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March 5, 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 communication constitutes a further response to your February 6, 1998, letter seeking answers to numerous questions regarding the activities, private business relationships, and campaign and official actions of Congressman Earl F. Hilliard. Certain of your questions cover a period predating Mr. Hilliard's tenure in Congress by over 2 years and also relate to matters having absolutely nothing to do with his duties as a Member of Congress.

Despite our repeated requests, both orally and in writing, the Committee has effectively ignored and denied Mr. Hilliard's request for a citation to those specific Committee and House Rules and precedents supporting its scope and method of inquiry. The only response has been a generic statement that the "full Committee has affirmed that it has jurisdiction over the matters". Such statement on its face provides nothing in the way of guidance or analysis and leaves to speculation

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The Honorable Howard I. Berman  
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whether, in fact, an in-depth review of the specific issues we presented for consideration has ever been undertaken. Part of any such comprehensive and objective analysis would be the identification of those specific precedents establishing that the Committee has, in fact, exercised its authority/jurisdiction over the types of issues presented to Congressman Hilliard -- i.e., seeking information on matters relating to (1) "pre-Member" conduct, (2) conduct having no nexus to official duties and responsibilities as a Member, (3) conduct pre-dating the 3-Congress statute of limitations absent a majority vote of the Committee, and (4) access to tax materials without initiation of a formal investigation.

While we have both raised and analyzed these matters from the perspective of Rules and precedents, no Committee reaction beyond the quoted blanket assertion as to jurisdiction has ever been provided.

The same concern lies with respect to the Congressman's repeated requests for a meeting with you -- again, a matter which has been denied.

By contrast, we simply invite your attention to the Committee's February 23, 1998, memorandum distributed to Members, officers and employees setting forth a detailed analysis of outside earned income restrictions. It is abundantly evident that the document was prepared in response to the concerns of certain Member(s) with regard to practicing a profession. Regardless of what the February 23 document states from a substantive standpoint, it represents the fact that the Committee has apparently chosen to selectively respond to such requests by Members for an explanation of the Committee's decisions on a matter of interest to the body as a whole. We firmly believe the parameters and scope of authority of the Committee's jurisdiction to investigate Members on issues that pre-date even their candidacy for office is at least of similar importance to Members. Nonetheless, our requests for analysis and explanation have been ignored.

Even more troubling is the fact that news reports indicate that Rep. Coburn (presumably the Member whose concerns prompted the analysis of February 23) may have also been granted an opportunity to meet with the Committee to advance his position. Assuming the accuracy of the news accounts, it need only be pointed out that, by contrast, Rep. Hilliard has not been accorded such a courtesy even though he sought such a meeting as early as January 21, 1998, about 1-1/2 months ago. Such apparently disparate treatment raises additional issues for which we seek an explanation.

In this light, we place in the record yet another request for a meeting and that the Committee respond in writing to our long-standing questions regarding the specific procedural basis, policy, and historical Committee and House precedents underlying and supporting the instant series of inquiries propounded to Congressman Hilliard.

Against this backdrop of concern, we herewith submit to you answers to Section II of your January 13, 1998 letter captioned "Campaign Office".

II. Campaign Office

1. *Please provide the addresses of your campaign offices in Alabama from 1991 to the present, and state when the campaign offices were located at those addresses.<sup>1</sup>*

[Answer]:

1992-1995: 1612-A and 1614-A - 3rd Avenue North,  
Birmingham, Alabama

1996: 1612-B and 1614-A - 3rd Avenue North,  
Birmingham, Alabama

128 Lee Street, Montgomery, Alabama

1997-Present: 1703 - 3rd Avenue, Birmingham, Alabama

2. *Regarding the campaign office previously located in a building on Third Avenue in Birmingham:*

- ◆ *Who owned that building during the time when your campaign occupied space in the building?*

[Answer]: The building had two owners: American Trust Life Insurance Company and African American Institute, Inc.

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<sup>1</sup> It is not clear whether this question applies to any State level office campaign office, or just to a federal congressional campaign. Answer assumes federal congressional campaign office is focus of inquiry.

- ◆ *What other organizations or entities were located in that building when the campaign office was located there?*

[Answer]: Comment: The following organizations were located in the 3rd Avenue building during the period 1992-1996, but not simultaneously or at all times in such period.

