



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 4468

DATE FILMED 4-25-97 CAMERA NO. 1

CAMERAMAN JMW

97043800923



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

September 16, 1996

MEMORANDUM

TO: LAWRENCE M. NOBLE  
GENERAL COUNSEL

THROUGH: JOHN C. SURINA  
STAFF DIRECTOR

FROM: ROBERT J. COSTA  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: DEMOCRATIC STATE CENTRAL COMMITTEE CALIFORNIA -  
FEDERAL — REFERRAL MATTER

On August 29, 1996 the Commission approved the Final Audit Report on Democratic State Central Committee California - Federal. The report was released to the public on September 11, 1996. As a result, the attached findings II. A. 2. and C., apparent prohibited contributions, II. B., allocation of generic Voter Registration/GOTV expenses, II. D., excessive contribution resulting from staff advances, and II. E. 3., non-federal funds deposited into federal accounts, from the final audit report are being referred to your office. There are two open MURs concerning the DSCCC-F. MUR 3670 partially addresses the issues found in finding II.B. and MUR 3586 addresses issues found in findings II.A.2., C. and D.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Marty Kuest or Joe Swearingen at 219-03720.

Attachment:

Finding II. A. 2., FAR Pgs. 7-12 and Schedule of post audit GSI debt  
Finding II. B., FAR Pgs. 16- 20  
Finding II. C., FAR Pgs 20-23 and Attachment 1  
Finding II. D., FAR Pgs 23-26 and Attachment 2  
Find II.E.3., FAR Pgs. 27, 30-33

97043800924

Committee's request as were the rate increase and the two payments of \$100,000. GSI also stated that there was no written agreement for this change.

## 2. Apparent Prohibited Contributions

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election to federal office and that it is unlawful for any political committee knowingly to accept or receive any contribution prohibited by this section.

Section 441b(b)(2) of Title 2 of the United States Code states, in part, that the term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value to any political party in connection with any election to any of the offices referred to in this section.

Section 116.3(b) of Title 11 of the Code of Federal Regulations states, in part, that a corporation in its capacity as a commercial vendor may extend credit to a political committee or another person on behalf of a political committee provided that the credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(c) of Title 11 of the Code of Federal Regulations states, in part, that in determining whether credit was extended in the ordinary course of business, the Commission will consider whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit; whether the commercial vendor received prompt payment in full if it previously extended credit to the same political committee; and whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

Section 116.8(a) of the Title 11 of the Code of Federal Regulations states, in part, that a creditor may forgive the outstanding balance of a debt owed by an ongoing committee if the creditor and the ongoing committee have satisfied the requirements of 11 CFR §116.3 regarding extensions of credit by commercial vendors, the debt has been outstanding for at least twenty-four months and the following conditions have been met. The creditor has exercised reasonable diligence in attempting to locate the ongoing committee and has been unable to do so; or the ongoing committee does not have sufficient cash on hand to pay the creditor and has receipts of less than \$1000 during the previous twenty-four months and has disbursements of less than \$1000 during the previous twenty-four months and owes debts to other creditors of such magnitude that the creditor could reasonably conclude that the ongoing committee will not pay this particular debt.

97043800925

The Committee received credits from GSI totaling \$290,688. Of these credits, \$266,156 were received by the Committee in 1991 and \$24,532 in 1992. There was no provision in the contract between GSI and the Committee which outlined the circumstances under which credits might be granted. The Committee failed to report the receipt of any credits from GSI in 1991 or 1992 (see Finding II.A.2.b.).

GSI, responding to an Audit staff request concerning the granting of credits, made this response through its attorney:

"...CDP (the Committee) was dissatisfied with the programs' performance. CDP was an important client for GSI because it generated large business volume; the more business volume, the more profitable billable hours for GSI. Moreover, loss of CDP as a client could have hurt GSI's business reputation, driving away other clients. Thus, GSI made a business decision to share the burden of poorer-than-expected performance by reducing the amount GSI would retain relative to proceeds it would turn over to CDP. GSI has similarly made adjustments to bills for its non-political clients for business reasons."

GSI claimed to have granted credits to non-political clients in a manner comparable to which it granted credits to the Committee; referenced a program for a charity as an example of a nonpolitical client to whom it made such adjustments (i.e., granted credits); and provided a spreadsheet which disclosed its transactions with the charity over an eighteen month period (November 1992 through April 1994) including credits. The only similarity between the programs conducted for the Committee and the charity appears to have been that credits were granted to both. However, GSI returned and advanced more money to the Committee than the charity. The credits received by the Committee, expressed as percent of the total billed for 1991, equaled 9.04% while the credits received by the charity equaled 2.33% of the total billed for the eighteen months. Out of \$1,961,432 raised in 1991 for the Committee and \$972,722 raised for the charity in the eighteen month period, the Committee received 30.62% of the total raised and the charity 3.11%. Lastly, the Committee's outstanding debt to GSI at the end of 1991 was \$516,743 while the charity's at the end of the eighteen month period was \$43,880. Further, GSI did not clearly establish that these clients were of similar size or that a similar risk existed that the debt would not be paid. Given the disparity of the outstanding debts it allowed each client, it appeared GSI perceived the risk to be unequal. GSI also granted credits to the charity nine months after the last credit was granted to the Committee which does not establish the granting of credits by GSI as a prior practice. Based on the data provided, the Audit staff believes that GSI, by granting relatively small credits to the charity, did not establish as a usual and normal business practice the granting of large credits to the Committee.

In addition to the credits, the Committee owed a large debt to GSI for the entire audit period. Records indicated that prospecting programs from 1989 and 1990 were responsible for generating the debt. As already discussed in the background

97043800926

section and to be discussed at Finding II.E.2.a., between 1991 and 1992, the debt to GSI was reduced by \$237,442 which is less than the total of the credits received by the Committee. Had credits totaling \$290,688 not been granted, the debt between January 1, 1991, and December 31, 1992, would have increased by \$53,246.

The Audit staff reviewed available correspondence between the Committee and GSI. GSI seemed to have a willingness to provide the Committee with financing and to maintain a cash flow to the Committee. The correspondence did not indicate that GSI was as concerned with the recovery of the debt. Financing was discussed in a memo from GSI dated January 3, 1988:

"As we did last year, our company will be willing to finance the shortfall that will initially be created from the voter file solicitation. We will maintain the newly created donors in a separate file and upon resolicitation we will raise the capital to offset the initial loss."

GSI stated its intention to maintain a regular cash flow to the Committee in a memo dated October 16, 1990:

"Lastly, our plan is to continue providing the Party \$22,000 a week from the "Federal Account"..."

In addition, a copy of a handwritten note was found in the GSI file which stated:

"In telephone call - Dec 6, 1991 before I left for vacation, I confirmed w/ Mike Gordon that CDP would continue to receive \$22,000/wk pymt/advance through EGB's <sup>8</sup> term."

A January 23, 1992 memo outlined the amount and timing of regular payments to the Committee:

"..Checks will be distributed beginning Friday March 20th in the amount of \$12,000 every week.

Please be aware there may be occasional deviation from this distribution schedule because of the cash flow of returns."

<sup>8</sup> EGB is Edmund G. Brown, Jr., formerly the Committee Chairman.

The Audit staff concluded that the emphasis as demonstrated by various memoranda between GSI and the Committee was a guaranteed flow of funds to the Committee irrespective of whether the debt was paid.

The absence of any communication from GSI requesting or demanding that the Committee make substantial payments to reduce the outstanding debt; and GSI's apparent failure to pursue the debt repayment as evidenced by the large debt which remained outstanding, while proceeds of the fundraising continued to flow to the Committee, led the Audit staff to conclude that credit was not extended in the ordinary course of business. As such, the extension of credit averaging \$400,000 throughout the audit period and the granting of credits totaling \$290,688 appeared to constitute prohibited corporate contributions made by GSI and received by the Committee.

At the exit conference, the debt to GSI and the credits were discussed and a previous request for more information was again presented to the Committee. After the exit conference, the Committee forwarded material which had been provided to them by GSI in response to a request of the Audit staff. These facts have been incorporated into the above analysis.

In the interim audit report, the Audit staff recommended that the Committee obtain from GSI and provide to the Audit staff additional documentation or any other comments to demonstrate that the credits extended and the large outstanding debt maintained were in the normal course of GSI's business. The information provided was to include examples of other customers or clients of similar size and risk for which similar services had been provided and similar billing arrangements had been used. Also, information concerning GSI's billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles was to be included.

The Committee responded to the Interim Audit Report by stating that the apparent prohibited contributions

"...reflect a commercially reasonable telemarketing arrangement. This arrangement benefited both sides, and the amounts 'credited' to the Committee were not contributions within the meaning of the Federal Election Campaign Act ("the Act").

"During the audit period, GSI solicited contributions on behalf of the Committee. GSI applied a standard marketing technique. GSI got the right to solicit potential donors using the Committee's name and in return the Committee received amounts raised above a certain level. GSI retained the right to continue soliciting from the lists, even after the contract termination or expiration, until GSI recouped its fees. In fact, this was GSI's only remedy for collection of fees owed to it by the Committee. Moreover, GSI and the Committee retained joint ownership of the new and developing lists.

