

washingtonpost.com

How a Lobbyist Stacked the Deck

Abramoff Used DeLay Aide, Attacks On Allies to Defeat Anti-Gambling Bill

By Susan Schmidt and James V. Grimaldi
Washington Post Staff Writers
Sunday, October 16, 2005; A01

Lobbyist Jack Abramoff and his team were beginning to panic.

An anti-gambling bill had cleared the Senate and appeared on its way to passage by an overwhelming margin in the House of Representatives. If that happened, Abramoff's client, a company that wanted to sell state lottery tickets online, would be out of business.

But on July 17, 2000, the Internet Gambling Prohibition Act went down to defeat, to the astonishment of supporters who included many anti-gambling groups and Christian conservatives.

A senior aide to then-Majority Whip Tom DeLay (R-Tex.) helped scuttle the bill in the House. The aide, Tony C. Rudy, 39, e-mailed Abramoff internal congressional communications and advice, according to documents and the lobbyist's former associates.

Rudy received favors from Abramoff. He went on two luxury trips with the lobbyist that summer, including one partly paid for by Abramoff's client, eLottery Inc. Abramoff also arranged for eLottery to pay \$25,000 to a Jewish foundation that hired Rudy's wife as a consultant, according to documents and interviews. Months later, Rudy himself was hired as a lobbyist by Abramoff.

The vote that day in July was just one part of an extraordinary yearlong effort by Abramoff on behalf of eLottery, a small gambling services company based in Connecticut. Details of that campaign, reconstructed from dozens of interviews as well as from e-mails and financial records obtained by The Washington Post, provide the most complete account yet of how one of Washington's most powerful lobbyists leveraged his client's money to influence Congress.

The work Abramoff did for eLottery is one focus of a wide-ranging federal corruption investigation into his dealings with members of Congress and government agencies. Abramoff is under indictment in another case in connection with an allegedly fraudulent Florida business deal.

Abramoff had deep roots in the conservative movement and rose to prominence by helping Republicans tap traditionally Democratic K Street lobbyists for campaign dollars. But in the eLottery fight, he employed a win-at-any-cost strategy that went so far as to launch direct-mail attacks on vulnerable House conservatives.

Abramoff quietly arranged for eLottery to pay conservative, anti-gambling activists to help in the firm's \$2 million pro-gambling campaign, including Ralph Reed, former head of the Christian Coalition, and the Rev. Louis P. Sheldon of the Traditional Values Coalition. Both kept in close contact with Abramoff about the arrangement, e-mails show. Abramoff also turned to prominent anti-tax conservative Grover Norquist, arranging to route some of eLottery's money for Reed through Norquist's group, Americans for Tax Reform.

At one point, eLottery's backers even circulated a forged letter of support from Florida Gov. Jeb Bush (R).

Rudy declined to comment for this report. A spokesman for Reed -- now a candidate for lieutenant governor of Georgia -- said that he and his associates are unaware that any money they received came from gambling activities. Sheldon said that he could not remember receiving eLottery money and that he was unaware that Abramoff was involved in the campaign to defeat the bill. Norquist's group would say only that it had opposed the gambling ban on libertarian grounds.

Abramoff's lawyer declined requests for a comment.

DeLay, an outspoken opponent of gambling, was an instrument, witting or unwitting, in eLottery's campaign, documents and interviews show. Along with Rudy, he was a guest on a golfing trip to Scotland. As majority whip, he cast a rare vote against his party on the Internet gambling bill and for the rest of the year helped keep the measure off the floor. He told leadership colleagues that another vote could cost Republican seats in the hard-fought 2000 elections.

A statement from DeLay's lawyer said his votes "are based on sound public policy and principle."

The Scotland trip is one aspect of the gambling matter being investigated by the corruption task force. The trip took place more than five years ago, which ordinarily would be beyond the five-year statute of limitations on certain possible corruption charges. But legal sources say prosecutors have obtained a waiver of the time limit because of the need to gather information abroad.

Desperate Company

Like many Internet companies emerging from the overheated 1990s, eLottery's money was drying up in the spring of 2000.

The company was founded in 1993 on the gamble that even a small fraction of the market for helping states and others put lotteries online could be worth a billion dollars a year. But the company faced many obstacles.

In 1998, the Justice Department had used existing gambling laws to force eLottery to shut down its first online lottery venture, with an Idaho Indian tribe. ELottery had not earned a dime since.

