (1976) — Page 2

Schedule A — Cost of Goods Sold (See instructions for Schedule A)

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	
3 Salaries and wages	
4 Other costs (attach schedule) — See Schedule 1	672,718.41
5 Total—Add lines 1 through 4	672,718.41
6 Inventory at end of year	
7 Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, page 1	672,718.41

8 (a) Check all methods used for valuing closing inventory: (i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4 (see instructions) (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)

(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No

If "Yes," specify method used and attach explanation ▶

(c) Check if the LIFO inventory method was adopted this tax year for any goods (If checked, attach Form 970.) ☐

(d) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

(e) If you are engaged in manufacturing, did you value your inventory using the full absorption method (Regulations section 1.471-11)? ☐ Yes ☐ No

(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

Schedule C — Dividends and Special Deductions (See instructions for Schedule C)

	(a) Dividends received	(b) %	(c) Special deductions: multiply (a) × (b)
1 Domestic corporations subject to 85% deduction		85	
2 Certain preferred stock of public utilities		59.13	
3 Foreign corporations subject to 85% deduction		85	
4 Wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))		100	
5 Total—Add lines 1 through 4. See instructions for limitation			
6 Affiliated groups subject to the 100% deduction (section 243(a)(3))		100	
7 Other dividends from foreign corporations not included in lines 3 and 4			
8 Income from controlled foreign corporations under subpart F (attach Forms 3646)			
9 Foreign dividend gross-up (section 78)			
10 DISC or former DISC not included in line 1 (section 246(d))			
11 Other dividends			
12 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
13 Total dividends—Add lines 1 through 11. Enter here and on line 4, page 1 ▶			
14 Total deductions—Add lines 5 through 12. Enter here and on line 29(b), page 1 ▶			

Schedule E — Compensation of Officers (See instruction for line 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned: 4. Common	5. Preferred	6. Amount of compensation	7. Expense account allowances
Richard Miller	[redacted]	100%				
Elizabeth Smith		100%			6,000.00	
Total compensation of officers—Enter here and on line 12, page 1					6,000.00	

Schedule F — Bad Debts—Reserve Method (See instruction for line 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1976						
1977						
1978						

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TRADE SECRET OR BUSINESS RECORD
MAR 1503 1981
JMT 27

Form **3468** — **Computation of Investment Credit**

Department of the Treasury
Internal Revenue Service (0)

▶ Attach to your tax return.
▶ Use separate Schedule B (Form 3468) to figure your tentative business energy investment credit.

1981

Name

JEFFERSON MARKETING, INC.

Identifying number as shown on page 1 of your tax return
56-1221396

Part I Elections (Check the box(es) below that apply to you (see instructions D).)

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . . ☐

B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . . . . ☐

C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years . . . . ☐

Enter total qualified progress expenditures included in column (4), Part II ▶ _____

D I claim full credit on certain ships under section 46(g)(3). (See instructions B for details.) . . . . . ☐

Part II Qualified Investment

Figure your qualified investment in new or used investment credit property acquired or constructed and placed in service during the tax year. The qualified investment for qualified progress expenditures and qualified rehabilitation expenditures is allowed in the tax year the expenditure is incurred or in the case of self-constructed property the year the expenditure is chargable to a capital account for the property.

For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. See instructions.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

1 Recovery Property	Line	(1) Recovery Period	(2) Unadjusted Basis	(3) Applicable percentage	(4) Qualified Investment (Column 2 x column 3)
New	(a)	3-Year		60	
	(b)	Other	12,232.81	100	12,232.81
Used	(c)	3-Year		60	
	(d)	Other		100	

2 Total—Add lines 1(a) through 1(d)	2	12,232.81

3 Nonrecovery Property	Line	(1) Life years	(2) Basis or cost	(3) Applicable percentage	(4) Qualified Investment (Column 2 x column 3)
New	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

4 Total—Add lines 3(a) through 3(f)	4	TRADE SECRET OR BUSINESS RECORD
5 New commuter highway vehicle—Enter total qualified investment. (See instructions D)	5	MAR 1503
6 Used commuter highway vehicle—Enter total qualified investment. (See instructions D)	6	JMT
7 Qualified rehabilitation expenditures incurred before January 1, 1982, for: (see specific instructions)		
(a) Improvements with 5 or more but less than 7 years—Enter 66⅔% of expenditures	7(a)	
(b) Improvements with 7 or more life years—Enter 100% of expenditures	7(b)	
8 Total qualified investment in 10% property—Add lines 2, 4, 5, 6, 7(a) and 7(b). (See instructions for special limits)	8	12,232.81
9 Enter 100% of qualified rehabilitation expenditures incurred after December 31, 1981, for:		
(a) 30-year old buildings	9a	
(b) 40-year old buildings	9b	
(c) Certified historic structures (Enter the Dept. of Interior assigned project number _____)	9c	
10 Total qualified investment—Add lines 8, 9(a), 9(b), and 9(c)	10	12,232.81

Part III Tentative Regular Investment Credit

11 10% of line 8	11	1,223.28
12 15% of line 9(a)	12	
13 20% of line 9(b)	13	
14 25% of line 9(c)	14	
15 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check box A above (see instructions D)		
(a) Basic 1% credit—Enter 1% of line 10	15a	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 10 (attach schedule)	15b	
16 Credit from Cooperative—Enter regular investment credit from cooperatives	16	
17 Current year regular investment credit—Add lines 11 through 16	17	1,223.28
18 Carryover of unused credits	18	
19 Carryback of unused credits	19	
20 Tentative regular investment credit—Add lines 17, 18, and 19, enter here and in Part IV, line 21	20	1,223.28

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Part II Tax Liability Limitations

21 Tentative credit from Part III, line 20		21	1,223.28
22 (a) Individuals—Enter amount from Form 1040, line 37, page 2 (b) Estates and trusts—Enter amount from Form 1041, line 26, page 1 (c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3 (d) Others—Enter tax before credits from your return		22	3,034.40
23 (a) Credit for the elderly (individuals only)	23(a)		
(b) Foreign tax credit	23(b)		
(c) Tax on lump-sum distribution from Form 4972 or Form 5544	23(c)		
(d) Possessions corporation tax credit (corporations only)	23(d)		
(e) Section 72(m)(5) penalty tax (individuals only)	23(e)		
24 Total—Add lines 23(a) through 23(e)		24	
25 Subtract line 24 from line 22		25	3,034.40
26 (a) Enter smaller of line 25 or $25,000. See instruction for line 26		26(a)	3,034.40
(b) If line 25 is more than line 26(a), and your tax year ends in 1981, enter 80% of the excess (if your tax year ends in 1982, enter 90% of the excess)		26(b)	
27 Regular investment credit limitation—Add lines 26(a) and 26(b)		27	3,034.40
28 Allowed regular investment credit—Enter the smaller of line 21 or line 27		28	1,223.28
29 Business energy investment credit limitation—Subtract line 28 from line 25		29	
30 Business energy investment credit—Enter amount from line 14 of Schedule B (Form 3468)		30	
31 Allowed business energy investment credit—Enter smaller of line 29 or line 30		31	
32 Total allowed regular and business energy investment credit—Add lines 28 and 31. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns		32	1,223.28

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carryout the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. You are required to give us this information.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O-343-453 88-040-1110

TRADE SECRET OR
BUSINESS RECORD
LUR 1503
JMI

Form **4562** (Rev. September 1981)
Department of the Treasury
Internal Revenue Service (99)

Depreciation

TRADE SECRET OR BUSINESS RECORD

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return

JEFFERSON MARKETING, INC

Identifying number

56-1221396

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I **Assets placed in service after December 31, 1980**

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property						
(b) 5-year property	1981	12,232.81	5	ACRS	15	1,834.93
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)		12,232.81				1,834.93
4 Depreciation from Part II, line 3						17,114.03
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						18,948.96

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Part III Assets placed in service before January 1, 1981 and other assets not qualifying for ACRS

A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Depreciation for this year
1 Class Life Asset Depreciation Range (CLADR) System Depreciation					▶	
2 Other depreciation (for grouping assets, see instructions for Part III):						
Buildings						
Furniture and fixtures	VARIOUS	646.83	206.89	VAR.	3	296.18
Transportation equipment						
Machinery and other equipment	VARIOUS	73,372.02	23,486.50	VAR.	VAR.	16,817.85
Other (specify)						

TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

Schedules L Balance Sheets

ASSETS	Beginning of tax year (A)	Beginning of tax year (B)	End of tax year (C)	End of tax year (D)
1 Cash		25,939.31		5,248.10
2 Trade notes and accounts receivable	106,682.99		127,682.33	
(a) Less allowance for bad debts		106,682.99		127,682.33
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule) Schedule		22,047.62		15,228.69
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets	74,018.85		86,251.66	
(a) Less accumulated depreciation	23,693.39	50,325.46	42,642.35	43,609.31
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		204,995.38		191,768.43
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable		64,108.88		62,797.03
16 Mtges, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule) Sched		30,843.50		5,783.77
18 Loans from stockholders				
19 Mtges, notes, bonds payable in 1 year or more		52,947.94		50,054.27
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	100.00	100.00	100.00	100.00
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		56,995.06		73,033.36
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		204,995.38		191,768.43

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1 Net income per books	16,038.30	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	1,811.12	(a) Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize)			
		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation $	
(a) Depreciation $		(b) Contributions carryover $	
(b) Contributions carryover $			
6 Total of lines 1 through 5	17,849.42	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	17,849.42

TRADE SECRET OR BUSINESS RECORD
MUR 1503
JMI

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1 Balance at beginning of year	56,995.06	5 Distributions: (a) Cash	
2 Net income per books	16,038.30	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	

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Schedule J Tax Computation See instructions for Schedule J on pages 7 and 8.

Note: *Fiscal year corporations, see instructions on pages 10 and 11. Omit line 1, complete line 2(a) and, if applicable, line 2(b), and enter on line 3, the amount from line 44, Part III, of the fiscal year worksheet provided on page 11 of the instructions.*

1	Taxable income (line 30, page 1)	17,849.42
2 (a)	Are you a member of a controlled group? ☐ Yes ☒ No	
(b)	If "Yes," see instructions and enter your portion of the $25,000 amount in each taxable income bracket: (i) $ (ii) $ (iii) $ (iv) $	
3	Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D ▶ ☐	3,034.40
4 (a)	Foreign tax credit (attach Form 1118)	
(b)	Investment credit (attach Form 3468) 1,223.28	
(c)	Work incentive (WIN) credit (attach Form 4874)	
(d)	Jobs credit (attach Form 5884)	
(e)	Other credits (see instructions—attach forms and schedule)	
5	Total—Add lines 4(a) through 4(e)	1,223.28
6	Subtract line 5 from line 3	1,811.12
7	Personal holding company tax (attach Schedule PH (Form 1120))	
8	Tax from recomputing prior-year investment credit (attach Form 4255)	
9	Minimum tax on tax preference items (see instructions—attach Form 4626)	
10	Total tax—Add lines 6 through 9. Enter here and on line 31, page 1	1,811.12

TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

8 5 0 4 0 5 0 2 7 8 0

Additional Information (See page 8 of instructions)

	Yes	No
G Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		X
(2) Living accommodations (except employees on business)?		X
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h))		X
(4) Employees' families at conventions or meetings?		X
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h))	N/A	
(5) Employee or family vacations not reported on Form W-2?		X
H (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		X
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the tax year ending with or within your tax year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.		
(2) Did any individual, partnership, corporation, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e)		X
(a) Attach a schedule showing name, address, and identifying number.		
(b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions)	N/A	
If "Yes," enter owner's country ▶		
(d) Enter highest amount owed by you to such owner during the year ▶		
(e) Enter highest amount owed to you by such owner during the year ▶		
(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)		
I If you were a member of a controlled group subject to the provisions of section 1561, check the type of relationship: (1) ☐ parent-subsidiary (2) ☐ brother-sister (3) ☐ combination of (1) and (2) (See section 1563.)		
J Refer to page 9 of instructions and state the principal: Business activity Marketing Product or service Marketing lists		
K Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation		X
L At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		X
M Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it?		X
If "Yes," you may have to file Forms 3520, 3520-A or 926.		
N During this tax year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
O During this tax year was any part of your tax accounting records maintained on a computerized system?		X

JEFFERSON MARKETING, INC.
56-1221396
December 31, 1981

SCHEDULE 1 - SCHEDULE OF OPERATIONS

Computer fees	$ 88,591.78
Production fees	33,416.28
Telephone	80,285.02
Administration	202,203.36
Advertising	63,262.22
Bookkeeping	10,927.28
Caging	374.17
Mailing	54,361.19
National Finance	10,812.50
NC Finance	17,639.90
Organization	70,411.49
Press	8,474.80
Research	15,790.79
Scheduling	5,223.10
Washington	8,114.37
Printing	223.76
Shipping	29.08
Supplies	377.32
Consulting	2,200.00
	$672,718.41

SCHEDULE 2 - TAXES

Payroll	$5,315.28
Accrued State Income Taxes	1,139.32
Intangibles Tax	38.63
Franchise Tax	64.42
	$6,557.65

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TRADE SECRET OR
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JEFFERSON MARKETING, INC.
56-1221396
December 31, 1981

SCHEDULE 3 - OTHER DEDUCTIONS

Bookkeeping	$8,440.14
Computer	25,357.22
Finance Sharges	86.31
Insurance	472.55
Leasehold Improvement	13.33
Postage	1,124.47
Professional Fees	1,472.00
Printing	759.54
Shipping	3,216.50
Supplies	330.75
Subscriptions & Dues	534.00
Telephone	(499.48)
Travel & Entertainment	2,646.48
Utilities	833.00
Miscellaneous	2,936.40
	$47,723.21

SCHEDULE 4 - OTHER CURRENT ASSETS

	BEGINNING	ENDING
Postage Escrow & Meters	$ 6,210.90	$ 1,609.28
Loan Account	4,300.00	6,000.00
Deposits	225.00	50.00
Prepaid Interest	11,311.72	7,500.81
Prepaid Insurance	-	68.60
	$ 22,047.62	$ 15,228.69

SCHEDULE 5 - OTHER CURRENT LIABILITES

	BEGINNING	ENDING
Payroll Taxes	$ 9,446.15	$ 3,835.45
Postage Escrow - Clients	19,677.46	1,034.91
Insurance Withheld	478.78	276.25
Federal & State Income Taxes Payable	1,241.11	610.44
Advertising Escrow	-	26.72
	$ 30,843.50	$ 5,783.77

TRADE SECRET OR
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JMI

8604052782

Form 1120 — Department of the Treasury — Internal Revenue Service

U.S. Corporation Income Tax Return

FOR YOUR RECORDS FILES 1982

For calendar year 1982 or other tax year beginning _____, 1982, ending _____, 19__

▶ For Paperwork Reduction Act Notice, see page 1 of the instructions.

