FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 652

DATE: 11/8/78

FILMED BY: Y.A.Q.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 652 (78)
Vermont State Democratic Federal	)	
Campaign Committee, et al	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that in Executive Session on October 12, 1978, the Commission took the following actions in MUR 652 (78):

1. Determined by a vote of 6-0 to direct the Audit Division to send a letter to the Vermont State Democratic Federal Campaign Committee to refund contributions in excess of the limits as reported in MUR 652 (78).

2. Determined by a vote of 6-0 to direct the Audit Division to notify the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarking, and that the Committee be requested to notify the recipient candidates that there was earmarking.

3. Determined by a vote of 6-0 to close the file in MUR 652 (78).

4. Determined by a vote of 6-0 to direct the Audit Division to work with the Office of the General Counsel and the Reports Analysis Division to submit a recommendation to the Commission for procedures involving potential violations of 2 U.S.C. §441b.

Attest:

10/13/78
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE

FROM: MARJORIE W. EMMONS MWE

SUBJECT: MUR 652 - First General Counsel's Report dated 10-2-78 Received in Office of Commission Secretary: 10-2-78 3:13

DATE: OCTOBER 5, 1978

The above-named document was circulated on a 48 hour vote basis at 11:30 October 3, 1978.

Commissioner Staebler submitted an objection at 2:42, October 4, 1978, thereby placing MUR 652 on the Agenda for Executive Session for October 12, 1978.

A copy of Commissioner Staebler's vote sheet is attached.

ATTACHMENT:
Copy of Vote Sheet

cc: Commissioner Staebler

7804077669

48 HOUR TALLY SHEET

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION

78 OCT 4 P2:42

1325 K STREET N.W.
WASHINGTON, D.C. 20463

Date and Time Transmitted: Oct. 3, 1978 - 11:3

Commissioner Staebler

RETURN TO OFFICE OF COMMISSION SECRETARY BY: OCTOBER 5, 1978 - 11:3

MUR No. 652 - First General Counsel's Report dated 10-2-78

( ) I approve the recommendation

(X) I object to the recommendation

COMMENTS: AS TO 1 ON GROUNDS OF DE MINIMUS
FIRST 1/2 OF 2 "
3) AS TO 441a(f) "
AS TO LAST SENTENCE

Date: 10/3/78 Signature: [signature]

THE OFFICE OF GENERAL COUNSEL WILL TAKE NO ACTION IN THIS MATTER UNTIL THE APPROVAL OF FOUR COMMISSIONERS IS RECEIVED. PLEASE RETURN ALL PAPERS NO LATER THAN THE DATE AND TIME SHOWN ABOVE TO THE OFFICE OF COMMISSION SECRETARY. ONE OBJECTION PLACES THE ITEM ON THE EXECUTIVE SESSION AGENDA.

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October 2, 1978

MEMORANDUM TO: Marge Emmons

FROM: Elissa T. Garr

SUBJECT: MUR 652

Please have the attached First General Counsel's Report on MUR 652 distributed to the Commission on a 48 hour tally basis.

Thank you.

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FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL
BY OGC TO COMMISSION 78 OCT 2 P3:13 OCT 2 1978

MUR NO. 652
STAFF MEMBER(S) Lindsay

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENT'S NAME: Vermont State Democratic Federal Campaign Committee
Burgess for Congress Committee
Salmon for Vermont
Philip H. Hoff, Maureen McNamara, Robert M. Wilson

RELEVANT STATUTE: 2 U.S.C. §441a(a)(8), 2 U.S.C. §441a(a)(1)(A), 2 U.S.C. §441a(f), 2 U.S.C. §441b, 2 U.S.C. §434b(2), 11 C.F.R. §110.6(a)(b) and (d), §102.6(a)(2)(i)

INTERNAL REPORTS CHECKED: Audit Findings and Candidate's Reports of Receipts and Expenditures. (See attached Audit Referral)

FEDERAL AGENCIES CHECKED: None

GENERATION OF MATTER

This matter was referred to the Office of General Counsel on the basis of findings made by the auditors during the audit of the Vermont State Democratic Federal Campaign Committee.

SUMMARY OF ALLEGATIONS

That Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of $1000 in a calendar year to a candidate for Federal office.

That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting contributions in excess of $1,000 from an individual in a calendar year. That the Burgess for Congress Committee and Salmon for Vermont failed to report the original source and conduit of earmarked transfers in violation of 2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(a),(b) and (d)(2). That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions.

That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions. That the Vermont State Democratic Federal Campaign Committee violated 11 C.F.R. §102.6(a)(2)(i) by failing to establish a separate segregated account until three months after its registration as a political committee.

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PRELIMINARY LEGAL ANALYSIS

During the course of auditing the Vermont State Democratic Federal Campaign Committee, ("the VSDFCC"), the auditors found that the VSDFCC had arranged for eight (8) $1,000 loans, the proceeds of which were contributed to two Federal candidates: $5,000 to the Burgess for Congress Committee; and $3,000 to Salmon for Vermont.

According to the VSDFCC, the endorsers for these loans were arranged by the candidates who were to receive the proceeds.

Under 11 C.F.R. §110.6(b), earmarking is a designation, instruction or encumbrance, (including those which are direct or indirect, express or implied, oral or written,) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or candidate's authorized committee.

Since the endorsers consented to endorse these particular loans with a specific candidate in mind, the transfers of the proceeds of these loans, were in fact earmarked by the endorsers and the VSDFCC and were therefore contributions from the endorsers and the VSDFCC which count toward the general election contribution limits for both in 1976.

The VSDFCC reported the loans, disclosing the endorsers on the loan schedule. The candidates who received the proceeds were reported on a schedule of transfers-out. No earmarking was evident from the VSDFCC's reports, nor was the earmarking indicated to the recipient committees in violation of 2 U.S.C. §441a(a)(8). The candidate committees reported these transfers as received from the VSDFCC.

Three of the endorsers exceeded their contribution limits in violation of 2 U.S.C. §441a(a)(1)(A) by making other general election contributions to the candidates who received their earmarked transfer.

1. Philip H. Hoff contributed $100 in addition to the earmarked $1000 loan he endorsed on behalf of Burgess.

2. Maureen McNamara contributed $50 in addition to the earmarked $100 loan she endorsed on behalf of Salmon.

3. Robert M. Wilson contributed $50 in addition to the earmarked $1000 loan which he endorsed on behalf of Salmon.

The Office of General Counsel recommends the Commission find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of their limits to a Federal candidate. The Office of General Counsel also recommends that the Commission find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting these excessive contributions and 2 U.S.C. §434(b)(2) as interpreted by 11 C.F.R. §110.6(a), (b) and d(2) by failing to report the original contributor as well as the conduit of earmarked contributions. Although

the transfers received from the VSDFCC showed no facial indication of their having been earmarked, the Treasurers of the recipient committees presumably would have been aware of the fact that their candidates arranged to find endorsers for loans to the VSDFCC, the proceeds of which would be transferred to the candidate's committee.

In MURS 623 and 655, the Commission found reason to believe that a political committee which accepts contributions from unregistered party units, that probably maintain single accounts in a state where corporate/ labor organization contributions are legal, is in violation of 2 U.S.C. § 441b for accepting prohibited funds.

During the course of auditing the VSDFCC, the auditors reviewed the reported receipts of the Democratic Federal candidates in Vermont to check for receipt of excessive contributions from affiliated committees. Although no excessive contributions were found, the Office of General Counsel notes that Burgess for Congress Committee accepted three transfers of $25 each from unregistered local, Vermont Democratic town committees. Also the Salmon for Vermont Committee accepted three contributions totaling $580 from unregistered, local Vermont Democratic town committees. The VSDFCC itself accepted two contributions totaling $100 from these types of committees, which were refunded by the Committee when the auditors advised that the sources of these monies would have to be traced to establish whether or not they contained prohibited funds. The committee believed such a trace would be at best difficult if not inconclusive, so refunds were made.

These unregistered committees in all likelihood maintain one account into which is deposited all contributions including presumably corporate and labor organization contributions which are legal for state purposes in Vermont. Therefore, the Office of General Counsel recommends that, consistent with previous findings, the Commission find reason to believe Burgess for Congress and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of accepting corporate and labor organization contributions. With regard to the VSDFCC, the Office of General Counsel recommends that the Commission take no action in connection with their acceptance of two transfers totaling $100 from town committees. According to the Commission's policy approved July 26, 1978, regarding apparent corporate/ labor organization contributions, the Commission would find reason to believe the VSDFCC violated 441b but take no further action if the contributions were refunded. In this case, with transfers which are suspected of containing corporate/labor funds, the Office of General Counsel recommends no finding be made against the VSDFCC because refunds have been made and the violation, if any, is de minimis.

Although the VSDFCC registered with the FEC on October 20, 1976, this committee shared a single account with its parent organization, the Vermont State Democratic Committee, for approximately three months before establishing a separate, segregated account. During this three month period, however, all federal activity conducted from this account was reported by the VSDFCC and no prohibited funds appear to have been accepted or deposited by either committee into the single account. Failure of the VSDFCC to establish a separate, segregated account until three months after registering as a political committee would be a violation of

11 C.F.R. §102.6(a)(2)(i) only if there were evidence that prohibited funds were deposited in the single account. The Office of General Counsel finds no evidence that this occurred an therefore recommends no action be taken by the Commission in this regard.

RECOMMENDATIONS

1. Find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by making excessive contributions to Federal candidates.

2. Find reason to believe that the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. Take no action against the VSDFCC regarding the 2 U.S.C. §441b allegation for accepting transfers from committees which are suspected of having accepted prohibited funds. Take no action regarding the 11 C.F.R. §102.6(a)(2)(i) allegation.

3. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions and 2 U.S.C. §434b(a) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2) by failing to report the original source and conduit of earmarked transfers. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of having accepted prohibited funds.

