

# LONE STAR PROJECT

*Fighting Back... with Facts*



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## **Unethical Actions and Childish Behavior Define Pete Sessions** ***Lone Star Project and press stories detail Sessions' career decline***

### **Who's the Lamest of Them All?**

#### **Pete Sessions**

Pete Sessions has served more than 12 years in Congress and sits on the powerful House Rules Committee. Even his seniority and a good committee assignment, however, can't compensate for general incompetence and overall "garter on the head" goofiness.

According to the nonpartisan organization Congress.Org, **Pete Sessions ranks 425th out of all 435 Members of Congress.** His ranking is lowest among all 32 Texas Members

of Congress, lower even than "going nowhere fast" one-term Republicans Ted Poe and Louie Gohmert. ([see rankings here](#))



As the Texas Observer investigative story below states, the Lone Star Project has detailed and documented many of Pete Sessions' foibles, scandals and screwball actions. ([Read the Reports HERE](#), and [HERE](#)) These reports make clear that Sessions' ineptness and "frat boy" demeanor should not overshadow the fact that he has engaged in serious unethical and possibly illegal activity. And, the Lone Star Project is not alone in its view. The highly respected nonpartisan ethics watchdog organization, **Citizens for Responsibility and Ethics in Washington (CREW)** lists Pete Sessions as **one of the 20 most corrupt Members of Congress.** ([Link HERE](#))

### **Incompetent AND Corrupt**

Some of Pete Sessions improper activities include:

- **Favors for California defense firm**

Sessions helped arrange a contract worth nearly \$800,000 for a California defense firm after the firm hired a former staffer and made over \$50,000 in campaign contributions. (Source: The Dallas Morning

News, April 20, 2006)

- **Lavish Abramoff arranged vacation**

Sessions took a trip to Kuala Lumpur, Malaysia, arranged by Jack Abramoff. After the 9 day trip, Sessions founded the Malaysian Caucus and hosted a reception for the Prime Minister of Malaysia. (Source: The National Journal, March 27, 2004)

- **Improperly intervening in a divorce settlement on behalf of a donor**

Most recently, Sessions signed a sworn affidavit to help a "major donor" in a divorce case. A local TV station reported sources calling the deal, "shady and unethical" and an effort to "hide assets." (Source: Hotline, March 11, 2005)

## **Sessions Rejected by Colleagues**

As a Member of Congress accrues seniority, it is crucial that they gain the respect of their colleagues. Clearly, Pete Sessions has been unable to garner the respect needed to gain significant influence. Sessions does not serve as a leader in the appointed Republican Whip organization and on at least two occasions he either lost a contested leadership election or abandoned the race before votes were counted.

- **Pulled bid for Republican Conference Vice Chair, 2002**

Sessions quit the race well before election day after failing to garner even the modest support needed to mount a credible campaign. (Source: Roll Call, July 15, 2002)

- **National Republican Campaign Committee (NRCC) Chair, 2006**

Sessions badly miscalculated his level of support in a run for NRCC chair. The eventual winner was Tom Cole (R-OK), a member with less seniority and from a much smaller delegation. (Source: Roll Call, November 20, 2006)

# **THE Texas Observer**

## **What, Me Worry?**

***For Teflon Pete, a Dallas divorce case is a political problem***

**by Allen Pusey**

On the first day of September last year, Congressman Pete Sessions was in a place no congressman would want to be: sitting in a conference room with a pack of divorce lawyers, describing how a longtime friend and campaign contributor shuffled assets while trying to avoid a \$1.4 million judgment in a stock fraud case.

The Dallas Republican's friend and donor—69-year-old Ahron Katz—had begun transferring assets to his wife Lucia shortly after the judgment. The transfers were done, Sessions knew, with the understanding that when the legal storm blew over, she would give them back. When the fraud case was settled 10 months later, Lucia Katz thanked

her husband for his generous gifts of real estate, cash, and securities, and decided it would be bad manners to return them.