"GSI contacted both proven donors and potential new donors. In contacting potential new donors, the contribution rate is naturally low, and the fees GSI charged to the Committee did not cover the monetary donations received. To make the new donor lists profitable, GSI re-solicited the potential donors who had become proven donors.

"In order to continue the working relationship, GSI did not demand all of the fees it incurred up front. To do so would make the program's cash flow appear unattractive to the Committee, possibly prompting the Committee to terminate the relationship. Instead, GSI decided to share in the poorer-than-expected returns of the early solicitations in order to reap profits later.

"This arrangement should not be considered a 'contribution' or 'credit' extension at all. GSI expects full payment from future solicitations. In summary, the arrangement between GSI and the Committee was commercially reasonable."

The Committee's claim that "the fees GSI charged to the Committee did not cover the monetary donations received" is not clear. In the opinion of the Audit staff, the Committee likely meant that monetary donations received from the prospecting program did not cover the fees charged by GSI. This would be consistent with the facts known to the Audit staff.

The Audit staff disagrees with the Committee's assertion that the "apparent prohibited contributions" reflect a commercially reasonable telemarketing arrangement. At no time has either GSI or the Committee provided documentation outlining a relationship between GSI and another client of similar size and risk which demonstrates that credits and debt of a similar magnitude were extended in the normal course of business. Simply asserting that GSI is applying a standard market technique does not establish it as fact, particularly in light of Advisory Opinion 1991-18.

The Committee makes several claims in its response regarding GSI that are at odds with the facts. According to the 1989 contract between GSI and the Committee, the ownership of the contributor lists is not joint, but solely the property of the Committee. The Committee received only funds from programs which had paid off their prospecting debt rather than "an amount above a certain level" as claimed by the Committee. The prospecting programs returned no funds to the Committee until the debt incurred in establishing the program had been paid in full.

The Audit staff disagrees with the Committee's contention that the amounts credited were not contributions within the meaning of the Act. 2 U.S.C. §441b(b)(2) defines a contribution to include any gift of money or services. Without

97043800929

establishing that the credits were extended in the ordinary course of business,<sup>9</sup> it appears that the credits were a gift since the credits represented fees and expenses which the Committee did not have to pay and under the Act represents a contribution.

In spite of the fact that the Audit staff agrees that GSI intends that the expenses incurred in relation to work done for the Committee will be paid by the Committee, it does not follow that this arrangement does not constitute an extension of credit. Such an eventuality was not approved by the Commission in Advisory Opinion 1991-18 which addressed this issue between GSI and another state party committee. In that opinion, the Commission considered a Current Donor Program and intended that long periods be avoided in which large sums were owed to GSI. The Commission explicitly required that amounts owed not be outstanding for more than a short defined period of time. In the case of the Prospecting Program, the Commission wrote that "Because of the speculative nature of the program as distinguished from the Current Donor Program, and the consequent possibilities of shortfall, the Commission cannot give its approval to the Prospecting Program in the absence of a record by GSI or similar companies of the implementation of a program of similar structure and size in the ordinary course of business. In the absence of such a record, the Committee may remedy this problem by making a substantial payment in advance of the program (or the remainder of the program) adequate to cover the expenses of GSI's operations for the program and to ensure against nonpayment of commissions. Alternatively, the Committee and GSI may alter the program to provide for short, defined periods in which full payment is made by the period's end to GSI for the commissions earned." Also noted in the Advisory Opinion was that any amount outstanding and owed to GSI would be required to be reported as a debt or obligation when the short defined period occurred within two reporting periods. Clearly, the Committee did not follow the guidelines outlined in Advisory Opinion 1991-18, and in our opinion, a prohibited contribution results based on the extension of credit.

In addition, the Committee has not complied with the recommendations contained in the interim audit report. No information regarding GSI's billing policies for similar clients and work, advance payment policies, debt collection policies, or billing cycles, as requested in the interim audit report, was provided. The Audit staff believes that the Committee in its response has not established that either the granting of credits or the extension of credit in the magnitude outlined is in the normal course of business. Consequently, the extension of credit averaging \$400,000 throughout the audit period and the granting of credits totaling \$290,688 appear to constitute prohibited corporate contributions made by GSI and received by the Committee.

<sup>9</sup> There is no mention of credits or later fee adjustments in the contract between GSI and the Committee.





9 7 0 4 3 8 0 0 9 3 3

**B. ALLOCATION OF GENERIC VOTER REGISTRATION/GOTV EXPENSES**

Section 106.5(d)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that all state party committees shall allocate their administrative expenses and costs of generic voter drives according to the ballot composition method. Under this method, expenses shall be allocated based on the ratio of federal offices expected on the ballot to total federal and non-federal offices expected on the ballot in the next general election to be held in the committee's state.

Section 106.5(g)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that a committee that has established separate federal and non-federal accounts under 11 CFR 102.5 (a)(1)(i) shall pay the entire amount of an allocable expense of joint federal and non-federal (allocable) activities from its federal account and shall transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense.

During the 1991 and 1992 election cycle, the ballot composition ratio for the Committee was 50%.<sup>14</sup> Any generic voter registration or get-out-the-vote program conducted by or supported by the Committee could have been allocated with the non-federal accounts paying no more than 50%. In addition, these payments were required to have been made from the federal accounts and reimbursed by the non-federal accounts.

A review of the Committee's accounts revealed that disbursements totaling \$1,125,688 appeared to have been made in support of activities such as voter identification, voter registration, and get-out-the-vote drives and were wholly paid from the non-federal accounts.

Included in the above amount are contributions totaling \$895,000 to three non-federal committees. Of this amount, \$709,000 was given to "No on Proposition 165," \$110,000 was given to the "Committee to Protect the Political Rights of Minorities" and \$76,000 was given to "L.A. Vote." A review of the state disclosure reports filed by these Committees indicate that the funds provided by the Committee's non-federal accounts were spent for voter registration and get-out-the-vote (GOTV) activities.

The Committee also had a new voter bounty program through which Committee accounting records indicated that the Committee paid \$151,336 to local party and candidate committees. Under this program, the Committee would pay a bounty of a dollar per new registered voter. The program operated in both 1991 and 1992.

Finally, the balance, \$79,352, was paid to various individuals, vendors and local committees for activities which were variously described on Committee documentation as GOTV, local voter survey or voter registration.

The Audit staff concluded that the Committee was making payments to these committees, individuals and vendors in support of voter registration programs and at least half of the amount should have been paid with federal funds. All of the disbursements on behalf of the programs described above were made from the Committee's non-federal account. The Committee should have paid at least \$562,844 (\$1,123,688 X 50%) from its federal accounts.

<sup>14</sup> In Advisory Opinion 1991-27 requested by the Committee, the Commission determined that, based on Article II, section 6(b) of California's Constitution, the Committee could not include a point for local candidates in its ballot composition calculation. This would result in an allocation ratio of 57% federal and 43% non-federal. The Advisory Opinion further noted that if an injunction was obtained to bar enforcement of Article II section 6(b), the Committee would become entitled to the point for local candidates retroactive to January 1, 1991. On August 4, 1994, in the case of the California Democratic Party v. Lungren, the United States District Court for the Northern District of California granted an injunction enjoining the State of California from enforcing Article II, section 6(b). As a result, the Audit Division has included a point for local candidates in its ballot composition calculation.

At the exit conference, the Committee was provided a schedule of the voter identification, voter registration, get-out-the-vote activity and the bounty program. The schedule included a breakdown of the federal and non-federal shares. The Committee responded that the bounty program for voters registered was voluntary and not a voter registration program.

In the interim audit report, the Audit staff recommended that the Committee provide documentation, other than documents previously provided to the Commission, to demonstrate that the purposes of the programs were not generic voter identification, voter registration, or get-out-the-vote activity and did not require allocation between federal and non-federal accounts. This documentation was to include evidence from the other committees and organizations demonstrating that these funds were not used for voter registration. Absent such documentation, it was recommended that the federal accounts reimburse the non-federal accounts \$562,844.

The Committee's response to the interim audit report stated that it "substantially disagrees with this finding and the recommended reimbursement from the federal accounts" and it discussed the various payments as follows:

"No on Proposition 165: The Report finds that the Committee paid \$709,000 from its nonfederal account to a California ballot measure committee formed to oppose Proposition 165. The No on 165 Committee used the \$709,000 to conduct a nonpartisan voter registration drive. According to the Federal Election Campaign Act and Federal Election Commission regulations, such nonpartisan efforts need not come from allocated federal funds.

"In the context of voter registration drives, a nonpartisan activity means that 'no effort is or has been made to determine the party or candidate preference of the individuals before encouraging them to register to vote or to vote.' (11 C.F.R. 100.8(b)(3).) A corporation or labor union may donate funds for nonpartisan voter registration drives directly to nonprofit organizations which are exempt from taxation under 26 U.S.C. § 501(c)(4) and which do not support, endorse, or oppose candidates or political parties. (11 C.F.R. 114.4(c)(2).)

"Here, the No on 165 Committee conducted a nonpartisan voter registration drive. Also, the No on 165 Committee qualifies as an organization that does not support, oppose or endorse candidates or political parties. Therefore, the No on 165 Committee's voter registration funds may come directly from nonfederal sources, including those of the Committee.

"Committee to Protect the Political Rights of Minorities: The Report also concludes that payments of \$110,000 made to the Committee to Protect the Political Rights of Minorities ("Minorities Committee") were for voter registration regulated by the Commission. This is simply not the case.

