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FEDERAL ELECTION COMMISSION  
Washington, DC 20463

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**SENSITIVE**

JUN 13 2005

**MEMORANDUM**

**TO:** The Commission

**FROM:** Lawrence H. Norton *[Signature]*  
General Counsel

Richard B. Bader *[Signature]*  
Associate General Counsel

David Kolker *[Signature]*  
Assistant General Counsel

Kevin Deeley *[Signature]*  
Attorney

Steve N. Hajjar *[Signature]*  
Attorney

**RE:** Proposed settlement in FEC v. Friends of Lane Evans, et al.,  
Case No. 04-CV-4003 (C.D. Ill.)

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## **I. BACKGROUND**

This case began as MUR 5031, based on a complaint filed by the Rock Island County Republican Central Committee. The evidence developed during the administrative investigation demonstrated that the Evans Committee created the Victory Fund, which purported to be a local political party committee during the 1998 election cycle, in order to assist with Congressman Evans' highly competitive election that cycle. The Evans Committee then largely directed the Victory Fund's operations during the 1998 and 2000 election cycles, as the Victory Fund paid a number of contractors approximately \$330,000 to conduct voter identification and get-out-the-vote activities in Congressman Evans' district, including field operations, direct mail, and paid telephone calls. Most of the Victory Fund's voter mobilization efforts were heavily focused on Congressman Evans. Congressman Evans and his staff, with the assistance of the professional fundraiser who also worked for the Evans campaign, raised the vast majority of the Victory Fund's money during the 1998 and 2000 election cycles and raised the money almost entirely from labor unions and individuals who had already given to the Evans campaign. The Evans Committee also closely coordinated with the Rock Island Committee when the latter spent approximately \$18,000 on a radio advertisement, two direct mail pieces, and a newspaper advertisement that expressly advocated Congressman Evans' re-election without including a disclaimer. The Rock Island Committee had not registered with the Commission or established a separate federal account in the 1998 and 2000 elections when it accepted over \$240,000 in contributions, including funds that exceeded the Act's contribution limits and funds from prohibited sources.

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## **Closing the MUR File**

Settlement with Defendants would mean that a resolution had been reached with respect to all respondents in MUR 5031 except for three people identified as individual respondents in the administrative complaint: Congressman Lane Evans; Eric Nelson, the Evans Committee's campaign manager and assistant treasurer; and John Gianulis, the Chairman of the Rock Island Committee. The Commission took no action against each of these respondents at the time of the First General Counsel's Report.<sup>3</sup>

Congressman Evans and Mr. Nelson were personally involved in Defendants' violations and are potentially liable as a candidate and employee, respectively, under 2 U.S.C. 441a(f). Through phone calls, appearances at fundraisers, and letters, Congressman Evans personally raised much of the Victory Fund's money. He also played a role in deciding which contractors the Victory Fund hired. Eric Nelson started the Victory Fund and oversaw many of its operations, including selecting and negotiating contracts with vendors and reviewing their work. Although there is a strong case for personal liability against both Evans and Nelson, the statute of limitations has now passed with respect to the violations they committed in the 1998 and 2000 election cycles. In addition, the Evans Committee will pay a substantial civil penalty to satisfy its liability for the same violations. This Office therefore recommends that the Commission take no further action against Congressman Evans and Eric Nelson personally and close the MUR file with respect to them.

As the Chairman of the Rock Island Committee, John Gianulis attended the committee meetings at which the Rock Island Committee decided, with participation by representatives of the Evans Committee, to send two direct mail pieces, run a newspaper advertisement, and run a radio advertisement expressly advocating Congressman Evans' re-election. Because the statute of limitations has now passed with respect to these violations and the Rock Island Committee will pay a civil penalty to satisfy its liability for the same violations, this Office therefore recommends that the Commission take no further action against Mr. Gianulis and close the MUR file.

### **III. RECOMMENDATION**

1. Accept the proposed Stipulation for Entry of Consent Judgment and Consent Judgment in settlement of this case.
2. Authorize this Office to sign the proposed Stipulation for Entry of Consent Judgment.

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<sup>3</sup> During the administrative investigation, Mr. Gianulis became treasurer of the Rock Island Committee and the Commission made a probable cause finding and filed suit against him "as treasurer," but the Commission has not addressed his personal liability as an individual respondent.

3. Take no further action against Congressman Lane Evans, Eric Nelson, and John Gianulis; close the MUR file as to all respondents; and send the appropriate letters.