When the marriage ended up in a Collin County divorce court, the congressman found himself in the odd position of providing testimony about his knowledge of the transferred assets. First, in a sworn affidavit, Sessions recounted a telephone conversation in which the Katzes described their scheme to him: “The intent expressed to me was that both understood that it was clearly never intended by Ahron to gift this property to Lucia and Lucia clearly understood this.”

Later, in the September deposition, Sessions reiterated that the whole arrangement had been a ploy to fend off the creditors: “I think they were trying to find a way to hide and move those assets,” the congressman said under oath.

The Katz divorce case is still not settled, and time will tell which Katz gets the money. There is no indication that the Katzes, or Sessions for that matter, face any sort of prosecution or investigation for what was basically a common, nickel-and-dime dodge in a civil lawsuit.

But the most enduring result of the case may dwell in the unflattering questions it raises about an incumbent congressman with a track record of ethical ambiguities that has managed to stay below the radar of North Texas voters.

“It wasn’t the kind of thing you’d expect a congressman to get involved with,” said one of Ahron Katz’s many lawyers. “It was a fraud within a fraud within a fraud.”

Sessions, through his staff, ignored repeated requests for clarification of his role in the case. Telephone calls to his press secretary and chief of staff went unreturned.

But in Dallas and Washington, where his judgment is questioned by members of his own party, the case may mean political problems for a congressman one senior colleague refers to as “that brat,” and others derisively describe as “Teflon Pete.”

For a conservative Republican, Sessions has never been an especially cautious guy. He is persistent, relentlessly ambitious, and, at times, a bit rash. He was buffoonish enough as a college student to get arrested for streaking; bold enough to bolt 14 years ago from a comfortable life as a glad-hander for Southwestern Bell to enter politics; and brash enough to haul a trailer of horse manure around North Dallas in his first effort to unseat congressional incumbent Democrat John Bryant.

The smelly stunt, designed to dramatize deficiencies in the Clinton health care proposal (“It Stinks!”), helped propel Sessions in a close but unsuccessful effort to join the wave of Republicans gaining seats in Congress in 1994. By the time he broke through on his third try in 1996, he carried an enduring image of idiosyncrasy and luck.

Sessions is 52, and after 11 years in Congress, his career arc should be ascending. He won his last election by 56 percent at a time when Republicans in Dallas were being overrun by an astonishing wave of Democrats. In 2004, after the bitter Republican redistricting engineered by former U.S. House Majority Leader Tom DeLay, Sessions all but vaulted over other potential candidates to take on—and defeat—the formidable, longtime incumbent Democrat Martin Frost.

But Sessions' fortunes have been stalled for some time. He is still the fourth-ranking member of the House Rules Committee, where he's been since beginning his career in Congress. He's developed a reputation for political mediocrity, questionable decision-making, and the occasional bonehead move. He failed in a bid to become chairman of the National Republican Congressional Committee. Lobbyists from both parties say he falls into what may be the most perplexing of political categories: irrelevant.

"The Rules Committee is for slackers," says a Washington-based Republican lobbyist who asked that his name not be used. "All it really means is that he's considered a good guy who can be trusted.

"He used to be a young man in a hurry. But young men in a hurry become middle-aged men in a hurry pretty quickly," he adds. "That seems to be what's happened to Pete Sessions."

To make matters worse, Sessions has in recent years flirted with scandal. At best, it was heavy flirtation.

In late 2001 and early 2002, he signed letters to Bush administration officials on behalf of tribal casino interests represented by convicted lobbyist Jack Abramoff. Sessions also traveled to Malaysia on a trip funded by a sham think tank created by Michael Scanlon, Abramoff's partner in crime.

As a member of the House Committee on Homeland Security, Sessions has been accused of promoting the interests of a California software firm that employed his former communications director. The company received at least one Navy Department contract for \$800,000, and its officers, in turn, contributed at least \$55,000 to Sessions' political action committee, known as PETE PAC.

These well-documented transactions prompted Citizens for Responsibility and Ethics in Washington, a progressive watchdog group, to file an ethics complaint a year ago with the Justice Department. The complaint seems to have gone nowhere within the politically tainted department, but questions about Sessions linger—if not about his honesty, then about his personal and political judgment.