The Senate had passed the Internet Gambling Prohibition Act in late 1999, aiming to make it easier for authorities to stop online gambling sites. With a companion bill by Rep. Robert W. Goodlatte (R-Va.) advancing in the House in the spring of 2000, eLottery was desperate to ramp up its Washington lobbying. It had to sell off assets to stay afloat and raise cash.

In May, eLottery hired Abramoff's firm, Preston Gates & Ellis LLP, for \$100,000 a month, according to lobbying reports. In the following months, Abramoff directed the company to pay hundreds of thousands of dollars to various organizations, faxes, e-mails and court records show. The groups included Norquist's Americans for Tax Reform; Sheldon's Traditional Values Coalition; companies affiliated with Reed; and a Seattle Orthodox Jewish foundation, Toward Tradition.

Robert Daum, a former eLottery official, said he could not recall the names of the groups that received the payments but noted that all the money spent by the company at Abramoff's direction was for the purpose of defeating the Internet bill.

"We were willing to pursue all legitimate means to ensure that outcome, as people do all the time in Washington," Daum said. "Nothing more, nothing less."

Arrayed against eLottery were many leading groups on the religious right who were pushing to ban Internet gambling, including the Moral Majority and the Christian Coalition. James Dobson, influential leader of Focus on the Family, praised the bill in an opinion piece for the New York Times.

Still, according to his strategy e-mails, Abramoff thought he could turn conservatives in the House against the bill. He seized on some compromise language in the bill making exceptions for jai alai and horse racing.

Abramoff's plan: argue that the legislation and its exemptions would actually expand legalized gambling.

Check in the Mail

To reach the House conservatives, Abramoff turned to Sheldon, leader of the Orange County, Calif. - based Traditional Values Coalition, a politically potent group that publicly opposed gambling and said it represented 43,000 churches. Abramoff had teamed up with Sheldon before on issues affecting his clients. Because of their previous success, Abramoff called Sheldon "Lucky Louie," former associates said.

Checks and e-mails obtained by The Post show that Abramoff recruited Reed to join Sheldon in the effort to pressure members of Congress. Reed had left the Christian Coalition in 1997 and started a political consulting firm in Georgia.

Abramoff asked eLottery to write a check in June 2000 to Sheldon's Traditional Values Coalition (TVC). He also routed eLottery money to a Reed company, using two intermediaries, which had the effect of obscuring the source.

The eLottery money went first to Norquist's foundation, Americans for Tax Reform (ATR), and then through a second group in Virginia Beach called the Faith and Family Alliance, before it reached Reed's company, Century Strategies. Norquist's group retained a share of the money as it passed through.

"I have 3 checks from elot: (1) 2 checks for \$80K payable to ATR and (2) 1 check to TVC for \$25K," Abramoff's assistant Susan Ralston e-mailed him on June 22, 2000. "Let me know exactly what to do next. Send to Grover? Send to Rev. Lou?"

Minutes later Abramoff responded, saying that the check for Sheldon's group should be sent directly to Sheldon, but that the checks for Norquist required special instructions: "Call Grover, tell him I am in Michigan and that I have two checks for him totaling 160 and need a check back for Faith and Family for \$150K."

According to the e-mails, Reed provided the name and address where Norquist was supposed to send the money: to Robin Vanderwall at a location in Virginia Beach.

Vanderwall was director of the Faith and Family Alliance, a political advocacy group that was founded by two of Reed's colleagues and then turned over to Vanderwall, Vanderwall said and records show.

Vanderwall, a former Regent University Law School student and Republican operative, was later convicted of soliciting sex with minors via the Internet and is serving a seven-year term in Virginia state prison.

In a telephone interview, Vanderwall said that in July 2000 he was called by Reed's firm, Century Strategies, alerting him that he would be receiving a package. When it came, it contained a check payable to Vanderwall's group for \$150,000 from Americans for Tax Reform, signed by Norquist. Vanderwall said he followed the instructions from Reed's firm -- depositing the money and then writing a check to Reed's firm for an identical amount.

"I was operating as a shell," Vanderwall said, adding that he was never told how the money was spent. He said: "I regret having had anything to do with it."

Abramoff had previously paid Reed's consulting firms to whip up Christian opposition to Indian casinos and a proposed Alabama state lottery that would compete with the gambling business of Abramoff's tribal clients, sometimes using Norquist's foundation as a pass-through, a Senate investigation has found.

A spokeswoman for Reed said Century Strategies had no business relationship with eLottery. She said Reed did anti-gambling work for Abramoff but was assured by Abramoff's firm "that our activities would not be funded by revenues derived from gambling activities."

