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February 25, 1998

The Honorable James V. Hansen  
Chairman  
Committee on Standards of Official Conduct  
HT-2, U.S. Capitol Building  
Washington, D.C. 20515

The Honorable Howard I. Berman  
Ranking Democratic Member  
Committee on Standards of Official Conduct  
HT-2, U.S. Capitol Building  
Washington, D.C. 20515

Re: Representative Earl F. Hilliard

Dear Mr. Chairman and Ranking Member:

This responds to your letter of February 6, 1998, in which you: (1) denied Representative Hilliard's request for a meeting; (2) confirmed the Committee's earlier request for answers to certain questions; (3) granted an extension of three weeks in which to submit a response; and (4) "affirmed", without any explanation, that the Committee has jurisdiction over all matters raised in its letter of January 13, 1998.

In my brief follow-up conversation with the Committee's Chief Counsel on February 16, 1998, Mr. Van Der Meid indicated he would clarify the meaning of your letter of February 6 in which you stated, "[t]he full Committee has affirmed that it has jurisdiction over the matters raised in its letter of January 13." As discussed with Mr. Van Der Meid, there is no indication which particular matters the Committee "affirmed," hence our continuing confusion and concern.

EXHIBIT

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My letter of February 6, sent to the Committee before your letter to me was received by fax, raised at least 4 separate and distinct questions regarding the Committee's jurisdiction and authority to seek information about: (1) "pre-Member" conduct; (2) conduct having no relationship to official duties and responsibilities; (3) events pre-dating the 3 Congress statute of limitation without either an investigative subcommittee and a separate a majority vote of the Committee to waive the limitation; and (4) statutorily protected materials under the Internal Revenue Code absent formal investigative action by the full Committee. The quoted portion of your letter did not state the rule basis or precedent(s) relied upon. On the other hand, my letter included references to relevant rules, precedents, and legislative history. We also have analyses of the Congressional Research Service confirming our review and conclusions as to issues 1 and 2.

Indeed, your February 6 letter does not even acknowledge or refer to my specific questions, several of which were not included in prior correspondence (3 Congress limit and tax data). Consequently, we, again, simply wish to know what specific rule and precedent supports your decision(s). If there is no precedent, please so advise us as to the fact that a new procedural or Rule interpretation has been adopted. I explicitly requested this guidance from Mr. Van Der Meid who said he would confer with you on specific answers to my specific questions and applicable supporting precedents. To date, I have not heard from the Committee (even as to the issue of submitting a brief detailing our positions and reasoning.)

In light of the above, answers to clearly objectionable questions are being provided because of Representative Hilliard's desire to expedite resolution of a fact-gathering exercise predicated upon erroneous and unverified press accounts. In short, much of the information is submitted under protest, the questions having been prompted by clear jurisdictional and procedural excesses and the absence of any supporting precedent or applicable rule.

Our review of the January 13 letter is that seven broad areas of inquiry were presented to the Congressman, as follows:

- I. Business and Charitable Interests
- II. Campaign Office
- III. Campaign Expenditures
- IV. Use of Official Resources
- V. Financial Disclosure Statements
- VI. Campaign Disclosure Reports
- VII. Federal Investigations

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Efforts have been undertaken to identify and organize those documents and materials considered responsive to your requests for information. As you can well imagine, certain documents are more readily available than others and not all have yet been collected. In order to avoid unnecessary delay(s) in responding to the Committee's inquiries, answers to certain areas are being provided as they become available. To this end, at least partial responses are provided in connection with categories I, IV, V, VI, and VII, above. As more data is obtained we will promptly supplement our submission.<sup>1</sup> Nonetheless, the answers submitted herewith are based upon information currently available to the congressman in the context of the footnoted caveat regarding the document seizure by the State of Alabama, Department of Insurance.

