

RICHARD ARMEY'S \$8,000,000
GOLDEN PARACHUTE

HON. BARNEY FRANK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, December 31, 2012

Mr. FRANK of Massachusetts. Mr. Speaker, given the role that former Majority Leader Richard Armeý has played in significantly increasing the role in militant conservatives in the Republican party, the article in the Washington Post on December 25 is important information that all Members should know.

[From The Washington Post, Dec. 25, 2012]

FREEDOM WORKS TEA PARTY GROUP NEARLY FALLS APART IN FIGHT BETWEEN OLD AND NEW GUARD

(By Amy Gardner)

The day after Labor Day, just as campaign season was entering its final frenzy, FreedomWorks, the Washington-based tea party organization, went into free fall.

Richard K. Armeý, the group's chairman and a former House majority leader, walked into the group's Capitol Hill offices with his wife, Susan, and an aide holstering a handgun at his waist. The aim was to seize control of the group and expel Armeý's enemies: The gun-wielding assistant escorted FreedomWorks' top two employees off the premises, while Armeý suspended several others who broke down in sobs at the news.

The coup lasted all of six days. By Sept. 10, Armeý was gone—with a promise of \$8 million—and the five ousted employees were back. The force behind their return was Richard J. Stephenson, a reclusive Illinois millionaire who has exerted increasing control over one of Washington's most influential conservative grass-roots organizations.

Stephenson, the founder of the for-profit Cancer Treatment Centers of America and a director on the Freedom Works board, agreed to commit \$400,000 per year over 20 years in exchange for Armeý's agreement to leave the group.

The episode illustrates the growing role of wealthy donors in swaying the direction of FreedomWorks and other political groups, which increasingly rely on unlimited contributions from corporations and financiers for their financial livelihood. Such gifts are often sent through corporate shells or non-profit groups that do not have to disclose their donors, making it impossible for the public to know who is funding them.

In the weeks before the election, more than \$12 million in donations was funneled through two Tennessee corporations to the FreedomWorks super PAC after negotiations with Stephenson over a preemption gift of the same size, according to three current and former employees with knowledge of the arrangement. The origin of the money has not previously been reported.

These and other new details about the near-meltdown at FreedomWorks were gleaned from interviews with two dozen current and past associates, most of whom spoke on the condition of anonymity in order to talk freely.

The disarray comes as the conservative movement is struggling to find its way after the November elections, which brought a second term for President Obama and Democratic gains in the House and Senate. Armeý said in an interview that the near-meltdown at his former group has damaged the conservative cause.

"Freedom Works was the spark plug, the energy source, the catalyst for the movement through the 2010 elections," Armeý said, referring to the GOP midterm sweep. "Harm was done to the movement."

Stephenson, 73, declined a request for an interview. Matt Kibbe, the group's president, and Adam Brandon, its senior vice president, declined to discuss the issue.

"I don't comment on donors," Brandon said. "He's on our board, he's a board member like anyone else. That's it. I see him at board meetings."

Stephenson, a longtime but little-known player in conservative causes, is a resident of Barrington, Ill., a northwest suburb of Chicago known for its affluence and sprawling horse estates such as his Tudor Oaks Farm. He founded the Cancer Treatment Centers of America in 1988 following his mother's death from bladder cancer, according to the for-profit company's Web site and his public remarks. Stephenson also holds investments in a broad portfolio of other businesses, including finance and real estate companies.

Stephenson has a passion for libertarian politics stretching back to the 1960s, when he attended seminars featuring "Atlas Shrugged" author Ayn Rand and economist Murray Rothbard, according to those who know him at FreedomWorks. Like Armeý, Stephenson was an early supporter of Citizens for a Sound Economy, the conservative lobbying group founded by oil billionaires Charles and David Koch in 1984 that split into Freedom Works and Americans for Prosperity 20 years later. The Kochs, known for bankrolling a variety of conservative causes, kept control of AFP, while Stephenson and Armeý stayed with FreedomWorks.

