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April 25, 1997

Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

MUR 4633

APR 30 3 24 PM '97

FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL

Dear Commissioners:

I, James Anderson, file this complaint charging violations of the Federal Election Campaign Act of 1971, as amended ("FECA" or the "Act") 2 U.S.C. §§441a(a)(1), 441a(a)(8) and related regulations of the Federal Election Commission ("FEC"), 11 C.F.R. §§ 110.1(b), 110.1(h), 110.9(a) by Robert Riley and his principal campaign committee and by Robert Riley, Jr. The Act was further violated by Triad Management Services, Inc. ("Triad").

As outlined in the attached article from the Wall Street Journal and the attached AP wire story, Robert Riley, Jr., son of Congressman Robert Riley, violated the Act by contributing more than the permitted \$1,000 per person, per election, to the Riley for Congress campaign. Riley, Jr. contributed \$5,000 to various political action committees ("PACs") with the knowledge that substantial portions of those contributions would be contributed to the Riley campaign. These contributions were earmarked through a corporate entity, Triad, in violation of a the provision of the law prohibiting a corporation from serving as a conduit for earmarked contributions. Congressman Riley and his campaign committee violated the Act by accepting these excessive contributions.

Riley, Jr. either explicitly earmarked those contributions, or he indicated indirectly or implied that his contributions should be used toward his father's campaign. He has admitted providing the checks to Triad for transmission to the various PACs. As we show with the facts and summary below, the similarities of timing and amounts of the contributions to the PACs and, in turn, to the Riley

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campaign, are too striking to be mere coincidences. The coordination of this effort by Triad further underscores this conclusion.

Accordingly, we ask the FEC to instigate a thorough investigation into these illegal contributions to the Riley campaign and to take appropriate remedial action.

The Facts

Robert Riley ran for the U.S. Congress in the in 1996. The primary election on June 4 was vigorously contested and resulted in a runoff between two Republican candidates. Riley, Jr.'s contributions, and the subsequent PAC contributions, were all made immediately preceding this contested primary.

In a two-week period in May (May 9 through May 23) before the primary, Riley, Jr. contributed \$4,000 to five separate PACs, which in turn contributed \$3,500 to the Riley campaign. The contributions were made as follows:

- Conservative Campaign Fund: On May 9, Riley, Jr. contributed \$1,000; on May 29, the Fund contributed \$1,000 to the Riley campaign.
- American Free Enterprise: On May 13, Riley, Jr. contributed \$1,000; 10 days later, on May 23, the PAC contributed \$1,000 to the Riley campaign.
- Citizens Allied for Free Enterprise: On May 22, Riley, Jr. contributed \$1,000; two days later, on May 24, the Committee contributed \$1,000 to the Riley campaign.
- Faith, Family and Freedom: On May 23, Riley, Jr. contributed \$1,000; the next day, on May 24, the PAC contributed \$500 to the Riley campaign.

In addition, Riley, Jr. gave the following additional \$1,000 contribution:

- Eagle Forum PAC: On July 12, Riley, Jr. contributed \$1,000; on July 29 and September 11, the PAC contributed \$500 (each time) to the Riley campaign.

Riley, Jr. has stated that he gave the contributions to Triad to distribute to the various PACs. Since the contributions were received by the PACs, Triad completed its duties as a conduit for Riley, Jr.'s contributions.

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The Law

Under the federal campaign law, individuals may not "make contributions to any candidate, his or her authorized political committees or agents with respect to any election for Federal office which, in the aggregate, exceed \$1,000." 11 C.F.R.

110.1(b). "All contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate." 11 C.F.R. 110.6(a). Earmarked contributions count against the \$1,000 individual contribution limit.

A contribution does not have to be earmarked directly or expressly. FEC regulations provide that a contribution is earmarked "whether direct or indirect, express or implied, oral or written, [if it] results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or a candidate's authorized committee." 11 C.F.R. 110.6(b).

An individual may contribute to both a specific candidate and also to a political committee which has supported, or anticipates supporting, the same candidate in the same election, "as long as . . . (2) The contributor does not give with the knowledge that a substantial portion will be contributed to, or expended on behalf of, that candidate for the same election. . . ." 11 C.F.R. 110.1(h). Where that knowledge is present, the contribution counts against the individual's \$1,000 contribution limit.

A corporation may not serve as the conduit for an earmarked contribution. 11 C.F.R. § 110.6(b)(2)(ii). Corporations are further prohibited from "facilitating the making of contributions for candidates or political committees. The Federal Election Commission regulations define "facilitating" as including "soliciting contributions that are earmarked for a candidate that are to be collected and forwarded by the corporation . . ." 11 C.F.R. § 114.1(f)(2)(iii). The use of corporate employees and resources to "plan, organize or carry out [a] fundraising project" is also prohibited, unless such use is paid in full in advance by the beneficiary.