\* \* \*

I. Business and Charitable Interests

1. *Please provide a complete list of all corporations, businesses, and other entities (including charitable organizations) in which you have had an ownership interest or held a position from January 1, 1991, to the present.*

[Answer]: Mr. Hilliard does not have an ownership interest in any charitable organizations. He has served on the Board of Trustees, as an officer, on the Board of Directors and/or on the Advisory Board of the following organizations:

Hilliards and Company, Incorporated  
90-92 - President & Chairman of the Board  
92- Chairman of the Board  
See Exhibit 1

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<sup>1</sup> Caveat: The reason for our difficulty in providing more fully documented responses is due to the fact that major portions of relevant records are in the possession of the State of Alabama, Department of Insurance. Attached as Enclosure 1 is a copy of the State Receiver's letter to me acknowledging possession of documents although no inventory has ever been completed despite the fact that the documents were taken in mid-1996.

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**American Trust Communication Corporation**  
Wholly owned subsidiary of Hilliards and Company  
At various times, President and/or Chairman of the Board  
See Exhibit 2

**American Advertising Agency<sup>2</sup>**  
A Division of American Trust Communication Corporation  
No Position

**American Trust Corporation**  
Wholly owned subsidiary of Hilliards and Company  
See Exhibit 3

**WIQR - 1410 AM**  
A Division of American Trust Corporation  
No Position

**American Trust Broadcasting Corporation**  
Wholly owned subsidiary of Hilliards and Company  
At various times, President and/or Chairman of the Board  
Defunct in 1992  
See Exhibit 4

**American Trust Life Insurance Company**  
Wholly owned subsidiary of Hilliards and Company  
President  
See Exhibit 5

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<sup>2</sup> Contrary to press articles, this entity was never known as American Trust Advertising Agency.

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**Citizens for Hilliard**

**State Campaign Committee; appointed self as "agent"**  
**Dissolved in 1993 when elected to Congress**  
**Political Organization**

**Alabama Community Assistance Corporation**

**Honorary Position**

**African American United Fund, Inc.**

**Director**  
**Formed October 1996 - never activated**  
**Religious, charitable, scientific, literary and**  
**educational under IRC 501(c)(3)**  
**See Exhibit 6**

**World Center for Democracy, Inc.**

**Director Board**  
**Formed October 1996**  
**Religious, charitable, scientific, literary and**  
**educational under IRC 501(c)(3)**  
**See Exhibit 7**

**The Elected and Appointed Officials Educational and Legal Defense Fund,  
Inc.**

**Director Board**  
**Formed October 1996 - never activated**  
**Religious, charitable, scientific, literary and**  
**educational under IRC 501(c)(3)**  
**See Exhibit 8**

**The Emma L. Bower Foundation for Minority Interests in Media, Inc.**

**Trustee Board**  
**(Formerly, Foundation for Minority Interests in Media, Inc.)**  
**Came on Board in 1995**

**Metro-Area Morehouse College Alumni Association 1998 Annual  
Invitational Benefit Golf Tournament**

**Honorary Position - 1997**

**Birmingham Greater Golf Associates, Inc.**  
Director Board  
See Exhibit 9

**Mt. Moriah Baptist Church - Trustee Board**  
Religious Organization

**Mt. Moriah Missionary Baptist Church - Trustee Board**  
Religious Organization

**Birmingham Morehouse College Alumni Club, Inc. - Vice President**  
Social/Educational Organization

**Tuskegee University - Trustee Board**  
On Board since 1985

**Miles College Law School - Trustee Board**  
On Board since 1980's

**Selma University - Trustee Board**  
On Board since 1996

- ◆ *Please specify the nature or scope of your ownership interests in such entities, and the titles of any positions held.*

[Answer]: Of the organizations listed above, Mr. Hilliard only has an ownership interest in 2 entities: Hilliards and Company and through such entity, its subsidiary organizations. The nature of his ownership is shares of stock of approximately 30.5% (320 of 1050 shares). The positions are listed above. The other ownership interest is in the Birmingham Greater Golf Associates in which his interest is 18%.

- ◆ *During the period of January 1, 1991, to the present, have you or any members of your family possessed signature authority to prepare or issue checks drawn on the bank accounts of any of those organizations? If yes, please identify the pertinent organizations and the corresponding financial institutions at which such accounts are (or were) located.*

[Answer]: Yes.