"The Minorities Committee is connected to the Black American Public Affairs Committee (BAPAC), a nonprofit 501(c)(3) organization. The Minorities Committee conducted a nonpartisan voter registration program on behalf of BAPAC.

"Similar to the No on 165 registration committee, the Minorities Committee used this Committee's funds to conduct strictly nonpartisan voter registration drives. Once again, this activity is not regulated by the Commission and it may be funded from nonfederal sources."

The Committee assumed that because corporations and labor unions are permitted under 11 CFR 114.4(c)(2) to directly fund nonpartisan voter registration drives conducted by nonprofit, tax exempt organizations, it follows that non-federal funds from any source may be used to fund such voter drives. The Committee concludes it is therefore entitled to fund such voter registration programs qualifying under 11 CFR 114.4(c)(2) from non-federal accounts.

The Audit staff disagrees with the Committee's interpretation. Neither the Act nor the Regulations discuss nonpartisan voter registration in the context of political parties. Further, it is presumed that any voter registration funded by a political committee is necessarily partisan. Funding of nonpartisan voter registration conducted by nonprofit, tax exempt entities is, therefore, not addressed.

The Committee acknowledges that it made contributions to No on 165 and the Committee to Protect the Political Rights of Minorities in support of voter registration. Whether or not No on 165 or the Committee to Protect the Political Rights of Minorities are legitimately nonprofit, tax exempt organizations and whether or not the voter registration they conducted was nonpartisan are not relevant in this case because they do not affect the character of voter registration funded by a party committee. Thus, any voter registration funded by the Committee must, according to 11 CFR §106.5(d)(1)(i), be allocated according to the ballot composition method.

Accordingly, the Audit staff still believes that the Committee should have paid \$409,500  $\{(\$709,000 + \$110,000) \times 50\%$  from its federal account.

Next, the Committee addressed the funds paid to LA Vote:

"LA Vote: The Report concludes that \$76,000 paid to this local organization in Los Angeles should have been allocated. The Committee maintains that the LA Vote committee was primarily formed to support local candidates for office within the County of Los Angeles. The purpose of the contribution by the Committee to LA Vote was to assist LA Vote with its GOTV effort on behalf of Yvonne Braithwaite Burke who was the Los

Angeles County Democratic Central Committee's endorsed candidate for the Los Angeles County Board of Supervisors."

The Committee did not support their contention with any documentation.

Despite the fact that focus of the GOTV may have been a local candidate, the ballot for the election also included candidates for federal office and thus any GOTV effort would benefit both federal and non-federal candidates. The regulations state that GOTV funded by state party committees must be allocated between federal and non-federal accounts using the ballot composition method. Accordingly, the Audit staff maintains that the funds sent to LA Vote from the Committee should have been allocated and that the Committee should have paid \$38,000 (\$76,000 x 50%) from its federal account.

The Committee provided documentation which indicated that GOTV expenditures totaling \$23,427 was spent on special elections for state offices. There were no federal candidates running simultaneously in these contests and after reviewing the documentation the Committee provided, the Audit staff accepted this GOTV activity as nonallocable because no federal election was affected.

The Committee agreed with the audit staff concerning the remaining items and disclosed a debt of \$103,630 owed by its federal accounts to the non-federal accounts.

The Audit staff concludes that the Committee owes a total of \$551,130 (\$409,500 + \$38,000 + \$103,630) from its federal accounts to its non-federal accounts.

### C. APPARENT PROHIBITED CONTRIBUTION

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election to federal office and that it is unlawful for any political committee knowingly to accept or receive any contribution from a source prohibited by this section.

Section 441b(b)(2) of Title 2 of the United States Code states, in part, that the term "contribution or expenditure" shall include any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value to any political party in connection with any election to any of the offices referred to in this section.

Section 100.7(a)(1)(iii) of Title 11 of the Code of Federal Regulations states, in part, that for the purposes of 11 CFR 100.7(a)(1), the term anything of value includes all in-kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual or normal charge for such goods or services is a contribution. If goods or services are provided at less than the usual and normal charge, the amount of the in-kind

contribution is the difference between the usual and normal charge for the goods or services at the time of the contribution and the amount charged the political committee.

Section 100.7(a)(4) of Title 11 of the Code of Federal Regulations states, in part, that the extension of credit by any person is a contribution unless the credit is extended in the ordinary course of the person's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(b) of Title 11 of the Code of Federal Regulations states, in part, that a corporation in its capacity as a commercial vendor may extend credit to a political committee or another person on behalf of a political committee provided that the credit is extended in the ordinary course of the corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

The Audit staff identified an entity which appeared to have made prohibited contributions to the Committee. This is in addition to prohibited contributions of GSI which were discussed at Finding II.A.1.

During our review of the Committee's expense reimbursements to Committee staff, we noted reimbursements to a corporation, River West Development, Inc. (River West). River West is a real estate development company owned by Mr. Philip Angelides, the Committee Chairman for most of the audit period. The Committee also rented office space for its Sacramento headquarters from River West.

Expenses were incurred by Mr. Angelides on behalf of the Committee using both a River West corporate credit card and his personal credit card. The charges made on Mr. Angelides' personal credit card included in this finding are those which were reimbursed first by River West which was then reimbursed by the Committee. Individual reimbursed amounts were outstanding for periods ranging from three to three hundred seventy-three days and on average for seventy-one days. These reimbursed expenses, both those incurred on Mr. Angelides' personal credit card and those incurred on a River West corporate credit card, were primarily for Mr. Angelides' Committee related travel, subsistence and telephone charges. Ultimately, the Committee reimbursed River West and Mr. Angelides \$42,183 (see Attachment 1) for these charges.

By accepting the corporate advances, the Committee accepted a corporate contribution of \$42,183. Not included in this amount were reimbursements to River West for salaries of two River West employees who also performed work for the Committee and rent payments for office space.

A schedule of the advances made by River West on behalf of the Committee was presented at the exit conference. The Committee made no comment.

97043800938

The Audit staff recommended in the interim audit report that the Committee demonstrate that no corporate contribution was made to or received by the Committee. The information was to include, but not limited to, credit card statements, billings to the Committee and any other documentation to demonstrate that these advances were not made by River West and accordingly, no corporate contribution occurred. In addition, the Audit staff requested that the Committee provide documentation from River West which disclosed the type of River West's incorporation (e.g. C-Corp, S-Corp, etc.).

In its response to the interim audit report, the Committee stated that it contested the finding and maintained that:

"River West acted as any commercial vendor and extended credit to the Committee in the ordinary course of business. As established by the attached statement of Jeri Timmons, then corporate Secretary of River West, the corporation was in the business of providing consultant and project management services. Those services routinely involved advancing costs for travel and entertainment, delivery and telephone charges using River West's and/or Mr. Angelides' established accounts.

"These costs were then billed by River West to the clients of the corporation. River West treated the Committee not differently from other clients as reflected in Ms. Timmons' statement."

In Ms. Timmons' statement, she explains that River West is a "C" (regular) corporation and solely owned by Mr. Angelides. She states "'River West Developments' business consists of serving as a consulting and project management firm. Its clients are primarily partnerships, corporations, unincorporated associates and individuals owning real estate in the Sacramento metropolitan area." She describes the services River West performs for its clients as follows:

"The consulting and project management services provided by River West to the landowners include:

- coordinating the services of professionals such as land use advocates, land planners, architects, engineers, and construction firms.
- delegating River West staff to manage and coordinate particular projects
- providing full accounting services to the owning entity...

"The methods of purchasing services and materials are:

- purchasing directly on behalf of the land-owning entity, using accounts established by or funds belonging to the entity

- ° purchasing on behalf of the entity using accounts established by River West Developments, which are paid for using River West Developments funds, and subsequently billed to the entity using River West Developments' computerized accounts receivable system.

"In general, the indirect project costs such as aerial surveys, blueprints, photography, deliveries, and travel and entertainment were consistently billed to River West Developments' established accounts."

Ms. Timmons' statement establishes that River West performs a broad range of services on behalf of their clients. These services are rendered (by Ms. Timmons' description) because the client who owns "real estate in the Sacramento metropolitan area" has engaged River West to consult and manage its real estate's development. River West may provide a wide range of ancillary services, but they are always provided in conjunction with the prime focus of River West's business which is real estate development and management. The services provided to the Committee by River West were not related to real estate development or management, but rather to the conduct of the Committee's activities as a Political Party. As a result, the services provided by River West were not in the ordinary course of its business and the extension of credit for these services constitutes a corporate contribution.

Based on the above and Mr. Angelides' relationship to the Committee, the Audit staff concludes that the Committee received prohibited contributions of \$42,183 from River West in the form of advances.

#### D. EXCESSIVE CONTRIBUTION RESULTING FROM STAFF ADVANCES

Section 441a(a)(1)(C) of Title 2 of the United States Code states that no person shall make contributions to any political committee in any calendar year which, in the aggregate, exceed \$5,000.

Section 116.5(b) of Title 11 of the Code of Federal Regulations states, in part, the payment by an individual from his or her personal funds, including a personal credit card, for the costs incurred in providing goods or services to, or obtaining goods or services that are used by or on behalf of a political committee is a contribution unless the payment is exempted from the definition of a contribution under 11 CFR 100.7(b)(8).

