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BEFORE THE FEDERAL ELECTION COMMISSION

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In the Matter of )  
Republicans for Choice Political Action Committee )  
and Ann E. W. Stone, as treasurer, et al. )

MUR 5173

**SENSITIVE**

GENERAL COUNSEL'S REPORT #2

I. ACTIONS RECOMMENDED

Take no further action against Ann E. W. Stone and Associates, Inc.

II. BACKGROUND

On February 13, 2001, the Commission found reason to believe that the Republicans for Choice Political Action Committee and Ann E. W. Stone, as treasurer (the "Committee") violated 2 U.S.C. § 441b(a) by knowingly accepting prohibited contributions in the form of forgiveness of debts from three corporate vendors, Ann E. W. Stone and Associates, Inc. ("ASA"), Saturn Corporation ("Saturn") and Diversified Data Processing & Consulting, Inc. dba Diversified Data & Communications, Inc. ("Diversified").

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On the

same date, the Commission found reason to believe that ASA, Saturn and Diversified violated 2 U.S.C. § 441b(a) by making prohibited contributions in the form of forgiveness of debts owed by the Committee. The Commission took no further action against Diversified.

ASA did not respond to the Commission's reason to believe findings, but in a letter dated March 15, 2001, counsel for the Committee stated that ASA no longer exists. Attachment 5.

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1 Although the Commission determined to take no further action against Diversified, this Office  
2 has also requested documents from Diversified.

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5 **III. ANALYSIS**

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## B. ASA

ASA did not respond to the Commission's reason to believe findings. However, in a letter dated March 15, 2001, the Committee's attorney stated that ASA "no longer exists."<sup>16</sup> Attachment 5 at 1. He explained that ASA "stopped conducting business in February 1997;" the "cessation of business was precipitated by the seizure by the Internal Revenue Service" ("IRS") of ASA's bank accounts, and ASA's corporate existence was terminated on September 1, 1997.<sup>17</sup> *Id.* The attorney enclosed a copy of the Notice of Termination of Corporate Existence for ASA issued by the State Corporation Commission of the Commonwealth of Virginia on September 18,

<sup>16</sup> The attorney stated that this information was provided as a "courtesy" and did not constitute an appearance as ASA's counsel because no designation of counsel could be obtained for an entity that does not exist. *Id.* at 1-2.

<sup>17</sup> This is consistent with documents in the audit workpapers indicating that the Committee paid some of the amounts it owed to ASA to the IRS instead. According to a letter from the Committee to the Reports Analysis Division ("RAD") dated March 11, 1996, the IRS "required" the Committee to "remit all payments which would normally be made" to ASA to the IRS "in payment of ASA debt," and the Committee disclosed "disbursements to the IRS, which are actually reducing the ASA debt shown on schedule D each month." In a letter to RAD dated September 9, 1996, the Committee stated that it owed ASA "for consulting and other services," ASA owed the IRS, and "at the request of the IRS our payments to [ASA] are made to the IRS in payment of [ASA's] debt to them." The Committee made nine payments to the IRS in 1996 totaling \$8,925.05 with notations referring to "levy proceeds" or "payment on ASA debt."

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1 1997.<sup>18</sup> *Id.* at 3. That document states that ASA's corporate existence automatically ceased  
2 because of failure to pay its annual registration fee. *Id.*

3 This Office recommends that the Commission take no further action against ASA because  
4 it now appears that the Committee's annotations of "Adjusted by Vendor" were reporting errors  
5 rather than indications that the vendors actually forgave Committee debts. This Office believes a  
6 determination to take no further action against ASA is more appropriate than a finding of no  
7 probable cause to believe because questions remain concerning the Committee's debt to ASA.<sup>19</sup>  
8 Nevertheless, since ASA is out of business, and the annotation that the ASA debt was adjusted  
9 by the vendor appears to be a reporting error by the Committee, this Office recommends that the  
10 Commission take no further action against ASA.

<sup>18</sup> The First General Counsel's Report in this matter noted that ASA was listed as terminated by the Virginia State Commerce Commission as of September 1, 1997. However, this Office noted that ASA might still be in business as a Dun & Bradstreet report on ASA printed on July 20, 2000 stated that sources had verified ASA's corporate information as of September 29, 1999. In addition, this Office noted that the Committee's treasurer, Ann E. W. Stone, was also the founder, President, Treasurer and registered agent of ASA. It appears that Ms. Stone is currently President of The Stone Group, Inc. DMFE filed suit against The Stone Group as a successor in interest to ASA for payment on its loans to the Committee, but The Stone Group denied it was a successor in interest to ASA. See *Direct Marketing Finance & Escrow, Inc. v. Republicans for Choice PAC*, No. 001705 (E.D. Va. 2001); Attachment 9 at 1-5, 6-9, 26, 28, 42, 48-50.

<sup>19</sup> In particular, information is not available concerning the amount the Committee owed ASA and its payment of that debt. Neither ASA, the Committee, nor Ms. Stone provided any documents concerning payment of the Committee's debt to ASA, or ASA's extension of credit to the Committee. Moreover, the connection of Ms. Stone, the Committee's treasurer, to ASA raised questions about whether the extension of credit by ASA was in the ordinary course of business and whether any debt forgiveness by ASA was commercially reasonable. See 2 U.S.C. § 441(b)(a); 11 C.F.R. §§ 100.7(a)(4), 116.3, 116.4, 116.8. In a previous matter, MUR 3152, the Commission found reason to believe on October 24, 1991, that the Committee and ASA violated 2 U.S.C. § 441(b)(a) for extensions of credit outside the ordinary course of business related to delayed payment for \$14,000 in goods and services. The Commission took no further action against both respondents on December 10, 1993.

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IV. RECOMMENDATIONS

- 1.
2. Take no further action against Ann E. W. Stone and Associates and close the file as it pertains to that respondent;
- 3.
- 4.
5. Approve the appropriate letters.

Lawrence H. Norton  
General Counsel

9/18/01  
Date

  
BY: Gregory R. Baker  
Acting Associate General Counsel