It is also a violation of the Act for a candidate or political committee to accept any contributions or make any expenditures that violate the provisions of part 110. 11 C.F.R. 110.9(a).

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Discussion

Riley, Jr. violated the law by exceeding the \$1,000 personal contribution limit. He contributed \$5,000 over his lawful contribution limit earmarked for the Riley campaign. Riley, Jr. contributed a total of \$5,000 to political committees which, in turn, immediately contributed an almost identical amount to the Riley campaign. Each Riley, Jr. contribution to a PAC was followed by a strikingly similar contribution to the Riley campaign, most within 1 to 14 days of the Riley, Jr. contributions. Congressman Riley and his committee have also violated the Act by accepting excessive contributions from his son.

Under the definition of earmarking in the FEC's regulations, there is little question that Riley, Jr. exceeded the lawful contribution limits by earmarking for the Riley campaign the money he contributed to these PACs. Whether the earmarking was explicit or subtle, it violates provisions of the Act. It cannot be mere coincidence that at least five separate contributions were made by Riley, Jr. to PACs in early May and in that same month, those same PACs each gave the same amounts to the Riley campaign.

The PACs, Riley, Jr. and Congressman Riley may attempt to argue that the contributions to the campaign were not coordinated and that the Riley, Jr. contributions were not earmarked to go to the Riley campaign. However, an investigation will show that this is not the case. Coincidence cannot explain the extraordinarily close timing of the Riley, Jr. contributions to PACs and the PAC contributions to the Riley campaign, all at a critical juncture in his campaign.

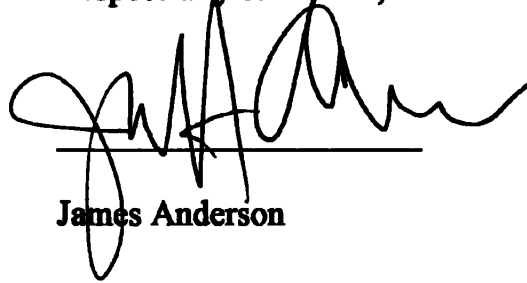
Even if Riley, Jr. can somehow argue that this money was not explicitly earmarked, Riley, Jr. contributed that money with the knowledge that a substantial portion would be contributed to the Riley campaign. Either way, Riley, Jr. violated the law by exceeding his personal contribution limit to the Riley campaign and the Riley campaign violated the law by accepting these excessive contributions.

Triad violated the campaign laws by serving as a conduit for contributions from Riley, Jr. to the PACs. Their efforts to solicit and coordinate contributions for the Riley campaign using corporate employees and resources (with no evidence of reimbursement by the Riley campaign at all, much less in advance), was a further violation of the prohibition on corporate contributions in connection with federal elections.

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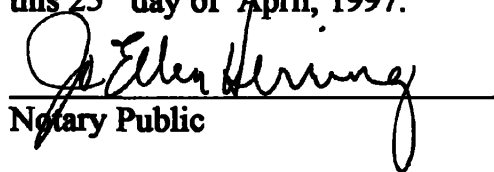
We request that the Commission conduct a prompt investigation into the above stated matters and enter into conciliation with the Respondents to remedy the violations by imposing any and all penalties grounded on the violations in this complaint.

Respectfully submitted,



James Anderson

Subscribed and sworn to before me
this 25th day of April, 1997.



Notary Public

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THE WALL STREET JOURNAL

Adviser Helps Political Donors Spread Their Wealth

By GERALD F. SEIB
And GLENN R. SIMPSON

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — When Robert Riley, an affable Republican businessman, was locked in a hot race in Alabama for a House seat, his son wanted to help out. So Robert Riley Jr. gave three separate contributions of \$1,000 to his father's congressional campaign, the legally allowed limit for individual donations, federal records show.

But the younger Mr. Riley was helpful in another way. Last May, just before his father's primary election, he made separate contributions of \$1,000 to four different political action committees. By the end of the month, according to federal records, each of those PACs had in turn given a donation to his father's campaign. Three of the four PACs gave the Riley campaign \$1,000, the precise amount the younger Mr. Riley had contributed to them. One PAC made its \$1,000 campaign donation just two days after getting money from Mr. Riley, records indicate.