Entities variously identified as King Air, King Air Associates, King Air II and King Air Associates II provided air transportation on thirty-nine occasions between March 1991 and October 1992 for the Committee, and in particular, for Mr. Angelides. From the available documentation, the Audit staff calculated that eighty-seven separate flights were made. The Committee paid only coach fare for its passengers and it appears that the Committee paid for none of these flights in advance. Between August 1991 and December 1992, the Committee made reimbursements related to King Air totaling \$35,988.

Documents found with the invoices from King Air indicated that a connection with River West may have existed. In response to an Audit staff inquiry, the Committee acknowledged that Mr. Angelides was a "partner in King Air" but were not more specific about the actual nature of the relationship. The Committee did say that Mr. Angelides used King Air when he traveled on business matters for River West.

Our research indicated that no entity named King Air, King Air Associates, or King Air II was ever incorporated in California. Based on the Committee's assertion and the lack of any record of incorporation, the Audit staff believed King Air to be a partnership. If River West was a partner in King Air, the Committee would have received a prohibited contribution from River West. If Mr. Angelides was a partner in King Air, the Committee would have received an excessive contribution from Mr. Angelides. In either case, the pro rata share of the usual and normal charge for the flights would have been the basis for calculating any contribution amount.<sup>15</sup> In addition, none of the reimbursements were made within thirty days of incurrence. Thus, if Mr. Angelides was the partner, the entire pro rata share of the usual and normal charge would be a contribution pursuant to 11 CFR §116.5.

Complete flight records were not made available to allow the Audit staff to determine the Committee's pro rata share of the usual and normal charge. As noted above, the Committee reimbursed coach fare instead of its pro rata share of usual and normal charge. Therefore, if the pro rata share of the usual and normal charge exceeds the coach fare paid by the Committee, an unreimbursed amount would still be outstanding.

A schedule of the King Air travel reimbursements on which the Audit staff outlined this potential problem was presented to the Committee at the exit conference. The Committee responded that it was Mr. Angelides and not River West who was the partner in King Air, but no documentation was provided in support of this assertion.

In the interim audit report, the Audit staff recommended the Committee provide documentation demonstrating the nature of King Air's organization and if a partnership provide documents such as a Partnership Agreement to demonstrate whether River West or Mr. Angelides personally is the "Partner" in King Air. The Audit staff further recommended that the Committee provide documentation to demonstrate that it did not receive either a corporate or excessive contribution. This documentation was to include, but not limited to, the total cost for each leg of the flights, the equivalent charter cost of each leg of the flights, the passengers on each leg, the reason for each passenger's travel, and the total reimbursed by the Committee for each flight. In addition, the Audit staff requested the Committee obtain from King Air, Mr. Angelides or River West and provide to the Audit staff documentation which explained who paid the unreimbursed

<sup>15</sup> Usual and normal charge for the flights would be the charter rate for the flight using a similar aircraft.

97043800941

portion of each flight. Finally, the Audit staff recommended that the Committee provide documentation showing whether King Air routinely provided air transportation and services to entities other than the partners and the Committee and, if so, the normal billing practices for those services.

The Committee responded to the interim audit report as follows:

"Notwithstanding the multitude of names involving the terms "King Air" there were in fact only two entities involved in this situation. The first entity in existence during the audit period until March 18, 1992 was King Air Associates. This was the name under which a group of owners held an undivided interest in an airplane (King Air F-90 N17TS). Although a written partnership agreement was never executed, partnership tax returns were filed by King Air Associates.

"Phil Angelides held an individual interest of 6.25% in King Air Associates, as evidenced by the enclosed copies of IRS forms K-1 tax returns filed by King Air Associates for calendar years 1991 and 1992.

"On March 18, 1992, King Air Associates sold the airplane to an out of state entity unrelated to any of the owners. Several of the prior owners of the plane decided to enter into a group charter arrangement with a private charter corporation known as Continental Sabre Corporation. The pilot who previously flew for King Air Associates, David Bell, also flew for Continental.

"As a matter of convenience Arlen Opper, the prior managing partner of King Air Associates, agreed to remain as the 'central billing agent' for those prior owners who wished to use the services of Continental. This central billing agent was referred to as King Air II or King Air Associates II. This "entity" served no purpose other than to act as a clearinghouse for the billings generated through the use of Continental's plane.

"The group billing arrangement consisted of Continental's billing quarterly assessments of estimated flight hours at \$13,575 per quarter, billed to the three most frequent users of its services. Continental would send bills to King Air II as flights occurred. Continental's invoices deducted fuel charges, since the pilot purchased fuel personally. The pilot would include the fuel charges in his 'pilot services' charges. Mr. Opper would send bills to the users of the plane, charging them 100% of the pilot services and for the flight time in excess of the hours prepaid by the quarterly allotment."

Based on the available information, it appears that the flights on King Air Associates (the partnership), and King Air II (the arrangement with Continental Sabre Corporation), were provided on behalf of the Committee through Mr. Angelides. While the specifics as to purpose and passengers for each flight remains vague due to the

incomplete records, the invoices indicate that the flights began after Mr. Angelides became Party Chair and that he traveled by King Air on party business.

Given the above, the Audit staff performed an analysis to determine if Mr. Angelides, by advancing funds on behalf of the Committee, made an excessive contribution to the Committee. Other advances made by Mr. Angelides not related to the flights on King Air were included to determine a total excessive contribution pursuant to 11 CFR §116.5. The other advances considered in the review were those made personally by Mr. Angelides and were primarily for travel and subsistence costs incurred in the course of pursuing official Committee business.<sup>16</sup>

The Committee, unable to locate the flight logs, did not provide the detailed information the Audit staff requested in the interim audit report. That information was needed to determine the pro rata share of the usual and normal cost of each flight. The cost of the flights to the Committee was, therefore, necessarily based on the invoiced flight costs.<sup>17</sup> Thus, the Audit staff does not know the actual cost of many of the flights, the number of passengers, the pro rata share of cost related to the Committee or the equivalent charter costs.

Our analysis indicated that Mr. Angelides made excessive contributions to the Committee during 1992 (see Attachment 2). The excessive portions of his contributions range from \$501 to \$47,426. Included in these totals are the amounts invoiced for each flight, not necessarily the amounts paid by the Committee. As a result, \$30,184 remains unpaid. Although the Committee did not provide documentation to demonstrate who paid the unreimbursed portions, the Audit staff presumes they were paid by Mr. Angelides since King Air, the partnership, no longer existed. This results in an excessive contribution of \$24,184 (\$30,184 less the \$5,000 contribution and \$1,000 travel allowances) which is still outstanding.

<sup>16</sup> The amounts included in this review were distinct from advances made by Mr. Angelides' company River West discussed at Finding II.C.

<sup>17</sup> This approach is consistent with that taken by the Committee in a spreadsheet of reimbursements to King Air II which they provided with their response. The spreadsheet lists a net unpaid balance owed to King Air II which was derived by summing the differences of the invoice amounts less the respective amounts billed and paid. The invoice amounts for each flight may still not reflect all of the flight cost. Partnerships such as King Air Associates are usually formed to share the considerable expenses of airplane ownership. An April 24, 1992 King Air summary of charges to the Committee was found amount the Committee records. Included on this summary was an annual maintenance charge of \$7,587 dated 1/28/92. On the summary, this amount was carried to a column to indicate that the charge was paid or by whom. Further, the cost of operating the aircraft may not be equal to the "usual and normal charge" for the flights. The usual and normal charge would be the equivalent charter rate for the flights. That amount would include, among other things, a profit for the charter company.

Democratic State Central Committee of California - Federal

Schedule of Apparent Prohibited Contributions

Reimbursements of Advances from River West made  
on behalf of the DSCCC-F and its Chairman

Reimbursement Paid by Committee to:	Check #	Check Total	Check Date	Amount Deemed Prohibited
River West Development Corp.	5357	8,753.89	06/18/92	6,130.71
River West Development Corp.	50455	3,737.78	07/02/92	2,065.54
River West Development Corp.	1575	2,314.80	07/30/92	2,291.80
River West Development Corp.	50919	4,418.38	09/30/92	3,229.78
River West Development Corp.	50917	606.00	10/07/92	606.00
River West Development Corp.	30305	8,909.32	10/20/92	7,367.99
River West Development Corp.	2538	10,999.09	12/04/92	6,716.37
River West Development Corp.	2562	9,017.45	12/15/92	4,114.01
Phil Angelides **	61652	5,334.64	08/02/91	4,380.94
Phil Angelides **	61663	3,608.52	08/05/91	1,863.00
Phil Angelides **	5410	3,364.14	07/02/92	(209.00) *
Phil Angelides **	1822	11,376.49	09/07/92	1,021.31
Phil Angelides **	50665	1,662.79	09/07/92	336.52
Phil Angelides **	51279	6,840.42	12/28/92	2,268.38
Total:				42,183.35 =====

\* This offset was paid by check 5410 and 61663.

\*\* Payments to Phil Angelides for reimbursements of his expenses which were originally paid for him by River West.

