



NEW YORK REPUBLICAN STATE COMMITTEE

ALEXANDER F. TREADWELL

Chairman

Ms. Retha Dixon
Docket Manager
Federal Election Commission
Washington, D.C. 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

2004 JUL 22 P 2 17

July 21, 2004

Dear Ms. Dixon:

Pursuant to your letter to Alexander F. Treadwell dated July 8, 2004 and our subsequent phone conversation, I have enclosed a corrected complaint. Specifically you have stated that the notary statement must contain both the registration number and the expiration date. As such, the complaint has been executed and notarized with all of the required notary information.

Thank you in advance for your consideration of this matter.

Sincerely

Jeffrey T. Buley
General Counsel

UNITED STATES SENATE
SELECT COMMITTEE ON ETHICS

In the Matter of

Alexander F. Treadwell

-against-

COMPLAINT

MUR # 5490

Charles E. Schumer, as a United
States Senator from the State of
New York

UNITED STATES SENATE
FEDERAL ELECTIONS COMMISSION

In the Matter of

Alexander F. Treadwell

-against-

COMPLAINT

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF THE
GENERAL
COUNSEL

2004 JUL 22 P 2 18

Friends of Schumer

-and-

Steven D. Goldenkranz, as treasurer of
Friends of Schumer

STATE OF NEW YORK)
) ss.:
COUNTY OF ALBANY)

Alexander F. Treadwell, being duly sworn, deposes and says as follows:

1. I am a resident of the State of New, qualified to vote in the 2004 General Election, reside in Essex County, New York, and am registered to vote from 61 Maple Way, Westport, New York. I submit this complaint based upon information and belief from newspaper reports that U.S. Senator Charles E. Schumer and his political committee, Friends of Schumer, have violated federal law.
2. According to press reports, the Office of Senator Charles Schumer admitted that on at least 35 occasions, taxpayer financed, U.S. government funds paid

for political and fundraising activities that benefited his campaign for US Senate. Senator Schumer's office reportedly stated the value of these payments to be approximately \$20,000 (See NY Times attached exhibit A.)

3. These acts constitute a violation of federal law. Official Federal government monies and resources may only be used for official purposes. This principle derives from 31 U.S.C. section 1301 (a) which provides that official government funds are to be used only for the official purposes for which they are appropriated. Consequently, it is unlawful to use official government monies and resources to conduct campaign or political activities. (See, e.g., 2003 Senate Ethics Manual p.153; <http://ethics.senate.gov>)
4. Furthermore, upon information and belief, these admitted violations are part of a developing pattern of illegal actions on the part of Friends of Schumer. As a result of a FEC initiated audit, in which Senator Schumer's political committee was investigated for accepting excessive contributions, failing to file 48-hour reports, misreporting fundraiser expenses and failing to report in-kind contributions, the FEC imposed a civil penalty upon Friends of Schumer. This was the most severe penalty ever imposed upon a senatorial candidate. (See attachment "B")
5. Expenditures made at the direction and for the benefit of a federal candidate which promote his candidacy must be paid with campaign funds for and reported by the candidate's principal campaign committee to the Federal Election Commission. See 2 U.S.C. section 434(b). As previously stated, Senator Schumer's office has admitted that approximately \$20,000 of government funds have unlawfully financed political and fundraising events. The Failure of Friends of Schumer to pay for and report theses expenditures constitutes a violation of Federal Election Law.
6. Upon information and belief, the majority of the hundreds of chartered flights taken by Senator Schumer involved mixed purpose travel (i.e. a trip that involves stops for campaign as well as official activities).
7. The 2003 Senate Ethics Manual states that the primary purpose of a trip must of course be official in nature to justify the use of official funds for the airfare.