Check if a—	Use IRS label. Otherwise please print or type.	Name	D. Employer identification number
A. Consolidated return ☐		Jefferson Marketing, Inc.	56-1221396
B. Personal Holding Co. ☐		Number and street: P. O. Box 19807	E. Date incorporated: 12-19-78
C. Business Code No. (See page 9 of instructions): 7389		City or town, State, and ZIP code: Raleigh, N. C. 27619	F. Total assets (see Specific Instructions): $ 622 789 69

TRADE SECRET OR BUSINESS RECORDS MUR. 1503. JMI

Gross Income	1 (a) Gross receipts or sales $ _____ (b) Less returns and allowances $ _____ Balance ▶		1(c)	812 344 64
	2 Cost of goods sold (Schedule A) and/or operations (attach schedule)		2	277 309 31
	3 Gross profit (subtract line 2 from line 1(c))		3	535 035 33
	4 Dividends (Schedule C)		4	
	5 Interest		5	
	6 Gross rents		6	
	7 Gross royalties		7	
	8 Capital gain net income (attach separate Schedule D)		8	
	9 Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)		9	
	10 Other income (see instructions—attach schedule)		10	
	11 TOTAL income—Add lines 3 through 10		11	535 035 33
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E)		12	34 825 00
	13 (a) Salaries and wages _____ 13(b) Less jobs credit _____ Balance ▶		13(c)	345 823 73
	14 Repairs (see instructions)		14	228 00
	15 Bad debts (Schedule F if reserve method is used)		15	626 80
	16 Rents		16	1 571 54
	17 Taxes		17	6 814 63
	18 Interest		18	4 689 71
	19 Contributions (not over 10% of line 30 adjusted per instructions)		19	1 472 08
	20 Depreciation (attach Form 4562)	20: 51 829 42		
	21 Less depreciation claimed in Schedule A and elsewhere on return	21(a): ( )	21(b)	51 829 42
	22 Depletion		22	
	23 Advertising		23	
	24 Pension, profit-sharing, etc. plans (see instructions)		24	
	25 Employee benefit programs (see instructions)		25	
	26 Other deductions (attach schedule)		26	1 819 54
	27 TOTAL deductions—Add lines 12 through 26		27	449 700 45
	28 Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)		28	85 334 88
	29 Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a) _____ (b) Special deductions (Schedule C) 29(b) _____		29	
	30 Taxable income (subtract line 29 from line 28)		30	85 334 88
Tax	31 TOTAL TAX (Schedule J)		31	2 139 87
	32 Credits: (a) Overpayment from 1981 allowed as a credit: 528 88			
	(b) 1982 estimated tax payments: 983 88			
	(c) Less refund of 1982 estimated tax applied for on Form 4466: ( )	1 512 76		
	(d) Tax deposited: Form 7004 _____ Form 7005 (attach) _____ Total ▶	2 779 54		
	(e) Credit from regulated investment companies (attach Form 2439)			
	(f) Federal tax on special fuels and oils (attach Form 4136)		32	4 292 30
	33 TAX DUE (subtract line 32 from line 31—if line 32 is greater than line 31, skip line 33 and go to line 34). See instruction C3 for depositary method of payment. (Check ▶ ☐ if Form 2220 is attached. See instruction D.) ▶ $ _____		33	
	34 OVERPAYMENT (subtract line 31 from line 32)		34	2 152 43
	35 Enter amount of line 34 you want: Credited to 1983 estimated tax ▶ 2 152 43 Refunded ▶		35	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date 8/15/83 Title _____

Paid Preparer's Use Only

Preparer's signature: P. Glenn Buddenhagen Date 8/26/83 Check if self-employed ☐ Preparer's social security no. 237 [illegible] 8683

Firm's name (or yours, if self-employed) and address: ERNST & WHINNEY, RALEIGH, N. C. 27602 E.I. No. ▶ _____ ZIP code ▶ _____

Form 7004
(Rev. Oct. 1982)
Department of the Treasury
Internal Revenue Service

Application for Automatic Extension of Time to File Corporation Income Tax Return

(Under section 6081(b) of the Internal Revenue Code)

OMB No. 1545-0233
Expires 9/31/83

Name of corporation

Jefferson Marketing, Inc.

Number and street

P. O. Box 19807

City or town, State, and ZIP code

Raleigh, NC 27619

Employer identification number

56-1221396

Check type of return to be filed

- [X] Form 1120
- [ ] Form 1120S
- [ ] Form 1120L
- [ ] Form 1120-H
- [ ] Form 1120M
- [ ] Form 990-C
- [ ] Form 1120-POL
- [ ] Form 990-T
- [ ] Form 1120F ▶
- [ ] Check here if you do not have an office or place of business in the U.S.

1 (a) I request an automatic 3-month extension of time until June 15, 1983, to file the income tax return of the corporation named above for calendar year 19 82 or tax year ending _____, 19____.

(b) If this tax year is for less than 12 months, enter date tax year begins _____, 19____; and check reason:
[ ] Initial return [ ] Final return [ ] Change in accounting period approved [ ] Consolidated return to be filed

2 Does this application also cover subsidiaries to be included in a consolidated return? . . . . . [ ] Yes [X] No

If "Yes," complete the following:

Name and address of each member of the affiliated group	Employer identification number
	TRADE SECRET OR BUSINESS PROCED MUR 1503 JMF

3 (a) Tentative amount of income tax for the tax year. Include any—
Minimum tax on tax preference items
Personal holding company tax
Tax from recomputing a prior year investment credit
Foreign tax credit
Possession tax credit
Investment credit
Employee stock ownership credit (applies only to fiscal year 1982-83 corporations)
Jobs credit
Alcohol fuel credit
Nonconventional source fuel credit
Research credit 7,071.84

(b) Credits:

(i) Overpayment from prior year allowed as a credit		528.88
(ii) Estimated tax payments (deposits) for the tax year	983.88	
(iii) Less refund of estimated tax for the tax year applied for on Form 4466		
(iv) Credit from regulated investment companies; and credit for overpaid windfall profit tax		
(v) Credit for Federal tax on special fuels and oils		
(vi) Total—Add lines 3(b)(i) through 3(b)(v)		1,512.76
(c) Balance due—Subtract line 3(b)(vi) from line 3(a)		5,559.08
(d) Amount required to be deposited—50% of line 3(c)		2,779.54

Signature.—Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application and that to the best of my knowledge and belief the statements made are true, correct, and complete.

D Ann Buckingham _____ 3/14/83
(Title) Date

Schedule A — Cost of Goods Sold (See instructions for Schedule A)

Inventory at beginning of year	
Merchandise bought for manufacture or sale	
Salaries and wages	
Other costs (attach schedule)	277,309.31
Total—Add lines 1 through 4	277,309.31
Inventory at end of year	
Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, page 1	277,309.31

(a) Check all methods used for valuing closing inventory:
- (i) ☐ Cost
- (ii) ☐ Lower of cost or market as described in Regulations section 1.471–4 (see instructions)
- (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471–2(c) (see instructions)
- (iv) ☐ Other (Specify method used and attach explanation) ▶

(b) Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970.) ☐

(c) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

(d) If you are engaged in manufacturing, did you value your inventory using the full absorption method (Regulations section 1.471–11)? ☐ Yes ☐ No

(e) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation. ☐ Yes ☐ No

Schedule C — Dividends and Special Deductions (See instructions for Schedule C)

	(a) Dividends received	(b) %	(c) Special deductions: multiply (a) × (b)
1 Domestic corporations subject to 85% deduction		85	
2 Certain preferred stock of public utilities		59.13	
3 Foreign corporations subject to 85% deduction		85	
4 Wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))		100	
5 Total—Add lines 1 through 4. See instructions for limitation			
6 Affiliated groups subject to the 100% deduction (section 243(a)(3))		100	
7 Other dividends from foreign corporations not included in lines 3 and 4			
8 Income from controlled foreign corporations under subpart F (attach Forms 5471)			
9 Foreign dividend gross-up (section 78)			
10 DISC or former DISC dividends not included in line 1 (section 246(d))			
11 Other dividends			
12 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
13 Total dividends—Add lines 1 through 11. Enter here and on line 4, page 1 ▶			
14 Total deductions—Add lines 5, 6 and 12. Enter here and on line 29(b), page 1 ▶			

Schedule E — Compensation of Officers (See instruction for line 12) Complete Schedule E only if your total receipts (line 1(a), plus lines 4 through 10, of page 1, Form 1120) are $150,000 or more.

1. Name of officer	2. Social security number	3. Time devoted to business	4. Percent of corporation stock owned: Common	5. Preferred	6. Amount of compensation	7. Expense account allowances
Doug Davidson	[redacted]	All			28,825.00	
Elizabeth Smith		All			6,000.00	
Total compensation of officers—Enter here and on line 12, page 1						

Schedule F — Bad Debts—Reserve Method (See instruction for line 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1977						
1978						
1979						
1980						

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Schedule J Tax Computation (See instructions for Schedule J on page 7)

Note: Fiscal year corporations, see instructions on page 10. If you are not a member of a controlled group of corporations (sections 1561 and 1563), omit lines 1 and 2, and enter on line 3, the amount from line 44, Part III, of the fiscal year worksheet provided on page 11 of the instructions.

Calendar year corporations, see instructions for Schedule J on page 7. If you are not a member of a controlled group of corporations (sections 1561 and 1563), omit lines 1 and 2, and start with line 3.

1	Check if you are a member of a controlled group (see sections 1561 and 1563) ▶ ☐	
2	If line 1 is checked, see instructions and enter your portion of the $25,000 amount in each taxable income bracket: (i) $ (ii) $ (iii) $ (iv) $	
3	Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D ▶ ☐	20 383 95
4 (a)	Foreign tax credit (attach Form 1118)	
(b)	Investment credit (attach Form 3468)	18 821 25
(c)	Jobs credit (attach Form 5884)	
(d)	Employee stock ownership credit (applies only to fiscal year 1982–83 corporations—see instructions)	
(e)	Research credit (attach Form 6765)	
(f)	Possessions tax credit (attach Form 5735)	
(g)	Alcohol fuel credit (attach Form 6478)	
(h)	Credit for fuel produced from a nonconventional source (see instructions)	
5	Total—Add lines 4(a) through 4(h)	18 821 25
6	Subtract line 5 from line 3	1 562 70
7	Personal holding company tax (attach Schedule PH (Form 1120))	
8	Tax from recomputing prior-year investment credit (attach Form 4255)	577 17
9	Minimum tax on tax preference items (see instructions—attach Form 4626)	
10	Total tax—Add lines 6 through 9. Enter here and on line 31, page 1	2 139 87

Additional Information (See page 8 of instructions)

	Yes	No
G Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		X
(2) Living accommodations (except employees on business)?		X
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h))		X
(4) Employees' families at conventions or meetings?		X
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h))	N/A	
(5) Employee or family vacations not reported on Form W-2?		X
H (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		X
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the tax year ending with or within your tax year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.		
(2) Did any individual, partnership, corporation, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e)	X	
(a) Attach a schedule showing name, address, and identifying number.		
(b) Enter percentage owned ▶ 100		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions)		X
If "Yes," enter owner's country ▶		
(d) Enter highest amount owed by you to such owner during the year ▶ $10,500		
(e) Enter highest amount owed to you by such owner during the year ▶		
(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)		
I Refer to page 9 of instructions and state the principal: Business activity ▶ Marketing		
Product or service ▶ Marketing lists		
J Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 5471 for each such corporation		X
K At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		X
L Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it?		X
If "Yes," you may have to file Forms 3520, 3520-A or 926.		
M During this tax year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316)		X
If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
N During this tax year was any part of your tax accounting records maintained on a computerized system?		X

Schedule L Balance Sheets

ASSETS	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		5 248 10		8 812 04
2 Trade notes and accounts receivable	127 682 33	127 682 33	209 947 76	209 947 76
(a) Less allowance for bad debts				
3 Inventories				
4 Federal and State government obligations				
5 Other current assets (attach schedule)		15 228 69		98 104 49
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets	86 251 66		323 515 35	
(a) Less accumulated depreciation	42 642 35	43 609 31	92 819 34	230 696 01
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule) mailing list				75 229 39
14 Total assets		191 768 43		622 789 69
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable		62 797 03		66 186 72
16 Mtges, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)		5 783 77		42 295 98
18 Loans from stockholders				
19 Mtges, notes, bonds payable in 1 year or more		50 054 27		357 978 62
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock		100 00		100 00
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		73 033 36		156 228 37
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity		191 768 43		622 789 69

Schedule M-1 Reconciliation of Income Per Books With Income Per Return Do not complete this schedule if your total assets (line 14, column (D), above) are less than $25,000.

1 Net income per books	83 195 01	7 Income recorded on books this year not included in this return (itemize) (a) Tax-exempt interest $	
2 Federal income tax	2 139 87		
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize) (a) Depreciation $	
5 Expenses recorded on books this year not deducted in this return (itemize) (a) Depreciation $ (b) Contributions carryover $		(b) Contributions carryover $	
6 Total of lines 1 through 5	85 334 88	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	85 334 88

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BUSINESS RECOR
MUR 1503
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Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above) Do not complete this schedule if your total assets (line 14, column (D), above) are less than $25,000.