Rep. Riley's office insists the contributions weren't an effort to circumvent federal laws limiting how much an individual can give to a campaign. "We are absolutely certain that there is no connection between the PACs' contributions to the campaign and Robert Riley's contributions to the PACs," says Michael Scanlon, the congressman's press secretary.

Stuffing the Envelope

Yet there is an unlikely figure who links the younger Mr. Riley, the PACs and the Riley congressional campaign. She is Carolyn Malenick, a 35-year-old veteran of conservative crusades and founder of a Washington company called Triad Management Services Inc. Triad, a powerful but little-known force in 1996 fund raising, offers another illustration of how politicians and donors found new ways to push the legal envelope last year, pumping large amounts of money into the system.

Miss Malenick's firm quietly advises a small group of like-minded conservative contributors, including the younger Mr. Riley, on how they can give the maximum amount of money legally allowed to candidates and PACs. In regular fax messages to clients, she says, Triad reminds them of hot coming elections and recommends contributions to worthy PACs, including the four PACs that received donations from the younger Mr. Riley. She says it also faxes messages to PACs she favors, naming the candidates Triad deems worthy of support because of their conservative economic and social views. Rep. Riley was one such candidate last year.

May Days

Donations to political action committees in May 1996 by Alabama lawyer Robert Riley Jr., and receipts from the same PACs by Alabama GOP Congressional candidate Robert Riley Sr.

ROBERT RILEY JR. DONATES TO...	PAC RECEIVES...	...PAC DONATES	ROBERT RILEY SR. RECEIVES
\$1,000, May 9	→ Conservative Campaign Fund	→	\$1,000, May 29
\$1,000, May 13	→ American Free Enterprise	→	\$1,000, May 23
\$1,000, May 22	→ Citizens Allied for Free Enterprise	→	\$1,000, May 24
\$1,000, May 23	→ Faith, Family & Freedom	→	\$500, May 24

Source: Federal Election Commission

Miss Malenick insists she explicitly tells clients, including the younger Mr. Riley, that there is no guarantee their PAC contributions will translate into contributions to a specific candidate. "There's no quid pro quo, there's no earmarking, there's no laundering," she says. "It's all legal." Many donors, she says, simply "don't know how they can maximize" their

campaign contributions. "I offer a service." She adds that she was a friend of the Riley family well before the senior Mr. Riley ran for Congress in a primary, general election and runoff. (The younger Mr. Riley didn't return phone calls.)

Congressional Inquiry

Miss Malenick's advisory service, which she says she launched partly to help donors on the right match organized political activity by unions on the left, is a new phenomenon. Now, in the expanding Washington inquiry into last year's campaign fund raising, investigators will be looking harder at how far such operations stretched fund-raising practices.

Just yesterday, Triad was included on a list of subpoenas approved by the Senate Governmental Affairs Committee, which is seeking documents from groups involved in political fund raising and advertising. The committee will hold hearings and ultimately consider changes in campaign laws.

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"There are certainly perfectly legal arrangements where contributors give to PACs with a high degree of confidence that their money is going to go to certain candidates," says Ken Gross, an election-law specialist at the law firm of Skadden Arps Slate Meagher & Flom. Still, he adds, there is a "gray line" between groups sharing suggestions and controlling the flow of contributions.

At Triad, which also helps link big donors and private charities, Miss Malenick says she carefully cleared all of the firm's practices with legal counsel. While Triad is little-known, records and interviews suggest it may have influenced the flow of several hundred thousand dollars in last year's campaigns.

For instance, Floyd Coates, who runs an Indiana plastics firm, and his wife, Anne, say they relied on Triad's advice in making what records show were more than \$80,000 in campaign contributions in 1995 and 1996. "I personally decided I would do all I could to get conservatives elected," Mr. Coates says. "When I heard about Triad, it just fit my needs to a 'T' in terms of doing research into which candidates are worthy."

Last year, Mr. Coates says, he and his wife followed Triad's advice in giving \$47,000 to federal campaigns and PACs. And Mr. Coates says he and his wife acted on Triad's advice in 1995 when each sent \$2,500 on Dec. 29 to the American Free Enterprise PAC, and on Dec. 31, each sent \$2,500 to the Citizens Allied for Free Enterprise PAC.

Twin PACs

Those are the two new California-based PACs that later gave to Rep. Riley's campaign. Those PACs also illustrate why questions are being raised about contribution limits. Both PACs were set up by California GOP activists, and both list Sacramento addresses on federal records. There are so many similarities in the two groups' lists of receipts and expenditures that they are virtually fraternal financial twins.