4. Send attached letters.

ATTACHMENTS

1. Audit Referral Memo.
2. Letter to Wayne W. Jameson
3. Letter to Alan S. Frigon
4. Letter to Joseph F. Geiger
5. Letter to Robert M. Wilson
6. Letter to Maureen McNamara
7. Letter to Philip H. Hoff
8. Certification

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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: ROB COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

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In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

1) amend their reports to reflect the earmarking as required

2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

1) amend their reports to reflect the earmarking as required

2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

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B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

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We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Wayne W. Jameson, Treasurer
Vermont State Democratic Federal
Campaign Committee
Box #100
Alburg, VT 05440

RE: MUR 652

Dear Mr. Jameson:

This letter is to notify you that on the basis of information ascertained in the ordinary course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe the Vermont State Democratic Federal Campaign Committee, ("VSDFCC") has violated the Federal Election Campaign Act, as amended, ("the Act").

Specifically, the Commission found reason to believe that the VSDFCC violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients, earmarked transfers and the parties involved in the earmarking of these monies.

Under 2 U.S.C. §441a(a)(8) any contribution made by a person, either directly or indirectly, on behalf of a particular candidate including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit shall be reported showing the original source, by the intermediary or conduit to the Commission and to the intended recipient.

The VSDFCC took out a number of loans in late 1976 which were endorsed by individuals who knew that the proceeds from these loans would be transferred to a particular candidate. (See attached list).

Under 2 U.S.C. §431(e)(5)(G) and §431(e)(1) a loan endorsement constitutes a loan from the endorser, and the definition of a contribution includes loan.

Thus the endorsement of these loans to the VSDFCC is a contribution to the VSDFCC by the endorser, however a contribution that is earmarked for transfer to a particular candidate.

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These loan/transfer transactions should have been reported to the Commission and to the intended recipients as earmarked contributions from both the loan endorser and the VSDFCC. Failure to so report is a violation of 2 U.S.C. §441a(a)(8).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of these matters. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Alan S. Frigon, Treasurer
Burgess for Congress Committee
RFD #1
East Montpelier, Vermont 05651

RE: MUR 652

Dear Mr. Frigon:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that the Burgess for Congress Committee has violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money... to any [Federal] candidate [or] campaign committee.".

The Burgess for Congress Committee accepted three contributions of $25 apiece from the Hineburg Town Democratic Committee, the Norwich Town Democratic Committee and the Georgia Town Democratic Committee in October of 1976. None of these committees have registered or reported to the Commission.

Since corporate contributions and labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provisions of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Burgess for Congress Committee may not accept transfers from accounts or committees established by a State committee, subordinate committee of a State committee or another political committee except from a committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission has also found reason to believe the Burgess for Congress Committee violated 2 U.S.C. §441a(f) by accepting an excessive contribution from Philip H. Hoff. On October 5, 1978 Mr. Hoff contributed $100 to the Burgess for Congress Committee. About October 18, 1976 Mr. Hoff endorsed a loan of $1,000 to the Vermont State Democratic Federal Campaign Committee at the request of John Burgess. This endorsement arrangement included an agreement that the Burgess for Congress Committee would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Mr. Hoff's endorsement of the $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b), earmarking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsement of Philip Hoff was in fact a contribution earmarked by him and the Vermont State Democratic Federal Campaign Committee for John Burgess which counted toward the general election contribution limits for 1976 of both contributors.

By accepting the $1,000 earmarked transfer from Philip Hoff and the Vermont State Democratic Federal Campaign Committee plus the $100 contribution from Philip Hoff, the Burgess for Congress Committee accepted an excessive contribution from Philip Hoff in violation of 2 U.S.C. §441a(f).

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2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit, (in this case Philip Hoff and the Vermont State Democratic Federal Campaign Committee). Failure of the Burgess for Congress Committee to so report this contribution constitutes a violation of 2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2).

Upon making a determination that there is reason to believe that a violation have occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: John All Burgess
P.O. Box 766
Montpelier, VT 05602

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Joseph F. Geiger
Treasurer, Salmon for Vermont
P.O. Box 19
Cambridgeport, VT. 05141

RE: MUR 652

Dear Mr. Geiger:

This letter is to inform you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that Salmon for Vermont violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money ... to any [Federal] candidate [or] campaign committee.".

Salmon for Vermont accepted a contribution of $100 apiece from the Barre Town Democratic Committee and the Georgia Town Democratic Committee as well as a $380 contribution from the Rockingham Town Committee, all in October and November, 1976. None of these committees have registered or reported with the Commission.

Since corporate & labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provision of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Salmon for Vermont may not accept transfers from accounts or committees established by a

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State committee, subordinate committee of a State committee or another political committee except from a political committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission also found reason to believe Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions from Maureen McNamara and Robert M. Wilson. On September 20, 1976, Salmon for Vermont received contributions for $50 from each of these individuals. On or about October 20, 1976, Ms. McNamara and Mr. Wilson each endorsed a loan of $1000 to the Vermont State Democratic Federal Campaign Committee, ("VSDFCC"), at the request of Thomas Salmon. This endorsement arrangement also included an agreement that Salmon for Vermont would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Ms. McNamara's and Mr. Wilson's endorsement of each $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b) earmaking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsements of Mr. McNamara and Mr. Wilson were, in fact, contributions earmarked by each of these individuals and the VSDFCC for Thomas Salmon, which counted toward the general election contribution limits for 1976 of these contributors.

By accepting the $1000 earmarked transfer from Ms. McNamara and the VSDFCC plus her $50 contribution and the $1,000 earmarked transfer from Mr. Wilson and the VSDFCC plus his $50 contribution, Salmon for Vermont accepted excessive contributions from both Ms. McNamara and Mr. Wilson in violation of 2 U.S.C. §441a(f).

2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit,(in these cases Ms. McNamara and the VSDFCC and Mr. Wilson along with the VSDFCC). Failure of Salmon for Vermont to so report these contributions/transfers is a violation of 2 U.S.C. §434b (2) as interpreted by 11 C.F.R. §110.6(a)(b) and (d)(2).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: Thomas P. Salmon
24 Atkinson St.
Bellows Fall, VT 05101

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert M. Wilson
276 College St.
Burlington, VT. 05401

RE: MUR 652

Dear Mr. Wilson:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont, in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Maureen McNamara
14 Summit St
Burlington, VT 05401

RE: MUR 652

Dear Ms. McNamara:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Philip H. Hoff
214 Prospect Parkway
Burlington, VT 05401

Re: MUR 652

Dear Mr. Hoff:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities the Federal Election Commission has determined that it has reason to believe that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 18, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to the Burgess for Congress Committee, in addition to making a $100 contribution to the Burgess for Congress Committee on October 5, 1976.

Under 2 U.S.C. § 431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers of guarantors. Further, a loan comes under the statutory definition of contribution as found in 2 U.S.C. § 431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that Committee. However the Commission was informed that candidate Burgess arranged for your endorsement of the loan. In light of this fact, it would appear that you knew that the Burgess for Congress Committee would ultimately receive the proceeds of this loan so that your contribution to the VSDFCC was made in order to benefit the Burgess for Congress Committee.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office and his authorized committee [2 U.S.C. § 441a(a)(1)(A)], all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit to such candidate, shall be treated as contributions from such person to such candidate. 2 U.S.C. § 441a(a)(8).

Since you also contributed $100 to the Burgess for Congress Committee in October, 1976 you have exceeded the statutory $1,000 contribution limit for the 1976 general election of candidate Burgess.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within 10 days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. § 437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202-523-4040 or toll free number 800-424-9530).

Sincerely,

William C. Oldaker
General Counsel

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A-299

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: ~~BOB~~ COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

   1) amend their reports to reflect the earmarking as required

   2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

   1) amend their reports to reflect the earmarking as required

   2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

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B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE VERMONT STATE DEMOCRATIC COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Vermont State Democratic Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy, to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(a)(8) of Title 2 of the United States Code, which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee registered with the Federal Election Commission on July 14, 1975 as the state committee representing the Democratic Party of Vermont. It maintained its headquarters in Burlington, Vermont.

The audit covered the period January 1, 1976 through March 18, 1977, the termination date of the Committee. The Committee filed Federal Election Commission Form 3a reports or the equivalent during this period.

This audit report is based on documents and working papers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

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B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Carolyn Adler, Chairperson during the period January 1, 1976 through January 27, 1977 and John Carnahan, Chairman during the period January 28, 1977 through March 18, 1977. The Treasurers of the Committee during the period covered by the audit were H. Clifford Dubie from the period January 1, 1976 through July 12, 1976, Irene Stewart during the period July 13, 1976 through September 28, 1976, and Wayne W. Jameson from September 29, 1976 through March 18, 1977.

C. Scope

The audit included such tests as verification of receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and, such other audit procedures as deemed necessary under the circumstances.

II. Auditor's Statement

Although our audit disclosed that the Committee did not receive or spend in excess of $1,000 from or for Federal candidates during the period covered by the audit, it is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that the reports and statements of the Vermont State Democratic Committee fairly present the financial activities of the Committee for the period covered by the audit. No material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 652

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 652

Date Filmed 12/19/78 Camera No. --- 2

Cameraman SPC

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 652 (78)
Vermont State Democratic Federal	)	
Campaign Committee, et al	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that in Executive Session on October 12, 1978, the Commission took the following actions in MUR 652 (78):

1. Determined by a vote of 6-0 to direct the Audit Division to send a letter to the Vermont State Democratic Federal Campaign Committee to refund contributions in excess of the limits as reported in MUR 652 (78).

2. Determined by a vote of 6-0 to direct the Audit Division to notify the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarking, and that the Committee be requested to notify the recipient candidates that there was earmarking.

3. Determined by a vote of 6-0 to close the file in MUR 652 (78).

4. Determined by a vote of 6-0 to direct the Audit Division to work with the Office of the General Counsel and the Reports Analysis Division to submit a recommendation to the Commission for procedures involving potential violations of 2 U.S.C. §441b.