1 Balance at beginning of year	73 033 36	5 Distributions: (a) Cash	
2 Net income per books	83 195 01	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
		7 Total of lines 5 and 6	
4 Total of lines 1, 2, and 3	156 228 37	8 Balance at end of year (line 4 less 7)	156 228 37

2220

Dept. of the Treasury
Internal Revenue Service

Underpayment of Estimated Tax by Corporations

► Attach to your tax return.

OMB No. 1545-0142

1982

Jefferson Marketing, Inc.

Employer identification number
56-1231396

Part I How to Figure Your Underpayment

For Paperwork Reduction Act Notice, see back of form.

Note: If you meet any of the exceptions that avoid the underpayment penalty for ALL quarters, complete only lines 10 through 18.

1 1982 tax (Form 1120, line 31, page 1)		2 139 87
2 (a) Personal holding company tax included in line 1 (Form 1120, line 7, Schedule J)		
(b) Credit for Federal tax on special fuels and oils (Form 1120, line 32(f), page 1)		
(c) Minimum tax on tax preference items (Form 1120, line 9, Schedule J)		
3 Total—Add lines 2(a) through 2(c)		2 139 87
4 Subtract line 3 from line 1		1 711 90
5 25% of line 4		

	Due Dates of Installments			
	(a)	(b)	(c)	(d)
6 Enter in columns (a) through (d) the installment dates that correspond to the 15th day of the 4th, 6th, 9th, and 12th months of your tax year. If any date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday ►				
7 Enter 25% of line 5 in columns (a) through (d)	427 98	427 98	427 98	427 97
8 (a) Amount paid or credited for each period	528 88	73 88	455 00	455 00
(b) Overpayment of previous installment (enter any overpayment shown on line 9 that is more than the total of all prior underpayments as a credit against the next installment)				
9 Add lines 7(a) and 7(b)				
10 Underpayment (subtract line 8 from line 6) or overpayment (subtract line 6 from line 8)	None	1 340 49	None	None

Part II Exceptions to the Penalty (Read instructions for lines 11 and 12 before entering an amount)

11 Total amount paid or credited from the beginning of the tax year through the installment dates that correspond to the 15th day of the 4th, 6th, 9th, and 12th months of your tax year		602 76		
(a) Exception 1, prior year's tax	25% of tax	50% of tax	75% of tax	100% of tax
(b) Large corporation's current year's tax (see instruction)	16.25% of tax	32.50% of tax	48.75% of tax	65% of tax
(a) Exception 2, tax on prior year's income based on the facts shown on the prior year's return but using current year's rates	25% of tax	50% of tax	75% of tax	100% of tax
(b) Large corporation's current year's tax (see instruction)	16.25% of tax	32.50% of tax	48.75% of tax	65% of tax
(loss as of 5/31/82) Exception 3, tax on annualized income (attach computation)	20% of tax	40% of tax None	60% of tax	80% of tax

Part III How to Figure the Penalty

12 Enter same installment dates used above ►				
13 Amount of underpayment from line 9				
14 Enter the date of payment or the 15th day of the 3d month after the close of the tax year, whichever is earlier				
15 Number of days from due date of installment to the date shown on line 14				
16 Number of days on line 15 before January 1, 1983				
17 Number of days on line 15 after 12/31/82, and before 7/1/83				
18 Number of days on line 15 after 6/30/83, and before 1/1/84				
19 Number of days on line 15 after 12/31/83, and before 2/16/84				
20 Number of days on line 17 / Number of days in the tax year × 20% × amount on line 13				
21 Number of days on line 18 / Number of days in the tax year × 16% × amount on line 13				
22 Number of days on line 19 / Number of days in the tax year × * % × amount on line 13				
23 Number of days on line 20 / Number of days in the tax year × ** % × amount on line 13				
24 Underpayment penalty (total of lines 21 through 24)				
25 Add columns (a) through (d), line 25. Enter here and in space below line 33, Form 1120				None

* A corporation whose tax year ends after March 31, 1983, see the instructions for line 23.
** If after September 30, 1983, see the instructions for line 24.

ADD TO CORP. OR
BUSINESS RECORD
MUR 1503
JMI

Form 3468 — Department of the Treasury — Internal Revenue Service (a)

Computation of Investment Credit

▶ Attach to your tax return.
▶ Schedule B (Business Energy Investment Credit) on back.

1982

Name(s) as shown on return: Jefferson Marketing, Inc.

Identifying number: 56-1221396

PART I.—Elections

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . . ☐
B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . ☐
C I elect to increase my qualified investment by all qualified progress expenditures made this and all later tax years . . ☐
Enter total qualified progress expenditures included in column (4), Part II ▶ _____
D I claim full credit on certain ships under section 46(g)(3) (See instruction B for details.) . . . . . ☐

PART II.—Qualified Investment

1 Recovery Property		Line	(1) Class of Property	(2) Unadjusted Basis	(3) Applicable Percentage	(4) Qualified Investment (Column 2 x column 3)
Regular Percentage	New Property	(a)	3-year		60	
		(b)	Other	187 212 52	100	187 212 52
	Used Property	(c)	3-year		60	
		(d)	Other	1 000 00	100	1 000 00
§48(a) Election to Reduce Credit (instead of adjusting basis) FY 1982–83 filers only (see instr.)	New Property	(e)	3-year		40	
		(f)	Other		80	
	Used Property	(g)	3-year		40	
		(h)	Other		80	

2	Nonrecovery property—Enter total qualified investment (See instructions for line 2) . .	2	
3	New commuter highway vehicle—Enter total qualified investment (See instruction D(2)) .	3	
4	Used commuter highway vehicle—Enter total qualified investment (See instruction D(2)) .	4	
5	Total qualified investment in 10% property—Add lines 1(a) through 1(h), 2, 3, and 4 (See instructions for special limits)	5	188 212 52
6	Qualified rehabilitation expenditures—Enter total qualified investment for:		
	a 30-year-old buildings	6a	
	b 40-year-old buildings	6b	
	c Certified historic structures (Enter the Dept. of Interior assigned project number _____)	6c	
7	Corporations checking election box A above—add lines 5, 6a, 6b, and 6c . . 7		

PART III.—Tentative Regular Investment Credit

8	10% of line 5	8	18 821 25
9	15% of line 6a	9	
10	20% of line 6b	10	
11	25% of line 6c	11	
12	Corporations checking election box A (See Instruction D(1))—		
	a Basic 1% credit—Enter 1% of line 7 (1982–83 fiscal-year filers, see instructions for line 12) . . .	12a	
	b Matching credit (not more than 0.5%)—Allowable percentage times adjusted line 7 (attach schedule) .	12b	
13	Credit from cooperative—Enter regular investment credit from cooperatives . . .	13	
14	Current year regular investment credit—Add lines 8 through 13	14	18 821 25
15	Carryover of unused credits	15	
16	Carryback of unused credits	16	
17	Tentative regular investment credit—Add lines 14, 15, and 16	17	18 821 25

PART IV.—Tax Liability Limitations

18	a Individuals—From Form 1040, enter tax from line 38, page 2, plus any additional taxes from Form 4970 b Estates and trusts—From Form 1041, enter tax from line 26a, plus any section 644 tax on trusts . . c Corporations (1120 filers)—From Form 1120, Schedule J, enter tax from line 3 . . d Other organizations—Enter tax before credits from return	18	20 383 95
19	a Individuals—From Form 1040, enter credits from lines 41 and 42 of page 2 . . b Estates and trusts—From Form 1041, enter any foreign tax credit from line 27a . . c Corporations (1120 filers)—From Form 1120, Schedule J, enter any foreign tax credit from line 4(a), plus any possessions tax credit from line 4(f) . . . . d Other organizations—Enter any foreign or possessions tax credit	19	
20	Income tax liability as adjusted (subtract line 19 from line 18)	20	20 383 95
21	a Enter smaller of line 20 or $25,000. See instruction for line 21	21a	20 383 95
	b If line 20 is more than $25,000—Enter 90% of the excess	21b	
22	Regular investment credit limitation—Add lines 21a and 21b	22	20 383 95
23	Allowed regular investment credit—Enter the smaller of line 17 or line 22	23	18 821 25
24	Business energy investment credit limitation—Subtract line 23 from line 20	24	1 562 70
25	Business energy investment credit—From line 14 of Schedule B (Form 3468)	25	None
26	Allowed business energy investment credit—Enter smaller of line 24 or line 25	26	None
27	Total allowed regular and business energy investment credit—Add lines 23 and 26. Enter here and on Form 1040, line 43; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns . .	27	18 821 25

GRADE CENTER OF
BUSINESS RECORD
MAR 1983
JUL

Form 4255 (Rev. November 1982) Department of the Treasury Internal Revenue Service

Recapture of Investment Credit

(Including Energy Investment Credit)

Attach to your income tax return.

OMB No. 1545-0155 Expires 12-31-85

85

Name(s) as shown on return: Jefferson Marketing, Inc.

Identifying number: 56-1221396

Properties	Kind of property—State whether recovery or nonrecovery (see Form 3468 instructions for definitions). If energy property, show type. Also indicate if rehabilitation expenditure property.
A	Burroughs T7015 Burster
B	IBM Memory Typewriter
C	
D	
E	

TRADE SECRET OR BUSINESS RECORD MUR 1303 JMJ

Original Investment Credit

Computation Steps: (see Specific Instructions)	A	B	C	D	E
1 Original rate of credit	.10	.10			
2 Date property was placed in service	11/80	2/81			
3 Cost or other basis	4 093 44	3 803 24			
4 Original estimated useful life or class of property	5-6	5			
5 Applicable percentage	.666	1.00			
6 Original qualified investment (line 3 times line 5)	2 730 32	3 803 24			
7 Original credit (line 1 times line 6)	272 91	380 32			
8 Date property ceased to be qualified investment credit property	2/82	11/82			
9 Number of full years between the date on line 2 and the date on line 8	1	1			

Computation of Recapture Tax

10 Recapture percentage	1.00	.80				
11 Tentative recapture tax—Line 7 times line 10	272.91	304.26				
12 Add line 11, columns A through E						577.17
13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)						
b Enter tax from any part of property ceasing to be at risk (attach separate computation)						
14 Total—Add lines 12, 13a and 13b						577.17
15 Portion of original credit (line 7) not used to offset tax in any year (Do not enter more than line 14—see instructions)						
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover						577.17

Form 4562
(Rev. September 1982)
Department of the Treasury
Internal Revenue Service (0)

Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 6/31/85

67

Name(s) as shown on return
Jefferson Marketing, Inc.

Identifying number
56-1221396

Business or activity to which this form relates
Marketing

Part II Depreciation

Section A Election to expense recovery property (Section 179)

A. Class of property	B. Cost	C. Expense deduction

1 Total (not more than $5,000). Enter here and on line 8 (Partnerships—enter this amount on Schedule K (Form 1065)) . . . . . .

Section B Depreciation of recovery property

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
2 Accelerated Cost Recovery System (ACRS) (See instructions):						
(a) 3-year property						
	1981	8 429 57	5	ACRS	.22	1 854 51
	1982	245 160 37	5	ACRS	.15	36 774 06
(b) 5-year property						
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
3 Property subject to section 168(e)(2) election (See instructions):						
4 Total column G. Enter here and on line 9						38 623 57

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMJ

Part C Depreciation of nonrecovery property

A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Depreciation for this year
ass Life Asset Depreciation Range (CLADR) System Depreciation ▶						
ther depreciation (See instructions):						
niture & fixtures	Various	646 83	503 07	Var.	3	127 69
ipment	Various	69 278 58	39 349 21	Var.	Var.	13 073 36

TRADE SECRET OR BUSINESS RECORD MAR 1503 JMT

7 Total column G, Section C	13 200 85
8 Enter amount from Section A, line 1 (Partnerships enter zero)	
9 Enter amount from Section B, line 4	38 628 57
10 Total—Add lines 7, 8, and 9. Enter here and on the Depreciation line of your return	51 829 42

Part D Amortization of property

A. Description of property	B. Date acquired	C. Cost or other basis	D. Amortization allowed or allowable in earlier years	E. Code section	F. Amortization period or percentage	G. Amortization for this year

Jefferson Marketing, Inc.
56-1221396
December 31, 1982

Schedule H, line 2a:

The Congressional Club Foundation, Inc.
3825 Barrett Drive
Raleigh, North Carolina 27609

56-1440800

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

R504052793

Jefferson Marketing, Inc.
56-1221396
December 31, 1982

Schedule L--

	12/31/81	12/31/82
Other current assets - line 5:		
Postage escrow and meters	$ 1 609 28	$ 3 857 76
Loan account	6 000 00	61 186 32
Deposits	50 00	1 441 32
Prepaid interest	7 500 81	31 619 09
Prepaid insurance	68 60	-0-
	$ 15 228 69	$ 98 104 49
Other current liabilities - line 17:		
Payroll taxes	$ 3 835 45	$ 18 630 53
Postage escrow - clients	1 034 91	6 263 36
Insurance withheld	276 25	464 69
Federal and state income taxes payable	610 44	6 074 02
Advertising escrow	26 72	4 098 50
Expense reimbursement payable	-0-	6 764 88
	$ 5 783 77	$ 42 295 98

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

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Jefferson Marketing, Inc.
56-1221396
December 31, 1982

Taxes - line 17:	
Accrued state income tax	$ 5 446 91
Intangibles taxes	161 60
Property tax	1 117 51
Franchise tax	88 61
	$ 6 814 63

Other deductions - line 26:	
Consulting	$ 1 000 00
Shipping	367 44
Office supplies	190 86
Finance charges	255 45
Bank charges	5 79
	$ 1 819 54