Hilliards and Company, Inc.  
SouthTrust Bank, Birmingham, AL  
American Trust Corporation  
SouthTrust Bank, Birmingham, AL  
American Trust Communication Corporation  
SouthTrust Bank, Birmingham, AL  
American Trust Life Insurance Company  
SouthTrust Bank, Birmingham, AL

2. *Please describe the relationship between American Trust Corp., American Trust Life, American Trust Advertising Agency, and American Trust Communications Corp.*

[Answer]: Hilliards and Company is the parent organization which includes three wholly owned subsidiaries: American Trust Life, American Trust Corporation, and American Trust Communications Corp. Within American Trust Corporation is a division that has been known as WIQR (an AM Radio Station). Similarly, within American Trust Communication Corporation there is a division known as American Advertising Agency.

- ◆ *What is the relationship, if any, between any of those entities and Hilliard & Co., Inc.?*

[Answer]: See Answer above.

3. *Please describe the purpose and activities of the Alabama Film and Entertainment Council and the African American Institute.*

[Answer]: The purpose and activities of the Alabama Film and Entertainment Council and the African American Institute are set forth in the Articles of Incorporation for these two entities, copies of which are attached [Exhibits 10 and 11].

- ◆ *Have you or any family members held any position in either of those organizations since January 1, 1991?*

[Answer]: Mr. Hilliard has not held a position in either organization. However, as evidenced by the Articles of Incorporation Cheryl

Hilliard (his niece) has been on the Board of Directors of the African American Institute and Mary Hilliard (his spouse) has been on the Board of the Alabama Film and Entertainment Council.

- ◆ *What is the relationship, if any, between either of those organizations and other corporations or businesses in which you or members of your family have held an interest or served as a director or officer?*

[Answer]: There is no operational or organizational relationship between either the Alabama Film and Entertainment Council and any of the Hilliards and Company entities, although there have been occasional business transactions involving these organizations.

4. *Please specify the sources of funds for the African American Institute and the Alabama Film and Entertainment Council during the period of January 1, 1991, to the present.*

[Answer]: To the best of the congressman's recollection, and in light of the caveat discussed on page 3 footnote, it is believed that the sources of funds for the African American Institute and the Alabama Film and Entertainment Council during the period of January 1, 1991 to the present are:

Alabama Power Company  
City of Birmingham  
Jefferson County  
National Rifle Association  
State Rep. John Hilliard  
WQOR - AM 1410  
Philip Morris

South Central Bell  
Congressman Earl F. Hilliard  
American Trust Corporation  
Alabama Gas Corporation  
Hilliard for Congress  
AT & T  
American Trust Communication Corporation

5. *With respect to corporations (including charitable organizations) in which you have served as an officer or director from January 1, 1991, to the present, please provide copies of the articles of incorporation and documents pertaining to tax-exempt status, if applicable.*

[Answer]: Relevant available Exhibits provided above.



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- ◆ *With respect to tax-exempt organizations, please provide copies of applications for exempt status, tax returns or other filings with the Internal Revenue Service ("IRS"), and any correspondence between such organizations and the IRS.*

[Answer]: Congressman Hilliard does not have custody or control of such documents.

6. *What financial interest, if any, do you or any members of your family have in American Trust Advertising Agency?*

[Answer]: Congressman Hilliard and certain members of his family collectively own 100% of American Advertising Agency through their ownership of Hilliards and Company.

7. *Please describe the types of insurance policies provided or underwritten by American Trust Life from January 1, 1991, to the present.*

[Answer]: American Trust Life Insurance Company sold life, accidental, funeral, and maternal policies. As noted earlier, the State of Alabama, Department of Insurance has all records regarding the types and value of any and all such policies that were issued.