97043800944

Democratic State Central Committee of California - Federal  
Phil Angelides - 116.5 Analysis for 1992

9704380945

Payee	Vch #	Incur Date	Calc Date	Incur Amt	Exp Cd	Ctb Date	Days Outstdg	Balance Outstanding	Dates Excessive	Amount* Excessive
Philip Angelides	10	04/10/91	04/10/91	1,227.94	4	04/10/91	379	1,227.94		
Philip Angelides	10	04/13/91	04/13/91	846.86	4	04/13/91	376	2,074.80		
Philip Angelides	10	04/20/91	04/20/91	2,053.59	4	04/20/91	432	4,128.39		
Philip Angelides	10	06/27/91	06/27/91	1,234.82	4	06/27/91	364	5,363.21		
Philip Angelides	10	06/29/91	06/29/91	1,137.83	4	06/29/91	369	6,501.04	06/29/91	501.04
Philip Angelides	22	08/02/91	08/02/91	305.77	4	08/02/91	335	6,806.81	08/02/91	806.81
Philip Angelides	5	05/27/91	06/27/91	176.53	6	08/26/91	311	6,983.34	08/26/91	983.34
Philip Angelides	5	05/29/91	06/27/91	190.00	6	08/26/91	311	7,173.34	08/26/91	1173.34
Philip Angelides	5	06/04/91	06/27/91	0.45	6	08/26/91	311	7,173.79	08/26/91	1173.79
Philip Angelides	5	06/04/91	06/27/91	155.60	6	08/26/91	311	7,329.39	08/26/91	1329.39
Philip Angelides	5	08/05/91	08/05/91	11.50	5	09/04/91	302	7,340.89	09/04/91	1340.89
Philip Angelides	5	08/07/91	08/07/91	8.00	5	09/06/91	300	7,348.89	09/06/91	1348.89
Philip Angelides	21	09/15/91	09/15/91	929.44	4	09/15/91	319	8,278.33	09/15/91	2278.33
Philip Angelides	21	10/27/91	10/27/91	1,151.75	4	10/27/91	277	9,430.08	10/27/91	3430.08
Philip Angelides	21	11/17/91	11/17/91	1,149.00	4	11/17/91	256	10,579.08	11/17/91	4579.08
Philip Angelides	5	08/29/91	09/27/91	117.14	6	11/26/91	247	10,696.22	11/26/91	4696.22
Philip Angelides	5	09/05/91	09/27/91	79.00	6	11/26/91	247	10,775.22	11/26/91	4775.22
Philip Angelides	5	09/05/91	09/27/91	59.00	6	11/26/91	247	10,834.22	11/26/91	4834.22
Philip Angelides	5	09/13/91	09/27/91	63.04	6	11/26/91	247	10,897.26	11/26/91	4897.26
Philip Angelides	54	12/03/91	12/03/91	1,067.31	4	12/03/91	240	11,964.57	12/03/91	5964.57
Philip Angelides	22	12/13/91	12/13/91	1,376.08	4	12/13/91	230	13,340.65	12/13/91	7340.65
Philip Angelides	22	01/08/92	01/08/92	398.33	4	01/08/92	204	13,738.98	01/08/92	7738.98
Philip Angelides	22	01/12/92	01/12/92	2,349.67	4	01/12/92	239	16,088.65	01/12/92	10088.65
Philip Angelides	22	01/15/92	01/15/92	671.00	4	01/15/92	236	16,759.65	01/15/92	10759.65
Philip Angelides	22	01/16/92	01/16/92	727.50	4	01/16/92	235	17,487.15	01/16/92	11487.15
Philip Angelides	22	01/18/92	01/18/92	934.50	4	01/18/92	233	18,421.65	01/18/92	12421.65
Philip Angelides	22	01/20/92	01/20/92	1,823.21	4	01/20/92	231	20,244.86	01/20/92	14244.86
Philip Angelides	4	01/29/92	01/29/92	8.24	4	01/29/92	222	20,253.10	01/29/92	14253.10
Philip Angelides	4	01/29/92	01/29/92	22.66	4	01/29/92	222	20,275.76	01/29/92	14275.76
Philip Angelides	4	01/29/92	01/29/92	6.18	4	01/29/92	222	20,281.94	01/29/92	14281.94
Philip Angelides	22	02/01/92	02/01/92	1,406.00	4	02/01/92	219	21,687.94	02/01/92	15687.94
Philip Angelides	4	02/04/92	02/04/92	22.66	4	02/04/92	216	21,710.60	02/04/92	15710.60
Philip Angelides	4	02/04/92	02/04/92	14.42	4	02/04/92	216	21,725.02	02/04/92	15725.02
Philip Angelides	4	02/04/92	02/04/92	6.18	4	02/04/92	216	21,731.20	02/04/92	15731.20
Philip Angelides	4	02/04/92	02/04/92	4.12	4	02/04/92	216	21,735.32	02/04/92	15735.32
Philip Angelides	4	02/04/92	02/04/92	6.18	4	02/04/92	216	21,741.50	02/04/92	15741.50
Philip Angelides	4	02/06/92	02/06/92	4.12	4	02/06/92	214	21,745.62	02/06/92	15745.62
Philip Angelides	4	02/06/92	02/06/92	4.12	4	02/06/92	214	21,749.74	02/06/92	15749.74
Philip Angelides	4	02/06/92	02/06/92	18.54	4	02/06/92	214	21,768.28	02/06/92	15768.28
Philip Angelides	4	02/06/92	02/06/92	6.18	4	02/06/92	214	21,774.46	02/06/92	15774.46
Philip Angelides	4	02/06/92	02/06/92	6.18	4	02/06/92	214	21,780.64	02/06/92	15780.64
Philip Angelides	4	02/06/92	02/06/92	35.02	4	02/06/92	214	21,815.66	02/06/92	15815.66
Philip Angelides	4	02/06/92	02/06/92	10.30	4	02/06/92	214	21,825.96	02/06/92	15825.96
Philip Angelides	4	02/06/92	02/06/92	20.60	4	02/06/92	214	21,846.56	02/06/92	15846.56
Philip Angelides	4	02/06/92	02/06/92	10.30	4	02/06/92	214	21,856.86	02/06/92	15856.86
Philip Angelides	4	02/13/92	02/13/92	8.24	4	02/13/92	207	21,865.10	02/13/92	15865.10
Philip Angelides	4	02/13/92	02/13/92	32.96	4	02/13/92	207	21,898.06	02/13/92	15898.06
Philip Angelides	4	02/13/92	02/13/92	12.36	4	02/13/92	207	21,910.42	02/13/92	15910.42
Philip Angelides	4	02/13/92	02/13/92	4.12	4	02/13/92	207	21,914.54	02/13/92	15914.54
Philip Angelides	4	02/13/92	02/13/92	18.54	4	02/13/92	207	21,933.08	02/13/92	15933.08
Philip Angelides	4	02/24/92	02/24/92	184.96	4	02/24/92	196	22,118.04	02/24/92	16118.04

Democratic State Central Committee of California - Federal  
Phil Angelides - 116.5 Analysis for 1992