"Mr. Sessions traded power for money," says Naomi Seligman Steiner of CREW. "To help one Indian tribe profit from its casinos, he suddenly decided he believed that gambling was evil, something he'd apparently never believed before. It leaves one to wonder if Mr. Sessions is paid every time he discovers a new value."

Matt Angle, a longtime Democratic operative and a former staffer to Frost, says, "I honestly don't think he's a crook." (It was Angle's Web site, The Lone Star Project, that revealed Sessions' affidavit in the Katz divorce.)

"From the paid-for trips and all the other political favors, he just acts like a guy who wants desperately to be part of the team. He just wants to please and doesn't much care about what he has to do to do it."

After arriving in Dallas in the early 1970s, Ahron Katz ran a successful plumbing

business and became a minor celebrity with his company's personalized radio ads. Active in Dallas Republican circles and the city's social scene, the Katzes were precisely the kind of people Sessions apparently likes to please.

They were generous campaign contributors—giving \$10,000 between them to Sessions since 1999—and Sessions and the Katzes seem to have enjoyed each other's company.

“There was no air of formality ... ,” Sessions said in his deposition. “I had a very good friendship with both of them.”

The congressman was available to help the Katzes with even the most trivial problems. When American Airlines refused to allow the couple's dog into the cabin when they traveled, Sessions called the airline and fixed the problem.

So when the Katzes were figuring out how to hide their assets, Sessions was apparently not surprised to get a call.

“I had spoken to Ahron and Lucia about any number of things dealing with their personal lives on a regular basis, and they were calling and asking me for advice and what I thought,” Sessions recalled in his deposition.

No one seems to have explained to Sessions the details of the underlying fraud case that had ensnared Katz and threatened his personal wealth—a preposterous securities bamboozle involving oil and natural gas in Kazakhstan. Available records do not indicate that the congressman ever asked.

The problem involved an Idaho-based company called International Basic Resources Inc. Katz had held stock in the company since the early 1970s, when it was known as Fourth of July Silver. In 1993, Katz was one of three IBR directors when the company announced a deal that it said could net shareholders millions in profits.

In a February 1993 press release, IBR said it was trading 8 million shares of company stock for half interest in an oil field in Kazakhstan with massive petroleum and natural gas reserves.

The deal almost immediately ran into problems. First, it was discovered that IBR didn't have 8 million shares of tradable stock to make the purchase. To cover the deal, the company convinced several stockholders to trade old stock for multiple shares of newly issued, nontradable, “restricted” stock.

Next, it turned out that there was no reason to believe that the Kazakh field actually held any oil or gas.

In a report dated Feb. 8, 1993, the same day of the agreement (and apparently attached to it), was a report by Dr. Moisey Mirkin, a professional engineer. If Katz—or any of the IBR directors or officers—had read the Mirkin report, they might have noticed the following:

“The oil and/or gas reserves for most of the fields presented in the file have not been approved by the State Commission on Reserves, the highest body overlooking all

activities towards development and production of oil and gas reservoirs.

“The most obvious reason for this,” Dr. Mirkin noted dryly, “is the lack of information, data, materials, studies, etc., for these reservoirs to be permitted and funded for commercial development.”

It turned out that IBR’s president, M.K. Miller, had purchased the Kazakhstan interest from Advance Capital Services Corp., a Canadian company (not a similarly named U.S.-based mortgage broker) operated by a former small town fundamentalist preacher named Robert Earl Palm.

In a subsequent Wall Street Journal article, Palm was described as one of the boldest international con men ever, credited with fleecing hundreds of millions from emerging capitalist empires.

In Hong Kong, according to press reports, a company he controlled swindled millions from a Chinese bank with a fraudulent letter of credit. In Poland, he conned a cooperative of more than 15,000 potato farms into sending their crops with him to Russia, where a food shortage was imminent. A Ukrainian trust company accused him of acquiring millions in Russian currency for resale using letters of recommendation from a non-existent Russian-bank. He created a trail of humiliated businessmen who were reluctant to blow the whistle for fear of embarrassment on an international scale.