Attest:

10/13/78
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

48 HOUR TALLY SHEET

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

78 OCT 4 P 2: 42

Date and Time Transmitted: Oct. 3, 1978 - 11:3

Commissioner Staebler

RETURN TO OFFICE OF COMMISSION SECRETARY BY: OCTOBER 5, 1978 - 11:3

MUR No. 652 - First General Counsel's Report dated 10-2-78

( ) I approve the recommendation

(X) I object to the recommendation

COMMENTS: AS TO 1 ON GROUNDS OF DE MINIMUS
FIRST 1/2 OF 2 "
3) AS TO HATCH (4) "
AS TO LAST SENTENCE

Date: 10/3/78 Signature: [signature]

THE OFFICE OF GENERAL COUNSEL WILL TAKE NO ACTION IN THIS MATTER UNTIL THE APPROVAL OF FOUR COMMISSIONERS IS RECEIVED. PLEASE RETURN ALL PAPERS NO LATER THAN THE DATE AND TIME SHOWN ABOVE TO THE OFFICE OF COMMISSION SECRETARY. ONE OBJECTION PLACES THE ITEM ON THE EXECUTIVE SESSION AGENDA.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE

FROM: MARJORIE W. EMMONS MWE

SUBJECT: MUR 652 - First General Counsel's Report dated 10-2-78 Received in Office of Commission Secretary: 10-2-78 3:13

DATE: OCTOBER 5, 1978

The above-named document was circulated on a 48 hour vote basis at 11:30 October 3, 1978.

Commissioner Staebler submitted an objection at 2:42, October 4, 1978, thereby placing MUR 652 on the Agenda for Executive Session for October 12, 1978.

A copy of Commissioner Staebler's vote sheet is attached.

ATTACHMENT:
Copy of Vote Sheet

cc: Commissioner Staebler

48 HOUR TALLY SHEET

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

78 OCT 4 P 2: 42

Date and Time Transmitted: Oct. 3, 1978 - 11:3

Commissioner Staebler

RETURN TO OFFICE OF COMMISSION SECRETARY BY: OCTOBER 5, 1978 - 11:3

MUR No. 652 - First General Counsel's Report dated 10-2-78

( ) I approve the recommendation

(X) I object to the recommendation

COMMENTS: AS TO 1 ON GROUNDS OF DE MINIMUS
FIRST 1/2 OF 2 "
AS TO PARA (f) "
AS TO LAST SENTENCE

Date: 10/3/78 Signature:

THE OFFICE OF GENERAL COUNSEL WILL TAKE NO ACTION IN THIS MATTER UNTIL THE APPROVAL OF FOUR COMMISSIONERS IS RECEIVED. PLEASE RETURN ALL PAPERS NO LATER THAN THE DATE AND TIME SHOWN ABOVE TO THE OFFICE OF COMMISSION SECRETARY. ONE OBJECTION PLACES THE ITEM ON THE EXECUTIVE SESSION AGENDA.

October 2, 1978

MEMORANDUM TO: Marge Emmons

FROM: Elissa T. Garr

SUBJECT: MUR 652

Please have the attached First General Counsel's Report on MUR 652 distributed to the Commission on a 48 hour tally basis.

Thank you.

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FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE
COMMISSION

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL BY OGC TO COMMISSION 78 OCT 2 P3:13 OCT 3 1978

MUR NO. 652
STAFF MEMBER(S) Lindsay

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENT'S NAME: Vermont State Democratic Federal Campaign Committee
Burgess for Congress Committee
Salmon for Vermont
Philip H. Hoff, Maureen McNamara, Robert M. Wilson

RELEVANT STATUTE: 2 U.S.C. §441a(a)(8), 2 U.S.C. §441a(a)(1)(A), 2 U.S.C. §441a(f), 2 U.S.C. §441b, 2 U.S.C. §434b(2), 11 C.F.R. §110.6(a)(b) and (d), §102.6(a)(2)(i)

INTERNAL REPORTS CHECKED: Audit Findings and Candidate's Reports of Receipts and Expenditures. (See attached Audit Referral)

FEDERAL AGENCIES CHECKED: None

GENERATION OF MATTER

This matter was referred to the Office of General Counsel on the basis of findings made by the auditors during the audit of the Vermont State Democratic Federal Campaign Committee.

SUMMARY OF ALLEGATIONS

That Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of $1000 in a calendar year to a candidate for Federal office.

That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting contributions in excess of $1,000 from an individual in a calendar year. That the Burgess for Congress Committee and Salmon for Vermont failed to report the original source and conduit of earmarked transfers in violation of 2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(a),(b) and (d)(2). That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions.

That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions. That the Vermont State Democratic Federal Campaign Committee violated 11 C.F.R. §102.6(a)(2)(i) by failing to establish a separate segregated account until three months after its registration as a political committee.

PRELIMINARY LEGAL ANALYSIS

During the course of auditing the Vermont State Democratic Federal Campaign Committee, ("the VSDFCC"), the auditors found that the VSDFCC had arranged for eight (8) $1,000 loans, the proceeds of which were contributed to two Federal candidates: $5,000 to the Burgess for Congress Committee; and $3,000 to Salmon for Vermont.

According to the VSDFCC, the endorsers for these loans were arranged by the candidates who were to receive the proceeds.

Under 11 C.F.R. §110.6(b), earmarking is a designation, instruction or encumbrance, (including those which are direct or indirect, express or implied, oral or written,) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or candidate's authorized committee.

Since the endorsers consented to endorse these particular loans with a specific candidate in mind, the transfers of the proceeds of these loans, were in fact earmarked by the endorsers and the VSDFCC and were therefore contributions from the endorsers and the VSDFCC which count toward the general election contribution limits for both in 1976.

The VSDFCC reported the loans, disclosing the endorsers on the loan schedule. The candidates who received the proceeds were reported on a schedule of transfers-out. No earmarking was evident from the VSDFCC's reports, nor was the earmarking indicated to the recipient committees in violation of 2 U.S.C. §441a(a)(8). The candidate committees reported these transfers as received from the VSDFCC.

Three of the endorsers exceeded their contribution limits in violation of 2 U.S.C. §441a(a)(1)(A) by making other general election contributions to the candidates who received their earmarked transfer.

1. Philip H. Hoff contributed $100 in addition to the earmarked $1000 loan he endorsed on behalf of Burgess.

2. Maureen McNamara contributed $50 in addition to the earmarked $100 loan she endorsed on behalf of Salmon.

3. Robert M. Wilson contributed $50 in addition to the earmarked $1000 loan which he endorsed on behalf of Salmon.

The Office of General Counsel recommends the Commission find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of their limits to a Federal candidate. The Office of General Counsel also recommends that the Commission find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting these excessive contributions and 2 U.S.C. §434(b)(2) as interpreted by 11 C.F.R. §110.6(a), (b) and d(2) by failing to report the original contributor as well as the conduit of earmarked contributions. Although

the transfers received from the VSDFCC showed no facial indication of their having been earmarked, the Treasurers of the recipient committees presumably would have been aware of the fact that their candidates arranged to find endorsers for loans to the VSDFCC, the proceeds of which would be transferred to the candidate's committee.

In MURS 623 and 655, the Commission found reason to believe that a political committee which accepts contributions from unregistered party units, that probably maintain single accounts in a state where corporate/ labor organization contributions are legal, is in violation of 2 U.S.C. § 441b for accepting prohibited funds.

During the course of auditing the VSDFCC, the auditors reviewed the reported receipts of the Democratic Federal candidates in Vermont to check for receipt of excessive contributions from affiliated committees. Although no excessive contributions were found, the Office of General Counsel notes that Burgess for Congress Committee accepted three transfers of $25 each from unregistered local, Vermont Democratic town committees. Also the Salmon for Vermont Committee accepted three contributions totaling $580 from unregistered, local Vermont Democratic town committees. The VSDFCC itself accepted two contributions totaling $100 from these types of committees, which were refunded by the Committee when the auditors advised that the sources of these monies would have to be traced to establish whether or not they contained prohibited funds. The committee believed such a trace would be at best difficult if not inconclusive, so refunds were made.

These unregistered committees in all likelihood maintain one account into which is deposited all contributions including presumably corporate and labor organization contributions which are legal for state purposes in Vermont. Therefore, the Office of General Counsel recommends that, consistent with previous findings, the Commission find reason to believe Burgess for Congress and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of accepting corporate and labor organization contributions. With regard to the VSDFCC, the Office of General Counsel recommends that the Commission take no action in connection with their acceptance of two transfers totaling $100 from town committees. According to the Commission's policy approved July 26, 1978, regarding apparent corporate/ labor organization contributions, the Commission would find reason to believe the VSDFCC violated 441b but take no further action if the contributions were refunded. In this case, with transfers which are suspected of containing corporate/labor funds, the Office of General Counsel recommends no finding be made against the VSDFCC because refunds have been made and the violation, if any, is de minimis.

Although the VSDFCC registered with the FEC on October 20, 1976, this committee shared a single account with its parent organization, the Vermont State Democratic Committee, for approximately three months before establishing a separate, segregated account. During this three month period, however, all federal activity conducted from this account was reported by the VSDFCC and no prohibited funds appear to have been accepted or deposited by either committee into the single account. Failure of the VSDFCC to establish a separate, segregated account until three months after registering as a political committee would be a violation of

11 C.F.R. §102.6(a)(2)(i) only if there were evidence that prohibited funds were deposited in the single account. The Office of General Counsel finds no evidence that this occurred an therefore recommends no action be taken by the Commission in this regard.

RECOMMENDATIONS

1. Find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by making excessive contributions to Federal candidates.

2. Find reason to believe that the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. Take no action against the VSDFCC regarding the 2 U.S.C. §441b allegation for accepting transfers from committees which are suspected of having accepted prohibited funds. Take no action regarding the 11 C.F.R. §102.6(a)(2)(i) allegation.

3. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions and 2 U.S.C. §434b(a) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2) by failing to report the original source and conduit of earmarked transfers. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of having accepted prohibited funds.

4. Send attached letters.

ATTACHMENTS

1. Audit Referral Memo.
2. Letter to Wayne W. Jameson
3. Letter to Alan S. Frigon
4. Letter to Joseph F. Geiger
5. Letter to Robert M. Wilson
6. Letter to Maureen McNamara
7. Letter to Philip H. Hoff
8. Certification

A-299

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: BOB COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

   1) amend their reports to reflect the earmarking as required

   2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

   1) amend their reports to reflect the earmarking as required

   2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Wayne W. Jameson, Treasurer
Vermont State Democratic Federal
Campaign Committee
Box #100
Alburg, VT 05440

RE: MUR 652

Dear Mr. Jameson:

This letter is to notify you that on the basis of information ascertained in the ordinary course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe the Vermont State Democratic Federal Campaign Committee, ("VSDFCC") has violated the Federal Election Campaign Act, as amended, ("the Act").