Schedule of operations - other cost - Schedule A, line 4:	
Administration	$ 64,291.41
Advertising	119 223 34
Bookkeeping	2 453 22
Computer fees	49 128 37
Direct mail	6 765 55
Mail production	23 972 61
TBS	11 474 81
	$277,309.31

8604052793

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

NATIONAL CONGRESSIONAL CLUB
CHART OF ACCOUNTS
JANUARY 1, 1983

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

R 5040502796

ASSETS:

11101	Cash-First Citizens Bank and Trust
11102	Cash-First Citizens Bank and Trust-Eberle
11103	Cash-State Bank of Raleigh-Viguerie
11201	Cash on hand-regular
11202	Cash on hand-Eberle
11203	Cash on hand-Viguerie
12001	Insurance Escrow account
12100	Merrill Lynch Ready Asset
12200	Savings-First Citizens Bank and Trust
12300	Capitol Stock
13001	Accounts receivable
13002	Accounts receivable-return checks
13003	Accounts receivable-loans
14000	Deposits
14100	Advances
14201	Employee travel advance
14202	Employee salary advance
14300	Contributions-in-kind
14401	Postage advance-Jefferson Marketing Inc.
14402	Postage advance-Eberle
14403	Postage advance-Viguerie
15000	Office equipment
005	depreciation
16000	Auto
006	depreciation
17000	Office furniture
007	depreciation
18000	Building improvements
008	depreciation

LIABILITIES:

21100	Accounts payable
22100	Notes payable
23101	FICA taxes withheld and accrued
23102	Federal taxes withheld
23201	NC payroll taxes withheld
23202	VA payroll taxes withheld
23203	DC payroll taxes withheld
23301	FUTA taxes payable
23302	SUTA taxes payable
23303	Federal and NC corporate taxes payable
24100	Hospital insurance withheld
24200	Life insurance withheld

FUND BALANCE:

31100	Fund balance
31200	Expense and revenue summary

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JKT

8504052797

REVENUE:

40001	NC Finance
40002	National Finance
40003	PAC
40004	JMI-Direct Mail
40005	Telephone Bank
40008	General Finance
40014	Viguerie-Direct Mail
40024	Eberle-Direct Mail
40031	Refund and rebates
40032	Dividends and interest income
40041	Miscellaneous income
40035	Telephone Bank-Eberle
40045	Telephone Bank-TBS

DEPARTMENTS:

FUNDRAISING

61	NC Finance
62	National Finance
65	Telephone Bank
68	General Finance
69	Caging #1
71	Mail Production #1
72	Computers #1
74	JMI-Direct Mail
75	Viguerie-Direct Mail
76	Eberle-Direct Mail
66	Telephone Bank-Eberle
63	PAC
77	Telephone Bank-TBS

OPERATING

80	Administration
81	Advertising
82	Computers #2
83	Organization
84	Press
85	Research
86	Scheduling
87	Services
89	Wash. DC
90	National Political Organization
91	Bookkeeping
92	Mail Production #2
93	Governmental Affairs

EXPENSES:

511 Ad production-general
512 Ad production-newspaper
513 Ad production-radio
514 Ad production-TV
515
516
517 Advertising supplies
518 Advertising
519 Auto repairs and maintenance
520 Alarm service
521
522
523 Bookkeeping service
524
525 Collateral
526 Commissions
527 Computer services
528 Contributions (general-non political)
529 Contribution refunds
530 Contributions-political
531 Contributions-in-kind (non political)
532 Contributions-in-kind-political
533
534
535 Direct Mail-List exchanges
536 Direct Mail Package 1983 expenses
537 Direct Mail 1982 expenses
538 Direct Mail 1981 & other expenses
539 Dinners
540
541 Depreciation
542
543
544
545
546 Equipment, fixture, and furniture purchases
547 Equipment repairs and maintenance
548 Equipment rental and service agreements
549
550 Forgiven Debts
551 Fees-political consultant
552 Fees-legal
553 Fees-accounting
554
555 Fees consulting
556
557 Flowers and gifts
558 Freight-shipping charges
559 Finance charges
560 General expenses
561
562
563 Inventory-Direct Mail
564 Insurance expense

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

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567	
568	Janitor services
569	Leasing-auto
570	Loss on sales
571	License fee, misc. taxes
572	Leasehold improvements
573	Luncheons
574	
575	Media Program Production
576	Media purchase-TV
577	Media pruchase-radio
578	Media purchase-newspaper
579	
580	Office supplies and expenses
581	
582	Photography and camera supplies
583	Payroll taxes
584	Prepayments
585	Provisions of federal and state corporate taxes
586	Postage
587	Printing
588	Receptions
589	Rents
590	Utilities
591	Salaries and wages
592	Subscription, publications and dues
593	Storage fees
594	Seminars and workshops
595	Suspense Account
596	Telephone and telegraph
597	Travel and entertainment
598	Temporary services
599	Services

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

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FERSON MARKETING, INC.

CHART OF DEPARTMENTS - 1983

Administration
Advertising
Art
Caging
Campaign
Clerical
Computer
Data Entry
Direct Mail
Mail Production
Phone Bank
TBS
Word Processing
Sales

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

CHART OF ACCOUNTS - 1983

ASSETS

111 Cash in Bank - SBOR
112 Cash in Bank - FCBT (Advertising)
113 Cash in Bank - FCBT (Postage)
117 Cash in Bank - FCBT (Campaign)
121 Accounts Receivable
132 Deferred Interest
141 Office Equipment
142 Office Furniture
143 List
151 Accumulated Depreciation
159 Prepaid Insurance
160 Advance Payments - Others
161 Expense Advance
162 Salary Advance
163 Loan Receivable
164 Deposit
165 Postage Advance - Postage Account
166 Postage Meters
167 Postage Stamps

LIABILITIES

211 Accounts Payable
212 Notes Payable
213 Federal Income Taxes W/H
214 FICA Taxes W/H & Accrued
215 State Income Taxes W/H
216 FUTA Payables
217 SUTA Payables
218 A Insurance W/H (Hospitalization)
218 B Insurance W/H (Life)
219 Federal & State Corporate Taxes W/H
220 Postage Escrow
221 Advertising Escrow
222 Advance Payables
223 Accrued Expense
224 Expense Reimbursed

STOCKHOLDER'S EQUITY

311 Capital Stocks
321 Retained Earnings

JEFFERSON MARKETING, INC.

CHART OF ACCOUNTS - 1983 (cont.)

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

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REVENUE

411 Consulting Fee
412 Production
413 Commission Earned
417 System-6
418 Data Entry Fee
419 Clerical Services
420 Caging Services
422 TBS - Services
423 TBS - Phone Cost
424 Phone Bank - Commissions
425 Phone Bank - Services
426 Management Service
431 Mail Services
432 Mail Fee
433 List Rental
434 Art Work
435 Printing
450 Supplies Revenue
451 Other Revenue

EXPENSES

602 Advertising
603 Bank Charges
604 Books, pamphlets, Directory
605
606 Copier Supplies
610 Consulting fees
612 Computer Services
613 Computer Supplies
614 Depreciation
615 Equipment Rental/Lease
616 Direct Mail Expense
617
618 Finance Charges
620A Insurance - Hospital
620B Insurance - Life
621 Interest Expense
624 Labor - Outside
625 License, Fees, & Misc. Taxes
626 Leasehold Improvements
628 Payroll Taxes
630 Postage Expense
632 Printing
633 Professional Fee
634 Programming
639 Repair & Maintenance
640 Rent
641 Rental
642 Salaries & Wages
643 Shipping
644 Office Supplies
645 Subscription & Dues
646 Security Services
647 Software (TBS)
648 Service Agreement
649 Telephone & Telegraph
650 Travel & Entertainment

EXPENSES (cont.)

651 Tape & Films
652 Utilities
654 Wiring
655 Miscellaneous
656 Bad Debts Expenses

Sheet No. _____ Account No. 201

Terms _____ NAME Advertising Escrow

Rating _____ ADDRESS Jerry Gibson

Credit Limit _____

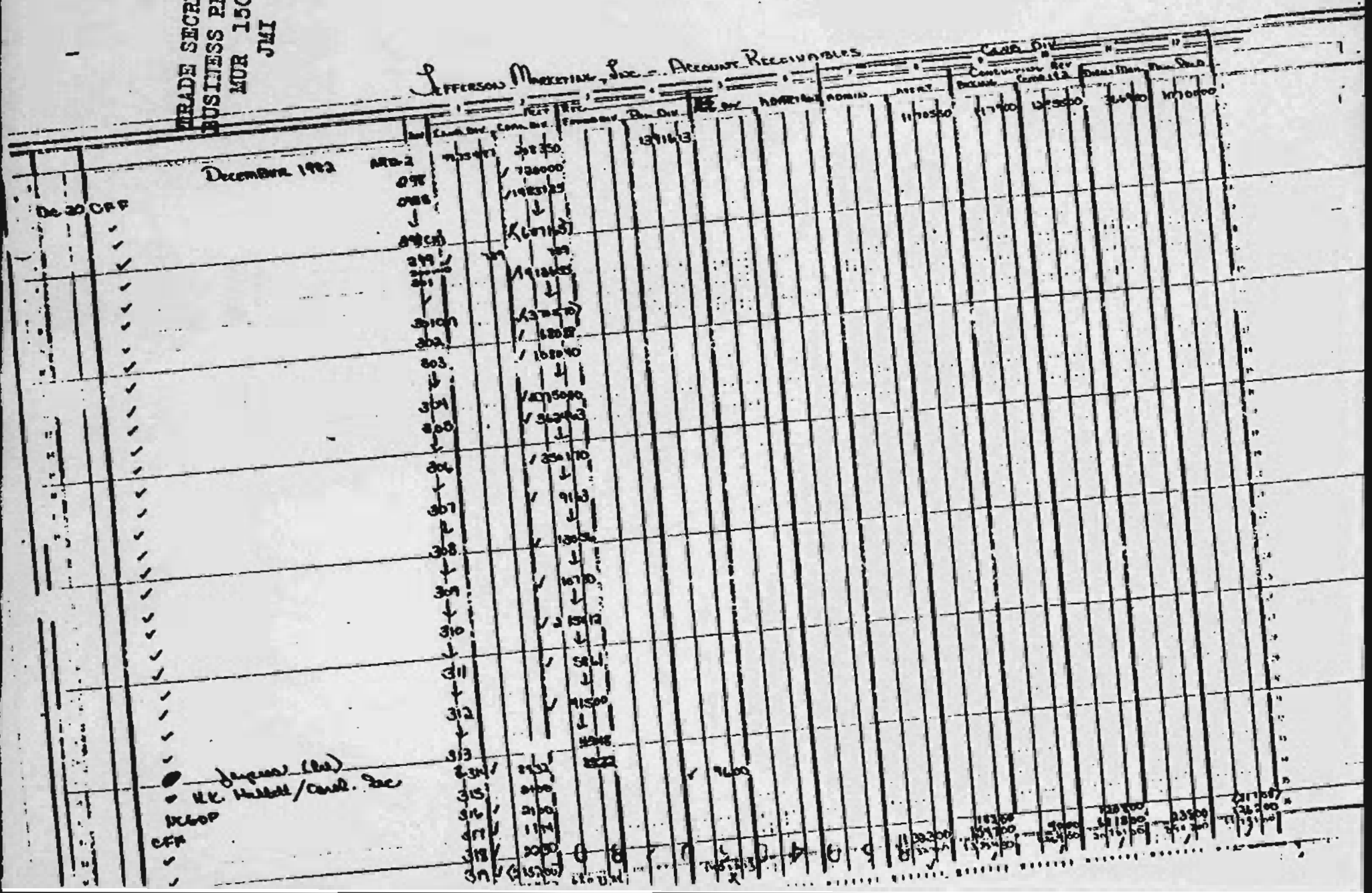
DATE 1983		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	INT. CR.	BALANCE
June	11	WBCT-TV ck# 2251	CD6		36675				
	18	WJOPM-TV ck# 2241	✓		3825				
	21	Advance	CR6				500000		
	22	✓	✓				40000		
	23	WBCT-TV ck# 2250	CD6		60000				
	25	Pat Jaynes ck# 2251	✓		119000				
Sept	6	Refund (Cash) Fayetteville Tele.	CR2				600		
Oct	7	Acc. in-kind contribution for #197	ARN1				3500		

