

ONE HUNDRED FIFTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515-6323

January 13, 1998

BY HAND-DELIVERY

Ralph L. Lotkin, Esq.
Cochran & Lotkin
201 Massachusetts Ave., N.E.
Suite C-1
Washington, D.C. 20002

Re: Representative Earl F. Hilliard

Dear Mr. Lotkin:

The Committee is in receipt of your letter dated January 8, 1998, in which you expressed uncertainty regarding the scope of the Committee's interest as reflected in its letter to Representative Hilliard dated December 29, 1997.

In response to your request for clarification, we therefore ask that Representative Hilliard respond in writing to the following specific questions:

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.
 - ◆ Please specify the nature or scope of your ownership interests in such entities, and the titles of any positions held.
 - ◆ During the period of January 1, 1991, to the present, have you or any members of your family¹ 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.

¹ For purposes of your response to this letter, "members of your family" shall be understood to include an individual who is related to you, as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, first cousin, nephew, niece, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, or who is the grandfather or grandmother of the reporting individual.

2. Please describe the relationship between American Trust Corp., American Trust Life, American Trust Advertising Agency, and American Trust Communications Corp.
 - ◆ What is the relationship, if any, between any of those entities and Hilliard & Co., Inc.?
3. Please describe the purpose and activities of the Alabama Film and Entertainment Council and the African American Institute.
 - ◆ Have you or any family members held any position in either of those organizations since January 1, 1991?
 - ◆ 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?
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.
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.
 - ◆ 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.
6. What financial interest, if any, do you or any members of your family have in American Trust Advertising Agency?
7. Please describe the types of insurance policies provided or underwritten by American Trust Life from January 1, 1991, to the present.
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?
9. What is, and has been, the relationship, if any, between American Trust Advertising Agency and WIQR?
10. What is, and has been, the relationship, if any, between American Trust Life and the African American Institute?

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

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.
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?
 - ◆ What other organizations or entities were located in that building when the campaign office was located there?
 - ◆ Did you or any members of your family have any financial interest, or hold any position, in any of those businesses or entities?
 - ◆ How was space in the building allocated between the campaign and other entities located in the building?
 - ◆ Why was the building on Third Avenue selected as the location of your campaign office?
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?
 - ◆ By what amount, if any, did the campaign's rent increase during the time the campaign office was located at the Third Avenue building?
 - ◆ On what factors were those rent increases based?
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?
5. Did the campaign ever prepay its rent at Third Avenue? If so, why?
 - ◆ Did the identity of the lessor change during the period that the campaign occupied space at Third Avenue? If so, why?
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?

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?
8. To what extent did each of the entities using the building at Third Avenue contribute to the cost of their individual overhead?
 - ◆ Please state whether the campaign shared a phone or fax number, or post office box, with any of the other entities using the building.
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?
10. Who paid for the use of the telephone or fax machine by entities using the building other than the campaign?
 - ◆ To whom did the campaign and other entities using the building pay rent?
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.
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?
 - ◆ If yes, please explain why the African American Institute purchased the building at Third Avenue.
 - ◆ Where did the African American Institute obtain the funds to purchase the building?
 - ◆ Please explain why the purchase price in this transaction was only \$1 "and other goods and valuable consideration."
 - ◆ Please identify the "other goods and valuable consideration" provided by American Trust Life to the African American Institute with respect to this transaction.
 - ◆ To what extent, if any, did you or members of your family benefit financially from this transaction?

- ◆ Please provide copies of settlement agreements and other documents relating to this sales transaction.
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.
 - ◆ If the report is accurate, please explain why the campaign's rent increased after the purchase transaction, and why it increased by fifty percent.
 - ◆ 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.
 - ◆ To what extent, if any, did you or members of your family benefit financially, from that transaction?

Campaign Expenditures

1. Please provide the names of all paid campaign employees from January 1, 1991, to the present, specify their duties or title (if any), and state their salary (and any changes thereto) during that time period.
2. To what extent, if any, have funds from your campaign account been used to benefit any business or other entity in which you, or any member of your family, have had a financial interest or have served in a position?
 - ◆ In particular, has your campaign committee, as alleged, ever made "[d]irect payments to companies and charities under the control of [your] family," or to companies and charities that listed their address at your post office box? If yes:
 - ◆ Please specify the date, amount, and recipient of such payments.
 - ◆ In what way were such payments made for a bona fide campaign or political purpose?
 - ◆ To what extent, if any, did your campaign pay the utility bills relating to use of the premises at Third Avenue in Birmingham by entities other than the campaign?