Specifically, the Commission found reason to believe that the VSDFCC violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients, earmarked transfers and the parties involved in the earmarking of these monies.

Under 2 U.S.C. §441a(a)(8) any contribution made by a person, either directly or indirectly, on behalf of a particular candidate including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit shall be reported showing the original source, by the intermediary or conduit to the Commission and to the intended recipient.

The VSDFCC took out a number of loans in late 1976 which were endorsed by individuals who knew that the proceeds from these loans would be transferred to a particular candidate. (See attached list).

Under 2 U.S.C. §431(e)(5)(G) and §431(e)(1) a loan endorsement constitutes a loan from the endorser, and the definition of a contribution includes loan.

Thus the endorsement of these loans to the VSDFCC is a contribution to the VSDFCC by the endorser, however a contribution that is earmarked for transfer to a particular candidate.

These loan/transfer transactions should have been reported to the Commission and to the intended recipients as earmarked contributions from both the loan endorser and the VSDFCC. Failure to so report is a violation of 2 U.S.C. §441a(a)(8).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of these matters. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Alan S. Frigon, Treasurer
Burgess for Congress Committee
RFD #1
East Montpelier, Vermont 05651

RE: MUR 652

Dear Mr. Frigon:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that the Burgess for Congress Committee has violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money... to any [Federal] candidate [or] campaign committee.".

The Burgess for Congress Committee accepted three contributions of $25 apiece from the Hineburg Town Democratic Committee, the Norwich Town Democratic Committee and the Georgia Town Democratic Committee in October of 1976. None of these committees have registered or reported to the Commission.

Since corporate contributions and labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provisions of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Burgess for Congress Committee may not accept transfers from accounts or committees established by a State committee, subordinate committee of a State committee or another political committee except from a committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission has also found reason to believe the Burgess for Congress Committee violated 2 U.S.C. §441a(f) by accepting an excessive contribution from Philip H. Hoff. On October 5, 1978 Mr. Hoff contributed $100 to the Burgess for Congress Committee. About October 18, 1976 Mr. Hoff endorsed a loan of $1,000 to the Vermont State Democratic Federal Campaign Committee at the request of John Burgess. This endorsement arrangement included an agreement that the Burgess for Congress Committee would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Mr. Hoff's endorsement of the $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b), earmarking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsement of Philip Hoff was in fact a contribution earmarked by him and the Vermont State Democratic Federal Campaign Committee for John Burgess which counted toward the general election contribution limits for 1976 of both contributors.

By accepting the $1,000 earmarked transfer from Philip Hoff and the Vermont State Democratic Federal Campaign Committee plus the $100 contribution from Philip Hoff, the Burgess for Congress Committee accepted an excessive contribution from Philip Hoff in violation of 2 U.S.C. §441a(f).

2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit, (in this case Philip Hoff and the Vermont State Democratic Federal Campaign Committee). Failure of the Burgess for Congress Committee to so report this contribution constitutes a violation of 2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2).

Upon making a determination that there is reason to believe that a violation have occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: John All Burgess
P.O. Box 766
Montpelier, VT 05602

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Joseph F. Geiger
Treasurer, Salmon for Vermont
P.O. Box 19
Cambridgeport, VT. 05141

RE: MUR 652

Dear Mr. Geiger:

This letter is to inform you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that Salmon for Vermont violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money ... to any [Federal] candidate [or] campaign committee.".

Salmon for Vermont accepted a contribution of $100 apiece from the Barre Town Democratic Committee and the Georgia Town Democratic Committee as well as a $380 contribution from the Rockingham Town Committee, all in October and November, 1976. None of these committees have registered or reported with the Commission.

Since corporate & labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provision of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Salmon for Vermont may not accept transfers from accounts or committees established by a

State committee, subordinate committee of a State committee or another political committee except from a political committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission also found reason to believe Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions from Maureen McNamara and Robert M. Wilson. On September 20, 1976, Salmon for Vermont received contributions for $50 from each of these individuals. On or about October 20, 1976, Ms. McNamara and Mr. Wilson each endorsed a loan of $1000 to the Vermont State Democratic Federal Campaign Committee, ("VSDFCC"), at the request of Thomas Salmon. This endorsement arrangement also included an agreement that Salmon for Vermont would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Ms. McNamara's and Mr. Wilson's endorsement of each $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b) earmaking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsements of Mr. McNamara and Mr. Wilson were, in fact, contributions earmarked by each of these individuals and the VSDFCC for Thomas Salmon, which counted toward the general election contribution limits for 1976 of these contributors.

By accepting the $1000 earmarked transfer from Ms. McNamara and the VSDFCC plus her $50 contribution and the $1,000 earmarked transfer from Mr. Wilson and the VSDFCC plus his $50 contribution, Salmon for Vermont accepted excessive contributions from both Ms. McNamara and Mr. Wilson in violation of 2 U.S.C. §441a(f).

2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit,(in these cases Ms. McNamara and the VSDFCC and Mr. Wilson along with the VSDFCC). Failure of Salmon for Vermont to so report these contributions/transfers is a violation of 2 U.S.C. §434b (2) as interpreted by 11 C.F.R. §110.6(a)(b) and (d)(2).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: Thomas P. Salmon
24 Atkinson St.
Bellows Fall, VT 05101

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert M. Wilson
276 College St.
Burlington, VT. 05401

RE: MUR 652

Dear Mr. Wilson:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont, in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Maureen McNamara
14 Summit St
Burlington, VT 05401

RE: MUR 652

Dear Ms. McNamara:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Philip H. Hoff
214 Prospect Parkway
Burlington, VT 05401

Re: MUR 652

Dear Mr. Hoff:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities the Federal Election Commission has determined that it has reason to believe that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 18, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to the Burgess for Congress Committee, in addition to making a $100 contribution to the Burgess for Congress Committee on October 5, 1976.

Under 2 U.S.C. § 431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers of guarantors. Further, a loan comes under the statutory definition of contribution as found in 2 U.S.C. § 431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that Committee. However the Commission was informed that candidate Burgess arranged for your endorsement of the loan. In light of this fact, it would appear that you knew that the Burgess for Congress Committee would ultimately receive the proceeds of this loan so that your contribution to the VSDFCC was made in order to benefit the Burgess for Congress Committee.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office and his authorized committee [2 U.S.C. § 441a(a)(1)(A)], all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit to such candidate, shall be treated as contributions from such person to such candidate. 2 U.S.C. § 441a(a)(8).

Since you also contributed $100 to the Burgess for Congress Committee in October, 1976 you have exceeded the statutory $1,000 contribution limit for the 1976 general election of candidate Burgess.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within 10 days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. § 437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202-523-4040 or toll free number 800-424-9530).

Sincerely,

William C. Oldaker
General Counsel

A-299

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: BOB COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

1) amend their reports to reflect the earmarking as required

2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

1) amend their reports to reflect the earmarking as required

2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE VERMONT STATE DEMOCRATIC COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Vermont State Democratic Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy, to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(a)(8) of Title 2 of the United States Code, which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee registered with the Federal Election Commission on July 14, 1975 as the state committee representing the Democratic Party of Vermont. It maintained its headquarters in Burlington, Vermont.

The audit covered the period January 1, 1976 through March 18, 1977, the termination date of the Committee. The Committee filed Federal Election Commission Form 3a reports or the equivalent during this period.

This audit report is based on documents and working papers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Carolyn Adler, Chairperson during the period January 1, 1976 through January 27, 1977 and John Carnahan, Chairman during the period January 28, 1977 through March 18, 1977. The Treasurers of the Committee during the period covered by the audit were H. Clifford Dubie from the period January 1, 1976 through July 12, 1976, Irene Stewart during the period July 13, 1976 through September 28, 1976, and Wayne W. Jameson from September 29, 1976 through March 18, 1977.

C. Scope

The audit included such tests as verification of receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and, such other audit procedures as deemed necessary under the circumstances.

II. Auditor's Statement

Although our audit disclosed that the Committee did not receive or spend in excess of $1,000 from or for Federal candidates during the period covered by the audit, it is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that the reports and statements of the Vermont State Democratic Committee fairly present the financial activities of the Committee for the period covered by the audit. No material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

652

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

October 19, 1978

MEMORANDUM TO: Bob Costa

THROUGH: Orlando B. Potter

FROM: Bill Oldaker

RE: Vermont State Democratic Federal Campaign Committee

On October 12, 1978, the Commission voted to close MUR 652 and to direct the Audit Division to take the following actions in this matter:

1) To send a letter to the Vermont State Democratic Federal Campaign Committee directing this committee to inform the Burgess for Congress Committee and Salmon for Vermont to refund contributions received in excess of limits as reported in MUR 652.

2) To direct the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarked transfers and notify the recipient of these transfers of the earmarking.

3) To recommend to the Commission in conjunction with the Office of General Counsel and the Reports Analysis Division procedures for the handling of potential 2 U.S.C. § 441b violations.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 652

Date Filmed 12/19/78 Camera No. --- 2

Cameraman SPC

7801104214

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 652

Date Filmed 1/26/79 Camera No. --- 2

Cameraman BPC

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 652 (78)
Vermont State Democratic Federal)
Campaign Committee, et al)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that in Executive Session on October 12, 1978, the Commission took the following actions in MUR 652 (78):

1. Determined by a vote of 6-0 to direct the Audit Division to send a letter to the Vermont State Democratic Federal Campaign Committee to refund contributions in excess of the limits as reported in MUR 652 (78).

2. Determined by a vote of 6-0 to direct the Audit Division to notify the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarking, and that the Committee be requested to notify the recipient candidates that there was earmarking.