TRADE SECRET OR BUSINESS RECORD 1503 JUL

TRADE SECRET OR BUSINESS RECORD 1503 JUL

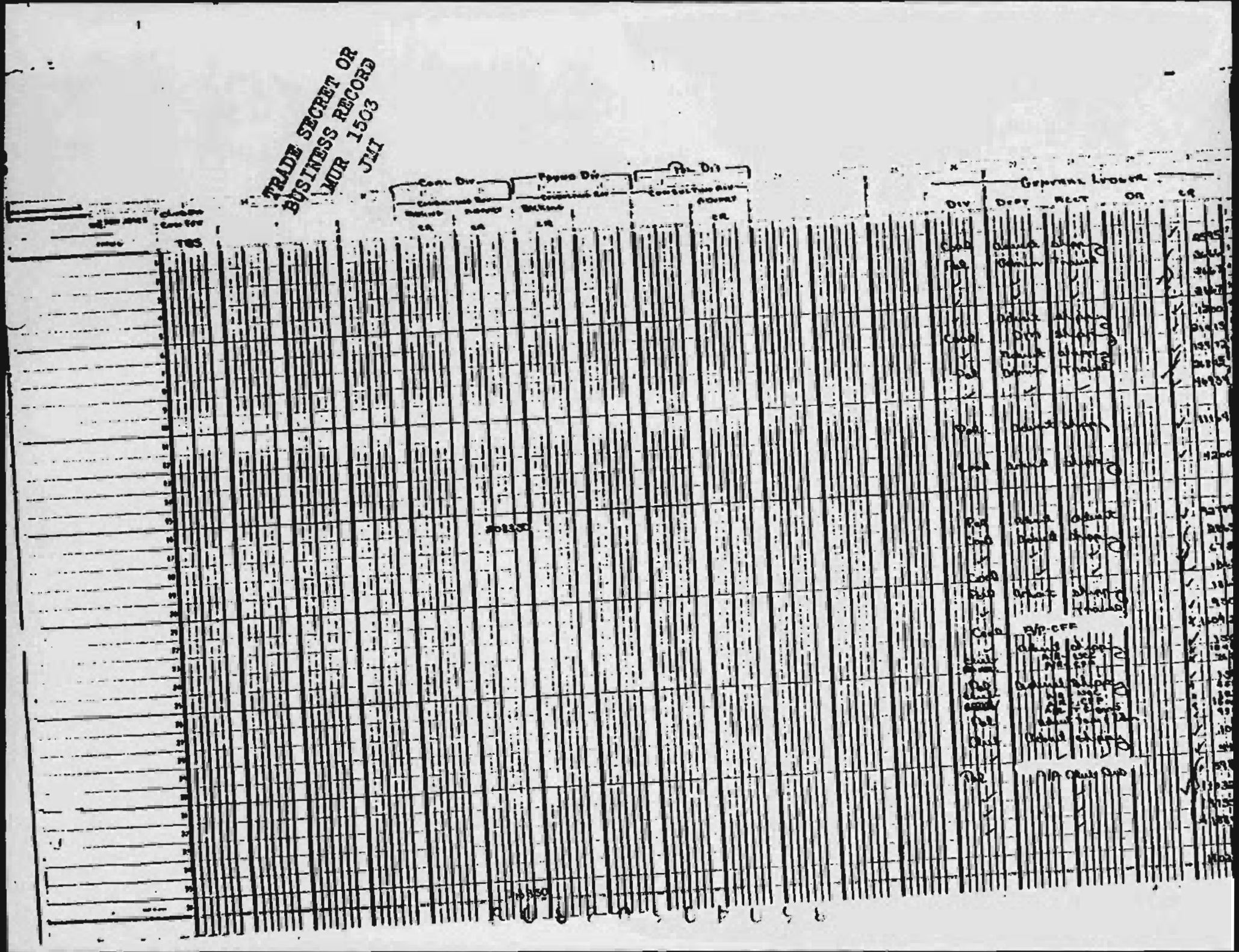
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TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI



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TRADE SECRET OR
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MUR 1503
JMI



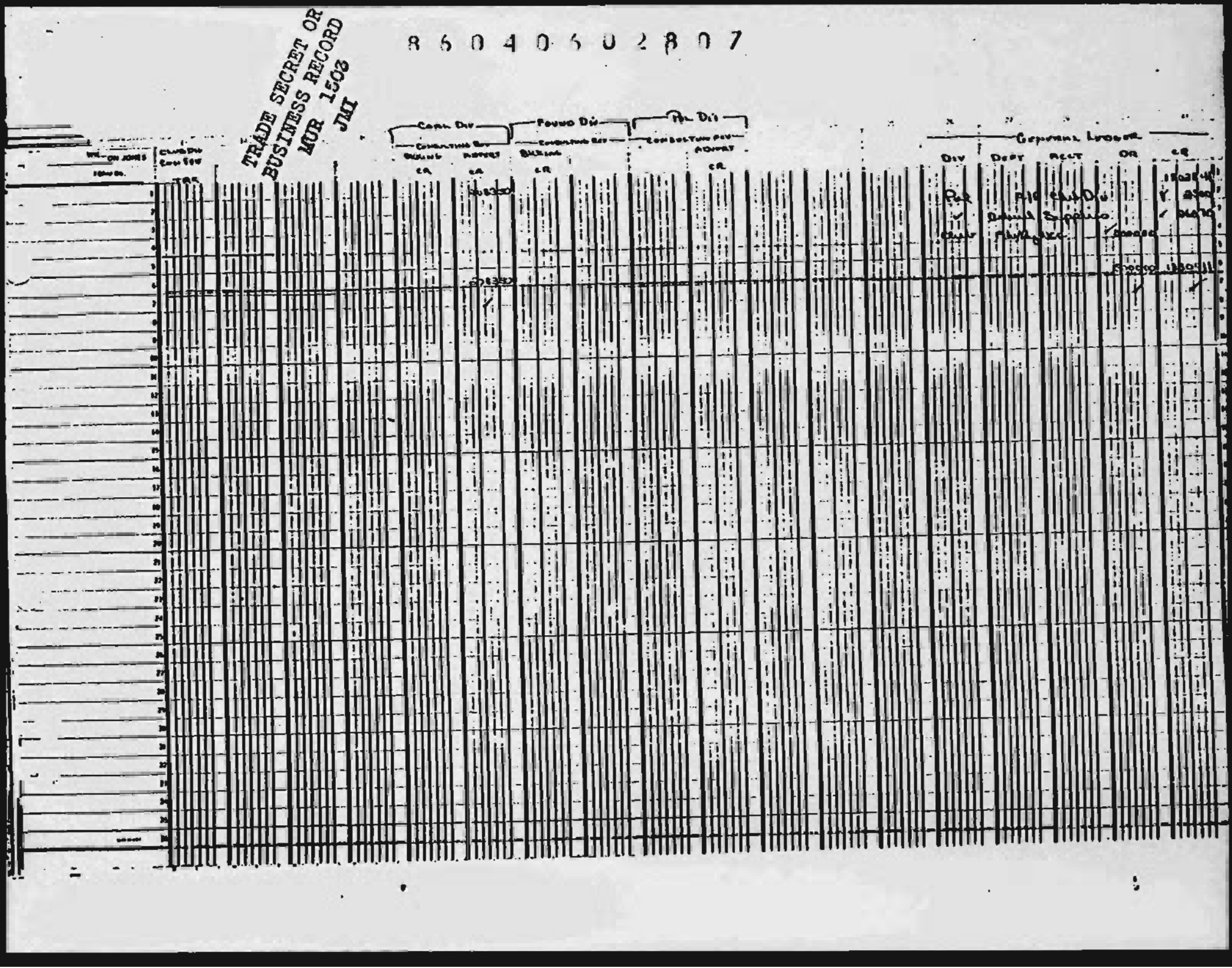
TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI

Jefferson Marketing, Inc. - Account Receivables

| | | |

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TRADE SECRET OR
BUSINESS RECORD
MOR 1503
JMI



Jefferson Marketing, Inc.
COMBINED
Balance Sheet
December 31, 1979

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

	Marketing	Campaign	Total
Current Assets:			
Cash in bank - FCBT	(1,043.11)	(8,735.35)	(9,778.46)
Accounts receivable - trade	23,369.32	35,716.18	59,085.50
Prepaid postage	1,035.11	-0-	1,035.11
Postage escrow - bulk meter	10.00	-0-	10.00
Postage escrow - first class meter	10.00	-0-	10.00
Total current assets	23,381.32	26,980.83	50,362.15
Property & Equipment:			
Office equipment	19,293.30	-0-	19,293.30
Office furniture	155.42	-0-	155.42
Less accumulated depreciation	(1,082.53)		(1,082.53)
Total property & equipment	18,366.19		18,366.19
Other Assets:			
Deposits	150.00		150.00
Total Assets	41,897.51	26,980.83	68,878.34

LIABILITIES

Current Liabilities:			
Accounts payable	16,903.13	12,791.26	29,694.39
Payroll taxes withheld & accrued	836.27	5,570.22	6,406.49
Postage escrow - clients	1,387.15	-0-	1,387.15
Insurance withheld	10.60	240.58	251.18
Federal income tax	3,200.00	-0-	3,200.00
N.C. income tax	1,900.00	-0-	1,900.00
Total current liabilities	24,237.15	18,602.06	42,839.21
Stockholders Equity:			
Capital stock	100.00	-0-	100.00
Retained earnings	17,560.36	8,378.77	25,939.13
Total liabilities	41,897.51	26,980.83	68,878.34

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JE[illegible]SON MARKETING, INC.
CONSOLIDATED
Balance Sheet
December 31, 1980

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

R5040502809

ASSETS

Current Assets:		
Cash in Bank - FCBT	$ 25,876.31	
Cash in Bank - FCBT - Postage Escrow	63.00	
Accounts Receivable	126,102.99	
Postage Escrow - Bulk Meter	20.00	
Postage Escrow - First Class Meter	10.00	
Expense Advance	2,000.00	
Loan Account	4,650.00	
Prepaid Interest	,486.81	
Total Current Assets		$ 164,209.11
Property and Equipment:		
Office Equipment	47;481.77	
Office Furniture	646.83	
	48,128.60	
Less Accumulated Depreciation	(4,326.05)	
Net Property and Equipment		43,802.55
Other Assets:		
Deposits		225.00
Total Assets		$ 208,236.66

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Account Payables	$ 38,270.60	
Notes Payable	28,926.44	
Payroll Taxes Withheld and Accrued	9,446.15	
Postage Escrow - Cleint	19,677.46	
Employees' Insurance Withheld	13.80	
Total Current Liabilities		$ 96,334.45
Stockholder's Equity:		
Capital Stock	100.00	
Retained Earnings	25,939.13	
Current Earnings	85,863.08	
Total Stockholder's Equity		111,902.21
Total Liabilities and Stockholder's Equity		$ 208,236.6

JEFFERSON MARKETING, INC.
Balance Sheet
December 31, 1980
Revised 2/28/81

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

Current Assets:		
Cash in Bank - FCBT - Regular	$16,037.21	
Cash in Bank - FCBT - Postage Escrow	63.00	
Accounts Receivable - Trade	49,415.32	
Postage Escrow - Bulk Meter	20.00	
Postage Escrow - First Class Meter	10.00	
Loan Account - Management Enterprises, Inc.	4,350.00	
Deposits	-0-	
Prepaid Interest	11,311.72	
Total Current Assets		$81,207.25
Property and Equipment:		
Office Equipment	72,366.43	
Office Furniture	646.83	
	73,013.26	
Less Accumulated Depreciation	(13,581.98)	
Net Property and Equipment		59,431.28
Total Assets		$140,638.53

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts Payable - Trade	24,302.63	
Accounts Payable - Advertising	16,869.76	
Notes Payable	52,947.94	
Payroll Taxes Withheld and Accrued	533.20	
Postage Escrow - Clients	19,677.46	
Insurance Withheld	23.30	
Federal Income Taxes Payable	-0-	
Total Current Liabilities		$114,354.29
Stockholder's Equity:		
Capital Stock	100.00	
Retained Earnings (12/31/80)	17,560.36	
Current Earnings	8,623.88	
Total Stockholder's Equity		26,284.24
Total Liabilities and Stockholder's Equity		$140,638.53

CAMPAIGN CONSULTANT
A Division of Jefferson Marketing, Inc.
Balance Sheet
December 31, 1980
Revised 3/2/81

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

Current Assets:		
Cash in Bank - FCBT	$ 7,771.03	
Accounts Receivable - Trade	57,267.67	
Loan Account	100.00	
Deposit	225.00	
Total Current Assets		$65,363.70
Property and Equipment:		
Office Equipment	1,005.59	
Less: Accumulated Depreciation	(274.06)	
Net Property and Equipment		731.53
Total Assets		$66,095.23

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts Payable	$22,885.49	
Payroll Taxes Withheld and Accrued	8,912.95	
Employees' Insurance Withheld	455.48	
Total Current Liabilities		$32,253.92
Stockholder's Equity:		
Retained Earnings (12/31/80)	8,378.77	
Current Earnings	25,462.54	
Total Stockholder's Equity		33,841.31
Total Liabilities and Stockholder's Equity		$66,095.23

3504023811

MANAGEMENT ENTERPRISES
A Division of Jefferson Marketing, Inc.
Balance Sheet
December 31, 1980

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

Current Assets:		
Cash in Bank - FCBT	$2,068.07	
Loan Account	2,200.00	
		4,268.07
Total Assets		

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts Payable	51.00	
Note Payable	2,350.00	
		2,401.00
Total Current Liabilities		
		1,867.07
Stockholder's Equity:		
Current Earnings		
		4,268.07
Total Liabilities and Stockholder's Equity		

8604050281 2

ADJUSTMENT

JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
December 31, 1981

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

Current Assets:		
Cash in Bank - JMI - Business	$ 138.81	
Cash in Bank - JMI - Club	1,548.36	
Cash in Bank - JMI - Foundation	4.34	
Cash in Bank - JMI - Coalition	6.48	
Cash in Bank - JMI - Political	6.40	
Cash in Bank - JMI - Postage Escrow	58.43	
Cash in Bank - Campaign Committee	1,202.01	
Cash in Bank - Management Enterprise	2,283.27	
Accounts Receivable - JMI - Business	33,476.14	
Accounts Receivable - JMI - Club	15,373.37	
Accounts Receivable - Campaign Committee	77,395.51	
Accounts Receivable - Management Enterprise	1,437.31	
Loan Account - JMI	4,000.00	
Loan Account - Management Enterprise	2,000.00	
Deposit - JMI	50.00	
Postage Meters - JMI	1,588.79	
Postage Advance - Management	20.49	
Deferred Interest - JMI	7,500.81	
Prepaid Insurance - JMI	68.60	
Total Current Assets		$148,159.12
Property and Equipment:		
Office Equipment and Furniture	86,251.66 42,642.35	42,609.31
Less: Accumulated Depreciation	(29,398.61)	56,853.65
Net Property and Equipment		$191,768.43
Total Assets		$205,012.17

Revised 3/31/82
Our Audit
Adjustment

ON MARKETING, INC.
dated
Sheet

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

LIABILITIES AND STOCKHOLDER'S EQUITY

t Liabilities:		
counts Payable - JMI - Club	$ 7,865.84	
counts Payable - JMI - Foundation	8.15	
counts Payable - JMI - Coalition	8.15	
counts Payable - JMI - Political	8.15	
counts Payable - Campaign Committee	3,704.35	
counts Payable - Management Enterprise	2,079.85	
otes Payable - JMI	49,054.27	
otes Payable - Campaign Committee	1,000.00	
CC-Advance Payable - JMI	16,031.10	
CC Advance Payable - Campaign Committee	27,964.59	
Payroll Taxes Withheld and Accrued - JMI	2,826.35	
Insurance Withheld - JMI	276.25	
Postage Escrow - Clients - JMI	1,014.42	
Postage Escrow - Clients - Management Enterprise	20.49	
Advertising Escrow - NCC - JMI	26.72	
Accrued Expenses	5,126.85	$119,635.07
Unemployment Taxes Payable - JMI	1,009.10	~~$118,024.63~~
Total Current Liabilities		
ockholder's Equity:		
Capital Stock - JMI	100.00	
Retained Earnings (1-1-81)	70,559.07	
Current Earnings	~~16,328.47~~ 2,474.29	73,133.36
		~~86,987.54~~
Total Stockholder's Equity		$191,768.43
		~~$205,012.17~~
Total Liabilities and Stockholder's Equity		

Purchase order outstanding as 1/29/82 - JMI	$ 757.06
Invoices in-house but not on books as of 1/29/82 - JMI	1,427.54
Invoices in-house but not on books as of 1/29/82 - Management Enterprise	1,350.00
TOTAL	$3,534.60

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

* Amend figure received after mailing of Fed. Tax return.