American Trust Life Insurance Company  
American Trust Corporation  
African American Institute  
American First Bail and Bonding Corporation  
Lifting Christ Worship Center  
Williamson Photography Studio  
Wright & Associates  
A & S Diversified

- ◆ *Did you or any members of your family have any financial interest, or hold any position, in any of those businesses or entities?*

[Answer]: Yes. See answers to questions 1, 2 and 3 under Heading "1. Business and Charitable Interests" contained in the February 25, 1998, letter to Committee.<sup>2</sup>

- ◆ *How was space in the building allocated between the campaign and other entities located in the building?*

[Answer]: The building consisted of approximately 14,000 square feet. Initially, the campaign office had 3,500 square feet at 1612-A. The campaign later moved to offices at 1614-A and upstairs to 1612-B for additional space.

- ◆ *Why was the building on Third Avenue selected as the location of your campaign office?*

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<sup>2</sup> It is unclear whether this question pertains to a family interest or position in the organizations which owned the building or those organizations that occupied the building, or to both ownership and/or occupation. Answer assumes "both" possibilities intended.

[Answer]: Third Avenue is one of the most highly traveled streets in Birmingham, and it was the bus stop and pick-up for two different bus companies and several buses. It was located in the population center of my district.

3. *What amount of rent did the campaign initially pay for the use of the building at Third Avenue, and to whom was that rent paid?*

[Answer]: The initial monthly rent as reported in FEC documents was \$600 per month paid to American Trust Life Insurance Corporation.

- ◆ *By what amount, if any, did the campaign's rent increase during the time the campaign office was located at the Third Avenue building?*

[Answer]: As reported to the FEC, rent increased by \$400.00 (to \$1000 per month) in 1993 (paid to American Trust Life Insurance Corporation). In September 1993, rent increased to \$1500 per month and paid to African American Institute (see question/answer 12, infra.)

- ◆ *On what factors were those rent increases based?*

[Answer]: The campaign obtained additional space (in unit 1612-B) for storage and advertisement space. A large banner was erected (4ft x 20ft approximately) and displayed across the front of the building.

4. *Did you or any member of your family benefit financially, either directly or indirectly, from the rent paid by your campaign for use of the building at Third Avenue?*

[Answer]: No. The American Trust Life Insurance Company, an owner of the building, was the successor name of the entity formerly known as Jordan's Mutual Aid Association, Inc. Neither entity paid dividends or distributed any profits. Similarly, the subsequent building owner, African American Institute, Inc., was a non-profit corporation, and, as such, also did not pay dividends or distribute profits.

5. *Did the campaign ever prepay its rent at Third Avenue? If so, why?*

[Answer]: Yes. Campaign funds came in infrequently and sometimes the campaign had to make several payments to catch-up, so whenever

money came in, when possible, the campaign would prepay its rent to cover lean months.

- ◆ *Did the identity of the lessor change during the period that the campaign occupied space at Third Avenue? If so, why?*

[Answer]: Yes. The lessors were always the building owners. Rent payments were made to the appropriate owner/lessor. In those instances in which rent was paid to American Trust Corporation, a payment to American Trust Corporation was considered as effectively being made to American Trust Life Insurance Corporation.

6. *What was the relationship of American Trust, or any subsidiary thereof, to any of the entities located in, or using, the building on Third Avenue?*

[Answer]:

American First Bail and Bonding Corporation - no relationship  
Lifting Christ Worship Center - No relationship  
Williamson Photography Studio - No relationship  
Wright & Associates - No relationship  
A & S Diversified - No relationship  
Hilliard for Congress - No relationship  
African American Institute - No relationship  
American Trust Life Insurance Corporation - See answers to questions 1-3 under Heading "I. Business and Charitable Interests" contained in the February 25, 1998, letter to the Committee.

7. *To what extent did the campaign have access to, or make use of, space, equipment, furnishings, and other resources belonging to any of the other entities located in, or using the building at, Third Avenue?*

[Answer]: The campaign by lease agreement could use the telephone, fax, post office box, office equipment, conference rooms, upstairs storage space and front advertising space of the landlords.

8. *To what extent did each of the entities using the building at Third Avenue contribute to the cost of their individual overhead?*

[Answer]: Each entity paid its own overhead and rent.

- ◆ *Please state whether the campaign shared a phone or fax number, or post office box, with any of the other entities using the building.*

[Answer]: See Answer to No. 7 above.

9. *To what extent were campaign funds used to pay for any of the overhead or other expenses incurred by any of the other entities located in, or using, the building at Third Avenue?*

[Answer]: Campaign funds were used to pay for discreet and identifiable expenses incurred by the campaign such as long distance calls and the cost of repairing the copier when the campaign used it excessively and it needed servicing.

10. *Who paid for the use of the telephone or fax machine by entities using the building other than the campaign?*

[Answer]: The other occupants and/or the lessor.