Norquist declined to be interviewed. His spokesman did not answer questions about the movement of funds.

Another check issued in 2000 by eLottery at Abramoff's direction wound up helping to fund the Scotland golfing trip attended by Rudy and DeLay. On May 25, 2000, as the trip got underway, the company sent \$25,000 to the National Center for Public Policy Research, where Abramoff was a board member at the time. Along with money from another Abramoff client, that payment covered most of the Scotland travel costs, according to records and interviews.

DeLay has said that he thought the National Center sponsored and paid for the trip.

A few weeks after the golfing trip, Abramoff took Rudy to the U.S. Open in Pebble Beach, Calif. They traveled aboard a corporate jet belonging to SunCruz Casinos, a Florida cruise line Abramoff was negotiating to buy, according to a participant who spoke on the condition of anonymity because of the ongoing investigation. Rudy did not report this trip in his House travel records.

Abramoff listed Rudy as a financial reference that summer in the SunCruz purchase. That transaction ultimately led to the indictment two months ago of Abramoff and a business partner on charges that they had forged a \$23 million wire transfer.

Working the Bill

In early June 2000, DeLay had not yet taken a position on the Internet gambling ban. But his aide, Rudy, was already providing advice to Abramoff about how to kill it.

Five days after Rudy and DeLay got back from the Scotland trip, Rudy sent an emergency message to Abramoff from a wireless device.

"911 gaming," Rudy typed on June 8.

He followed up with a suggestion that Abramoff's team get a conservative House caucus to seek a meeting with the chamber's top leaders, Speaker J. Dennis Hastert (R-Ill.) and Majority Leader Richard K. Armey (R-Tex.) -- a key supporter of the bill. Abramoff forwarded the idea to his team members. "Message from

Tony Rudy. Don't share it please. However we should take his advice."

Sheldon was also hard at work, holding news conferences and buttonholing House conservatives to argue against the bill. On July 10, he called Abramoff's group saying he had run into resistance from the staff of an influential member who still favored the bill.

"Lou just called," team member Shawn Vasell told colleagues in an e-mail. "We need to get together and draft a response for Lou." Kevin Ring, Vasell's associate, responded: "This is a disaster."

Abramoff weighed in minutes later, saying he would get Reed to ramp up efforts. "I just chatted with Ralph. We are going to have to go on the air nationally on radio. We must get the conservatives back on this or we are doomed," he told the team.

Abramoff got another strategy e-mail the next morning from Rudy. Rudy was on DeLay's staff but wrote "we" as though he belonged to Abramoff's team. "I think we should get weyrich to get like 10 groups to sign a letter to denny and army on gaming bill," Rudy wrote, referring to Free Congress Foundation Chairman Paul M. Weyrich and the House leaders.

Sheldon got a private meeting with DeLay on July 13. "I told him I strongly opposed the bill," Sheldon told Congressional Quarterly at the time.

A former DeLay staff member who spoke on the condition of anonymity said, "Lou was a credible face" because Sheldon's religious credentials carried some weight with conservative voters.

DeLay then told House Republican leaders that he was prepared to go against the anti-gambling bill.

The Bush Forgery

Still, the Abramoff team was worried about the vote. So the eLottery forces pressed the argument that the Internet bill was an unfair infringement of the right of individual states to sell lottery tickets online. Amid the frenzied lobbying, a potentially influential letter making that case began circulating on Capitol Hill. It was purportedly signed by Jeb Bush.

"While I am no fan of gambling, I see this bill as a violation of states' rights and I am looking to prevent this encroachment," the letter said.

A surprised Hill staffer called the Florida governor's office, and the letter was exposed as a forgery.

Months later, a little-noted investigation by Florida authorities resulted in a confession from a Tampa man hired by a division of Shandwick Worldwide, a public affairs company. Shandwick was working on the eLottery account with Abramoff's team. The Florida man, Matthew Blair, told authorities in a plea bargain agreement that he was hired to get letters opposing the bill from the governor and others. He said he created the forged letter on his own after he was unable to obtain one from Bush's office.

Brian Berger, then a Shandwick official, said his firm had been hired to produce the letters by Abramoff associate Michael Scanlon, a former DeLay press aide. Berger said in a recent interview that although he and Scanlon knew Blair, they did not sanction the forgery. "Essentially, we had a bad operative," Berger said.

But the letter still had an impact. It fed the confusion about the bill in the days before the floor vote. Goodlatte, the sponsor, had more than enough votes for his carefully crafted compromise. Yet he became worried that amendments might be introduced during the debate that could kill the bill.

