

Democracy North Carolina

105 W. Main Street, Carrboro, NC 27510 919-967-9942

ROLE OF NORMAN CHAMBLISS AND AMUSEMENTS OF AMERICA IN MEG SCOTT PHIPPS CAMPAIGN-FINANCE SCANDAL

The following summary is based on (a) the indictment of Linda J. Saunders and Bobby C. McLamb, filed on March 10, 2003, in U.S. District Court for the Eastern District of North Carolina and (b) transcripts of the State Board of Election's hearing on June 5, 6 and 7, 2003, held to investigate possible illegal practices of the campaign committees of Meg Scott Phipps and Bobby McLamb.

This summary focuses on the role of **Norman Y. Chambliss III and Amusements of America**, a New Jersey-based carnival company founded by the five Vivona brothers and now run by the brothers and their families. Norman Chambliss owns Rocky Mount Fair Inc., a family business run by his father and grandfather before him, which holds a ten-day outdoor carnival event each year. Chambliss told the State Board of Elections at its hearing (SBOE p. 405), "I am actually a general contractor and a real estate developer in Rocky Mount. The fair is just – is a hobby I do once a year." He also said, "I've been active in the fair business all my life . . . I served on the board of directors of the Fair Association." He routinely attends trade shows for carnival operators and vendors.

• **PRE-PRIMARY, 2000.** In the spring of 2000, Norman Chambliss agreed to help Bobby McLamb secure funds for McLamb's campaign to succeed retiring Jim Graham as Commissioner of Agriculture. Chambliss had known McLamb for many years and told the SBOE, "I had an interest in someone who had my level of interest in the fair business being elected. I felt like Mr. McLamb of all the candidates that I knew had filed was the ideal person" (p. 406). As the May primary approached, McLamb urgently needed money to pay for broad-casting a package of advertisements produced by a consultant. An effort by Chambliss and McLamb to get numerous endorsers on a \$75,000 loan was moving too slowly, so Chambliss contacted his friends at Amusements of America, which had operated Chambliss' Rocky Mount Fair for decades (pp. 406-410). According to the federal indictment (page 5), "McLAMB obtained a short term loan of \$75,000 from a New Jersey carnival business named Amusements of America." The indictment says that the

money was "first wire transferred to the account of the Rocky Mount Fair, Inc." and then Chambliss issued a business check to McLamb, marked "personal loan." McLamb told the SBOE (pp. 208-211, 293) he deposited the check in his personal account and then loaned his campaign \$75,000. It is illegal in North Carolina for campaigns to receive funds from corporations or businesses, directly or via an intermediary.

• **PAYING THE LOAN.** Finding the money to repay that illegal \$75,000 campaign loan led to a series of new illegal activities. On May 2, 2000, McLamb lost the primary. According to the indictment (p. 6), "During the election night party at the North Raleigh Hilton, McLAMB offered his support to Meg Scott Phipps and received an offer from the Phipps campaign to assist in the payment of his campaign loans." Chambliss told the SBOE that when he heard about this offer from McLamb, he said, "Bobby, that's excellent news. Go to work for them" (SBOE p. 414).

In late May, Chambliss and two other guarantors finally helped McLamb obtain a \$75,000 loan from Centura Bank, and those funds were used to pay off the short-term loan from Amusements of America. In the months that followed, the Phipps family helped extend the deadline on this Centura loan, and the Phipps campaign made several loan payments in violation of North Carolina law and without proper disclosure on the campaign reports. A candidate may not contribute or loan another candidate over \$4,000 per election. The Phipps campaign paid at least \$64,184 on McLamb's loan, according to the SBOE's Order of June 24, 2002. McLamb was ordered to forfeit that amount to the State. The Order also said, "The Meg Scott Phipps campaign was grossly negligent in its conduct of its fund raising and campaign reporting activities."

Before the SBOE hearing, Phipps told a reporter in April 2002 that she and her husband helped pay McLamb's debt, but a few days later she said she was mistaken. (*News & Observer*, March 12, 2003). During the SBOE hearing, Phipps consistently denied knowing that her campaign was using its funds to pay McLamb's debt (SBOE pp. 43, 47). But she didn't deny knowing an

effort was being made to “help Bobby with the debt” (SBOE pp. 44, 51). According to the indictment (p. 8), “On or about September 25, 2000, Meg Scott Phipps spoke with the loan officer and requested an extension of the payment date for McLAMB’s \$75,000 Centura Loan.” She then wrote the officer, saying, “I am holding a series of fundraisers now and after the election in November to assist Bobby in retiring this debt and feel that we should have no trouble raising the money to satisfy his debt to Centura Bank.” The loan maturity date was extended to Jan. 10, 2001 (p. 9).