8. *What is, and has been, the nature of your interest in the radio station WIQR, and how has that changed since 1991, if at all?*

[Answer]: See response to #2. To the best of Mr. Hilliard's recollection, and in the absence of documents, it is believed that the station was sold to Canterbury Broadcasting Corporation (CBC) for \$175,000. Canterbury paid a down payment for \$25,000 and the balance was financed by the American Trust Corporation. Canterbury made approximately fifteen (15) payments of \$1,600.00 and defaulted. American Trust purchased the station back from Canterbury for \$25,000.00 and satisfaction of the balance of the indebtedness owed by Canterbury to American Trust Corporation. Efforts are underway to locate additional documents.

9. *What is, and has been, the relationship, if any, between American Trust Advertising Agency and WIQR?*

[Answer]: See response to #2.

10. *What is, and has been, the relationship, if any, between American Trust Life and the African American Institute?*

[Answer]: There is no operational or organizational relationship between these two entities, however, American Trust Life Insurance Company sold to the African American Institute a building located at 1612 - 1614 3rd Avenue North, Birmingham, Alabama and they have had both a lessor-lessee relationship and a mortgagee-mortgagor relationship. All relevant documents were taken by the State of Alabama.

11. *What is, and has been, the nature of your interest or involvement, if any, in the radio station WSKN?*

[Answer]: When the Radio Station WIQR was sold to Canterbury Broadcasting Corporation, the name was changed to WSKN and when American Trust Corporation purchased WSKN back from Canterbury, WSKN was named WIQR. When Canterbury owned WSKN a mortgagee-mortgagor relationship existed since American Trust Corporation financed the station sale for Canterbury. Same radio station as WIQR. See, also, response to question #8.

\* \* \*

IV. Use of Official Resources

1. *Which employees of your Washington, D.C. or district congressional offices also have worked on your congressional campaign?*

Comment: It is not possible to discern from this question whether the Committee seeks information regarding work undertaken by a congressional staff person during the same general period of time campaign activities may have been pursued or whether a possible response is simply triggered by an individual having worked for either the congressional office and the campaign

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office although during wholly separate and non-overlapping periods. Also unclear is the timeframe in which information is sought as well as whether individuals were compensated or unpaid volunteers. In light of these obvious ambiguities, we have assumed the Committee's interest to apply to individuals who may have worked for the congressional office or the campaign organization during the same period of time since 1993.

Caveat: Answer is based upon currently available records of the Clerk of the House and campaign reports (some of which we believe may be included in the State of Alabama document seizure).

[Answer]: Mary Brown  
Elvira Williams  
Robert Lane  
Tunstall Wilson  
Ken Mullinax  
Jack Zylman  
William Parker  
Phyllis Hallmon  
Erica Arrington  
Lonna Clark  
Don Hull  
Jacqueline Smith  
Toni Motley

2. *Which employees of your Washington, D.C. or district congressional offices also have worked for any business or charitable organization in which you or members of your family have had a financial interest or have served as an officer or director?*

**Comment:** It is not possible to discern from this question whether the Committee seeks information regarding work undertaken by a congressional staff person during the same general period of time relevant business or charitable activities may have been pursued or whether a possible response is simply triggered by an individual having worked for either the congressional office and a relevant business or charity office although during wholly separate and non-overlapping periods. Also unclear is the timeframe in which information is sought as well as whether individuals were compensated or unpaid volunteers. In light of these obvious ambiguities, we have assumed the

Committee's interest to apply to individuals who may have worked for the congressional office or a relevant business or charitable organization during the same period of time since 1993. See Caveat, above, to question 1 and footnote, page 3.

[Answer]: Elvira Williams  
Janine Hunt  
Tunstall Wilson

3. *Did your campaign organization, as reported, move into the same building occupied by your congressional office in Birmingham in 1996?*

[Answer]: No. The address for the congressional office in Birmingham was 319 17th Street North. The address for the campaign office was 1614 3rd Avenue North. Attached as Exhibit 12 is a map of downtown Birmingham showing the relative position of the two offices and their totally separate physical locations.

4. *Has your congressional office in Birmingham ever shared space or other resources with your campaign organization or other organizations?*

[Answer]: No, as to sharing space. With respect to resources (by which we assume the Committee refers to copy machine, fax machine, and the like), the lease agreement between my congressional office and the landlord entitled all occupants to have access to such items, a matter which was contemplated by, and figured into, valuing the lease costs.