One way to avoid a floor fight is to place a bill on the suspension calendar, which is supposed to be for non-controversial legislation; it suspends the usual rules, banning amendments and limiting debate. But doing so would require a two-thirds majority for passage.

Goodlatte agreed to the suspension calendar approach because he thought he could get the two-thirds. "We were told [by House leaders] to bring it up on the suspension calendar so you won't have to deal with all these amendments," said a member of Goodlatte's staff who spoke on the condition of anonymity.

That opening was exploited by the Abramoff team with Rudy's help -- fewer votes would be needed to stop the bill.

On July 17, the House debated for about 40 minutes. Rumors continued to fly about the Bush letter. Some members remained confused about the bill's contents. About 30 did not vote. "There was a lot of misinformation," said a congressional staff member who worked on the bill.

Still, Goodlatte had reason to be optimistic because nine out of 10 bills on the suspension calendar pass.

But Abramoff's efforts had eroded just enough votes. The roll call -- 245 in favor, 159 against -- left Goodlatte 25 members short. The bill failed.

'All Systems Go'

The eLottery team was euphoric. Abramoff lobbyist Patrick Pizzella, who was in the Capitol to watch the vote, wrote in an e-mail to colleagues the next day that he saw Sheldon celebrating the victory, too. "There was lucky Louie out front hi-fiving with some lobbyists," said Pizzella, who the following year was named an assistant secretary of labor. Others partied across from the Capitol at the restaurant Tortilla Coast.

Supporters of the Internet gambling ban, though, were outraged. They vowed to resurrect it, perhaps as part of an appropriations bill.

The Christian Coalition issued an "action alert." Dobson took to the airwaves, saying, "I'm just sick about what the Republican leadership is doing with regard to gambling." He urged listeners to contact DeLay and other House leaders to revive the measure.

Abramoff's team realized there was no way to win enough support for a simple majority because they were down more than two dozen votes. Instead, they had to persuade the leadership to keep the bill off the House floor, despite intense pressure from Goodlatte and another backer, Rep. W.J. "Billy" Tauzin (R-La.) .

On July 21, DeLay's legislative director, Kathryn Lehman, e-mailed Rudy: "Goodlatte and Tauzin asked Tom [DeLay] what they needed to do to get his vote, and Tom said to talk to you!"

Rudy immediately forwarded the e-mail to Abramoff asking for help.

Documents show that Abramoff's strategy was to dispatch Sheldon to pressure about 10 social conservatives in their home districts, accusing them of being soft on gambling for supporting Goodlatte's bill. Abramoff's

group hoped those members would stir fears among House leaders that another vote on the gambling bill could threaten those members and thus the GOP's thin 13-seat majority.

On Aug. 18, Abramoff faxed a message to eLottery's Daum ordering more money for Reed's activities. "I have chatted with Ralph and we need to get the funding moving on the effort in the 10 congressional districts," Abramoff wrote. "Please get me a check as soon as possible for \$150,000 made payable to American Marketing Inc. This is the company Ralph is using."

eLottery issued the requested check to American Marketing on Aug. 24 and delivered it to Abramoff at Preston Gates. Five days later, Abramoff e-mailed Reed. The subject, "Internet Gambling: And so it continues." The message asked, "Where are we? You got the check, no? Are things moving?"

Reed answered the next day: "1. Yes, they got it. 2. Yes, all systems go."

Targeting 'Our Guys'

Weeks later, a political mailer from Sheldon's group landed like a small bomb in the North Alabama district of Rep. Robert Aderholt.

The Republican was a member of the religious right's Values Action Team in Congress, a champion of public displays of the Ten Commandments and a vigorous gambling opponent. But now, in the midst of a tough reelection race, Aderholt was accused of being soft on gambling.

"Congressman Robert Aderholt voted with them in support of HR #3125 with the law the gamblers want on horse and dog racing," said Sheldon's mailer. Sheldon urged voters to call Aderholt's Washington office "and ask him to vote NO this time." Aderholt's opponent quickly incorporated Sheldon's attack in an ad of his own.

The bulk rate stamp on the mailing said it was paid for by American Marketing. Records show that the company is run by Robert Randolph, the president of Reed's direct-marketing subsidiary. A spokeswoman for Reed said that American Marketing is "a different company" and that she could not respond to questions about it.