3. Determined by a vote of 6-0 to close the file in MUR 652 (78).

4. Determined by a vote of 6-0 to direct the Audit Division to work with the Office of the General Counsel and the Reports Analysis Division to submit a recommendation to the Commission for procedures involving potential violations of 2 U.S.C. §441b.

Attest:

10/13/78
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

7 9 0 4 0 0 9 3 5 5 5

FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL
BY OGC TO COMMISSION 78 OCT 2 P3:13 OCT 2 1978

MUR NO. 652
STAFF MEMBER(S) Lindsay

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENT'S NAME: Vermont State Democratic Federal Campaign Committee
Burgess for Congress Committee
Salmon for Vermont
Philip H. Hoff, Maureen McNamara, Robert M. Wilson

RELEVANT STATUTE: 2 U.S.C. §441a(a)(8), 2 U.S.C. §441a(a)(1)(A), 2 U.S.C. §441a(f), 2 U.S.C. §441b, 2 U.S.C. §434b(2), 11 C.F.R. §110.6(a)(b) and (d), §102.6(a)(2)(i)

INTERNAL REPORTS CHECKED: Audit Findings and Candidate's Reports of Receipts and Expenditures. (See attached Audit Referral)

FEDERAL AGENCIES CHECKED: None

GENERATION OF MATTER

This matter was referred to the Office of General Counsel on the basis of findings made by the auditors during the audit of the Vermont State Democratic Federal Campaign Committee.

SUMMARY OF ALLEGATIONS

That Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of $1000 in a calendar year to a candidate for Federal office.

That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting contributions in excess of $1,000 from an individual in a calendar year. That the Burgess for Congress Committee and Salmon for Vermont failed to report the original source and conduit of earmarked transfers in violation of 2 U.S.C. §434b(2)as interpreted by 11 C.F.R.§110.6(a),(b) and (d)(2). That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions.

That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization.contributions. That the Vermont State Democratic Federal Campaign Committee violated 11 C.F.R. §102.6(a)(2)(i) by failing to establish a separate segregated account until three months after its registration as a political committee.

PRELIMINARY LEGAL ANALYSIS

During the course of auditing the Vermont State Democratic Federal Campaign Committee, ("the VSDFCC"), the auditors found that the VSDFCC had arranged for eight (8) $1,000 loans, the proceeds of which were contributed to two Federal candidates: $5,000 to the Burgess for Congress Committee; and $3,000 to Salmon for Vermont.

According to the VSDFCC, the endorsers for these loans were arranged by the candidates who were to receive the proceeds.

Under 11 C.F.R. §110.6(b), earmarking is a designation, instruction or encumbrance, (including those which are direct or indirect, express or implied, oral or written,) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or candidate's authorized committee.

Since the endorsers consented to endorse these particular loans with a specific candidate in mind, the transfers of the proceeds of these loans, were in fact earmarked by the endorsers and the VSDFCC and were therefore contributions from the endorsers and the VSDFCC which count toward the general election contribution limits for both in 1976.

The VSDFCC reported the loans, disclosing the endorsers on the loan schedule. The candidates who received the proceeds were reported on a schedule of transfers-out. No earmarking was evident from the VSDFCC's reports, nor was the earmarking indicated to the recipient committees in violation of 2 U.S.C. §441a(a)(8). The candidate committees reported these transfers as received from the VSDFCC.

Three of the endorsers exceeded their contribution limits in violation of 2 U.S.C. §441a(a)(1)(A) by making other general election contributions to the candidates who received their earmarked transfer.

1. Philip H. Hoff contributed $100 in addition to the earmarked $1000 loan he endorsed on behalf of Burgess.

2. Maureen McNamara contributed $50 in addition to the earmarked $100 loan she endorsed on behalf of Salmon.

3. Robert M. Wilson contributed $50 in addition to the earmarked $1000 loan which he endorsed on behalf of Salmon.

The Office of General Counsel recommends the Commission find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of their limits to a Federal candidate. The Office of General Counsel also recommends that the Commission find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting these excessive contributions and 2 U.S.C. §434(b)(2) as interpreted by 11 C.F.R. §110.6(a), (b) and d(2) by failing to report the original contributor as well as the conduit of earmarked contributions. Although

the transfers received from the VSDFCC showed no facial indication of their having been earmarked, the Treasurers of the recipient committees presumably would have been aware of the fact that their candidates arranged to find endorsers for loans to the VSDFCC, the proceeds of which would be transferred to the candidate's committee.

In MURS 623 and 655, the Commission found reason to believe that a political committee which accepts contributions from unregistered party units, that probably maintain single accounts in a state where corporate/ labor organization contributions are legal, is in violation of 2 U.S.C. § 441b for accepting prohibited funds.

During the course of auditing the VSDFCC, the auditors reviewed the reported receipts of the Democratic Federal candidates in Vermont to check for receipt of excessive contributions from affiliated committees. Although no excessive contributions were found, the Office of General Counsel notes that Burgess for Congress Committee accepted three transfers of $25 each from unregistered local, Vermont Democratic town committees. Also the Salmon for Vermont Committee accepted three contributions totaling $580 from unregistered, local Vermont Democratic town committees. The VSDFCC itself accepted two contributions totaling $100 from these types of committees, which were refunded by the Committee when the auditors advised that the sources of these monies would have to be traced to establish whether or not they contained prohibited funds. The committee believed such a trace would be at best difficult if not inconclusive, so refunds were made.

These unregistered committees in all likelihood maintain one account into which is deposited all contributions including presumably corporate and labor organization contributions which are legal for state purposes in Vermont. Therefore, the Office of General Counsel recommends that, consistent with previous findings, the Commission find reason to believe Burgess for Congress and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of accepting corporate and labor organization contributions. With regard to the VSDFCC, the Office of General Counsel recommends that the Commission take no action in connection with their acceptance of two transfers totaling $100 from town committees. According to the Commission's policy approved July 26, 1978, regarding apparent corporate/ labor organization contributions, the Commission would find reason to believe the VSDFCC violated 441b but take no further action if the contributions were refunded. In this case, with transfers which are suspected of containing corporate/labor funds, the Office of General Counsel recommends no finding be made against the VSDFCC because refunds have been made and the violation, if any, is de minimis.

Although the VSDFCC registered with the FEC on October 20, 1976, this committee shared a single account with its parent organization, the Vermont State Democratic Committee, for approximately three months before establishing a separate, segregated account. During this three month period, however, all federal activity conducted from this account was reported by the VSDFCC and no prohibited funds appear to have been accepted or deposited by either committee into the single account. Failure of the VSDFCC to establish a separate, segregated account until three months after registering as a political committee would be a violation of

11 C.F.R. §102.6(a)(2)(i) only if there were evidence that prohibited funds were deposited in the single account. The Office of General Counsel finds no evidence that this occurred an therefore recommends no action be taken by the Commission in this regard.

RECOMMENDATIONS

1. Find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by making excessive contributions to Federal candidates.

2. Find reason to believe that the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. Take no action against the VSDFCC regarding the 2 U.S.C. §441b allegation for accepting transfers from committees which are suspected of having accepted prohibited funds. Take no action regarding the 11 C.F.R. §102.6(a)(2)(i) allegation.

3. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions and 2 U.S.C. §434b(a) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2) by failing to report the original source and conduit of earmarked transfers. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of having accepted prohibited funds.

4. Send attached letters.

ATTACHMENTS

1. Audit Referral Memo.
2. Letter to Wayne W. Jameson
3. Letter to Alan S. Frigon
4. Letter to Joseph F. Geiger
5. Letter to Robert M. Wilson
6. Letter to Maureen McNamara
7. Letter to Philip H. Hoff
8. Certification

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 652 (78)
Vermont State Democratic Federal	)	
Campaign Committee, et al	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that in Executive Session on October 12, 1978, the Commission took the following actions in MUR 652 (78):

1. Determined by a vote of 6-0 to direct the Audit Division to send a letter to the Vermont State Democratic Federal Campaign Committee to refund contributions in excess of the limits as reported in MUR 652 (78).

2. Determined by a vote of 6-0 to direct the Audit Division to notify the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarking, and that the Committee be requested to notify the recipient candidates that there was earmarking.

3. Determined by a vote of 6-0 to close the file in MUR 652 (78).

4. Determined by a vote of 6-0 to direct the Audit Division to work with the Office of the General Counsel and the Reports Analysis Division to submit a recommendation to the Commission for procedures involving potential violations of 2 U.S.C. §441b.

Attest:

10/13/78
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

MEMORANDUM TO: CHARLES STEELE

FROM: MARJORIE W. EMMONS mwe

SUBJECT: MUR 652 - First General Counsel's Report dated 10-2-78 Received in Office of Commission Secretary: 10-2-78 3:13

DATE: OCTOBER 5, 1978

The above-named document was circulated on a 48 hour vote basis at 11:30 October 3, 1978.

Commissioner Staebler submitted an objection at 2:42, October 4, 1978, thereby placing MUR 652 on the Agenda for Executive Session for October 12, 1978.

A copy of Commissioner Staebler's vote sheet is attached.

ATTACHMENT:
Copy of Vote Sheet

cc: Commissioner Staebler

7904109355 9

48 HOUR TALLY SHEET

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FEDERAL ELECTION COMMISSION

78 OCT 4 P2: 42

1325 K STREET N.W.
WASHINGTON, D.C. 20463

Date and Time Transmitted: Oct. 3, 1978 - 11:3

Commissioner Staebler

RETURN TO OFFICE OF COMMISSION SECRETARY BY: OCTOBER 5, 1978 - 11:3

MUR No. 652 - First General Counsel's Report dated 10-2-78

( ) I approve the recommendation

(X) I object to the recommendation

COMMENTS: AS TO 1 ON GROUNDS OF DE MINIMUS
FIRST 1/2 OF 2 "
3) AS TO 441a (4) "
AS TO LAST SENTENCE

Date: 10/3/78 Signature: [signature]

THE OFFICE OF GENERAL COUNSEL WILL TAKE NO ACTION IN THIS MATTER UNTIL THE APPROVAL OF FOUR COMMISSIONERS IS RECEIVED. PLEASE RETURN ALL PAPERS NO LATER THAN THE DATE AND TIME SHOWN ABOVE TO THE OFFICE OF COMMISSION SECRETARY. ONE OBJECTION PLACES THE ITEM ON THE EXECUTIVE SESSION AGENDA.