FreedomWorks has been on a remarkable run in recent election cycles, growing its annual budget from \$7 million to \$40 million in just a few years and helping lead the tea party movement against Obama's agenda. The group was among several that rose up last week in opposition to a failed proposal from House Speaker John A. Boehner (R-Ohio) to raise federal taxes on millionaires.

The group played a crucial role in ushering a wave of tea party candidates into office in recent years, staging rallies, hawking books and videos, and organizing media appearances with conservative personalities such as Glenn Beck and Rush Limbaugh.

"I've enjoyed my association with FreedomWorks," said Sen. Mike Lee (R-Utah), who defeated incumbent Bob Bennett with help from the group. "Matt Kibbe and Dick Armeý endorsed me early in my candidacy for the U.S. Senate, and they were a big help to me."

Despite such testimonials, FreedomWorks has struggled with accusations that it is an "astro-turfer"—a national organization of big-money donors that swept in to lay claim to an independent movement.

According to public records, FreedomWorks received more than \$12 million before the election from two corporations based in Knoxville, Tenn.: Specialty Investments Group and Kingston Pike Development. The firms were established within a day of each other by William S. Rose III, a local bankruptcy lawyer.

Rose, who could not be reached for comment, has said publicly he would not answer questions about the donations. But according to three current and former FreedomWorks employees with knowledge of the donations, the money originated with Stephenson and his family, who arranged for the contributions from the Tennessee firms to the super PAC.

Brandon, FreedomWorks' executive vice president, told colleagues starting in August that Stephenson would be giving between \$10 million and \$12 million, these sources said. Brandon also met repeatedly with members of Stephenson's family who were involved in arranging the donations, the sources said.

Stephenson attended a FreedomWorks retreat in Jackson Hole, Wyo., in August at

which a budget was being prepared in anticipation of a large influx of money, according to several employees who attended the retreat. At the retreat, Stephenson dictated some of the terms of how the money would be spent, the employees said.

"There is no doubt that Dick Stephenson arranged for that money to come to the super PAC," said one person who attended the retreat. "I can assure you that everyone around the office knew about it."

Among other things, Stephenson wanted a substantial sum spent in support of Rep. Joe Walsh (R-Ill.), a tea party favorite and Stephenson's local congressman, several who attended the retreat recalled. Walsh garnered national headlines during the campaign when he questioned whether his opponent, Tammy Duckworth, a former Blackhawk helicopter pilot who lost both legs in Iraq, was a "true hero." Despite internal misgivings about the value of the investment, FreedomWorks spent \$1.7 million on ads supporting Walsh; he lost the race.

Two watchdog groups last week asked the Federal Election Commission and the Justice Department to investigate the donations from the two Tennessee companies. The groups, Democracy 21 and the Campaign Legal Center, say the arrangement could violate federal laws that prohibit attempting to hide the true source of a political contribution by giving it under another name. (Brandon declined to comment on the complaints, but he said the group's books were in order.)

PARTNERSHIP UNRAVELS

For years, FreedomWorks was headed by an unlikely duo: Armeý, 72, the old-guard po who wears a black cowboy hat even when he's not on his Texas ranch, and Kibbe, 49, who sports mutton-chop sideburns and has a passion for the Grateful Dead.

But the most important relationship appears to be the bond between Kibbe and Stephenson, who bridged their age gap through shared libertarian views and Kibbe's battle with testicular cancer a decade ago, Armeý and others said. They said Kibbe, after being given a terminal diagnosis, was encouraged by Stephenson to get treatment at his cancer clinics; more than a decade later, they said, he is cancer-free.

Until this year, the partnership between Kibbe and Armeý worked well. Armeý's renown as a former House member drew media attention and crowds of conservative activists—most of them old enough to remember Armeý's role in the Republican revolution in Congress in 1994. And Kibbe's youthful intellectualism drew a new generation of libertarian soldiers into the FreedomWorks fold. In 2010, the two co-wrote a book, "Give Us Liberty: A Tea Party Manifesto," that became a New York Times bestseller and a successful marketing tool for FreedomWorks, which collected the book's proceeds and used it to attract donations.

The partnership came to a crashing end when Armeý marched into FreedomWorks' office Sept. 4 with his wife, Susan, executive assistant Jean Campbell and the unidentified man with the gun at his waist—who promptly escorted Kibbe and Brandon out of the building.

