

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)

Christine Warnke)

Georgios Psaltis)

Psaltis Corporation)

Hogan & Hartson LLP)

Michael Cheroutes)

MUR 4530

CONCILIATION AGREEMENT

This matter was generated based on information ascertained by the Federal Election Commission in the normal course of carrying out its supervisory responsibilities. After conducting an investigation, the Commission found reason to believe that Respondent Michael L. Cheroutes ("Cheroutes") violated 2 U.S.C. § 441e(a), and probable cause to believe that Respondents Christine Warnke ("Warnke"), Georgios Psaltis ("Psaltis"), Psaltis Corporation ("Corporation"), and Hogan & Hartson LLP ("Hogan") violated 2 U.S.C. § 441e(a).

NOW, THEREFORE, the Commission and Respondents, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over Respondents and the subject matter of this proceeding.

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts are as follows:

1. At all times relevant to this agreement Hogan was a limited liability partnership headquartered in Washington, DC and engaged in the practice of law.

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2. At all times relevant to this agreement Hogan employed Warnke as a non-attorney governmental affairs advisor. At all times relevant to this agreement Warnke also served as a lay fundraiser for the Democratic National Committee ("DNC").

3. At all times relevant to this agreement Cheroutes was a partner at Hogan whose practice focused on developing international business and finance transactions.

4. At all times relevant to this agreement Psaltis was a citizen of Greece and was neither a United States citizen nor lawfully admitted for permanent residence in the United States. Therefore, he was a foreign national as defined at 2 U.S.C. § 441e(b).

5. The Psaltis Corporation was incorporated in the State of Delaware on June 14, 1996 and had no U.S.-derived revenue at the time of the contributions here at issue. Psaltis was the sole owner of the Psaltis Corporation.

6. The DNC was at all times relevant to this agreement the national party committee of the Democratic Party and a political committee within the meaning of 2 U.S.C. § 431(4) and § 431(14).

7. The Federal Election Campaign Act of 1971, as amended, ("the Act"), prohibits a foreign national, directly or through any other person, including a corporation, from making any contribution of money or other thing of value in connection with an election to any local, state or federal political office. 2 U.S.C. § 441e(a). The Act also prohibits the solicitation, acceptance, and receipt of any campaign contributions from foreign nationals. Id.

8. The Act defines "foreign national" to include a non-citizen who is not lawfully admitted for permanent residence in the United States. 2 U.S.C. § 441e(b).

9. Commission regulations state at 11 C.F.R. § 110.4(a)(3) that a foreign national shall not direct, dictate, control, or directly or indirectly participate in the decision-making process

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of any person, such as a corporation, with regard to such person's federal or non-federal election-related activities, such as decisions concerning the making of contributions or expenditures in connection with elections for any local, state, or federal office.

10. The Psaltis Corporation made \$50,000 in contributions to the DNC in the form of two checks, one in the amount of \$10,000 and dated June 14, 1996, and one in the amount of \$40,000 and dated July 22, 1996.

11. The Commission has found probable cause to believe that Warnke solicited, accepted or received these two contributions. Warnke contends that her actions did not constitute the solicitation of these contributions.

12. Psaltis hired Cheroutes to perform the legal work necessary to establish the Corporation. Respondents Cheroutes and Psaltis contend that the expectation was that the Corporation would have bona fide business interests in the United States and internationally and that Cheroutes would represent the Corporation in those interests. It was also expected that the Corporation would make a \$10,000 contribution to the DNC. In addition to filing incorporation documents for the Psaltis Corporation, Cheroutes helped open a United States bank account for the Psaltis Corporation.

13. Using a "counter" or "starter" check without an imprinted name and address from the newly opened Psaltis Corporation bank account, Psaltis wrote a Psaltis Corporation check for the \$10,000 contribution on the same day that Cheroutes formed the Psaltis Corporation. Psaltis gave the check to Cheroutes to hold until receiving confirmation that funds to cover the check had been transferred to the Psaltis Corporation account in the United States. Cheroutes then gave the check to Warnke, who forwarded it to the DNC.