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October [illegible], 1978

MEMORANDUM TO: Marge Emmons

FROM: Alice T. Carr

SUBJECT: MUR 652

Please have the attached Policy General Counsel's Report on MUR 652 distributed to the Commission on a 48 hour tally basis.

Thank you.

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FEDERAL ELECTION COMMISSION

RECEIVED
OFFICE OF THE
COMMISSION SECRETARY

FIRST GENERAL COUNSEL'S REPORT

DATE AND TIME OF TRANSMITTAL
BY OGC TO COMMISSION 10 OCT 2 PM 1:13 OCT 2 1978

MUR NO. 652
STAFF MEMBER(S) Lindsay

SOURCE OF MUR: INTERNALLY GENERATED

RESPONDENT'S NAME: Vermont State Democratic Federal Campaign Committee
Burgess for Congress Committee
Salmon for Vermont
Philip H. Hoff, Maureen McNamara, Robert M. Wilson

RELEVANT STATUTE: 2 U.S.C. §441a(a)(8), 2 U.S.C. §441a(a)(1)(A), 2 U.S.C. §441a(f), 2 U.S.C. §441b, 2 U.S.C. §434b(2), 11 C.F.R. §110.6(a)(b) and (d), §102.6(a)(2)(i)

INTERNAL REPORTS CHECKED: Audit Findings and Candidate's Reports of Receipts and Expenditures. (See attached Audit Referral)

FEDERAL AGENCIES CHECKED: None

GENERATION OF MATTER

This matter was referred to the Office of General Counsel on the basis of findings made by the auditors during the audit of the Vermont State Democratic Federal Campaign Committee.

SUMMARY OF ALLEGATIONS

That Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of $1000 in a calendar year to a candidate for Federal office.

That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting contributions in excess of $1,000 from an individual in a calendar year. That the Burgess for Congress Committee and Salmon for Vermont failed to report the original source and conduit of earmarked transfers in violation of 2 U.S.C. §434b(2)as interpreted by 11 C.F.R.§110.6(a),(b) and (d)(2). That the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions.

That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. That the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441b by accepting transfers from town committees suspected of having accepted corporate/labor organization contributions. That the Vermont State Democratic Federal Campaign Committee violated 11 C.F.R. §102.6(a)(2)(i) by failing to establish a separate segregated account until three months after its registration as a political committee.

PRELIMINARY LEGAL ANALYSIS

During the course of auditing the Vermont State Democratic Federal Campaign Committee, ("the VSDFCC"), the auditors found that the VSDFCC had arranged for eight (8) $1,000 loans, the proceeds of which were contributed to two Federal candidates: $5,000 to the Burgess for Congress Committee; and $3,000 to Salmon for Vermont.

According to the VSDFCC, the endorsers for these loans were arranged by the candidates who were to receive the proceeds.

Under 11 C.F.R. §110.6(b), earmarking is a designation, instruction or encumbrance, (including those which are direct or indirect, express or implied, oral or written,) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or candidate's authorized committee.

Since the endorsers consented to endorse these particular loans with a specific candidate in mind, the transfers of the proceeds of these loans, were in fact earmarked by the endorsers and the VSDFCC and were therefore contributions from the endorsers and the VSDFCC which count toward the general election contribution limits for both in 1976.

The VSDFCC reported the loans, disclosing the endorsers on the loan schedule. The candidates who received the proceeds were reported on a schedule of transfers-out. No earmarking was evident from the VSDFCC's reports, nor was the earmarking indicated to the recipient committees in violation of 2 U.S.C. §441a(a)(8). The candidate committees reported these transfers as received from the VSDFCC.

Three of the endorsers exceeded their contribution limits in violation of 2 U.S.C. §441a(a)(1)(A) by making other general election contributions to the candidates who received their earmarked transfer.

1. Philip H. Hoff contributed $100 in addition to the earmarked $1000 loan he endorsed on behalf of Burgess.

2. Maureen McNamara contributed $50 in addition to the earmarked $100 loan she endorsed on behalf of Salmon.

3. Robert M. Wilson contributed $50 in addition to the earmarked $1000 loan which he endorsed on behalf of Salmon.

The Office of General Counsel recommends the Commission find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by contributing in excess of their limits to a Federal candidate. The Office of General Counsel also recommends that the Commission find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting these excessive contributions and 2 U.S.C. §434(b)(2) as interpreted by 11 C.F.R. §110.6(a), (b) and d(2) by failing to report the original contributor as well as the conduit of earmarked contributions. Although

the transfers received from the VSDFCC showed no facial indication of their having been earmarked, the Treasurers of the recipient committees presumably would have been aware of the fact that their candidates arranged to find endorsers for loans to the VSDFCC, the proceeds of which would be transferred to the candidate's committee.

In MURS 623 and 655, the Commission found reason to believe that a political committee which accepts contributions from unregistered party units, that probably maintain single accounts in a state where corporate/ labor organization contributions are legal, is in violation of 2 U.S.C. § 441b for accepting prohibited funds.

During the course of auditing the VSDFCC, the auditors reviewed the reported receipts of the Democratic Federal candidates in Vermont to check for receipt of excessive contributions from affiliated committees. Although no excessive contributions were found, the Office of General Counsel notes that Burgess for Congress Committee accepted three transfers of $25 each from unregistered local, Vermont Democratic town committees. Also the Salmon for Vermont Committee accepted three contributions totaling $580 from unregistered, local Vermont Democratic town committees. The VSDFCC itself accepted two contributions totaling $100 from these types of committees, which were refunded by the Committee when the auditors advised that the sources of these monies would have to be traced to establish whether or not they contained prohibited funds. The committee believed such a trace would be at best difficult if not inconclusive, so refunds were made.

These unregistered committees in all likelihood maintain one account into which is deposited all contributions including presumably corporate and labor organization contributions which are legal for state purposes in Vermont. Therefore, the Office of General Counsel recommends that, consistent with previous findings, the Commission find reason to believe Burgess for Congress and Salmon for Vermont violated 2 U.S.C. 441b by accepting contributions from committees which are suspected of accepting corporate and labor organization contributions. With regard to the VSDFCC, the Office of General Counsel recommends that the Commission take no action in connection with their acceptance of two transfers totaling $100 from town committees. According to the Commission's policy approved July 26, 1978, regarding apparent corporate/ labor organization contributions, the Commission would find reason to believe the VSDFCC violated 441b but take no further action if the contributions were refunded. In this case, with transfers which are suspected of containing corporate/labor funds, the Office of General Counsel recommends no finding be made against the VSDFCC because refunds have been made and the violation, if any, is de minimis.

Although the VSDFCC registered with the FEC on October 20, 1976, this committee shared a single account with its parent organization, the Vermont State Democratic Committee, for approximately three months before establishing a separate, segregated account. During this three month period, however, all federal activity conducted from this account was reported by the VSDFCC and no prohibited funds appear to have been accepted or deposited by either committee into the single account. Failure of the VSDFCC to establish a separate, segregated account until three months after registering as a political committee would be a violation of

11 C.F.R. §102.6(a)(2)(i) only if there were evidence that prohibited funds were deposited in the single account. The Office of General Counsel finds no evidence that this occurred an therefore recommends no action be taken by the Commission in this regard.

RECOMMENDATIONS

1. Find reason to believe that Philip H. Hoff, Maureen McNamara and Robert M. Wilson violated 2 U.S.C. §441a(a)(1)(A) by making excessive contributions to Federal candidates.

2. Find reason to believe that the Vermont State Democratic Federal Campaign Committee violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients earmarked transfers and their original source. Take no action against the VSDFCC regarding the 2 U.S.C. §441b allegation for accepting transfers from committees which are suspected of having accepted prohibited funds. Take no action regarding the 11 C.F.R. §102.6(a)(2)(i) allegation.

3. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions and 2 U.S.C. §434b(a) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2) by failing to report the original source and conduit of earmarked transfers. Find reason to believe that the Burgess for Congress Committee and Salmon for Vermont violated 2 U.S.C. §441b by accepting contributions from committees which are suspected of having accepted prohibited funds.

4. Send attached letters.

ATTACHMENTS

1. Audit Referral Memo.
2. Letter to Wayne W. Jameson
3. Letter to Alan S. Frigon
4. Letter to Joseph F. Geiger
5. Letter to Robert M. Wilson
6. Letter to Maureen McNamara
7. Letter to Philip H. Hoff
8. Certification

A-299

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: ROB COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

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In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

1) amend their reports to reflect the earmarking as required

2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

1) amend their reports to reflect the earmarking as required

2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Wayne W. Jameson, Treasurer
Vermont State Democratic Federal
Campaign Committee
Box #100
Alburg, VT 05440

RE: MUR 652

Dear Mr. Jameson:

This letter is to notify you that on the basis of information ascertained in the ordinary course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe the Vermont State Democratic Federal Campaign Committee, ("VSDFCC") has violated the Federal Election Campaign Act, as amended, ("the Act").

Specifically, the Commission found reason to believe that the VSDFCC violated 2 U.S.C. §441a(a)(8) by failing to report to the Commission and to the intended recipients, earmarked transfers and the parties involved in the earmarking of these monies.

Under 2 U.S.C. §441a(a)(8) any contribution made by a person, either directly or indirectly, on behalf of a particular candidate including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit shall be reported showing the original source, by the intermediary or conduit to the Commission and to the intended recipient.

The VSDFCC took out a number of loans in late 1976 which were endorsed by individuals who knew that the proceeds from these loans would be transferred to a particular candidate. (See attached list).

Under 2 U.S.C. §431(e)(5)(G) and §431(e)(1) a loan endorsement constitutes a loan from the endorser, and the definition of a contribution includes loan.

Thus the endorsement of these loans to the VSDFCC is a contribution to the VSDFCC by the endorser, however a contribution that is earmarked for transfer to a particular candidate.