JEFFERSON MARKETING, INC.
Consolidated
Balance Sheet
December 31, 1982

ASSETS

Current Assets:			
Cash in Bank - JMI - Business	$ 393.76		
Cash in Bank - JMI - Club	4,171.49		
Cash in Bank - JMI - Coalition	511.85		
Cash in Bank - JMI - Foundation	66.70		
Cash in Bank - JMI - Political	57.33	5,812.04	
Cash in Bank - JMI - Postage Escrow	514.33		
Cash in Bank - Campaign Committee	109.58		
Cash in Bank - Management Enterprise	2,987.00		
Accounts Receivable - JMI - Business	120.00		
Accounts Receivable - JMI - Club	~~91,365.15~~	86,743.72	229,947.76
Accounts Receivable - JMI - Coalition	58,768.68		
Accounts Receivable - JMI - Political	62,242.26		
Accounts Receivable - Management Enterprise	2,023.10		
Loan Account - JMI	59,186.32		
Loan Account - Management Enterprise	2,000.00		
Deposit - JMI	50.00		
Postage Stamps - JMI	585.45	98,104.49	
Postage Meters - JMI	1,163.58		
Postage Advance - JMI	2,108.73		
Deferred Interest - JMI	31,619.09		
Advance Payment - Management Enterprise	1,391.32		
Total Current Assets			316,564.2 ~~$321,450.~~
Property and Equipment:			
List	75,229.39		
Office Equipment and Furniture	~~266,567.50~~	~~295,445.25~~	323,515.3
Less: Accumulated Depreciation	~~(62,761.13)~~	(92,219.34)	304,925.4
Net Property and Equipment			~~$600,~~
Total			622,789.6

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

:FFERSON MARKETING, INC.
)nsolidated
:lance Sheet
nge 2

LIABILITIES AND STOCKHOLDER'S EQUITY

:urrent Liabilities:

Accounts Payable - JMI - Business	$ 650.00	
Accounts Payable - JMI - Club A/P	~~23,150.82~~	113,109.67
Accounts Payable - JMI - Coalition	13.65	
Accounts Payable - JMI - Political	166.40	66,156.70
Notes Payable - JMI - Club	266,535.08	
Notes Payable - JMI - Foundation	10,500.00	357,973.6
NCC Advance Payable - JMI	23,995.69	
Fed. & State Corp. Income Taxes Payable - JMI	~~(528.86)~~	6,074.02
Payroll Taxes Withheld and Accrued - JMI	18,630.53	
Insurance Withheld - JMI	464.69	
Postage Escrow - Clients - JMI	6,263.36	42,295.97
Advertising Escrow - Clients - JMI	4,098.50	
Expenses Reimbursed - JMI - Political	6,764.88	
Accrued Expenses	~~4,643.72~~	7165.85
Total Current Liabilities		466,461.32

Stockholder's Equity:

Capital Stock - JMI	100.00	
Retained Earning (3-1-82)	73,033.36	156,338.3
Current Earnings	~~151,950.68~~	
Total Stockholder's Equity		
Total Liabilities and Stockholder's Equity		622,789

JEFFERSON MARKETING, INC.
Balance Sheet
December 31, 1983

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

ASSETS

Current Assets:		
Cash in Bank	$ 574.53	
Cash in Bank - Advertising	12,880.05	
Cash in Bank - Postage	3,971.08	
Accounts Receivable	148,155.77	
Accounts Receivable - Advertising	9,972.00	
Loan Receivable	46,125.00	
Inventory	6,783.45	
Deposit	550.00	
Postage Meters	8,976.98	
Postage Stamps	13,060.72	
Postage Advance - Postage Acc't	292.67	
Expenses Advances	15.29	
Salary Advances	1,075.00	
Deferred Interest	78,758.28	
Advance Payment	1,391.32	
Deferred Revenues	66,212.82	
Total Current Assets		$398,794.96
Property and Equipment:		
Auto	2,800.00	
List	95,060.29	
Office Equipment and Furniture	451,807.22	
Computer Software	70,600.00	
Less: Accumulated Depreciation	(169,787.01)	
Net Property and Equipment		450,480.50
Total Assets		$849,275.46

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

LIABILITIES AND STOCKHOLDER'S EQUITY

rrent Liabilities:		
Accounts Payables	$115,556.69	
Notes Payables	357,655.86	
Loan Payables	11,526.12	
NCC Advance Payables	3,995.69	
Fed. & State Corp Income Taxes Payables	(1,478.24)	
Payroll Taxes Withheld and Accrued	23,033.25	
Insurance Withheld	931.49	
Postage Escrow - Clients	26,008.78	
Advertising Escrow - Clients	11,675.58	
Accrued Expenses	1,254.75	
Expenses Reimbursed	34.48	
Total Current Liabilities		$550,194.45
Stockholder's Equity:		
Capital Stock	100.00	
Retained Earnings (1-1-83)	156,228.37	
Current Earnings	142,752.64	
		-299,081.01
Total Stockholder's Equity		$849,275.46
Total Liabilities and Stockholder's Equity		

EXHIBIT

1/83/DM/SG

JMI Office Operational Costs
1982

Advertising

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
ent	3rd Floor to include space as highlighted on attached. 860 sq ft at $8.50 per sq ft	$ 465.83 TRADE SECRET OR BUSINESS RECORD MUR 1503 JMI
		$11,157.22
alaries	Salary - Earle Ashe Mary Ryan Susan Cashwell Consultant - Verne Strickland Robert Holding	
		$ 211.47
FICA		$ 208.00
Insurance	4 at $52.00 per person	$ .60
Workman's Comp.	4 at 15¢ each	$ 86.93
Telephone	781-4230 1 of 3 departments sharing service Base monthly rate of $260.30 Average long distance calls (adv. dept.)	$ 600.00
Equipment	Typewriters Yearly service 3 at $99 per year S. Cashwell - #263651848 V. Strickland - #26-3814490 M. Rhyne - #26-3814488	$ 23.00
	3 Video Cassette Recorders 1 year warranty	$ 19.00
		$ 155.00
Supplies	Includes Charles in 1982 Dubs - Tape Library $195 per year	$ 16.25
		$ 11.00
Shipping		$ 40.00
		$12,994.30
Expense Reports	without supplies Includes Charles in 1982 Includes 2 Washington, DC trips for Earl Ashe $550 total	

1/83/DM/SG

JMI Office Operational Costs
1982

Advertising

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	3rd Floor to include space as highlighted on attached. 860 sq ft at $6.50 per sq ft	$ 465.83 $11,157.22
Salaries	Salary - Earle Ashe Mary Ryan Susan Cashwell Consultant - Verne Strickland Robert Holding	
FICA		$ 211.47
Insurance	4 at $52.00 per person	$ 208.00
Workman's Comp.	4 at 15¢ each	$ .60
Telephone	781-4230 1 of 3 departments sharing service Base monthly rate of $260.30 Average long distance calls (adv. dept.)	$ 86.93 $ 600.00
Equipment	Typewriters Yearly service 3 at $99 per year S. Cashwell - #263651848 V. Strickland - #26-3814490 M. Rhyne - #26-3814488	$ 23.00
	3 Video Cassette Recorders 1 year warranty	$ 19.00 $ 155.00
Supplies	Includes Charles in 1982 Dubs - Tape Library $195 per year	$ 16.25 $ 11.00
Shipping		$ 40.00
Expense Reports	without supplies Incudes Charles in 1982 Includes 2 Washington, DC trips for Earl Ashe $550 total	$12,994.30

1/83/DM/SG

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

JMI Office Operational Costs
1982

Art Department

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	Camera Room - 1st Floor 150 sq ft at $7.50 per sq. ft. Charles' office - 2nd Floor 168 sq ft at $6.43 per sq. ft.	$ 183.77 $2,003.97
Salaries	Salary - Charles Pysher Hourly - Wilma Batts Andy Seay	$ 134.27
FICA		$ 52.00
Insurance	1 at $52.00 per person	$ .45
Workman's Comp.	3 at 15¢ each	$ 86.93
Telephones	781-4230 1 of 3 departments sharing service with JMI-3rd floor. Base monthly rate at $260.30	
Equipment	Camera purchase price at $3,082.80 Lease Service Agreement (none)	$ 25.90
	Typewriter (purchased #26-3651848 Service $99.00 pr yr	$ 8.25
Supplies	Camera supplies Based on purchases from March to December 1982 - $1,800	$ 150.00 $2,645.54

1/83/DM/SG

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

JMI Office Operational Costs
1982

Clerical

	DESCRIPTION	MONTHLY COST
SE	1st Floor office 168 sq. ft. at $7.50 per sq. ft.	$ 105.00 $2,249.94
ies	Salary - Joy Moseley Hourly - Brenda Buffaloe Faye Langdon Ann Rains Donna Spivey	$ 150.75
		$ 104.00
	2 at $52.00 per person	$ .75
rance kman's Comp.	5 at 15¢ each	$ 43.70
lephones	782-5431 1 of 8 departments sharing service Base monthly rate at $349.70	$ 15.00 $ 3.50
quipment	Desk stand purchase $179 . Calculator (Monroe) $42 per year A. Raines - #F182553	$ 4.33
		$2,676.97
upplies	Anacomp bulbs at $52.00 per year	

1/83/DM/SG

JMI Office Operational Costs
1982

Data Entry

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	1st Floor 190 sq. ft. at $7.50	$ 118.75 $2,196.23
Salaries	Hourly only: Gloria Creech Angela Edwards Jean Jackson Deborah Minor Lois Mitchell Lois Pearce Katerine Ritchie	$ 147.15
FICA		$ 208.00
Insurance	4 at $52.00 per person	$ .75
Workman's Comp.	5 at 15¢ each=	$ 43.70
Telephone	782-5431 (1st. floor) 1 of 8 departments sharing service Base monthly rate at $349.70	$ 764.52 $3,479.10
Equipment	1 Printer and 5 terminals	

1/83/DM/SG

JMI Office Operational Costs
1982

Direct Mail

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	1st Floor office 180 sq. ft. at $7.50	$ 112.50
	Mini warehouse	$ 38.00
	Bedford	$ 286.23
		$2,783.23
Salaries	Salary - Bob Harris Jill Lovett Nell Ann Surles	
FICA		$ 186.48
Insurance	3 at $52.00 per person	$ 156.00
Workman's Comp.	3 at 15¢ each	$ .45
Telephone	782-5431 1 of 8 departments sharing service Base monthly rate at $349.70	$ 43.70
Equipment	Typewriters Service Contracts - 2 at $99 per year	$ 16.50
	J. Lovetta - #26-3594249 N.A. Surles - #26-4876714	
Supplies		$ 90.00
Shipping	(includes shipping to Viguerie and Eberle)	$ 86.00
Expense Reports	w/o supplies	$ 23.00
		$3,822.09

1/83/DM/SG

JMI Office Operational Costs
1982

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

CAGING

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	1st Floor	
	Lil's Office 54 sq. ft. at $7.50= $33.75 per mo. Iris's Office 30 sq. ft. at $7.50= 18.75 per mo.	$ 52.50
Salaries		$3,655.98
	Salary - Lil Murray Hourly - Emma Jo Watkins Iola Dew Willa Daniels Florence Stone Iris Cleaver	
FICA		$ 244.95
Insurance	3 at $52.00 per person	$ 156.00
Workman's Comp.	6 at 15¢ each	$ .90
Telephones	- 782-5431 (1st. floor) 1 of 8 departments sharing service Base monthly rate at $349.70	$ 43.70
Equipment	None leased	
Supplies	None applied to this department in 1982	
Services		
	Monroe Calculators - Service Agreements	
	E. J. Watkins - #HO 94108 at $46.00 per year	$ 3.83
	W. Daniels - #HO 93941 at $46.00 per year	$ 3.83
		$4,161.79

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1/83/DM/SG

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

JMI Office Operational Costs
1982

WORD PROCESSING

PENSE	DESCRIPTION	MONTHLY COST
nt	System-6 Room 400 sq. ft. at $7.50	$ 250.00
		$1,796.59
alaries	Salary - Saralee Gould Hourly - Dean Collins Keith Holt Wm. Gerald Dabney Maides Aileen Surles	
		$ 120.37
=ICA		$ 52.00
Insurance	1 at $52.00 per person	$ .90
Workman's Comp.	6 at 15¢ each=	$ 43.70
Telephones	782-2076 1 of 8 departments sharing service Base monthly rate at $349.70	
Equipment	System 6/450 #0311510	$ 733.00
	Purchase	$ 345.00
	Service	
	#0311205	$ 621.00
	Purchase	$ 350.00
	Service	
	Week-end service for 2 machines (above)	$ 198.00
	#100313	$ 643.00
	Purchase	$ 352.00
	Service	
	Week-end service for 1 machine (above)	$ 120.75
	Mag II Typewriter	$ 182.00
	Purchase	$ 73.00
	Service	
		$ 201.00
Supplies	Ink usage: 20 cartons per year Elements at $23.00 per year	$ 2.00
		$6,084.31