3. Has your campaign committee, as reported, ever made payments to members of your family in salaries or consultant fees?

- ◆ If yes, please describe the services performed by those family members in return for those salaries or fees, and provide documentation concerning the assignment and performance of those services.

4. Please identify any campaign expenditures that have been made to reimburse members of your family for expenses, specify the purpose of the expenditure, and provide any documentation concerning such expenses.

5. Please state whether, as alleged, your campaign ever has made interest-free loans to members of your family, or to charitable organizations with which you or member of your family were involved. Please provide any documentation concerning such loans.

6. What payments, if any, has your campaign made to American Trust Life? Why were such payments made?

7. Has your campaign ever paid for an insurance policy on behalf of a campaign employee? If yes, what type of policy was provided, who was the policyholder, and who was the policy's beneficiary?

- ◆ What premium was charged for this policy, and on what basis was the premium calculated?

- ◆ For how long was this policy in effect?

8. Has your campaign ever prepaid insurance premiums? If yes, why?

9. Please state whether your campaign organization has made expenditures to American Trust Advertising Agency, specify the purpose of those expenditures, and provide a copy of the contract, agreement, or other documentation concerning any services provided by American Trust Advertising Agency.

10. In connection with any campaign expenditures relating to the radio station WIQR:

- ◆ Please respond to allegations that your campaign made expenditures in 1996 for radio advertising on WIQR at a time when the station was not broadcasting.
- ◆ Please state whether your campaign purchased advertising on stations other than WIQR. If not, please explain.
- ◆ Please state whether the campaign purchased advertising on WIQR during a non-election year. If so, please explain.

- ◆ Please explain the extent to which the listening audience of WIQR includes individuals in your congressional district.

11. Who currently has authority to sign checks drawn on your campaign's bank account?

- ◆ Who else has possessed signature authority since January 1, 1991?

12. Please describe the process by which checks drawn on your campaign's account are authorized and prepared.

- ◆ How has that process changed, if at all, since January 1, 1991?

13. The December 3, 1997, article in *The Hill* reported that your campaign has made interest-free loans totalling approximately \$30,000 to your niece Rita Hilliard Hall; your son, State Rep. Earl Hilliard, Jr.; and the Alabama Film and Entertainment Council.

- ◆ Was this report accurate? If so, please specify the purpose of these loans, and provide copies of related loan agreements and other documentation, if any.

Use of Official Resources

1. Which employees of your Washington, D.C. or district congressional offices also have worked on your congressional campaign?
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?
3. Did your campaign organization, as reported, move into the same building occupied by your congressional office in Birmingham in 1996?
4. Has your congressional office in Birmingham ever shared space or other resources with your campaign organization or other organizations?
5. Has your congressional office in Montgomery ever shared space or other resources with your campaign organization? With any other organization?
6. To what extent, if any, has campaign activity been conducted in any of your congressional offices?
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?

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?
- ◆ Please provide a copy of the rental agreement.
 - ◆ Was there a period during the last two years when the campaign organization in Birmingham did not pay rent? If so, why?
9. Please state whether your congressional office in Montgomery moved in 1995 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.
- ◆ What was the monthly rent at the previous location in the federal building?
 - ◆ What was the monthly rent at the new location on Norman Bridge Road? On what basis was that rent calculated?
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.
- ◆ What amount of rent is the district office in Montgomery currently paying?
 - ◆ To whom is that rent being paid?
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.
12. Please identify any persons who have 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.
13. What financial interest, if any, do you or any members of your family have in R.S. Associates?
14. Have you or any members of your family benefited financially, either directly or indirectly, from any rent paid by your district congressional office in Montgomery to R.S. Associates?

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.

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?

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.

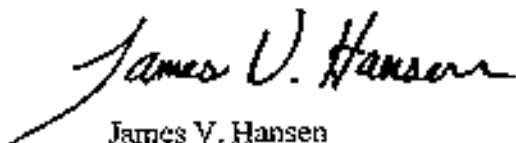
Federal Investigations

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.

The Committee would appreciate Representative Hilliard's responses to the above questions and requests by no later than February 6, 1998.

Thank you for your cooperation in this matter. If you have any questions regarding this letter, please contact Chief Counsel Theodore J. Van Der Meid, Counsel David H. Laufman, or Counsel Virginia H. Johnson at (202) 225-7103.

Sincerely,



James V. Hansen
Chairman



Howard L. Berman
Ranking Democratic Member

JVH/HLB:dhl