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14. Psaltis also signed the Psaltis Corporation check for the second, \$40,000 contribution on July 22, 1996. Funds for this contribution also were transferred to the Psaltis Corporation account in the United States. Warnke forwarded this check to the DNC via a fellow lay fundraiser.

15. Cheroutes did not consult with election law experts at Hogan at the time and did not determine whether the \$10,000 contribution to the DNC was legal pursuant to the Act. Cheroutes contends that this was due to his unfamiliarity with the Act and the restrictions it imposes on foreign nationals. Respondents contend that except as stated in Paragraphs 12 and 13 above, no Hogan partner was aware of these contributions prior to their being made. In October 1996, when Cheroutes read press accounts of contributions made by other foreign nationals, Cheroutes realized that contributions from the Psaltis Corporation might not be appropriate, and he then promptly contacted other Hogan partners who had expertise in this area. They then recommended that the DNC return the contributions. This was done and at the same time Hogan issued a press release on the matter. Prior to this, there had been no publicity of these contributions.

16. Warnke was not involved in the formation of the Psaltis Corporation. Warnke contends that she assumed that, in forming the Psaltis Corporation, Cheroutes had determined that the contributions were legal pursuant to the Act.

V. Mr. Psaltis proceeded in this matter on the basis of what he believed in good faith to be valid advice about the requirements of American law. Such law, however, prohibits political contributions by foreign nationals, and therefore the contributions were in violation of 2 U.S.C. § 441c(a).

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VI. As a result of Respondent Christine Warnke, who is not an attorney, assuming that Cheroutes, who is an attorney, had determined that both the \$10,000 and the \$40,000 contributions were legal, a violation of 2 U.S.C. § 441e(a) occurred. Solely for purposes of resolving this matter, Warnke will not contest the Commission's probable cause to believe determination that she violated 2 U.S.C. § 441e(a) but contends that if any violation occurred, it was not knowing and willful.

VII. As a result of Cheroutes not determining that the \$10,000 contribution was legal, the Commission has determined that there is reason to believe that Respondent Michael L. Cheroutes violated 2 U.S.C. § 441e(a). Solely for purposes of resolving this matter, Respondent Cheroutes will not contest this determination but he contends that if any violation occurred, it was not knowing and willful.

VIII. The Commission has found that there is probable cause to believe Respondent Hogan & Hartson violated 2 U.S.C. § 441e(a). Solely for purposes of resolving this matter, Respondent Hogan will not contest this finding.

IX. The Commission has determined that sixty-seven thousand five hundred dollars (\$67,500), pursuant to 2 U.S.C. § 437g(a)(5)(A), is an appropriate negotiated civil penalty in this matter covering all respondents. However, the civil penalty will be paid by Warnke and Cheroutes.

X. The Commission, upon request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue in this agreement or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any of its requirements have been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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XI. This agreement shall become effective as of the date that all parties to it have executed it and the Commission has approved the entire agreement.

XII. Respondents shall have no more than thirty (30) days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

XIII. This agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either

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) party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION

Lawrence H. Norton
General Counsel

BY: *Rhonda J. Vosding*
Rhonda J. Vosding
Associate General Counsel
for Enforcement

6/18/02
Date

FOR RESPONDENT CHRISTINE WARNKE:

Nicholas G. Karambelas
Nicholas G. Karambelas, Esq.
Counsel for Respondent Christine Warnke

May 23, 2002
Date

FOR RESPONDENTS GEORGIOS PSALTIS AND PSALTIS CORPORATION:

Robert F. Bauer
Robert F. Bauer, Esq.
Counsel for Respondents Georgios Psaltis
and Psaltis Corporation

May 24, 2002
Date

FOR RESPONDENT HOGAN & HARTSON LLP:

Jan Witold Baran
Jan Witold Baran, Esq.
Counsel for Respondent Hogan & Hartson LLP

5/23/02
Date

FOR RESPONDENT MICHAEL L. CHEROUTES:

Peter R. Kolker
Peter R. Kolker, Esq.
Counsel for Respondent Michael L. Cheroutes

5/24/02
Date

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