97043800946

Payee	Vch #	Incur Date	Calc Date	Incur Amt	Exp Cd	Ctb Date	Days Outstdg	Balance Outstanding	Dates Excessive	Amount* Excessive
Philip Angelides	76	03/10/92	03/10/92	1,063.07	4	03/10/92	181	23,181.11	03/10/92	17181.11
Philip Angelides	1	03/13/92	03/13/92	6.18	4	03/13/92	178	23,187.29	03/13/92	17187.29
Philip Angelides	1	03/13/92	03/13/92	6.18	4	03/13/92	178	23,193.47	03/13/92	17193.47
Philip Angelides	1	03/13/92	03/13/92	6.18	4	03/13/92	178	23,199.65	03/13/92	17199.65
King Air	89	03/26/92	03/26/92	2,206.20	4	03/26/92	165	25,405.85	03/26/92	19405.85
Philip Angelides	4	12/27/91	01/29/92	54.33	6	03/29/92	162	25,460.18	03/29/92	19460.18
Philip Angelides	4	01/10/92	01/29/92	65.00	6	03/29/92	162	25,525.18	03/29/92	19525.18
Philip Angelides	4	01/12/92	01/29/92	136.39	6	03/29/92	162	25,661.57	03/29/92	19661.57
Philip Angelides	4	01/15/92	01/29/92	348.84	6	03/29/92	162	26,010.41	03/29/92	20010.41
Philip Angelides	4	01/16/92	01/29/92	58.44	6	03/29/92	162	26,068.85	03/29/92	20068.85
Philip Angelides	4	01/18/92	01/29/92	105.58	6	03/29/92	162	26,174.43	03/29/92	20174.43
Philip Angelides	4	01/19/92	01/29/92	166.43	6	03/29/92	162	26,340.86	03/29/92	20340.86
Philip Angelides	4	04/01/92	04/01/92	72.10	4	04/01/92	159	26,412.96	04/01/92	20412.96
Philip Angelides	4	04/01/92	04/01/92	12.36	4	04/01/92	159	26,425.32	04/01/92	20425.32
Philip Angelides	4	04/01/92	04/01/92	10.30	4	04/01/92	159	26,435.62	04/01/92	20435.62
Philip Angelides	4	04/01/92	04/01/92	16.48	4	04/01/92	159	26,452.10	04/01/92	20452.10
King Air	76	04/02/92	04/02/92	2,532.04	4	04/02/92	158	28,984.14	04/02/92	22984.14
Philip Angelides	65	04/02/92	04/02/92	158.68	4	04/02/92	158	29,142.82	04/02/92	23142.82
Philip Angelides	4	04/08/92	04/08/92	30.90	4	04/08/92	152	29,173.72	04/08/92	23173.72
Philip Angelides	4	04/08/92	04/08/92	8.24	4	04/08/92	152	29,181.96	04/08/92	23181.96
Philip Angelides	4	04/08/92	04/08/92	4.12	4	04/08/92	152	29,186.08	04/08/92	23186.08
Philip Angelides	4	04/08/92	04/08/92	6.18	4	04/08/92	152	29,192.26	04/08/92	23192.26
Philip Angelides	4	04/08/92	04/08/92	4.12	4	04/08/92	152	29,196.38	04/08/92	23196.38
Philip Angelides	4	04/08/92	04/08/92	41.20	4	04/08/92	152	29,237.58	04/08/92	23237.58
Philip Angelides	4	04/08/92	04/08/92	6.18	4	04/08/92	152	29,243.76	04/08/92	23243.76
Philip Angelides	4	04/08/92	04/08/92	8.24	4	04/08/92	152	29,252.00	04/08/92	23252.00
Philip Angelides	4	04/08/92	04/08/92	16.48	4	04/08/92	152	29,268.48	04/08/92	23268.48
Philip Angelides	4	04/08/92	04/08/92	4.12	4	04/08/92	152	29,272.60	04/08/92	23272.60
Philip Angelides	4	04/08/92	04/08/92	6.18	4	04/08/92	152	29,278.78	04/08/92	23278.78
Philip Angelides	4	04/08/92	04/08/92	18.54	4	04/08/92	152	29,297.32	04/08/92	23297.32
Philip Angelides	4	04/08/92	04/08/92	20.80	4	04/08/92	152	29,317.92	04/08/92	23317.92
Philip Angelides	4	04/08/92	04/08/92	18.54	4	04/08/92	152	29,336.46	04/08/92	23336.46
Philip Angelides	4	04/08/92	04/08/92	4.12	4	04/08/92	152	29,340.58	04/08/92	23340.58
Philip Angelides	4	04/08/92	04/08/92	6.18	4	04/08/92	152	29,346.76	04/08/92	23346.76
King Air	76	04/10/92	04/10/92	2,212.71	4	04/10/92	150	31,559.47	04/10/92	25559.47
Philip Angelides	4	01/25/92	02/11/92	154.14	6	04/11/92	149	31,713.61	04/11/92	25713.61
Philip Angelides	4	01/25/92	02/11/92	200.00	6	04/11/92	149	31,913.61	04/11/92	25913.61
Philip Angelides	4	01/25/92	02/11/92	30.00	6	04/11/92	149	31,943.61	04/11/92	25943.61
Philip Angelides	4	02/04/92	02/20/92	164.90	6	04/20/92	140	32,108.51	04/20/92	26108.51
Philip Angelides	4	02/04/92	02/20/92	2008.00	6	04/20/92	140	34,116.51	04/20/92	28116.51
Philip Angelides	4	02/06/92	02/20/92	162.00	6	04/20/92	140	34,278.51	04/20/92	28278.51
Philip Angelides	4	02/11/92	02/20/92	160.60	6	04/20/92	140	34,439.11	04/20/92	28439.11
Philip Angelides	4	02/13/92	02/20/92	194.59	6	04/20/92	140	34,633.70	04/20/92	28633.70
Philip Angelides	21	04/23/92	04/23/92	-2616.75	1	04/23/92		32,016.95	04/23/92	26016.95
Philip Angelides	4	02/17/92	02/26/92	34.48	6	04/26/92	134	32,051.43	04/26/92	26051.43
Philip Angelides	4	02/19/92	02/26/92	58.96	6	04/26/92	134	32,120.39	04/26/92	26120.39
King Air	76	04/30/92	04/30/92	2,395.06	4	04/30/92	236	34,515.45	04/30/92	28515.45
King Air	57	04/30/92	04/30/92	132.58	4	04/30/92	236	34,648.03	04/30/92	28648.03
Philip Angelides	4	02/16/92	03/12/92	51.57	6	05/11/92	225	34,699.60	05/11/92	28699.60
Philip Angelides	4	02/19/92	03/12/92	300.00	6	05/11/92	225	34,999.60	05/11/92	28999.60
Philip Angelides	4	02/21/92	03/12/92	52.31	6	05/11/92	225	35,051.91	05/11/92	29051.91

Democratic State Central Committee of California - Federal  
Phil Angelides - 116.5 Analysis for 1992

97043800947

Payee	Vch #	Incur Date	Calc Date	Incur Amt	Exp Cd	Ctb Date	Days Outstdg	Balance Outstanding	Dates Excessive	Amount* Excessive
Philip Angelides	4	02/26/92	03/12/92	136.98	6	05/11/92	225	35,188.89	05/11/92	29188.89
Philip Angelides	4	03/06/92	03/12/92	100.43	6	05/11/92	225	35,289.32	05/11/92	29289.32
Philip Angelides	4	03/07/92	03/12/92	100.00	6	05/11/92	225	35,389.32	05/11/92	29389.32
King Air	57	05/14/92	05/14/92	1,286.20	4	05/14/92	222	36,675.52	05/14/92	30675.52
Philip Angelides	54	05/20/92	05/20/92	-1067.31	1	05/20/92		35,608.21	05/20/92	29608.21
Philip Angelides	1	03/19/92	03/27/92	215.34	6	05/26/92	210	35,823.55	05/26/92	29823.55
Philip Angelides	1	03/21/92	03/27/92	101.25	6	05/26/92	210	35,924.80	05/26/92	29924.80
Philip Angelides	1	03/21/92	03/27/92	60.01	6	05/26/92	210	35,984.81	05/26/92	29984.81
Philip Angelides	1	03/22/92	03/27/92	23.00	6	05/26/92	210	36,007.81	05/26/92	30007.81
Philip Angelides	4	05/01/92	05/01/92	49.00	5	05/31/92	205	36,056.81	05/31/92	30056.81
King Air	57	06/03/92	06/03/92	3,206.80	4	06/03/92	202	39,263.61	06/03/92	33263.61
Philip Angelides	4	03/11/92	04/11/92	59.40	6	06/10/92	195	39,323.01	06/10/92	33323.01
Philip Angelides	4	04/06/92	04/11/92	8.93	6	06/10/92	195	39,331.94	06/10/92	33331.94
Philip Angelides	4	04/07/92	04/11/92	49.60	6	06/10/92	195	39,381.54	06/10/92	33381.54
Philip Angelides	4	04/09/92	04/11/92	964.01	6	06/10/92	195	40,345.55	06/10/92	34345.55
King Air	57	06/16/92	06/16/92	3,677.29	4	06/16/92	195	44,022.84	06/16/92	38022.84
King Air	32	06/24/92	06/24/92	33.52	4	06/24/92	187	44,056.36	06/24/92	38056.36
King Air	57	06/24/92	06/24/92	2,029.92	4	06/24/92	190	46,086.28	06/24/92	40086.28
King Air	32	06/24/92	06/24/92	12.10	4	06/24/92	190	46,098.38	06/24/92	40098.38
King Air	32	06/24/92	06/24/92	83.17	4	06/24/92	190	46,181.55	06/24/92	40181.55
King Air	89	06/25/92	06/25/92	-2,206.20	1	06/25/92		43,975.35	06/25/92	37975.35
Philip Angelides	4	04/01/92	04/28/92	143.03	6	06/27/92	187	44,118.38	06/27/92	38118.38
Philip Angelides	4	04/02/92	04/28/92	45.64	6	06/27/92	187	44,164.02	06/27/92	38164.02
Philip Angelides	4	04/05/92	04/28/92	111.38	6	06/27/92	187	44,275.40	06/27/92	38275.40
Philip Angelides	10	07/02/92	07/02/92	-2,113.00	1	07/02/92		42,162.40	07/02/92	36162.40
Philip Angelides	5	07/02/92	07/02/92	-1,170.61	1	07/02/92		40,991.79	07/02/92	34991.79
Philip Angelides	3	04/10/92	05/11/92	718.50	6	07/10/92	174	41,710.29	07/10/92	35710.29
Philip Angelides	3	04/14/92	05/11/92	203.33	6	07/10/92	174	41,913.62	07/10/92	35913.62
Philip Angelides	3	04/19/92	05/11/92	245.75	6	07/10/92	174	42,159.37	07/10/92	36159.37
King Air	76	07/30/92	07/30/92	-8,202.88	1	07/30/92		33,956.49	07/30/92	27956.49
King Air	32	08/08/92	08/08/92	3,225.45	4	08/08/92	145	37,181.94	08/08/92	31181.94
Philip Angelides	1	05/11/92	06/10/92	665.30	6	08/09/92	144	37,847.24	08/09/92	31847.24
Philip Angelides	1	05/16/92	06/10/92	39.02	6	08/09/92	144	37,886.26	08/09/92	31886.26
Philip Angelides	1	05/16/92	06/10/92	840.00	6	08/09/92	144	38,726.26	08/09/92	32726.26
Philip Angelides	1	05/17/92	06/10/92	568.91	6	08/09/92	144	39,295.17	08/09/92	33295.17
Philip Angelides	1	05/18/92	06/10/92	323.25	6	08/09/92	144	39,618.42	08/09/92	33618.42
Philip Angelides	1	05/20/92	06/10/92	500.83	6	08/09/92	144	40,119.35	08/09/92	34119.35
Philip Angelides	1	05/27/92	06/10/92	234.18	6	08/09/92	144	40,353.53	08/09/92	34353.53
King Air	32	08/16/92	08/16/92	562.00	4	08/16/92	137	40,915.53	08/16/92	34915.53
King Air	32	08/23/92	08/23/92	6,662.79	4	08/23/92	130	47,578.32	08/23/92	41608.32
Philip Angelides	1	06/01/92	06/25/92	36.82	6	08/24/92	129	47,615.14	08/24/92	41645.14
Philip Angelides	1	05/29/92	06/29/92	281.04	6	08/28/92	125	47,896.18	08/28/92	41926.18
King Air	32	09/02/92	09/02/92	609.45	4	09/02/92	120	48,505.63	09/02/92	42535.63
King Air	32	09/05/92	09/05/92	4,889.97	4	09/05/92	117	53,395.60	09/05/92	47425.60
Philip Angelides	22	09/07/92	09/07/92	-3,533.77	1	09/07/92		49,861.83	09/07/92	43861.83
King Air	57	09/07/92	09/07/92	-7,664.81	1	09/07/92		42,197.02	09/07/92	36237.02
Philip Angelides	65	09/07/92	09/07/92	-1,586.88	1	09/07/92		40,610.14	09/07/92	34630.14
Philip Angelides	4	09/07/92	09/07/92	-7,553.32	1	09/07/92		33,056.82	09/07/92	27503.50
Philip Angelides	3	09/07/92	09/07/92	-1,326.26	1	09/07/92		31,730.56	09/07/92	26407.24
King Air	32	09/11/92	09/11/92	938.42	4	09/11/92	111	32,662.14	09/11/92	28478.72
King Air		09/12/92	09/12/92	2,990.00	4	09/12/92	110	35,652.14	09/12/92	31468.72

