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2 **BEFORE THE FEDERAL ELECTION COMMISSION**  
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4  
5 In the Matter of Edward J. Adams, Jr. )  
6 )

MUR 5635  
7 )

8 **GENERAL COUNSEL'S BRIEF**

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10 **I. INTRODUCTION**

11 On December 14, 2004, the Federal Election Commission (the "Commission") found  
12 reason to believe that Edward J. Adams, Jr. made contributions to the Conservative Leadership  
13 Political Action Committee ("CLPAC" or the "Committee") that exceeded the limits of the  
14 Federal Election Campaign Act of 1971, as amended ("the Act").<sup>1</sup> These excessive contributions  
15 totaled \$196,879. Based on a review of the circumstances surrounding these excessive  
16 contributions, this Office is prepared to recommend that the Commission find probable cause to  
17 believe that Adams violated 2 U.S.C. § 441a(a)(1)(C) by making excessive contributions to  
18 CLPAC.

19 **II. ANALYSIS**

20 **A. Background Information**<sup>2</sup>

21 In April of 2000, Adams began working as the Chief Financial Officer ("CFO") at  
22 American Target Advertising, Inc. ("ATA"), a direct mail marketing company owned by the

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<sup>1</sup> This matter was generated as a result of the Commission's audit of CLPAC. This audit, undertaken in accordance with 2 U.S.C. § 438(b), *see* 2 U.S.C. § 437g(a)(2), covered the period January 1, 1999 through December 31, 2000. Thus, all of the relevant facts recounted in this brief occurred prior to the effective date of the Bipartisan Campaign Reform Act of 2002 ("BCRA"), Pub L 107-155, 116 Stat. 81 (2002). Accordingly, unless specifically noted to the contrary, all citations to the Act herein are to the Act as it read prior to the effective date of BCRA. The Commission approved the Report of the Audit Division on CLPAC on November 18, 2004.

<sup>2</sup> Unless otherwise indicated, the information contained in this section of the brief was derived from Adams' response to the Commission's reason to believe finding.

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1 Viguerie Company ("TVC").<sup>3</sup> As CFO, Adams designed and implemented the firm's accounting  
2 system. In June or July 2000, Adams agreed to advance funds for the purchase of postage and  
3 mailing lists on behalf of ATA's political and non-political clients, because these entities  
4 typically could not afford to make the large initial outlays for postage and other goods and  
5 services required for mass mailings. In the parlance of the direct mail industry, such advances  
6 are generally referred to as "postal loans."

7 On July 6, 2000, CLPAC hired ATA to provide direct mail, telemarketing and Internet  
8 fundraising services to the Committee in the months leading up to the November 2000 general  
9 election.<sup>4</sup> ATA sought vendors to produce and mail the fundraising solicitations, but did not  
10 itself advance the funds to the vendors to pay for the postage for CLPAC's fundraising  
11 solicitations. Instead, in August 2000, Adams personally began advancing funds to the vendors  
12 to finance the purchase of postage and rental of mailing lists.<sup>5</sup> ATA spreadsheets show that  
13 between August and December 2000, Adams advanced a total of \$176,152 to the vendors to pay  
14 for postage and mailing list rental to carry out CLPAC's fundraising solicitations.

15 According to documents produced by Adams, the process for making these advances on  
16 behalf of CLPAC typically began with his receipt of an ATA memorandum requesting a check  
17 for the pre-payment for CLPAC mailings. These memoranda identified the payee, stated where  
18 the check should be sent, listed the job number, and in most cases identified the CLPAC mailing

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<sup>3</sup> TVC is a company headquartered in suburban Virginia and has been providing direct mail fundraising services since the mid 1960's.

<sup>4</sup> CLPAC is a multi-candidate committee that first registered with the Commission in 1972.

<sup>5</sup> Adams funded these short-term loans out of a joint bank account he held with his mother, Lois M. Adams. The checks used to fund these loans identified the account holders as Edward J. Adams, Jr. and Lois M. Adams and gave an address of 600 Mountview Dr., Apt. 206, Front Royal, VA. This address is for the Southerlands, a retirement facility where Mrs. Adams resided from 1999 until her death in 2002. Adams never lived at this address. In his affidavit, Adams admits that he made the loans. In fact, Adams signed the checks, he was the one who agreed to provide the money to ATA's vendors, and his name appears on the request for check forms and the escrow agreements that are discussed below.

1 by name. The memoranda stated the date of the subject mail "drop" and provided a deadline by  
2 which the payee should receive the check.<sup>6</sup> For each such transaction Adams, ATA, and the  
3 escrow agent, "on behalf of Conservative Leadership PAC" as the client, signed an Escrow  
4 Agreement. Each such Agreement stipulated that Adams, as the lender, would be paid back out  
5 of CLPAC's escrow account from the initial funds raised from the respective mailing and stated  
6 that ATA was ultimately responsible for repaying the loan. ATA's accounting records show that  
7 by January 31, 2001, Adams had been repaid in full from the CLPAC escrow account.

8 In addition to making short-term loans for the purchase of postage and lists, Adams also  
9 paid off some of CLPAC's outstanding bills. ATA accounting records indicate that Adams made  
10 \$25,727 in payments to other vendors involved with providing CLPAC with direct mail services.  
11 There is no evidence that CLPAC repaid Adams or that Adams made any attempt to collect on  
12 the CLPAC debts that he had paid.