1/83/DM/SG

JMI Office Operational Costs
1982

Mail Production

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	Inserting Room first floor 880 sq. ft. at $7.50 per sq. ft.	$ 550.00
Salaries		$5,324.60
	Salary - Jimmy Thompson Hourly - Pat Bailey, Mary Buffaloe, Joy Champion, Anthony Driver, Roger Duke, Mary Evans, Robert Flaherty, Willie Guthrie, Amanda Hawkins, Christopher Hawkins, John Hlovich, Joy Hlovich, Marjorey Humphrey, Eleanor Swanson, Lassie Smith, Joy Strobel, Eugenia Stone, S. Darlene Thompson Michael Johnson, Robert Jones, Stephen Kennessy, Robert Koger, William Mitchell, Betty O'Rear, Melissa Pearce, Dennis Perry, Dana Pridgen, Judson Phillips, Mark Puryear, Glen Putnam, Donna Scheitinga, Jennifer Wharten, Helen Wicker, George Wicker, Jill Stone	
FICA		$ 356.75
Insurance	2 at $52.00 per person	$ 104.00
Workman's Comp.	Pending 1983 rates	$
Telephones	782-2174 1 of 8 departments sharing service Base rate at $349.70	$ 43.70
Equipment	Labeler lease	$ 695.66
	Service agreement	$ 108.00
	Inserter Service Agreement	$ 120.00
	Meter Base Service Agreement	$ 18.00
	Meters - Rental In House at $29.95 All clients at $29.95 CFF at $17.32	$ 77.22

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- Mail Production

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
	Stampmaster Service	$ 80.00
Expense Reports	(does not include supplies)	$ 306.00
Supplies		$ 53.00
Maintenance	Mimsco - power drop for labeler at $195.49 (one time cost)	
Shipping		$ 5.00
		$7,841.93

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1/83/DM/SG

JMI Office Operational Costs
1982

ADMINISTRATION

TRADE SECRET OR
BUSINESS RECORD
MUR 1503
JMI

EXPENSE	DESCRIPTION	MONTHLY COST
Rent	1st floor office to include (as highlighted in yellow) @ $7.50 per sq. ft.	$ 735.50
	3rd. floor office to include (as highlighted in yellow) @ $6.50 per sq. ft.	
Salaries		$5,176.46
	Salary - Doug Davidson Doss Madden Lib Smith Jannette Pennington	
FICA		$ 346.92
Insurance	3 at $52.00 per person	$ 156.00
Workman's Comp.	4 at 15¢ each	$ .60
Telephone	782-5431 (1st. floor) 1 of 8 departments sharing service Base monthly rate at $349.70 per mo.	$ 43.70
	787-2648 CW's private line to Doug Davidson's office.	$ 30.00
	781-4230 Third floor phone 1 of 3 depts. sharing phone service. Monthly rate $260.30 per month	$ 86.93
Equipment	Typewriters Service 3 at $99 per year J. Pennington #26-3814489 L. Smith #26-2793642 D. Madden #26-3594248	$ 24.75
	Calculators (Monroe) J. Pennington #M161399 Service 1 at $61 per year	$ 5.08
Supplies	Including 1982 Bookkeeping supplies at $50 per month.	$ 300.00
Shipping	Including 82 Club Division category	$ 292.00

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TRADE SECRET OR
BUSINESS RECORD

2 - Administration

EXPENSE	DESCRIPTION	MONTHLY COST
Expense Reports	w/o supplies $230.00 per year	$ 21.00
Insurance	Multi-Peril Fire/Theft/Liability $571.00 per year 1983 Adjustment to be considered regarding addition of computer and TBS equipment, etc.	$ 47.50 $7,266.44

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 1503
The National Congressional Club	)	

RESPONSE OF THE NATIONAL CONGRESSIONAL CLUB
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWERS

This is the response of The National Congressional Club to the Federal Election Commission Subpoena To Produce Documents and Order To Submit Written Answers mailed on June 2, 1983. The undersigned, Carter Wrenn, is Treasurer of The National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

The National Congressional Club ("NCC") objects to the Subpoena To Produce Documents ("Suppoena") and Order To Submit Written Answers ("Order") on the grounds that they are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. However, in order to expedite a resolution of this matter, the NCC responds to the Subpoena and Order as set forth below. By its response, the NCC does not intend to waive its rights to press any of the objections raised herein or to raise other objections before the Federal Election Commission or the courts.

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Attachment E (1)

RESPONSE TO SUBPOENA

1. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, and requests materials that are irrelevant to this proceeding. In the interest of expediting this matter, and without waiving any of its objections, the NCC is submitting herewith organizational documents.

2. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

3. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this

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request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

RESPONSE TO ORDER

A. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

1. The present directors of the NCC, including officers, are: Thomas F. Ellis, 2744 Lakeview Drive, Raleigh, North Carolina 27609 (Chairman 1973 - 1977, 1979 - present); Carter Wrenn, 417 P Hensley Drive, Raleigh, North Carolina 27609 (Treasurer 1975 - 1977, 1979 - present); Ed Morris, Wachovia Building, Suite 1024, 210 N. Elm Street, Greensboro, North Carolina 27401 (1973 - present); Hugh Chatham, Chatham Manufacturing Company, Elkin, North Carolina 28621 (1973 - present); and Marion Parrott, P.O. Box 947, Kinston, North Carolina 28501 (1973 - present).

2. Past directors of the NCC, including officers, are: Archie Johnson (deceased) (1973 - 1978); William

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T. Joyner, Jr., 3408 Landor Road, Raleigh, North Carolina 27609 (1973 - 1981); William I. Berryhill, Jr., 5920 Sandy Forks Road, Raleigh, North Carolina 27609 (Treasurer 1973 - 1975); Richard W. Miller, 513 Bashford, #6, Alexandria, Virginia 22314 (Chairman 1977 - 1979); and Elisabeth Smith, 2712 Mayview Road, Raleigh, North Carolina 27607 (Treasurer 1977 - 1979).

3. A list of present employees and consultants of the NCC is submitted herewith. Information as to past employees and consultants of the NCC is not readily available.

B. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

The information requested is not readily available. The NCC is compiling information from all available files at its office to respond to this request, and will supplement its response at such time as this compilation has been completed.

C. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is

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indefinite and uncertain, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. The NCC is unable to respond to this request as presently drafted.

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

7/7/83
Date

Carter Wrenn

Sworn and subscribed to before me this 7th day of July, 1983.

Notary Public

My Commission Expires October 11, 1987

R5040502835

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 1503
The National Congressional Club)

RESPONSE OF THE NATIONAL CONGRESSIONAL CLUB
TO SUBPOENA TO PRODUCE DOCUMENTS
AND ORDER TO SUBMIT WRITTEN ANSWERS

This is the response of The National Congressional Club to the Federal Election Commission Subpoena To Produce Documents and Order To Submit Written Answers mailed on June 2, 1983. The undersigned, Carter Wrenn, is Treasurer of The National Congressional Club, has personal knowledge of the matters discussed herein, and supervised the compilation of the documents submitted herewith.

GENERAL OBJECTIONS
AND NON-WAIVER OF RIGHTS

The National Congressional Club ("NCC") objects to the Subpoena To Produce Documents ("Suppoena") and Order To Submit Written Answers ("Order") on the grounds that they are overly broad, unreasonably burdensome and oppressive, and request materials and information that are irrelevant to this Matter Under Review. However, in order to expedite a resolution of this matter, the NCC responds to the Subpoena and Order as set forth below. By its response, the NCC does not intend to waive its rights to press any of the objections raised herein or to raise other objections before the Federal Election Commission or the courts.

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(6)

RESPONSE TO SUBPOENA

1. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, and requests materials that are irrelevant to this proceeding. In the interest of expediting this matter, and without waiving any of its objections, the NCC is submitting herewith organizational documents.

2. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

3. The NCC objects to this request for materials on the grounds that it is indefinite and uncertain, is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests materials that are irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC is submitting herewith materials that it believes are responsive to this

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request. The NCC is continuing to review all available files at its office, and will supplement this response with additional materials from such files, as such materials become available.

RESPONSE TO ORDER

A. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

1. The present directors of the NCC, including officers, are: Thomas F. Ellis, 2744 Lakeview Drive, Raleigh, North Carolina 27609 (Chairman 1973 - 1977, 1979 - present); Carter Wrenn, 417 P Hensley Drive, Raleigh, North Carolina 27609 (Treasurer 1975 - 1977, 1979 - present); Ed Morris, Wachovia Building, Suite 1024, 210 N. Elm Street, Greensboro, North Carolina 27401 (1973 - present); Hugh Chatham, Chatham Manufacturing Company, Elkin, North Carolina 28621 (1973 - present); and Marion Parrott, P.O. Box 947, Kinston, North Carolina 28501 (1973 - present).

2. Past directors of the NCC, including officers, are: Archie Johnson (deceased) (1973 - 1978); William

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T. Joyner, Jr., 3408 Landor Road, Raleigh, North Carolina 27609 (1973 - 1981); William I. Berryhill, Jr., 5920 Sandy Forks Road, Raleigh, North Carolina 27609 (Treasurer 1973 - 1975); Richard W. Miller, 513 Bashford, #6, Alexandria, Virginia 22314 (Chairman 1977 - 1979); and Elisabeth Smith, 2712 Mayview Road, Raleigh, North Carolina 27607 (Treasurer 1977 - 1979).

3. A list of present employees and consultants of the NCC is submitted herewith. Information as to past employees and consultants of the NCC is not readily available.

B. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is unreasonably burdensome and oppressive, and requests information that is irrelevant to this proceeding. In order to expedite this matter, and without waiving any of its objections, the NCC submits the following answer:

The information requested is not readily available. The NCC is compiling information from all available files at its office to respond to this request, and will supplement its response at such time as this compilation has been completed.

C. The NCC objects to this request for answers on the grounds that it is not sufficiently limited as to time, is

R504502839

indefinite and uncertain, is unreasonably burdensome and oppressive, and seeks information irrelevant to this proceeding. The NCC is unable to respond to this request as presently drafted.

Under penalty of perjury, I declare that the foregoing response is accurate and true to the best of my knowledge and belief.

7/7/83
Date

Carter Wrenn
Carter Wrenn

Sworn and subscribed to before me this 7th day of July, 1983.

Notary Public
My Commission Expires October 31, 1987

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NORTH CAROLINA CONGRESSIONAL CLUB

STATEMENT OF ORGANIZATION

Article I

Creation and Purposes

There is hereby constituted in the State of North Carolina the North Carolina Congressional Club, hereinafter referred to as the Club, which shall be a voluntary, unincorporated, non-profit association composed of individuals. The purposes of the Club shall be: to work for the support of conservative principles and causes; to solicit additional members; to solicit and accept contributions; to disburse such monies consistent with the purposes of the Club, which may include making contributions to candidates for United States Senator or Representative and to political committees established on their behalf or reimbursing expenses and paying debts of certain candidates for and incumbent United States Senators or Representatives, or their employees, when related to the purposes of this Club; and to publish and disseminate newsletters or other publications to the Club's members or to the public. The Club shall operate independently of all other organizations and its activities shall not be associated with any particular political party.

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Article II

Principal Office

The principal office of the Club shall be located in the State of North Carolina.

Article III

Membership

The members of the Club shall consist of the initial signers of this Statement of Organizations and of such other persons, sympathetic to the purposes of the Club, who may be admitted to membership at their request or in response to solicitations made by the Club. Initial signers shall remain as members in good standing until resignation, death or action by the Executive Committee (see Article V) to remove them from membership. Members admitted by request or in response to solicitations shall remain members during the calendar year in which they achieve such membership.

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Article IV

Officers

Section 1. General. The officers of the Club shall be a Chairman and a Treasurer who, together with such other officers or assistant officers as may be established, shall be elected by a majority vote of the Executive Committee. The Chairman and Treasurer shall be initially those as are designated at the end of this Statement of Organization, and

such persons shall hold the offices so indicated until their respective successors may be elected by the Executive Committee.

Section 2. Chairman. The Chairman shall be the chief executive officer of the Club and shall have the power to appoint or hire employees from time to time and to determine the remuneration, duties and tenure of any employees so appointed or hired.

Section 3. Treasurer. The Treasurer, or in his stead an Assistant Treasurer, if there be one, shall, subject to the provisions of this Statement of Organization, have general responsibility for all funds collected by the Club, and shall cause all funds to be deposited and all records to be kept in accordance with directives and in the manner authorized by the Executive Committee. The Treasurer shall present an annual audit (in cooperation with independent, certified public accountants) to the Executive Committee and shall prepare such other reports as may be required by the Executive Committee. The Treasurer shall also prepare, sign and file all reports required of the Club by law.

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Article V

Executive Committee

The affairs of the Club, including the management and supervision of all property and the expenditure of all funds, shall be under the control of a governing body known as the Executive Committee. The Executive Committee shall

consist of seven individuals and the seven original signers of this Statement of Organization shall comprise the initial Executive Committee. Vacancies shall be filled by the remainder of the Executive Committee even though less than a quorum. A quorum of the Executive Committee for the transaction of business shall consist of four of its members. Members of the Executive Committee shall be appointed annually by a majority of the Executive Committee. The Executive Committee may establish one or more subcommittees.

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Article VI

Meetings and Notices

Section 1. Executive Committee. The Executive Committee may be called into session by any of its members when such member or members deem it necessary that a question relating to the affairs and activities of the Club be considered by the Executive Committee.

Section 2. Members. Meetings of members of the Club may be called by the Chairman or by a majority of the Executive Committee when deemed necessary.