Democratic State Central Committee of California - Federal  
Phil Angelides - 116.5 Analysis for 1992

Payee	Vch #	Incur Date	Calc Dats	Incur Amt	Exp Cd	Ctb Date	Days Outstdg	Balance Outstanding	Dates Excessive	Amount* Excessive
King Air	32	09/14/92	09/14/92	738.00	4	09/14/92	108	37,855.18	09/14/92	31855.18
King Air	32	09/16/92	09/16/92	2,488.35	4	09/16/92	106	40,343.53	09/16/92	34343.53
King Air	32	10/05/92	10/05/92	1,956.75	4	10/05/92	87	42,300.28	10/05/92	36300.28
King Air	32	12/22/92	12/22/92	-3208.25	1	12/22/92		34,092.03	12/22/92	28092.03
Philip Angelides	1	12/28/92	12/28/92	-3907.59	1	12/28/92		30,184.44	12/28/92	24184.44

Legend:

Expense Codes

- 1 Date of reimbursement.
- 4 Reimbursement required on date of incurrence.
- 5 Reimbursement required within thirty days of calculation date.
- 6 Reimbursement required within sixty days of calculation date.

 indicates amounts owed and outstanding at 12/31/92

\* Excessive Amount equals outstanding balance less \$5,000 contribution amount and a \$1,000 allowance for travel and subsistence.

97043800948

**E. NON-FEDERAL FUNDS DEPOSITED INTO FEDERAL ACCOUNTS**

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that political committees which finance political activity in connection with both federal and non-federal elections shall establish a separate federal account. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate federal account.

Section 102.6(a)(1)(ii) of Title 11 of the Code of Federal Regulations states, in part, that transfers of funds may be made without limit on amount between a State party committee and any subordinate party committee whether or not they are political committees under 11 CFR §100.5 and whether or not such committees are affiliated.

Section 106.5(a)(2)(iv) of Title 11 of the Code of Federal Regulations states, in part, that political committees that make disbursements in connection with federal and non-federal elections shall allocate expenses according to this section for the following categories of activity: Generic voter drives including voter identification, voter registration, and get-out-the-vote drives, or any other activities that urge the general public to register, vote or support candidates of a particular party or associated with a particular issue, without mentioning a specific candidate.

Sections 106.5(g)(1)(i) and (2)(B) of Title 11 of the Code of Federal Regulations state, in part, that political committees that have established separate federal and non-federal accounts shall pay the entire amount of an allocable expense from its federal account and shall transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense and that the timing of the transfer of funds from its non-federal account may not be more than ten days in advance nor more than sixty days after the payments for which they are designated are made.

97043800949

3. San Francisco Democratic County Central Committee

The Committee reported an offset of \$58,000 from the San Francisco Democratic County Central Committee (SFDCCC) on October 31, 1992. The check was dated October 29, 1992 and was deposited by the Committee on October 31, 1992. A review of the Committee's federal accounts revealed no disbursement to the SFDCCC in 1992. A review of the Committee's non-federal accounts identified a wire transfer to the SFDCCC in the amount of \$70,000 on October 30, 1992. Although the SFDCCC had registered as a federal committee, it filed no reports in 1992.

Committee representatives, who had earlier suggested that the \$58,000 may have been the return of moneys the SFDCCC had diverted from a Committee fundraising program, were no longer certain that their earlier explanation was correct. The auditors requested and the Committee representatives agreed to try to obtain additional documentation from the San Francisco Democratic Party. At the exit conference, the Audit staff indicated that the \$58,000 should not have been reported as an offset and questioned whether the funds received were federally permissible.

Materials obtained by the Committee and provided to the Audit staff after the exit conference included the SFDCCC's bank statements. The documentation indicated that the \$58,000 check was drawn on the same bank account to which the \$70,000 was transferred from the Committee's non-federal account.

In the Audit Staff's opinion, all information provided had indicated that the SFDCCC used a single account and, based on the deposit into that account of

funds known to be non-federal, could not be a federal account. Conversely, any funds paid from this account could not be federally permissible. Therefore, the \$58,000 disbursed from this account and received by the Committee were not federally permissible and should not have been deposited to the Committee's federal account.

The offset from the SFDCCC was discussed with the Committee at the exit conference. The Committee commented, referring to the transfer out of \$70,000 and the transfer to the Committee of \$58,000, "there was a connection, but it was not conclusive."

In the interim audit report, the Audit staff recommended that the Committee provide documentation which was to show the reason for the \$70,000 transfer and how the amount had been calculated, and the reason for the \$58,000 offset and how that amount had been calculated. Further, the documentation was to demonstrate that the funds deposited were federal funds and legitimately deposited into the Committee's federal accounts. Finally, documentation from the SFDCCC was to be provided which demonstrated whether it was a political committee as defined at 11 CFR §100.5(c). Absent such showing, evidence was to be provided that \$58,000 had been transferred to the non-federal accounts.

In its response to the interim audit report, the Committee stated:

"A review of the records previously provided to the Audit Division reveals that the San Francisco Democratic Central Committee had \$58,000 cash on hand at the time it made the transfer to the Committee (the Committee's contribution of \$70,000 to the Central Committee was not the source of the Central Committee's transfer). The records further demonstrate that the Central Committee's account balance had at least \$58,000 in federally permissible funds at the time of the transfer.

"Under Commission regulation §110.3(c)(1) such transfers are permissible and not subject to limitation. Moreover, the Commission's Campaign Guide for Political Committees makes clear that transfers from local party organizations, even those unregistered with the Commission, are not subject to limitations so long as the funds are federally permissible (see page 17 of the Guide). The funds transferred were federally permissible and under Commission regulations may be made without limitation.

"The Committee does concede that it misreported this transaction as an offset instead of a transfer from an affiliated committee. The Committee has amended its disclosure statement to correct this."

The Audit staff acknowledges that, provided the source of the funds transferred is permissible under the Act, 11 CFR § 102.6(a)(1)(ii) and 11 CFR §110.3(c)(1) allows unlimited transfers of funds between committees of the same political party whether

or not they are political committees. However, it is noted that in making a transfer in excess of \$1,000, an unregistered party committee becomes a political committee and is required to register with the Commission and file disclosure reports, including a report showing the source of its cash on hand. Also, SFDCCC would be required to maintain either a single account and deposit only funds permissible under the Act, or maintain separate federal and non-federal accounts. The SFDCCC filed a statement of organization with the Federal Election Commission in 1992, but filed no disclosure reports. Records reviewed thus far indicate that SFDCCC maintained only one account into which it deposited both federally permissible and impermissible funds.

In order for the transfer to comply with the Act, the SFDCCC's cash on hand would be required to contain federally permissible funds sufficient to make the transfer. This determination is made by considering the transferred funds to be comprised of the funds most recently received by SFDCCC. If either the date of the Committee's deposit of the SFDCCC's check (October 31, 1992) or the date that the check cleared SFDCCC's account (November 4, 1992) is used as the starting point for the analysis, it is clear that the major source of the \$58,000 transfer to the Committee was the October 30, 1992, \$70,000 wire transfer from the Committee's non-federal account.