13 B. Adams Made Excessive Contributions to CLPAC

14 Pursuant to the Act, an individual may not contribute more than a total of \$5,000 in any  
15 calendar year to any non-connected political action committee. 2 U.S.C. § 441a(a)(1)(C). The  
16 term contribution includes a gift, subscription, loan, advance, or deposit of money or anything of  
17 value made by any person for the purpose of influencing any election for Federal office.  
18 2 U.S.C. § 431(8)(A)(i). Exempt from this definition are bank loans made in the ordinary  
19 course of business. 11 C.F.R. § 100.7(b)(11). Adams' loans and payment of debts, totaling  
20 \$201,879, that subsidized the fundraising of a federal political committee, exceeded the Act's  
21 \$5,000 limit for individual contributions.

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<sup>6</sup> Documents indicate that Adams advanced funds to direct mail vendors, including RST Marketing Associates, Inc. and American Business Information Systems, Inc., for postage. Adams also advanced funds to vendors for the purchase of mailing lists, including Aristotle International, Inc. and the Chester Mailing List, Inc.

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1           While the Act allows vendors to extend credit to political committees under certain  
2 circumstances, *see* 11 C.F.R. § 100.55, Adams' activity was not the sort addressed by the Act  
3 and regulations. The regulations define an extension of credit as including an agreement  
4 between a creditor and a committee that full payment is not due until after goods and services are  
5 provided. 11 C.F.R. § 116.1(e). Adams provided no goods or services to CLPAC; he advanced  
6 over \$176,000 to direct mail vendors to pay for CLPAC mailings. Even if postal loans (i.e.  
7 advances to direct mail vendors to pay for postage) are common in contracts for direct mail  
8 marketing, the agreement between ATA and Adams by which Adams paid costs of CLPAC's  
9 fundraising benefited this federal political committee. His payments were contributions under  
10 the Act. 2 U.S.C. § 431(8)(A)(i).

11           The Commission has addressed arrangements comparable to the Adams postal loans in  
12 two prior enforcement matters. The first case, MUR 3027, stemmed from an arrangement  
13 between the Viguerie Company and Direct Marketing Finance and Escrow, Inc. ("DMFE"). The  
14 Viguerie Company had engaged DMFE to provide loans (i.e. advances) for postage to benefit  
15 one of the Viguerie Company's clients, the Public Affairs Political Action Committee  
16 ("PAPAC"). Like Adams, DMFE functioned as a third-party vendor, while the Viguerie  
17 Company, like ATA in the instant matter, served as PAPAC's primary vendor. The Commission  
18 found reason to believe that DMFE made contributions to PAPAC when it made the postal loans  
19 and, because it was a corporation, that its contributions violated the Act's prohibition on  
20 corporate contributions. *See* 2 U.S.C. § 441b. Ultimately, the Commission issued DMFE an  
21 admonishment letter warning that "arrangements in which third-party, non-banking lenders  
22 finance the activities of federal political committees appear to violate 2 U.S.C. § 441b(a)."

2025 RELEASE UNDER E.O. 14176

1 The second matter, also involving DMFE, MUR 5173, led the Commission to find probable  
2 cause to believe that DMFE had knowingly and willfully violated the Act. In MUR 5173,  
3 DMFE again had provided short-term loans on behalf of a federal political committee  
4 (Republicans for Choice Political Action Committee) to pay vendors who supplied postage,  
5 donor lists and other fundraising services to that committee. The Commission found probable  
6 cause to believe DMFE and its president knowingly and willfully violated 2 U.S.C. § 441b(a) by  
7 making prohibited corporate contributions in the form of these short-term loans

8 The facts in those two MURs are indistinguishable from the facts of this matter. Adams  
9 used personal funds to make the postal loans and he received the interest on the loans. Like  
10 DMFE, these loans were advances to vendors to finance work they did for a political committee,  
11 and like DMFE's advances, Adams' advances constituted a contribution to CLPAC.

12 In addition to the advances, the \$25,727 that Adams paid other vendors on CLPAC's  
13 behalf constitutes an additional contribution to CLPAC. *See* 2 U.S.C. § 431(8)(A)(i).

14 Pursuant to 2 U.S.C. § 441a(a)(1)(C), Adams was entitled to contribute \$5,000 to CLPAC  
15 during calendar year 2000. However, in advancing funds to vendors to pay postage and mailing  
16 list rental costs on behalf of CLPAC (\$176,152), and paying CLPAC's debt to other vendors  
17 (\$25,727), Adams contributed a total of \$201,879 to CLPAC. The difference (\$201,879- \$5,000)  
18 represents an excessive contribution of \$196,879. Thus, this Office is prepared to recommend  
19 that the Commission find that there is probable cause to believe that Edward J. Adams, Jr. made  
20 excessive contributions to Conservative Leadership Political Action Committee in violation of  
21 2 U.S.C. § 441a(a)(1)(C).

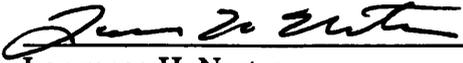
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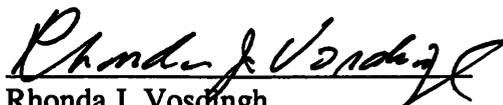
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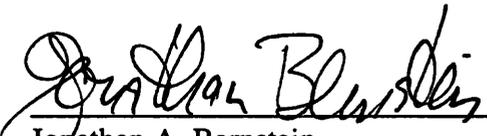
1 **III. RECOMMENDATION**

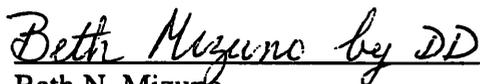
2 Find probable cause to believe that Edward J. Adams, Jr. violated 2 U.S.C.  
3 § 441a(a)(1)(C) by making excessive contributions to Conservative Leadership Political  
4 Action Committee.  
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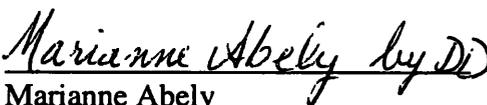
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