Sheldon's fliers also targeted Rep. J.C. Watts of Oklahoma, then the House GOP deputy whip, and vulnerable incumbents, including Rep. James E. Rogan of California, one of the managers of the impeachment of President Bill Clinton, and Rep. Robin Hayes of North Carolina.

Angry House members targeted by Sheldon complained to the leadership. "Certainly our displeasure was relayed on up the chain, so to speak," said Andrew Duke, the chief of staff for Hayes.

Abramoff's willingness to jeopardize Republican House seats startled his lobbying team, some of whom had come from DeLay's office. "Once we started talking about taking out our guys, I got worried," said a former associate of Abramoff's who spoke on the condition of anonymity.

The same former Preston Gates lobbyist said Rudy played a key role in getting House leaders to pay attention to the plight of members under attack.

"Tony would say to members, 'Oh, you're getting phone calls on this? I better go tell the whip.' Lou Sheldon sending a letter is not going to do anything unless you have somebody on the inside. Tony exaggerated to

leadership how backing the bill could hurt those members," the former Abramoff associate said.

The outrage prompted Sheldon to back off in some of the races. In Aderholt's district, he issued a letter praising the congressman and claiming that his previous mailer had been mistakenly distributed. In Rogan's district, he stopped pressuring the incumbent and, instead, attacked his challenger as "a champion of the homosexual agenda."

Sheldon said in an interview this week that he recalled little about his efforts against the bill in 2000. He said he did not remember receiving a \$25,000 check from eLottery, but added that it is possible that his organization did receive it. He said he remembered some money coming in to pay for fliers he had printed and mailed to congressional districts to persuade members to oppose the bill.

"I wasn't aware the money was coming from them [eLottery]," Sheldon said. "I don't think I ever saw the check. It came in, and we paid the bill for some of the printing."

Sheldon also said he had no idea that Abramoff was lobbying against the bill or that he was working for eLottery.

"This is all tied to Jack?" Sheldon said. "I'm shocked out of my socks."

Chilling Effect

Rudy, who had known Abramoff for years, went to work for Abramoff when the lobbyist switched law firms, to Greenberg Traurig LLP, in January 2001.

Rudy's wife, Lisa, was also drawn into Abramoff's orbit. She was paid fees by Toward Tradition, the Seattle-based Orthodox Jewish foundation that often allies with the Christian right on social issues. The foundation is headed by longtime Abramoff friend Rabbi Daniel Lapin and the lobbyist served as chairman of the board.

Toward Tradition was issued a \$25,000 check dated Aug. 24, 2000, by eLottery. A copy of the check was obtained by The Post. Daum, the former eLottery official, said he could not remember the check but said all funds Abramoff directed him to spend were intended to defeat the Internet gambling bill.

Lapin said in an interview that he could not remember a check from eLottery but that the company could have made donations to his foundation. He said that any such donation would have been separate from his foundation's hiring of Liberty Consulting, a political firm founded and operated by Lisa Rudy.

"Lisa Rudy worked for us for six months -- six to nine months -- to organize groundwork for a conference," Lapin said. He said she was paid more than \$25,000 but was unsure exactly how and when Lisa Rudy was hired. Lapin said her work could have been for an interfaith conference held in Washington in mid-September 2000. That conference, which opened a few weeks after the eLottery check was sent to Toward Tradition, featured such speakers as DeLay, Sheldon and Norquist.

Rudy declined to comment on the Toward Tradition contract and said that his wife was not available for a comment.

A month after the interfaith conference, the gambling bill's sponsors agitated to get House leaders to let them attach the measure to an end-of-the-year spending bill.

But Sheldon's campaign in conservative districts had the desired chilling effect on GOP leaders. That became clear on Oct. 24, when House Republicans met to discuss their year-end strategy.

What happened at the meeting was relayed to Abramoff by a former associate, David H. Safavian, who was then a lobbyist for a coalition of online gambling companies and who this month was indicted for allegedly lying to federal investigators in the Abramoff probe.

DeLay, Safavian wrote in an e-mail, "spoke up and noted that the bill could cost as many as four House seats. At that point, there was silence. Not even Rep. Dick Armey (R-Texas) -- our previous opponent -- said a word."

When Congress prepared to adjourn in 2000 without revisiting the gambling bill, Safavian was ecstatic. He sent his clients an e-mail, which was posted on the Web site of the Fantasy Sports Trade Association.

"Relax a bit," Safavian wrote. "Policy beat politics once again. (Maybe the American system isn't really that bad.) The good guys won."

Researchers Alice Crites and Julie Tate contributed to this report.

© 2005 The Washington Post Company