11. *Please provide copies of the lease agreements for the campaign and any other entities that used or occupied the building at Third Avenue from 1991 through the end of 1996.*

[Answer]: The Insurance Commissioner of the State of Alabama took control of American Trust Life Insurance Company, 1612 and 1614 Third Avenue Building and the records for the insurance company. See footnote 1 to February 25, 1998, letter to Committee. See also, Enclosure 1, State of Alabama letter dated February 23, 1998, regarding status of seized records.

12. *According to the December 3, 1997, article in The Hill, "in 1993, the African American Institute paid a Hilliard company \$385,000 for a Third Avenue property housing Hilliard's campaign and companies. Two years later, the institute sold the building to American Trust Life for \$1 and other goods and valuable consideration."*

- ◆ *Is this report accurate?*

[Answer]: Yes.

- ◆ *If yes, please explain why the African American Institute purchased the building at Third Avenue.*

[Answer]: Mr. Hilliard's understanding is that the African American Institute purchased the building at Third Avenue as an investment. It should be noted, however, and particularly in light of previously expressed objections as to scope of questions and jurisdictional limitations and precedents of the Committee, that this transaction has no nexus to official duties or responsibilities of Mr. Hilliard's status as a Member of Congress. Moreover, as noted in the February 25, 1998, letter to the Committee, Mr. Hilliard does not have any interest or position in the African American Institute. See February 25, 1998, letter, page 7-8. Accordingly, he can not and will not speak for the African American Institute.

- ◆ *Where did the African American Institute obtain the funds to purchase the building?*

[Answer]: American Trust Life Insurance company financed the sale with a purchase money mortgage.

- ◆ *Please explain why the purchase price in this transaction was only \$1 "and other goods and valuable consideration."*

[Answer]: This is an incorrect understanding of the transaction. No such phrase was used in the 1993 sale. It was only a purchase money mortgage. See Enclosure 2. The two parties agreed on the terms of the sale. A purchase money mortgage was considered the sole consideration.

- ◆ *Please identify the "other goods and valuable consideration" provided by American Trust Life to the African American Institute with respect to this transaction.*

[Answer]: In the 1995 sale the other good and valuable consideration was the purchaser's assumption of mortgage liability held by Mr. Hilliard to William Parker and SouthTrust Bank. See Enclosure 3, copy of the 1995 sale.



- ◆ *To what extent, if any, did you or members of your family benefit financially from this transaction?*

[Answer]: Mr. Hilliard did not, nor any members of his family, personally financially benefit from this transaction because no income was derived in light of the purchase money mortgage basis of the sale and the fact that American Trust Life Insurance Corporation did not distribute profits.

- ◆ *Please provide copies of settlement agreements and other documents relating to this sales transaction.*

[Answer]: See answer to question No. 12 of this section.

13. *According to the December 3, 1997, article in The Hill, rent paid by your campaign to use the building at Third Avenue increased from \$1,000 to \$1,500 "immediately after" the African American Institute purchased the building.*

- ◆ *Please assess the accuracy of this report.*

[Answer]: Mr. Hilliard believes this is basically accurate.

- ◆ *If the report is accurate, please explain why the campaign's rent increased after the purchase transaction, and why it increased by fifty percent.*

[Answer]: As noted in question/answer 3, above, the campaign leased additional space at 1612 B for storage.

- ◆ *Please state whether the African American Institute later sold the building to American Trust Life; if so, please specify the date of that transaction and provide any documents relating to that transaction.*

[Answer]: See answer to question 12 of this section.

- ◆ *To what extent, if any, did you or members of your family benefit financially, from that transaction?*

[Answer]: Neither Mr. Hilliard nor any member of his family benefitted from that transaction because no income was derived in light of the fact

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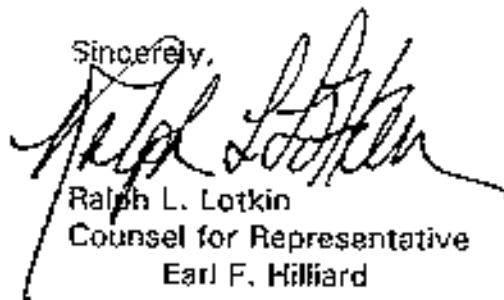
that the African American Institute did not distribute profits (and he held no position in the organization).

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Based upon this submission, the only category of inquiry which remains for response is section III of your January 13, 1998, letter entitled "Campaign Expenditures". As soon as necessary materials have been obtained and organized, we will forward an appropriate submission to you.

We await your reply to the matters addressed in the beginning of this correspondence.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ralph Lotkin". The signature is written in black ink and is positioned above the typed name and title.

Ralph L. Lotkin  
Counsel for Representative  
Earl F. Hilliard

Enclosures