By the time the problems with the Kazakhstan oil field deal were made known to IBR’s disgruntled stockholders, their non-negotiable stock was nearly worthless. They sued the company’s officers, including Katz, for fraud and negligence. After the case bounced through a series of verdicts and appeals, the stockholders won an enforceable \$1.4 million judgment in an Idaho state court in December 2003.

Because each of the officers was jointly liable for the judgment, Katz apparently stood to lose everything he had. Although he had been a stockholder in the company for 20 years and a company director, he believed that the stockholders who sued him had no right to take his money.

“They were greedy and stupid,” Katz remarked in a 1995 deposition. “They thought they could get something for nothing. Now they’re trying to blame somebody else for their stupidity, their greed.”

In January 2004, according to court records, Katz began deeding some of his real estate to his wife. By the time summer rolled around, Katz was facing a deadline to declare his assets in the stock fraud case. That’s when he and his wife sought Sessions’ opinion about their plan to dodge the court deadline by transferring the remainder of Ahron Katz’s assets to his wife.

In his deposition, Sessions recalled talking to them on his cell phone while driving down Highway 175 on his way to Athens one summer Friday evening. He listened intently, and at the end of the conversation took what might be considered the default course for a practicing politician: He punted. He reminded them that he wasn’t a lawyer and referred them to his brother, Louis, who is.

One doesn’t necessarily have to be a lawyer to understand that the Katz’s scheme

would border on perjury; in his deposition two years later, Sessions seemed oddly unconcerned about the moral or ethical ramifications of lying to a court.

Asked whether the conversation essentially involved an attempt “to defraud a legitimate, lawful judgment creditor ...,” Sessions objected ... in a fashion.

“Yeah, I do not think they used the word ‘defraud.’ I think they were trying to find a way to hide and to move those assets,” the congressman answered.

What troubled him most, Sessions said, was that his friend and constituent, Ahron Katz, might lose his nest egg.

“He was afraid of losing, in essence, everything that he had worked all his life for,” Sessions said.

Ahron Katz did transfer his property and securities to Lucia. Katz transferred a town home in the Oak Lawn section of Dallas, a warehouse, and a commercial lot in suburban Farmer’s Branch; a variety of real estate interests; some cash; and a long list of securities and bank accounts.

By October 2003, after a settlement was reached in Idaho, the two had fallen apart. With Sessions’ brother as one of his attorneys of record, Katz filed for divorce from Lucia and demanded his property back. Lucia refused. The battle between them, still unsettled, has spread across at least three states. Attorneys for both Katzes declined to comment about the case.

In February 2005, Sessions was concerned enough to furnish Ahron Katz with the affidavit recounting the cell phone conversation. In that sworn statement, Sessions expressed disappointment that Lucia had decided to renege on the deceptive deal.

“The intent expressed to me was that both understood that it was clearly never intended by Ahron to gift this property to Lucia and Lucia clearly understood this,” Sessions said in the affidavit.

In Dallas, where Sessions has virtually controlled the Republican Party for the past three election cycles, there is growing GOP dissension following a clean sweep by Democrats in the last election. Although demographic changes explained much of the astonishing turnaround in the once unassailable Republican stronghold, Sessions is being blamed for caring more about his friends than the Republican base.

“Other areas of the state experienced the same demographic changes, but the Democrats didn’t run the table,” says a Dallas political consultant who has been active in Republican races and asked for that reason not to be identified. “I think a lot of people feel that Pete is just all about Pete.”

The Katz affair, little known beyond a handful of political operatives, is seen as further evidence of Sessions’ lack of judgment. Restive Republicans in Dallas say that if Sessions continues to stumble, he may well open the way for a challenge by a significant GOP candidate; several are already poised to pursue him if he falters, or worse, decides to run for the Senate.

“If he does run (for the Senate), which is what he really wants to do, he’s really going to get a rude awakening,” says the Dallas Republican campaign operative. “I think then he’ll find out who his friends really are—or aren’t.”

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