5. *Has your congressional office in Montgomery ever shared space or other resources with your campaign organization? With any other organization?*

[Answer]: No. In Montgomery, they are 10 miles apart.

6. *To what extent, if any, has campaign activity been conducted in any of your congressional offices?*

[Answer]: There has always been an explicit policy to avoid pro-active campaign activity in the congressional office such as initiating fundraising, political campaign calls, or the preparation of campaign materials. Nonetheless, and as would reasonably be expected,

campaign-related calls would occasionally come to the congressional office (including mail). As a matter of routine, such contacts promptly would be referred to the appropriate campaign office. This policy was consistent with the Committee's letter to Mr. Hilliard dated February 7, 1997 (Enclosure 2).

7. *To what extent, if any, has business concerning WIQR or any other company or entity in which you have had a financial interest been conducted in any of your congressional offices?*

[Answer]: No business activities were initiated during official business hours or utilizing official resources. To the extent possible, any such calls which may have come in would either be referred or deferred until such time (or location) as would be appropriate.

8. *Does your campaign organization in Birmingham currently pay rent to occupy its location? If yes, to whom is that rent paid, and in what amount?*

[Answer]: Yes, \$300 monthly, Penick Realty.

◆ *Please provide a copy of the rental agreement.*

[Answer]: A copy of the lease is attached [Exhibit 13].

◆ *Was there a period during the last two years when the campaign organization in Birmingham did not pay rent? If so, why?*

[Answer]: The Alabama Insurance Commissioner took control of the building American Trust Life Insurance company at 1612 - 3rd Avenue, North in June 1996. The Commissioner elected for the Insurance Company not to keep the building and the first mortgagee, SouthTrust Bank, foreclosed on it. It was a while before the campaign found a new place. It was this period of time that the campaign did not pay rent.

9. *Please state whether your congressional office in Montgomery moved in 1994 from the local federal building to a former bank branch building on Norman Bridge Road. If yes, please specify the date of the move and explain the reason for the move.*

[Answer]: The Federal Courthouse was getting ready to undergo extensive renovation and added a major addition. Mr. Hilliard elected to move; plus he had free parking at the new location for constituents. The date of the move was on or about March 16, 1995.

- ◆ *What was the monthly rent at the previous location in the federal building?*

[Answer]: The monthly rent at the Federal building was approximately \$590.

- ◆ *What was the monthly rent at the new location on Norman Bridge Road? On what basis was that rent calculated?*

[Answer]: The monthly rent on Norman Bridge Road was \$1000. The rent for the building was negotiated.

10. *Please state whether your congressional office in Montgomery moved in 1996 from the location on Norman Bridge Road to a new location on West South Street. If so, please specify the date of the move and explain the reason for the move.*

[Answer]: Yes, Mr. Hilliard's Congressional office in Montgomery did move from the location on Norman Bridge Road to a new location on West South Boulevard. The date of the move is in the lease attached hereto and marked as Exhibit 14. The move provided his office with more privacy, more visibility and more free parking.

- ◆ *What amount of rent is the district office in Montgomery currently paying?*

[Answer]: The amount of rent the district office in Montgomery is currently is \$1000, the same amount as for the prior location on Norman Bridge Road.

- ◆ *To whom is that rent being paid?*

[Answer]: The rent is being paid to R. Smith & Associates.

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11. *Please identify any persons who have been employed in your district office in Montgomery since your election to the House of Representatives in 1992, and provide the dates of their employment.*

[Answer]: See Exhibit 15 marked as Montgomery Employees. Information is based upon Clerk's Reports, as currently available.

12. *Please identify any persons who has been employed in your district office in Birmingham since your election to the House of Representatives in 1992, and provide the dates of their employment.*

[Answer]: See Exhibit 16 marked as Birmingham Employees. Information is based upon Clerk's Reports, as currently available.

13. *What financial interest, if any, do you or any members of your family have in R.S. Associates?*

[Answer]: Absolutely None.