"This was two weeks after there had been a shooting at the Family Research Council," said one junior staff member who spoke on the condition of anonymity because he was not authorized to talk to the media. "So when a man with a gun who didn't identify himself to me or other people on staff, and a woman I'd never seen before said there was an announcement, my first gut was, 'Is Freedom Works in danger?' It was bizarre."?

By nearly all accounts, including from those loyal to him, Armeý handled his attempted coup badly. Armeý says he was stepping in because of ethical breaches by Kibbe

and Brandon, accusing them of improperly using FreedomWorks staff resources to produce a book—ironically, named “Hostile Takeover”—for which Kibbe claimed sole credit and was collecting royalties. The use of internal resources for Kibbe’s benefit could jeopardize the group’s nonprofit tax status; the group denies any impropriety.

“This is not only about this one incident,” Armev said. “But that one incident was a matter of grievous concern.”

Armev also accused Brandon, Kibbe and other staff members loyal to them of squeezing him out of media appearances and management decisions while using his name to market the group.

Armev appeared out of touch and unsure of how FreedomWorks operated when he took over that Tuesday morning, according to interviews with more than a dozen employees on both sides who witnessed the takeover. Sitting in a glass-walled conference room visible to much of the staff, he placed three young female employees on administrative leave, then reversed himself when they burst into tears; his wife lamented aloud that maybe they had “jumped the gun.”

In subsequent meetings, Susan Armev passed her husband notes that several employees assumed contained suggestions on what to say. According to a recording of a staff conference call provided to The Washington Post, Armev bewildered his audience by demanding more FreedomWorks support from Todd Akin, the Missouri Republican whose Senate campaign had already cratered after his comments about “legitimate rape.”

“It was clear that under Armev’s leadership, the organization as we knew it was going to be driven into the ground,” said one junior employee.

Enter Stephenson, who agreed to the multimillion-dollar financial incentive to push Armev out and install Kibbe back at the helm.

The payments were necessary, several FreedomWorks leaders said, because Armev was threatening to sue over Kibbe’s book deal.

“It was very clear to him that I would not work with Matt,” Armev said, referring to Stephenson. “He felt that Matt knew the levers and understood it better than I did and was very urgent to reinstate that.”

Brandon, back in the No. 2 spot as executive vice president, scoffed at the notion that the group is in trouble or that the dispute with Armev was indicative of a larger problem for the tea party. He said FreedomWorks has 2.1 million members, nearly 4 million fans on Facebook and a budget that has grown sixfold in five years. He also pointed to the elections of Senate conservatives Ted Cruz in Texas and Jeff Flake in Arizona as evidence of the group’s electoral success.

“We doubled our budget, and we doubled our membership,” Brandon said, referring to the group’s growth since 2011. “That’s how we ended up the year.”

(Alice R. Crites contributed to this report)

MILLIONS FORGO FORECLOSURE REVIEWS

HON. MARCY KAPTUR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, December 31, 2012

Ms. KAPTUR. Mr. Speaker, this is the article I referred to in my one-minute speech this morning.

(From USA Today)

MILLIONS FORGO FORECLOSURE REVIEWS (HOMEOWNERS DON'T HAVE MUCH TIME TO ASK FOR ACCURACY CHECKS)

(By Julie Schmit)

Millions of homeowners who were in foreclosure in 2009 or 2010 could miss a chance to have their cases reviewed for errors—and possible compensation—if they don’t act by Monday.

That’s the deadline for eligible homeowners to request a free review required by a settlement last year between federal bank regulators and 14 mortgage servicers and their affiliates. The deadline has been extended three times due to poor response from homeowners.

More than 4 million notices were mailed a year ago informing homeowners of their right to a review, but only 356,000 had asked for one by Dec. 13, according to the Office of the Comptroller of the Currency.

Compensation could range from hundreds of dollars to more than \$100,000, the OCC has said. It is overseeing the settlement with the Federal Reserve.

Requests must be submitted at independentforeclosurereview.com or be postmarked no later than Monday, the OCC says. Answers to questions can be found on the website or by calling 888-952-9105.