Article VII

Funds

Section 1. Dissolution. Although the duration of the Club is to be perpetual, the Club may be terminated at any time by action of a majority of the Executive Committee. At the termination of the Club, all surplus funds of the Club,

after paying its debts, obligations and expenses, or in the event of contingent claims, after the establishment of a reasonable contingent fund therefor, shall be disposed of by the Executive Committee to such extent, in such amounts and to such organizations or committees whose purposes are consistent with the purposes of the Club, or as the Executive Committee, in its sole discretion, may deem advisable.

Section 2. Restriction upon Right of Club Members and Contributors to Participate in Distribution of Surplus Funds. No member of the Club, or contributor thereto if not a member, shall have a right to share in any surplus finds or assets of the Club upon its dissolution or at any other time. This restriction shall not, however, prohibit reimbursement for expenses incurred, repayment of amounts heretofore loaned or hereafter advanced, or the payment of salaries to members of the Club.

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Article VIII

Amendments

This Statement of Organization may be amended by majority vote of the Executive Committee, provided that written notice of the proposed amendment or amendments has been given to each member of the Executive Committee at least five (5) days prior to such action, and provided further that Section 2 of Article VII shall not be subject to amendment.

IN WITNESS WHEREOF, the undersigned adopt this Statement of Organization and designate the initial officers

and members of the Executive Committee whose names are listed on the attached sheet.

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of November, 1973.

Thomas F. Ellis

Thomas F. Ellis
33 West Davie Street
P. O. Box 829
Raleigh, North Carolina 27602

8504062846

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Vickie L. Gabriel, a Notary Public, do hereby certify that Thomas F. Ellis personally appeared before me this 26th day of November, 1973 and acknowledged the due execution of the foregoing Statement of Organization.

Vickie L. Gabriel
Notary Public

My commission expires:

10-1-77

VICKIE L. GABRIEL NOTARY PUBLIC WAKE COUNTY, N.C.

NCCC

State of North Carolina
Department of the Secretary of State
Raleigh 27603

THAD EURE
SECRETARY OF STATE

November 21, 1973

THE ADMINISTRATION BUILDING OFFICES
CLYDE SMITH
DEPUTY SECRETARY OF STATE
JACK STYLES
CORPORATIONS ATTORNEY
WM. W. COPPEDGE
SECURITIES DEPUTY
CHARLES W. MOORE
DEPUTY UCC FILING OFFICER
JOHN L. CHENEY, JR.
DIRECTOR OF PUBLICATIONS
SUSAN LOBINGER
NOTARY PUBLIC OFFICER

THE RALEIGH BUILDING OFFICES
STATE BOARD OF ELECTIONS
ALEX K. BROCK
DIRECTOR OF ELECTIONS

Mr. Thomas F. Ellis
Maupin, Taylor & Ellis
Post Office Box 829
Raleigh, North Carolina 27602

RE: North Carolina Congressional Club

Dear Sir:

I acknowledge receipt of your letter of the 20th and "Statement of Organization of the North Carolina Congressional Club". It is filed in this office and such detailed accounts of funds raised and dispersed as required by state or federal statute will be added thereto as received.

I know of no other statute, rule or regulation which is presently required of this type of organization.

(17)

November 20, 1973

Honorable Thad Eure
Secretary of State
State of North Carolina
Raleigh, North Carolina

Re: North Carolina Congressional Club

Dear Mr. Secretary:

I attach hereto "Statement of Organization" of the North Carolina Congressional Club". The purposes of the organization are stated therein. Briefly, however, the Club will solicit dues paying members and use the funds so contributed to pay campaign debts and to support candidates for U. S. Congressional offices. We shall file with your office detailed accounts of funds raised and dispersed as required by statute or as your office may advise are required or recommended.

We should appreciate your advice concerning any statutes, rules or regulations which you deem applicable to this type of organization.

With assurances of my high regard, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

Thomas F. Ellis

TFE/rs

Enclosure

(12)

8504062848

November 21, 1973

Commissioner of Internal Revenue
Washington, D. C.

Re: North Carolina Congressional Club

Dear Commissioner:

I attach hereto organizational charter of the North Carolina Congressional Club. This document has been filed with the North Carolina Secretary of State. The purposes for which the Club has been organized are stated therein.

Briefly, however, we propose to raise funds from dues of members and dinner tickets for Club functions. The funds so raised may be used to pay campaign debts of candidates for U. S. Congressional offices and to contribute to the campaigns of candidates for U. S. Congressional offices. We would appreciate your advising us of any statutes, rules or regulations applicable to such organizations. We are most anxious that our operations remain not only within the law, but that we take the further step that there can never be any question concerning full disclosure to properly constituted authorities about our activities.

Thanking you in advance for your cooperation, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

Thomas P. Ellis

TPE/rs

Enclosures

(19)

R504052849

November 21, 1973

The Honorable Francis R. Valeo
Secretary of the Senate
Room St - 2, U. S. Capitol
Washington, D. C. 20510

Re: North Carolina Congressional Club

Dear Mr. Valeo:

I attach hereto organizational charter of the North Carolina Congressional Club. This document has been filed with the North Carolina Secretary of State. The purposes for which the Club has been organized are stated therein.

Briefly, however, we propose to raise funds from dues of members and dinner tickets for Club functions. The funds so raised may be used to pay campaign debts of candidates for U. S. Congressional offices and to contribute to the campaigns of candidates for U. S. Congressional offices. We would appreciate your advising us of any statutes, rules or regulations applicable to such organizations. We are most anxious that our operations remain not only within the law, but that we take the further step that there can never be any question concerning full disclosure to properly constituted authorities about our activities.

Thanking you in advance for your cooperation, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

Thomas F. Ellis

TFE/rs

Enclosures

(20)

November 21, 1973

Honorable Howard Coble
Commissioner of Revenue
State of North Carolina
Revenue Building
Raleigh, North Carolina

Re: North Carolina Congressional Club

Dear Mr. Commissioner:

Enclosed herewith organizational charter of the North Carolina Congressional Club. Also, a letter to the Honorable Thad Eure, Secretary State of North Carolina, forwarding copy of the Club organization and requesting his advice.

If there are any applicable statutes, rules or regulations of your department that you feel should be called to our attention concerning the Club, I should appreciate your advice.

With assurances of my high regard, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

Thomas F. Ellis

TFE/rs

Enclosures

(21)

November 21, 1973

Clerk of the House
United States House of Representatives
H - 105
Washington, D. C. 20515

Re: North Carolina Congressional Club

Dear Sir:

I attach hereto organizational charter of the North Carolina Congressional Club. This document has been filed with the North Carolina Secretary of State. The purposes for which the Club has been organized are stated therein.

Briefly, however, we propose to raise funds from dues of members and dinner tickets for Club functions. The funds so raised may be used to pay campaign debts of candidates for U. S. Congressional offices and to contribute to the campaigns of candidates for U. S. Congressional offices. We would appreciate your advising us of any statutes, rules or regulations applicable to such organizations. We are most anxious that our operations remain not only within the law, but that we take the further step that there can never be any question concerning full disclosure to properly constituted authorities about our activities.

Thanking you in advance for your cooperation, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

Thomas F. Ellis

TFE/rs

Enclosures

(2)

8504062852

WAKE COUNTY

NORTH CAROLINA

CERTIFICATE OF ASSUMED NAME

The undersigned person, proposing to engage in business in Wake County, North Carolina under an assumed name other than his individual name, hereby certifies that:

1. The name under which the business is to be conducted is "North Carolina Congressional Club".

2. The name and address of the Chairman of the Executive Committee of such business is Thomas F. Ellis, 33 West Davie Street, Raleigh, N. C. 27602.

IN WITNESS WHEREOF, I have signed this certificate in the name of the Club.

North Carolina Congressional Club

By _____

Thomas F. Ellis, Chairman

State of North Carolina

County of Wake

I, _____, a Notary Public, do hereby certify that Thomas F. Ellis personally appeared before me this 21 day of Dec, 1973 and that he signed the foregoing certificate on behalf of said Club in the capacity indicated.

_____

Notary Public

[illegible] t. GABR[illegible]

(23)

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J. A. ROWLAND

REGISTER OF DEEDS

DEPUTY

is "North Carolina Congressional Club".

2. The name and address of the Chairman of the Executive Committee of such business is Thomas F. Ellis, 33 West Davie Street, Raleigh, N. C. 27602.

IN WITNESS WHEREOF, I have signed this certificate in the name of the Club.

North Carolina Congressional Club

By _____

Thomas F. Ellis, Chairman

State of North Carolina

County of Wake

I, _____, a Notary Public, do hereby certify that Thomas F. Ellis personally appeared before me this 21 day of Dec, 1973 and that he signed the foregoing certificate on behalf of said Club in the capacity indicated.

_____

Notary Public

My commission expires:

NICKIE L. GABRIEL

NOTARY

(24)

8604062854

ROBERT MORGAN
ATTORNEY GENERAL

State of North Carolina
Department of Justice
P. O. Box 629
Raleigh
27602

November 26, 1973

Mr. Thomas F. Ellis
Maupin, Taylor & Ellis
Attorneys At Law
P. O. Box 829
Raleigh, North Carolina 27602

Dear Mr. Ellis:

This is in reference to your letter of November 21, 1973, received in our office November 23, 1973, referring to the organization of the North Carolina Congressional Club. You asked this office to advise as to any statutes, regulations or rules applicable to this type of organization.

As I am sure you are aware, the Attorney General of North Carolina is prevented from acting on behalf of any one individual corporation, organization or association. Thus, I regret we will not be able to be of direct service to you.

I would, of course, like to call to your attention the "North Carolina Corrupt Practices Act" which appears as Article 22 of our Election Law. This may be found at N.C.G.S. 163-259 through and including N.C.G.S. 163-278. As I am sure you are aware when the General Assembly reconvenes in January, this Act may undergo significant changes. I would also think it important to call to your attention Public Law 92-225, the "Federal Election Campaign Act of 1971". This Federal legislation, applying to congressional and senate races, made many changes in the Federal Law which previously had been ignored by both candidates and campaign contributors.

I trust the above information is satisfactory for your purposes. I am returning to you a copy of the organization which you sent to us.

Very truly yours,

ROBERT MORGAN
Attorney General

Howard A. Kramer
Associate Attorney General

HAK/mlc

(25)

3604 0502 85

November 21, 1973

Honorable Robert Morgan
Attorney General of North Carolina
Justice Building
Raleigh, North Carolina

RE: North Carolina Congressional Club

Dear General:

Enclosed herewith is copy of organization of the North Carolina Congressional Club. Also, a letter I have written this date to Honorable Thad Eure, Secretary of State of North Carolina. I should appreciate the advice of your office as to any statutes, regulations or rules applicable to this type of organization so that we might comply therewith.

With assurances of my high regard, I am

Sincerely yours,

MAUPIN, TAYLOR & ELLIS

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(26)

NORTH CAROLINA CONGRESSIONAL CLUB

EXECUTIVE COMMITTEE

Hugh Chatham
Elkin, N. C.

Tom Ellis, Chairman
Raleigh, N. C.

Ed Morris
Greensboro, N. C.

W. T. Joyner, Jr.
Raleigh, N. C.

Marion Parrott
Kinston, N. C.

Dr. Archie Johnson
Winston-Salem, N. C.

William Berryhill, Treasurer
Raleigh, N. C.

R 6 0 4 0 5 0 2 8 5 7

File this in the Corp
under Resolutions —

NORTH CAROLINA CONGRESSIONAL CLUB

RESOULTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

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R5040502859

MEMORANDUM

TO: Members of Executive Committee
North Carolina Congressional Club

FROM: Tom Ellis

RE: Resolution of the Executive Committee

DATE: September 26, 1975

Due to his responsibilities on Senator Helms' staff, Bill Berryhill has resigned as Treasurer of the Club. Our Executive Director, Carter Wrenn, has agreed to assume the position of Treasurer and I hereby nominate him for that office. Please consent to his election by signing the first enclosed resolution.

If you have any questions about this matter, please give me a call.

As always, Jesse and I are grateful for your steadfast support and assistance.

TFE:m

(29)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

Hugh Chatham

Tom - There's nothing I like better than a good, democratic election! (30)

8504062860

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

Marion Parrott

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file

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NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

Ed Morris

Ed Morris

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(32)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

Archie Johnson

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file

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF
THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. R. E. Carter Wrenn is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 26th day of September, 1975.

Thomas F. Ellis

W. T. Joyner, Jr.

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(34)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. Richard W. Miller is elected Chairman of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

W. T. Joyner, Jr.

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NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mrs. Elisabeth W. Smith is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

W. T. Joyner

W. T. Joyner, Jr.

R5040502866

(36)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. Richard W. Miller is elected Chairman of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

~~Jeff Archie Johnson~~

8604052857

(37)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mrs. Elisabeth W. Smith is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

Marion Parrott

8504050268

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. Richard W. Miller is elected Chairman of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

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XXXXXXXXXXX

Archie T. Johnson, Jr., M. D.

(39)

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mrs. Elisabeth W. Smith is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

Archie T. Johnson, Jr., M. D.

8604052870

Return To
Box 19433 Raleigh
27609

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mr. Richard W. Miller is elected Chairman of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

R 5 0 4 0 5 U 2 8 7 1

Senator Jesse Helms

NORTH CAROLINA CONGRESSIONAL CLUB

RESOLUTION OF

THE EXECUTIVE COMMITTEE

RESOLVED by the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, the governing body of that unincorporated organization, acting informally and by unanimous agreement of the members of said EXECUTIVE COMMITTEE, that:

Mrs. Elisabeth W. Smith is elected Treasurer of said NORTH CAROLINA CONGRESSIONAL CLUB;

IN TESTIMONY WHEREOF the undersigned members of the EXECUTIVE COMMITTEE OF THE NORTH CAROLINA CONGRESSIONAL CLUB, in unanimous agreement, and acting informally, have hereunto affixed their signature, this 1st day of February, 1977.

Hugh G. Chatham

8604052872

(42)