These loan/transfer transactions should have been reported to the Commission and to the intended recipients as earmarked contributions from both the loan endorser and the VSDFCC. Failure to so report is a violation of 2 U.S.C. §441a(a)(8).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of these matters. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
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P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Alan S. Frigon, Treasurer
Burgess for Congress Committee
RFD #1
East Montpelier, Vermont 05651

RE: MUR 652

Dear Mr. Frigon:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that the Burgess for Congress Committee has violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money... to any [Federal] candidate [or] campaign committee.".

The Burgess for Congress Committee accepted three contributions of $25 apiece from the Hineburg Town Democratic Committee, the Norwich Town Democratic Committee and the Georgia Town Democratic Committee in October of 1976. None of these committees have registered or reported to the Commission.

Since corporate contributions and labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provisions of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Burgess for Congress Committee may not accept transfers from accounts or committees established by a State committee, subordinate committee of a State committee or another political committee except from a committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission has also found reason to believe the Burgess for Congress Committee violated 2 U.S.C. §441a(f) by accepting an excessive contribution from Philip H. Hoff. On October 5, 1978 Mr. Hoff contributed $100 to the Burgess for Congress Committee. About October 18, 1976 Mr. Hoff endorsed a loan of $1,000 to the Vermont State Democratic Federal Campaign Committee at the request of John Burgess. This endorsement arrangement included an agreement that the Burgess for Congress Committee would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Mr. Hoff's endorsement of the $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b), earmarking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of, a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsement of Philip Hoff was in fact a contribution earmarked by him and the Vermont State Democratic Federal Campaign Committee for John Burgess which counted toward the general election contribution limits for 1976 of both contributors.

By accepting the $1,000 earmarked transfer from Philip Hoff and the Vermont State Democratic Federal Campaign Committee plus the $100 contribution from Philip Hoff, the Burgess for Congress Committee accepted an excessive contribution from Philip Hoff in violation of 2 U.S.C. §441a(f).

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2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit, (in this case Philip Hoff and the Vermont State Democratic Federal Campaign Committee). Failure of the Burgess for Congress Committee to so report this contribution constitutes a violation of 2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(a), (b) and (d)(2).

Upon making a determination that there is reason to believe that a violation have occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: John All Burgess
P.O. Box 766
Montpelier, VT 05602

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Joseph F. Geiger
Treasurer, Salmon for Vermont
P.O. Box 19
Cambridgeport, VT. 05141

RE: MUR 652

Dear Mr. Geiger:

This letter is to inform you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that it has reason to believe that Salmon for Vermont violated 2 U.S.C. §§441b, 441a(f) and 434b(2) as interpreted by 11 C.F.R. §110.6(d)(2).

Under 2 U.S.C. §441b, it is unlawful for a political committee to accept or receive contributions from corporations and/or labor organizations. For purposes of this prohibition, the term "contribution" is defined to include "any direct or indirect payment... or gift of money ... to any [Federal] candidate [or] campaign committee.".

Salmon for Vermont accepted a contribution of $100 apiece from the Barre Town Democratic Committee and the Georgia Town Democratic Committee as well as a $380 contribution from the Rockingham Town Committee, all in October and November, 1976. None of these committees have registered or reported with the Commission.

Since corporate & labor organization contributions are legal in Vermont for purposes of State elections, and since the above-named committees likely maintained only one account into which all contributions were deposited including presumably corporate and labor organization contributions, the transfers from these committees could represent indirect contributions of prohibited funds.

Your attention is directed to the provision of 11 C.F.R. §102.6(b). Under this section of the Commission's Regulations, committees such as the Salmon for Vermont may not accept transfers from accounts or committees established by a

State committee, subordinate committee of a State committee or another political committee except from a political committee or account which maintains a separate, segregated Federal account or which accepts only contributions which are permissible under the Federal Election Campaign Act and whose contributors are informed of the Federal contribution limitations and prohibitions.

The Commission also found reason to believe Salmon for Vermont violated 2 U.S.C. §441a(f) by accepting excessive contributions from Maureen McNamara and Robert M. Wilson. On September 20, 1976, Salmon for Vermont received contributions for $50 from each of these individuals. On or about October 20, 1976, Ms. McNamara and Mr. Wilson each endorsed a loan of $1000 to the Vermont State Democratic Federal Campaign Committee, ("VSDFCC"), at the request of Thomas Salmon. This endorsement arrangement also included an agreement that Salmon for Vermont would receive the proceeds of this loan.

Under 2 U.S.C. §§431(e)(5)(G) and 431(e)(1), a loan endorsement constitutes a loan from the endorser. Moreover, a loan comes under the definition of a contribution. Thus Ms. McNamara's and Mr. Wilson's endorsement of each $1,000 loan was a contribution to the Vermont State Democratic Federal Campaign Committee. However, this contribution was made with the understanding that the proceeds of the loan would be handed over to your committee. Under 11 C.F.R. §110.6(a), all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore under 11 C.F.R. §110.6(b) earmaking means designation, instruction or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to, or expended on behalf of a clearly identified candidate or a candidate's authorized committee. In this way, the loan endorsements of Mr. McNamara and Mr. Wilson were, in fact, contributions earmarked by each of these individuals and the VSDFCC for Thomas Salmon, which counted toward the general election contribution limits for 1976 of these contributors.

By accepting the $1000 earmarked transfer from Ms. McNamara and the VSDFCC plus her $50 contribution and the $1,000 earmarked transfer from Mr. Wilson and the VSDFCC plus his $50 contribution, Salmon for Vermont accepted excessive contributions from both Ms. McNamara and Mr. Wilson in violation of 2 U.S.C. §441a(f).

2 U.S.C. §434b(2) as interpreted by 11 C.F.R. §110.6(d)(2) requires that the recipient committee of an earmarked contribution shall report the contribution, indicating that the contribution is made by both the original contributor and the conduit, (in these cases Ms. McNamara and the VSDFCC and Mr. Wilson along with the VSDFCC). Failure of Salmon for Vermont to so report these contributions/transfers is a violation of 2 U.S.C. §434b (2) as interpreted by 11 C.F.R. §110.6(a)(b) and (d)(2).

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit within ten days of receipt of this letter any factual or legal materials which you deem relevant to the Commission's investigation of this matter.

Specifically, please advise us of what efforts your committee made to ensure that transfers from unregistered, unreporting town committees did not contain prohibited funds.

Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free 800/424-9530 ext. 50).

Sincerely,

William C. Oldaker
General Counsel

cc: Thomas P. Salmon
24 Atkinson St.
Bellows Fall, VT 05101

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert M. Wilson
276 College St.
Burlington, VT. 05401

RE: MUR 652

Dear Mr. Wilson:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont, in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Maureen McNamara
14 Summit St
Burlington, VT 05401

RE: MUR 652

Dear Ms. McNamara:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities, the Federal Election Commission has determined that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 28, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to Salmon for Vermont in addition to making a $50 contribution to Salmon for Vermont on September 20, 1976.

Under 2 U.S.C. §431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers or guarantors. Further, a loan comes under the statutory definition of a contribution as found in 2 U.S.C. §431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that committee. However, the Commission was informed that candidate Salmon arranged for your endorsement of this loan and that part of the arrangement entailed Mr. Salmon's committee receiving the proceeds of the loan. In light of this fact, it would appear that you knew that Salmon for Vermont would ultimately receive the proceeds of this loan such that your contribution/loan endorsement to the VSDFCC was made in order to benefit Salmon for Vermont.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office or his authorized committee (2 U.S.C. §441a(a)(1)(A)) all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked

or otherwise directed through an intermediary or conduit to such candidate shall be treated as contributions from such person to such candidate. 2 U.S.C. §441a(a)(8).

Since you had already contributed $50 to Salmon for Vermont in September, 1976, you exceeded the statutory contribution limit for the 1976 general election of candidate Salmon.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within ten days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202/523-4040 or toll free number 800/424-9530).

Sincerely,

William C. Oldaker
General Counsel

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FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Philip H. Hoff
214 Prospect Parkway
Burlington, VT 05401

Re: MUR 652

Dear Mr. Hoff:

This letter is to notify you that on the basis of information ascertained in the normal course of carrying out its supervisory responsibilities the Federal Election Commission has determined that it has reason to believe that you have violated the Federal Election Campaign Act, as amended ("the Act"), in that you endorsed a loan for $1,000 dated October 18, 1976 to the Vermont State Democratic Federal Campaign Committee, the proceeds of which were contributed to the Burgess for Congress Committee, in addition to making a $100 contribution to the Burgess for Congress Committee on October 5, 1976.

Under 2 U.S.C. § 431(e)(5)(G), a loan from a national or state bank made in the ordinary course of business is a loan from each endorser or guarantor, in that proportion of the unpaid balance that each endorser or guarantor bears to the total number of endorsers of guarantors. Further, a loan comes under the statutory definition of contribution as found in 2 U.S.C. § 431(e)(1).

Therefore, by endorsing a loan to the VSDFCC you made a $1000 contribution to that Committee. However the Commission was informed that candidate Burgess arranged for your endorsement of the loan. In light of this fact, it would appear that you knew that the Burgess for Congress Committee would ultimately receive the proceeds of this loan so that your contribution to the VSDFCC was made in order to benefit the Burgess for Congress Committee.

For purposes of the $1000 aggregate contribution limit per election to a candidate for Federal office and his authorized committee [2 U.S.C. § 441a(a)(1)(A)], all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit to such candidate, shall be treated as contributions from such person to such candidate. 2 U.S.C. § 441a(a)(8).

Since you also contributed $100 to the Burgess for Congress Committee in October, 1976 you have exceeded the statutory $1,000 contribution limit for the 1976 general election of candidate Burgess.

Upon making a determination that there is reason to believe that a violation has occurred, the Commission is required to make an investigation and to afford you a reasonable opportunity to demonstrate that no action should be taken. As part of this process, please submit, within 10 days of receipt of this letter, any factual or legal materials which you deem relevant to the Commission's investigation of this matter. Failure to respond to this letter may cause the Commission to take further action based on the information at hand.

This letter of notification shall remain confidential in accordance with 2 U.S.C. § 437g(a)(3) unless you state to the Commission, in writing, that you wish the investigation to be made public. The staff member assigned to this matter is Clare Lindsay, (telephone number 202-523-4040 or toll free number 800-424-9530).