- **GETTING CLOSE TO PHIPPS.** According to the indictment (p. 7), “In July 2000, Chambliss, on behalf of Amusements of America, met with Meg Scott Phipps regarding potential involvement as an advisor in her campaign regarding issues surrounding the operation of the North Carolina State Fair. During this meeting, Chambliss invited Meg Scott Phipps to visit the Ohio State Fair, which was operated by Amusements of America.” Chambliss told the SBOE (p. 415) why he met with Phipps: “It was important to me that I get to know . . . the probable winner of the election, so that I could if possible give that person an opportunity to get to know my friends, the Vivona family [owners of Amusements of America]. . . . And I wanted to do whatever I could do as a friend of that company’s to give [Phipps] an opportunity to get to know them.”

Chambliss further testified (SBOE pp. 417-422) that he arranged and paid for Phipps, McLamb, himself, and campaign treasurer Linda Saunders to visit the Ohio State Fair in August 2000. After touring the fair, they met with the Vivona family. At that meeting, Dominic Vivona handed Phipps three checks totaling \$10,500 – plus “a business envelope containing \$6,000 in cash contributions, mostly in denominations of \$100” (Indictment p. 7). Chambliss told the SBOE that he knew cash contributions over \$100 were illegal, but said he didn’t mention that fact to Phipps or Saunders (SBOE pp. 499-500), who both testified that they didn’t know large cash donations were illegal so long as they were disclosed on the campaign reports.

Although he is a registered Republican, Chambliss continued to help the Phipps campaign after the Ohio trip. For example, he co-chaired a fundraising event in Raleigh. He helped write a letter (using his wife’s name) sent to GOP women across the state, under the phony letterhead of “Republican Women for Meg,” a name he and Saunders invented (SBOE pp. 457-461).

- **INSIDER GIVING.** Chambliss met with Phipps in December 2000, soon after her election, and

discussed his interest in being “a part of her administration” (SBOE p. 435). When Phipps formed the N.C. State Fair Advisory Committee, Chambliss wrote Saunders to say he wanted to “serve on the Carnival selection and contracts committee” (Indictment p. 13). He was added to the committee and to the subcommittee establishing criteria for evaluating competing proposals from carnival operators.

In August, 2001, while serving on the committee, Chambliss gave Saunders a check for \$6,500 – with the notation “Phipps Loan for AofA” – in response to Saunders’ request to help with a payment due on Phipps’ campaign loan (Indictment p. 14). Chambliss told the SBOE (p. 440), “I thought it was inappropriate for a person who had a position in her administration to be loaning her campaign money, but I did it.” Rather than make the check payable to the Phipps campaign, where it might attract notice on a campaign report, Chambliss wrote the check to Saunders, who cashed it and used a portion for a Phipps loan payment.

According to the indictment, Amusements of America reimbursed Chambliss for the loan: “Amusements of America paid Rocky Mount Fair, Inc., a \$6,500 bonus which was intended as a reimbursement for the \$6,500 loan that had been made by Chambliss to the Phipps campaign” (pp. 14-15). However, Chambliss told the Board he got no money from Amusements of America, other than the normal percentage payment for it operating his Rocky Mount Fair. Asked specifically if he had been repaid for the loan, Chambliss replied, “I have not” (SBOE pp. 440, 455). He further testified he gave Saunders an additional \$8,000 “loan” after she made another urgent request for help (SBOE p. 444).

- **A FAIR CHOICE?** On November 26, 2001, Phipps announced the midway contract for the 2002 N.C. State Fair would go to Amusements of America and two North Carolina firms, Smokey Mountain Amusements and Powers Great America Midways. She also said Fair Management would serve as a consultant for overall fair operations. The indictment indicates (p. 15) that in August 2001, Fair Management gave the Phipps campaign \$8,000 in cash, and the owners of Smokey Mountain Amusements gave \$10,000 to \$11,000 in cash. Phipps campaign reports show that donors tied to Powers Great American Midway donated at least \$16,000. Strates Shows, which had operated the State Fair for 54 years, was left out, even though the indictment says (p. 12), “Strates’ owners and concessionaires” contributed at least \$82,400 to the Phipps campaign between Nov. 1, 2000 and Feb. 7, 2001. Strates’ owners promptly protested the fairness of

Phipps' decision, and the N.C. Board of Agriculture voted to review the proposals itself rather than adopt Phipps' choice. Legislators and the Attorney General were pulled into the ensuing controversy, which resulted in an AG decision that Phipps did have the authority to award the contract. Strates Shows filed a formal complaint with the Office of Administrative Hearings, but withdrew it in exchange for a \$50,000 settlement – just two days before Phipps and others were scheduled to give depositions (see *News & Observer*, 11/28/01, 1/30/02 and 4/23/02.)