If the date of the SFDCCC's check is used (October 29, 1992), the documentation provided is not adequate to allow a complete analysis of the permissibility of the October 29, 1992 cash on hand.<sup>19</sup> However, using the complete versions of the last two SFDCCC state disclosure reports for 1992 along with SFDCCC's bank statements, the following can be determined. The deposits totaling \$65,316 made between October 14 and October 27 comprised the funds from which the \$58,000 was drawn. Because the deposit preceding the October 14 deposits occurred on October 8, the SFDCCC's reported receipts between October 9 and October 27 were analyzed. During this period the Committee reported receiving \$17,551 in what appear to be permissible funds, \$2,450 in funds from unregistered organizations, \$20,901 in impermissible funds<sup>20</sup> and \$24,414 in unitemized receipts. Even allowing for the permissibility of the unitemized and funds from unregistered organizations, the deposits made between October 15 and October 27 contained no more than \$44,415 in permissible funds. Consequently, the \$58,000 transfer included impermissible funds.

Regardless of the arguments presented concerning the permissibility of transfers between committees of the same political party, these regulations may not be used to effect a transfer from the Committee's non-federal account to its federal account by

<sup>19</sup> The bank records provided consist of the October and November 1992 bank statements for SFDCCC's account and selected pages from SFDCCC's reports filed with the state of California. The Audit staff acquired complete copies of the SFDCCC's reports for the last two reporting period for 1992.

<sup>20</sup> According to SFDCCC's reports, this includes \$6,250 in corporate funds and \$14,651 from the Committee's non-federal account.

an "exchange of funds" with the SFDCCC. Since the Committee has elected not to provide the requested information concerning the reason for the transfers and how the transfer amounts were determined, the Audit staff concludes that they constitute a prohibited transfer from the Committee's non-federal account to its federal account by routing the funds through the SFDCCC.

97043800953

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
SECRETARIAT

MAR 4 3 10 PM '97

In the Matter of )

) 28 U.S.C. § 2462

) Statute of Limitations

)  
)  
)  
)  
)  
)  
**SENSITIVE**

MAR 11 1997

GENERAL COUNSEL'S REPORT

I. INTRODUCTION

EXECUTIVE SESSION

On December 26, 1996, the United States Court of Appeals for the Ninth Circuit issued a decision in *Federal Election Commission v. Williams*, No. 95-55320 (9th Cir. Filed Dec. 26, 1996). That decision held, *inter alia*, that the five-year statute of limitations for filing suit to enforce a civil penalty established at 28 U.S.C. § 2462 applies not only to judicial proceedings to enforce civil penalties already imposed, but also to proceedings seeking the imposition of these penalties, including the Commission's law enforcement suits under 2 U.S.C. § 437g(a)(6).

As noted in the memorandum regarding the filing of a petition for rehearing, the Office of General Counsel believes that the Commission should accept the court's core application of 28 U.S.C. § 2462 to its enforcement suits as the current state of the law. See Memorandum to the Commission, *Petition for Rehearing, and Suggestion for Rehearing En Banc, In Federal Election Commission v. Williams*, dated January 10, 1997. As also noted, however, we have sought further review of the court's decision

97043800954

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
SECRETARIAT  
MAR 11 1997

relating to issues of equitable relief and equitable tolling.<sup>1</sup> *Id.* See also *FEC v. NRSC*, 877 F. Supp. 15, 21 (D.D.C. 1995).

This General Counsel's Report discusses the impact of 28 U.S.C. § 2462 on the Office of General Counsel's enforcement caseload.<sup>2</sup> This Report describes the active and inactive enforcement matters which are potentially affected by the application of the five-year statute of limitations under 28 U.S.C. § 2462, and makes recommendations for each of the potentially affected matters. This Report addresses all cases where the statute of limitations potentially expires, or partially expires, by the end of calendar year 1997 (December 31, 1997).

The Office of General Counsel is recommending that

18 matters be closed at this time. By doing so, this Office believes that it will be able to devote more resources toward more recent activity, particularly those matters that arose from the 1996 election cycle. To avoid potential statute of limitations problems in the future, this Office will track its cases against the relevant statute of limitations and will perform regular reviews of its caseload. In addition, this Office will be making periodic recommendations to the Commission with respect to matters that may be affected by the application of the five-year statute of limitations under 28 U.S.C. § 2462.

<sup>1</sup> Pending the court's decision, issues such as equitable relief, equitable tolling and ongoing violations will remain open. In some instances, although issues such as equitable tolling and equitable relief may still be viable, this Office has cited other factors to support our recommendation to close the matter. See, e.g., cases involving apparent violations of 2 U.S.C. § 4612(f).

<sup>2</sup> This Report addresses enforcement matters assigned to the Public Financing, Ethics & Special Projects ("PFESP") and Enforcement areas.

97043800955

**III. RECOMMENDATIONS**

The Office of General Counsel recommends that the Commission:

A. Decline to open a MUR, close the file, and approve the appropriate letters in Pre-MUR 344.

B. Take no action, close the file and approve the appropriate letters in the following matters:

1. MUR 4267
2. MUR 4370
3. MUR 4392
4. MUR 4432
5. MUR 4468
6. MUR 4591
7. MUR 4614

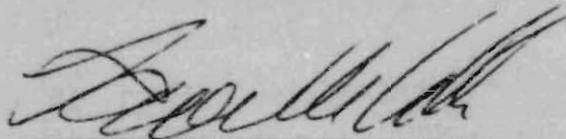
C. Take no further action, close the file and approve the appropriate letters in the following matters:

1. MUR 3351
2. MUR 3571
3. MUR 3582
4. MUR 3586
5. MUR 3838
6. MUR 3841
7. MUR 3969
8. MUR 4091
9. MUR 4183
10. MUR 4209

97043800956

97043800957

3/4/97  
Date



Lawrence M. Noble  
General Counsel

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
28 U.S.C. § 2462, ) Agenda Document #X97-15  
Statute of Limitations )

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on March 11, 1997, do hereby certify that the Commission took the following actions with respect to Agenda Document #X97-15:

1. Decided by a vote of 5-0 to -

A. Decline to open a MUR, close the file, and approve the appropriate letters in Pre-MUR 344.

B. Take no action, close the file, and approve the appropriate letters in the following matters:

1. MUR 4267;
2. MUR 4370;
3. MUR 4392;
4. MUR 4432;
5. MUR 4468;
6. MUR 4591;
7. MUR 4614.

(continued)

97043800958

C. Take no further action, close the file, and approve the appropriate letters in the following matters:

1. MUR 3351;
2. MUR 3571;
3. MUR 3582;
4. MUR 3586;
5. MUR 3838;
6. MUR 3841;
7. MUR 3969;
8. MUR 4091;
9. MUR 4183;
10. MUR 4209.

Commissioners Aikens, Elliott, McDonald, McGarry,  
and Thomas voted affirmatively for the decision.

i  
(continued)

9.7043800959.

Federal Election Commission  
Certification: Agenda Document  
#X97-15  
March 11, 1997

Page 3

97043800960

Attest:

3-12-97  
Date

Marjorie W. Emons  
Marjorie W. Emons  
Secretary of the Commission



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

March 28, 1997

Gary Paul, Treasurer  
Democratic State Central  
Committee of California -- Federal  
911 20th Street, Suite 100  
Sacramento, CA 95814

RE: MUR 4468

Dear Mr. Paul:

On September 17, 1996, the Audit Division referred certain matters to the Office of General Counsel involving the Democratic State Central Committee of California -- Federal ("the Committee") and Gary Paul, as treasurer, for possible enforcement action. See Referral Materials. The referral emanated from an audit of the Committee undertaken pursuant to 2 U.S.C. § 438(b).

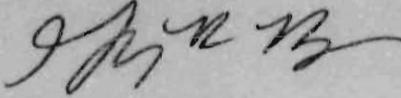
After considering the circumstances of this matter, the Commission has determined to exercise its prosecutorial discretion and to take no action against Committee and Gary Paul, as treasurer. Accordingly, the Commission closed its file in this matter on March 11, 1997. The Commission reminds you, however, that the activity set forth in the referral appears to constitute apparent violations of the Federal Election Campaign Act of 1971, as amended ("FECA"). You should take immediate steps to insure that this activity does not occur in the future.

The confidentiality provisions of 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record prior to receipt of your additional materials, any permissible submissions will be added to the public record when received.

97043800961

If you have any questions, please contact me at (800)424-9530 or (202) 219-3690.

Sincerely,



Gregory R. Baker  
Special Assistant General Counsel

*Enclosure*  
Referral Materials

97043800962

**MUR 4468 (Democratic State Central Committee California)**  
**(audit referral) ('92 cycle)**  
**PFESP Docket (Inactive)**

The Audit Division referred this matter on September 17, 1996. This matter involves four issues: (1) apparent prohibited contributions totaling \$332,871; (2) allocation of generic voter registration and GOTV expenses totaling \$551,130; (3) excessive contributions resulting from staff advances totaling \$24,184; and (4) non-federal funds being deposited into federal accounts totaling \$58,000. This Office recommends that the Commission exercise its prosecutorial discretion and take no action, and close the file with respect to this matter. *See also* MUR 3586 (Democratic State Central Committee California). The majority of the activities at issue occurred prior to August 2, 1991. Thus, litigation to recover a civil penalty for most of this case could be barred by the five-year statute of limitations. If the Commission adopts these recommendations, we will include the appropriate admonishment language in the notification letter.

97043800963



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4468

DATE FILMED 4-25-97 CAMERA NO. 1

CAMERAMAN JM

97043800964