Sincerely,

William C. Oldaker
General Counsel

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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 14, 1978

MEMORANDUM

TO: BILL OLDAKER

THROUGH: ORLANDO B. POTTER
STAFF DIRECTOR

FROM: BOB COSTA/RICK HALTER

SUBJECT: AUDIT OF THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE-POSSIBLE VIOLATIONS OF 11 CFR 102.6 AND 110.3(b)(2)

During the audit of the Vermont State Democratic Federal Campaign Committee ("VSDFCC") the following matters were noted which are being referred to your office for legal analysis and opinion.

The audit of VSDFCC covered the period October 1, 1976, the beginning coverage date of the initial report filed by VSDFCC, through March 31, 1978, the final coverage date of the latest report filed at the time of the audit.

A. Possible Earmarked Contributions

Section 110.6(b) defines earmarking as a designation, instruction, or encumbrance (including those which are direct or indirect, express or implied, oral or written) which results in all or any part of a contribution or expenditure being made to or expended on behalf of a clearly identified candidate or a candidate's authorized committee.

In 1976, VSDFCC contracted for a total of eight (8) separate $1,000 loans to enable them to make transfers to candidates for Federal office. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

In their disclosure reports, VSDFCC reflected each of these loans on the schedule of debts and obligations owed by VSDFCC, each of the endorsers and amounts of these loans on a schedule of proceeds from loans and the candidates who ultimately received the proceeds of the loans on a schedule of transfers out. The candidates reflected the receipts as transfers in from VSDFCC in their disclosure reports.

The Treasurer of VSDFCC informed us that the endorser of each $1,000 loan was arranged for by the candidate who was to ultimately receive the proceeds of the loan.

Since the candidates arranged for the endorsers of the loans, it is apparent that the endorsers knew who would ultimately receive the loan proceeds. Therefore, it appears that the transfers by VSDFCC to the candidates were in effect earmarked by the endorsers for the candidates and constitute contributions to the candidates to be applied against each endorser's individual $1,000 contribution limitation for the 1976 general election. If this is the case, it appears that the $1,000 contribution limitation for the 1976 general election has been exceeded in three (3) instances (see Exhibit A).

Based on the above, it is our recommendation that:

a) VSDFCC be required to

1) amend their reports to reflect the earmarking as required

2) notify the respective candidates of the earmarking

b) the recipient candidates be required to

1) amend their reports to reflect the earmarking as required

2) refund the excessive contributions to the contributors and report these transactions as required. (see Exhibit A)

We shall so inform the VSDFCC, who will in turn inform the respective candidates, unless your analysis determines that an alternate approach is necessary.

B. Shared Checking Account

Section 102.6(a)(1)(i) of the Commission's Regulations states, that if a State committee, which intends to solicit, receive, or make contributions or expenditures in excess of $1,000, to, for, or on behalf of any candidate for Federal office, chooses to establish a separate Federal campaign committee it shall register as a political committee and establish a segregated Federal account.

VSDFCC registered with the FEC as a political committee on October 20, 1976 pursuant to Section 102.6(a)(1)(i). However, as a result of our review of VSDFCC bank statements and from a conversation with VSDFCC's Treasurer, it was noted that VSDFCC shared a single checking account with its parent organization, the Vermont State Democratic Committee ("VSDC") from 10/1/76 through 12/29/76. VSDC was registered with the FEC during this period, but was in the process of terminating.

Our review of the reports and records of both the VSDFCC and VSDC revealed that (1) only federal activity was reported by VSDFCC from the shared account, (2) VSDC filed FEC Form 3a or the equivalent for the period January 1, 1976 through September 30, 1976 and terminated on May 5, 1977. VSDC's termination notice was not accompanied by a report of receipts and expenditures (FEC Form 3) but did state that VSDC did not receive or spend in excess of $1,000 in support of Federal candidates and had no debts or obligations in connection with Federal candidates. It appears that neither committee accepted or deposited prohibited funds into this account. VSDFCC made transfers to Federal candidates from this account.

The Treasurer of VSDFCC informed us that since he was not sure whether the shared account was permissable, he opened a segregated account for VSDFCC in December of 1976.

Based on this information we believe that VSDFCC was in violation of Section 102.6(a)(1)(i) for not establishing a segregated account pursuant to this section until three (3) months after its organization.

However, since our audit work and related tests have given assurance that (1) VSDFCC reported all Federal related activity, (2) VSDFCC operated from an account containing funds permissable under the Act, (3) the unreported activity relating to the shared account was solely for state and/or local candidates undertaken at the direction of VSDC, we recommend that no action be taken against either VSDFCC or VSDC pertaining to this matter.

We request your concurrence on this matter or an alternate method of disposition as applicable.

Please find attached the audit report (proposed) of the VSDC for your review and comment.

C. Transfers by Subordinate State Party Committees

Section 110.3(b)(2)(ii) of the Commission's Regulations states that all contributions made by the political committees established, financed, maintained, or controlled by a State party committee and by subordinate State party committees shall be presumed to be made by one political committee. 1/

During the pre-audit review of candidate reports from the State of Vermont, it was noted that three (3) unregistered, local, Vermont Democratic committees transferred $25.00 each to John A. Burgess, Democratic candidate for the United States House of Representatives. In addition, VSDFCC transferred a total of $5,000 to Burgess. Each of these transfers were made after the date of the 1976 Vermont primary election. (see Exhibit B)

During the entrance conference, the Treasurer of VSDFCC informed us that these local committees were affiliates of VSDFCC and VSDC, but he did not keep track of their transfers to Federal candidates because this type of activity was minimal.

Based on this information it is our contention that VSDFCC, together with the three (3) affiliated subordinate committees, exceeded the single limitation of $5,000 per candidate, per election. The Candidate should be required to refund the excess portion ($75.00) to either VSDFCC or the local committees.

If you have any questions relating to the matters discussed above, please contact Rick Halter or Paula King at extension 3-4155.

1/ The presumption, as indicated by the facts at hand, is not rendered inoperative by 11 CFR 110.3(b)(2)(ii)(A) and (B).

Attachments as stated

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EXHIBIT A - CONTRIBUTION ANALYSIS

Endorser	Amount Endorsed	Candidate	Date of Loan 1/	Loan Repayments to Date	Date of Loan Repayments	Add'l Contributions to Candidate	Date of Add'l Contributions to Candidate	General Election Aggregate Per Endorser as of 10/28/76
R.E. Davis	$1,000	Burgess	10-12-76	$ 700	5-27-77	- 0 -		$1,000
J.C. Kenny	1,000	Burgess	10-14-76	700	5-27-77	- 0 -		1,000
P.H. Hoff	1,000	Burgess	10-18-76	700	5-27-77	100	10-05-76	1,100
C. Stewart	1,000	Burgess	10-21-76	700	5-27-77	- 0 -		1,000
J. Chatot	1,000	Burgess	10-22-76	1,000	5-27-77	- 0 -		1,000
M. McNamara	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050
S. Poger	1,000	Salmon	10-28-76	700	5-27-77	- 0 -		1,000
R.M. Wilson	1,000	Salmon	10-28-76	700	5-27-77	50	9-20-76	1,050

1/ Transfers of the loan proceeds to the candidates were made within two (2) days of the date the loan was made.

[redacted]

EXHIBIT B

GENERAL ELECTION TRANSFERS TO JOHN A. BURGESS 1/

(HOUSE OF REPRESENTATIVES D.-VT.)

Committee	Amount	Date
Vermont State Democratic Federal Campaign Committee	$1,000	10-13-76
	1,000	10-15-76
	1,000	10-20-76
	2,000	10-22-76
Hinesburg Town Democratic Committee	25	10-19-76
Norwich Town Democratic Committee	25	10-28-76
Georgia Town Democratic Committee	25	10-29-76
Total	$5,075	

1/ Vermont primary election was held on September 14, 1976.

FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE VERMONT STATE DEMOCRATIC COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Vermont State Democratic Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy, to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(a)(8) of Title 2 of the United States Code, which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee registered with the Federal Election Commission on July 14, 1975 as the state committee representing the Democratic Party of Vermont. It maintained its headquarters in Burlington, Vermont.

The audit covered the period January 1, 1976 through March 18, 1977, the termination date of the Committee. The Committee filed Federal Election Commission Form 3a reports or the equivalent during this period.

This audit report is based on documents and working papers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Carolyn Adler, Chairperson during the period January 1, 1976 through January 27, 1977 and John Carnahan, Chairman during the period January 28, 1977 through March 18, 1977. The Treasurers of the Committee during the period covered by the audit were H. Clifford Dubie from the period January 1, 1976 through July 12, 1976, Irene Stewart during the period July 13, 1976 through September 28, 1976, and Wayne W. Jameson from September 29, 1976 through March 18, 1977.

C. Scope

The audit included such tests as verification of receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and, such other audit procedures as deemed necessary under the circumstances.

II. Auditor's Statement

Although our audit disclosed that the Committee did not receive or spend in excess of $1,000 from or for Federal candidates during the period covered by the audit, it is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that the reports and statements of the Vermont State Democratic Committee fairly present the financial activities of the Committee for the period covered by the audit. No material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

October 19, 1978

MEMORANDUM TO: Bob Costa

THROUGH: Orlando B. Potter

FROM: Bill Oldaker

RE: Vermont State Democratic Federal Campaign Committee

On October 12, 1978, the Commission voted to close MUR 652 and to direct the Audit Division to take the following actions in this matter:

1) To send a letter to the Vermont State Democratic Federal Campaign Committee directing this committee to inform the Burgess for Congress Committee and Salmon for Vermont to refund contributions received in excess of limits as reported in MUR 652.

2) To direct the Vermont State Democratic Federal Campaign Committee to amend their disclosure reports to reflect earmarked transfers and notify the recipient of these transfers of the earmarking.

3) To recommend to the Commission in conjunction with the Office of General Counsel and the Reports Analysis Division procedures for the handling of potential 2 U.S.C. § 441b violations.

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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 652

Date Filmed 1/26/79 Camera No. --- 2

Cameraman GPC