On the contribution side, records show, the two PACs have essentially the same set of financial backers, with one exception. This group of some two dozen contributors, including Mr. and Mrs. Coates, gave almost in unison to one PAC in late December of 1995, then gave the exact same amounts to the other PAC just a few days later. The similarities continue on the expenditure side. In at least 15 instances, the two PACs gave the same amounts to the same candidates last year, either on the same day or within a few days.

Yet leaders of the PACs insist this is all coincidence. "I don't know too much about the American Free Enterprise one," says David Gilliard, a California political consultant who advises the Citizens Allied for Free Enterprise. And David Bauer, treasurer for American Free Enterprise, says: "I'm not familiar with that other group."

One of the questions now emerging before investigators is whether individuals coordinated with friendly PACs last year to circumvent legal limits on campaign contributions. Campaign laws place a \$1,000 limit on the amount any individual can give to a congressional primary or general-election campaign. A PAC is similarly limited to \$5,000 per campaign. An individual can't give more than \$5,000 to any one PAC in a calendar year and can't contribute more than \$25,000 overall to federal PACs and candidates in a year.

Earlier newspaper reports have cited examples in which relatives of Republican Sen. Sam Brownback of Kansas and unsuccessful GOP Senate candidate Al Salvi of Illinois donated money to PACs that shortly thereafter contributed the same amounts to the Senate campaigns. A search of federal election records turns up numerous similar examples in 1996.

Gray Area

Both Sen. Brownback and Mr. Salvi, like Rep. Riley, have insisted it is merely a coincidence that their relatives gave to PACs that shortly thereafter gave to their campaigns. And the story of Triad shows how, in the increasingly sophisticated and compartmentalized world of campaign contributions, explicit coordination may not be necessary for donors to be comfortable that their PAC donations will be used as they want.

GOVERNMENT

Steve Ball, Government editor, 261-1519

Son gave to PACs; PACs gave to Riley

By David Pace
ASSOCIATED PRESS WRITER

WASHINGTON — Alabama Rep. Bob Riley's son last year contributed \$1,000 to four different political action committees that later donated identical amounts to Rep. Riley's campaign, federal disclosure records show.

Robert R. Riley Jr., a Birmingham lawyer, also contributed another \$1,000 to a fifth PAC that donated \$500 to his father's campaign the following day, Federal Election Commission records show.

Despite the timing of the contributions, a spokesman for the freshman Republican congressman insisted Thursday that the transactions were "absolutely not" intended to circumvent federal law that limits individual contributions to \$1,000 per candidate per election.

"To say that Rob wrote the checks to the PACs and the PACs wrote the checks to the campaign is incorrect," said Mike Scanlon, Rep. Riley's press secretary.

Mr. Scanlon said the congressman's son wrote the five PAC contribution checks and mailed them together in late April or early May

15. Triad Management Services Inc., a Washington-based firm that advises conservative donors that want to contribute to conservative PACs and candidates.

"Whatever transpired between Triad and these PACs, we have absolutely no idea about," said Mr. Scanlon. "That's between Triad and the political action committees."

Mr. Scanlon said the younger Riley wanted to help conservative candidates and sent the PAC checks to Triad "under the assumption that there was a very good possibility that none of the money would come back to Bob Riley's campaign."

Triad founder Carolyn Malenick was not immediately available Thursday to discuss the contributions. But she told the *Wall Street Journal*, which first reported the transactions, that she explicitly told the congressman's son that there was no guarantee his PAC contributions would translate into donations to specific candidates.

"There's no quid pro quo, there's no earmarking, there's no laundering," Miss Malenick told the *Journal*. "It's all legal."

Triad was included on a list of subpoenas that were approved Wednesday by the Senate Governmental Affairs Committee, which is investigating fund-raising practices during last year's campaign.

The younger Riley, who also was not immediately available for comment Thursday, contributed \$3,000 directly to his father's campaign, \$1,000 each for the primary, runoff and general election. He made a \$1,000 donation in 1995, and two more \$1,000 contributions in June and August last year.

According to FEC records, he also contributed:

- \$1,000 on May 9 to the Conservative Campaign Fund PAC, which donated \$1,000 to Rep. Riley's campaign May 29.

- \$1,000 on May 13 to the American Free Enterprise PAC, which donated \$1,000 to Rep. Riley's campaign May 23.

- \$1,000 on May 22 to Citizens Allied for Free Enterprise, which donated \$1,000 to Rep. Riley's campaign May 24.

- \$1,000 on July 12 to the Eagle Forum PAC, which donated \$500 to the Riley campaign July 25 and another \$500 on Sept. 11.

- \$1,000 on May 23 to the Faith, Family and Freedom PAC, which donated \$500 to the Riley campaign May 24.

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