- **WHO'S IN CHARGE?** Meanwhile, the companies that Phipps did choose couldn't agree on who had charge of what. The indictment says (p. 18), "A dispute quickly arose between the three midway companies and Fair Management regarding the manner in which the midway would be operated. Amusements of America informed Commissioner Phipps that it should be the sole party to the midway contract with the State and that a general contractor such as Fair Management would not be needed."

The indictment spells out how Chambliss used his relationship with Phipps to settle the dispute in Amusement of America's favor (pp. 18-19): "Chambliss provided Commissioner Phipps with advice regarding how to resolve the dispute. Specifically, Chambliss e-mailed a proposed four paragraph memorandum to be sent to the three midway companies stating that 'Amusements of America will hold the only midway contract for the 2002 State Fair.' The suggested language was used verbatim in a memorandum that was issued under the official letterhead of the Commissioner of Agriculture." The memo further said Amusements of America would "make all final decisions relating to carnival rides and concessions operations." Chambliss told the SBOE he "advised Meg Phipps [on] my recommendation as to how to solve the impasse." She then prepared a memo "reflective of what I advised her," and he delivered it to Amusements of America and others, who were meeting at a trade show in Las Vegas (SBOE, pp. 447-451, 498).

- **PAYMENT FOR ASSISTANCE.** Amusements of America received the formal award for the State Fair on Jan. 29, 2002. According to the indictment (p. 20), "Following the formal award of the midway contract, a representative of Amusements of America informed Chambliss that he would receive a \$50,000 payment as consideration for his assistance in helping Amusements of America obtain the midway contract. Chambliss never received this payment." Chambliss did not admit any promise of payment during his

testimony before the SBOE. He did not disclose it when asked if had "a motive" for raising and giving funds to the Phipps campaign, although he did answer that he knew if Phipps was elected the "State Fair carnival contract was going to be opened up And I wanted to do whatever I could do as a friend of that company's to give her an opportunity to get to know them and see the quality of their operation" (SBOE p. 415).

The link between the lucrative contract for the State Fair and campaign finances is at the heart of Phipps' problems. The problems go back to Bobby McLamb's desperate need for funds to broadcast ads on the eve of the primary – and the ready supply of money from people interested in who got the State Fair contract. After the primary, the carnival industry gravitated to Phipps and, in a low-profile contest such as the race for Commissioner of Agriculture, their help was eagerly welcomed. Phipps told the SBOE (p. 12), "It was a down ballot campaign, and so we had to use the people that – who were interested in helping with this campaign and that's who we had. And with our limited resources that's what we did."

Phipps' campaign spent just over \$1 million to win the election but reported raising \$546,000 in donations by the end of 2000. Phipps borrowed \$518,000 to make up the difference. To repay loans, Phipps kept raising funds in 2001 and relied heavily on donors tied to the fair industry. They gave over \$290,000 (Democracy North Carolina research of campaign reports). SBOE ordered some large, illegal cash donations forfeited.

The problem of Council of State candidates raising substantial funds from the people with whom they do business is not unique to the office of Agriculture Commissioner. For example, successful candidates for Insurance Commissioner and state Treasurer typically raise a large part of their funds from the insurance and investment industries, respectively. In statewide races for N.C. Court of Appeals and Supreme Court, judicial candidates typically raise two-thirds of their funds from attorneys. There's an obvious conflict involved in judges raising money from attorneys who stand before them. Partly for that reason, North Carolina created a public-financing option for appellate-level judicial candidates, beginning with the 2004 elections. For similar reasons, Arizona and New Mexico have enacted public financing programs for their elected agency heads. North Carolina should begin taking steps now to expand its program for judges to the Council of State. Otherwise, we will see more scandals involving candidates raising large amounts of money from self-serving donors ready to corrupt the system. ■