14. *Have you or any members of your family benefitted financially, either directly or indirectly, from any rent paid by your district congressional office in Montgomery to R.S. Associates?*

[Answer]: Absolutely Not.

\* \* \*

#### V. Financial Disclosure Statements

1. *Please identify all individuals who have been involved in the preparation of your Financial Disclosure Statements since you first became a candidate for the House of Representatives.*

[Answer]: Theta Shipp  
Tunstall Wilson  
Wendell Chambliss  
Phyllis Hallmon

In addition to the above, from time to time and particularly during financial disclosure preparation "season", members of Mr. Hilliard's congressional staff contacted Committee staff for advice on disclosure matters.

2. *Have you held a reportable ownership interest or position in American Trust Advertising Agency since you originally became a candidate for election to the House of Representatives?*

[Answer]: Not to Mr. Hilliard's knowledge or understanding of the Ethics in Government Act. Specifically, it has been his understanding that wholly owned subsidiaries (such as the relationship of the American Advertising Agency to Hilliards and Company) do not need to be separately reported if the parent entity is disclosed in accordance with reporting requirements. Similarly, it is his understanding that reporting of "positions" would also be governed by whether a position in one organization was a subsidiary of another organization in which the holding of a position was disclosed. Congressman Hilliard consistently informed the Committee of his Board member status in family owned entities as reflected by Enclosure 3, a Committee letter to Mr. Hilliard dated December 6, 1996, (regarding Hilliards and Company, American Trust Communication Corporation, and American Trust Corporation); and Enclosure 4, a Committee letter to Representative Hilliard dated June 9, 1993 (regarding Hilliards and Company and American Trust Insurance Company). At no time did the Committee inform Mr. Hilliard that separate reporting as to "Holdings" or "Positions" regarding subsidiaries was required even though he had disclosed his interest in Hilliards and Company in his very first candidate filing in May 1992.

\* \* \*

#### VI. Campaign Disclosure Reports

1. *Please identify all individuals who have been involved in the preparation of your filings with the Federal Election Commission since you first became a candidate for the House of Representatives.*

[Answer]: Elizabeth Redmond  
Elvira Williams  
Donald Hull  
Rita Hall

James Parker  
Jewel Clark  
Toni Motley



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**VII. Federal Investigations**

1. *Please state whether, to your knowledge, you or your campaign organization is currently the target or subject of an investigation by the Department of Justice or the Federal Election Commission and, if so, please describe the nature and scope of the investigation.*

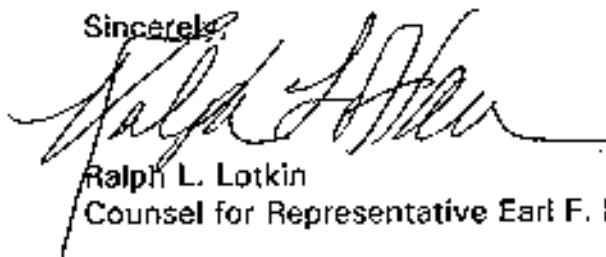
[Answer]: Neither Mr. Hilliard nor his campaign organization have been informed that either is currently the target or subject of an investigation by the Department of Justice or the Federal Election Commission.

\* \* \*

As matters now stand, Congressman Hilliard has been denied: (1) a meeting to discuss any issues; and (2) any explanation of the basis of Committee decisions which we believe are clearly in violation of both rules and precedents of the Committee and the House of Representatives. Such unprecedented treatment of a Member, per se, raises serious questions about fundamental fairness in the light of past practice of the Committee to afford all Members such minimal basic courtesies. Accordingly, the Congressman, once again, renews his request for a meeting with you to discuss existing issues of concern and to obtain clarification of the bases and precedents underlying your requests for information.

Supplementing data as well as answers and documentation regarding the remaining two categories will be submitted to the Committee as soon as practicable.

Sincerely,



Ralph L. Lotkin  
Counsel for Representative Earl F. Hilliard

Enclosures and Exhibits