“The (response) numbers are not terribly impressive,” says Bruce Mirken of the Greenlining Institute, a consumer advocacy group.

Greenlining, like other consumer groups, says borrowers may still not be aware of the review opportunity.

Notification materials—including the 4 million letters—may have been ignored because they were written in legal jargon, were hard to read and looked too much like those used in foreclosure scams, says James Can, a senior policy fellow with the Opportunity Agenda, a non-partisan think tank. A Government Accountability Office report in June echoed those concerns.

The settlement followed a federal probe in which regulators found significant weaknesses in foreclosure processes, including improper foreclosure document preparation.

To meet regulators’ deadlines, the GAO noted that servicers had just 60 days to develop outreach materials. That didn’t leave time to test them with focus groups, one servicer representative told the GAO.

About 95% of the letters were successfully delivered, the OCC has said.

The reviews are intended to address a wide range of foreclosure errors, including excessive fees, wrongly denied loan modifications, misapplied payments or wrongful foreclosures. Borrower restitution will vary by case and financial harm, the OCC says. It’s provided no cost estimate to servicers. No one has yet received restitution, OCC spokesman William Grassano says.

The requested reviews are in addition to 159,000 reviews being done, as part of the same settlement, by consultants hired by the servicers, Grassano says.

The Monday deadline should be lifted and review requests should be allowed as needed, the community groups say, especially since more recent outreach efforts have been more consumer friendly.

The reviews are separate from a \$25 billion settlement, reached between five servicers and, state and federal officials, that’s also meant to address past foreclosure abuses.

IN TRIBUTE TO PUSHMATAHA COUNTY HISTORICAL SOCIETY

HON. ELTON GALLEGLY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, December 31, 2012

Mr. GALLEGLY. Mr. Speaker, I rise in tribute to the Pushmataha County Historical Society in Antlers, Oklahoma, and in particular Myrtle Edmond and Madge Jentry.

As historical societies go, the Pushmataha County Historical Society is relatively new, having been founded in 1984. But the Society’s staff and volunteers know their town, its history, its people, and their place firmly rooted in the heart of America.

My family hails from the Antlers, Oklahoma, area. When I was a young boy, I would travel by train, arriving and departing from the Frisco Depot, which now houses the Pushmataha County Historical Society. Myrtle Edmond and Madge Jentry were at the Society headquarters when my wife, Janice, and I stopped by on a recent trip and asked a few questions about my ancestors. Myrtle and Madge responded by enthusiastically researching everything they could find on the Gallegly and Williams family branches. Myrtle even wrote down, by hand, all their research in great detail and gave it to me.

In addition, Myrtle had previously served on the society’s cemetery identification project and helped identify and inventory almost 12,000 burials and grave sites at approximately 119 locations. With that information, she was able to locate the gravesites of my grandparents and many other relatives.

The wealth of information Myrtle and Madge were able to provide on my family is even more impressive when one considers that the county courthouse burned during the Great Depression. Society volunteers have painstakingly rebuilt ancestral records from U.S. Census, newspapers, and other items in the historical record.

Mr. Speaker, Antlers, Oklahoma, is America. It has seen its share of hardship yet continues to bounce back. One of the most devastating tornadoes in the history of the state struck Antlers on April 12, 1945. Out of a population of 3,000, 55 were killed, including my uncle, Dennis Dixon Gallegly. One third of the city was demolished. The city has suffered devastating fires. Floods have washed away homes, but they can’t wash away Antlers, or the spirit of its people.

Mr. Speaker, the pride Myrtle Edmond and Madge Jentry have in their community and in America was evidenced in their enthusiastic research of my family’s roots. I know my colleagues join Janice and me in thanking them and all the Pushmataha County Historical Society volunteers for preserving and celebrating their part of our nation’s history through dedication, passion, and professionalism. They are preserving the heart of America.

THE PARK SCHOOL CENTENNIAL

HON. KATHLEEN C. HOCHUL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, December 31, 2012

Ms. HOCHUL. Mr. Speaker, it is my honor to congratulate The Park School of Buffalo on