If the purpose of the trip is to campaign for re-election, all expense associated with the trip must be paid with campaign (or personal) funds. Expenses for mixed-purpose trips, those involving stops for campaign as well as official activities may be pro-rated, to appropriately reflect the expenses associated with each segment of the trip. Under the Select Committee on Ethics rulings, expenses for such a mixed purpose trip may be pro-rated on a reasonable basis (i.e. proration should be based on an evaluation of the number, nature, length, and efforts dedicated to the various events) to accurately reflect the purposes of the trip. Alternatively, a Senator could use campaign or personal funds to pay for the entire cost of the trip. (see 2003 Senate Ethics Manual p.119 -120)

- 8 Upon information and belief, Senator Schumer rarely, if ever, chose to finance mixed purpose travel with his own campaign funds. Instead, he chose to avail himself to taxpayer monies by determining pro-rata shares for campaign and government business within his mixed purpose travel.
9. Due to the large amounts of taxpayer monies spent, an inquiry into Senator Schumer's travel expense must focus on the "reasonableness" of the pro-rated shares for campaign and government business within his mixed purpose travel.
10. The Senate Ethics Committee Manual states that "proration should be based on an evaluation of the number, nature, length, and efforts dedicated to the various events". Other questions that should be asked include, but are not limited to:
 - (a) Were campaign events in a region routinely scheduled prior to government events?
 - (b) How substantive and timely were the government events that took place in conjunction with the campaign events?
 - (c) Were government events produced and/or manipulated in order to finance and subsidize campaign activity?

(d) Did the committee retain the records on which such travel expense determinations and allocations were based as required by regulation? See 11 CFR 104.14

(e) Did the committee keep a list of all passengers on each trip, along with a designation of which passengers were and were not campaign related? See FEC AO 1984 – 48.

11. Based upon these admissions, the United States Senate Select Committee on Ethics and the Federal Election Commission should take disciplinary and remedial actions against Senator Charles Schumer and the Friends of Schumer political committee to ensure that taxpayer resources are not used for private benefit and political gain in violation of federal law and Senate Rules.

12. Furthermore, and most importantly, base upon these admitted violations of federal law, I hereby request a thorough and objective audit and analysis of the government funded travel expenses of Senator Charles Schumer to determine the scope of these violations and to remedy further violations that may fit this pattern of conduct.

13. According to publicly available sources, it has been reported that over \$400,000 of taxpayer monies have paid for over 600 chartered air flights for Senator Schumer – a substantial sum that should be used for the general welfare of the American people and not the private political ambitions of Senator Schumer.

14. Due to the amount of taxpayer money at issue in this matter, it is respectfully submitted that the reported investigation of Senator Schumer, undertaken by Senator Schumer's staff and at his request, does not sufficiently serve the ends of justice. A formal investigation of the Senate Ethics Committee and the Federal Elections Commission is warranted.

15. In conclusion, based upon the aforementioned facts, I respectfully request that the United States Senate Select Committee on Ethics and the Federal Elections Commission take the following actions:

6-6

- (a) discipline Senator Charles Schumer and the Friends of Schumer political committee, based upon their admitted violations of federal law;
- (b) Conduct a thorough and objective audit and analysis of the government funded travel expenses of Senator Charles Schumer.

Respectfully Submitted,

Alexander F. Treadwell

Alexander F. Treadwell

Signed and sworn to before
Me this 21st day of July 2004.

Jeffrey T. Buley

Notary Public

Jeffrey T. Buley
Albany County, New York State
Reg. # 02 BU4981972
Term exps 8/3/05



June 24, 2004

Frequent-Flying Senator Pays After a Challenge by a Rival

By MICHAEL SLACKMAN

Howard Mills does not have much money, or support, or, for that matter, basic name recognition in his bid to unseat United States Senator Charles E. Schumer. But Mr. Mills did manage to land a blow in his long-shot bid this week.

Mr. Mills's staff pored over documents and maps and found that during his years in office, Mr. Schumer chartered private planes 603 times, spending \$409,253 of taxpayer money. They asserted that they had caught the senator using tax dollars to fly around the state to raise campaign cash, which would be illegal, and turned their findings over to The New York Times.

Asked for a response to Mr. Mills's claims, Mr. Schumer's staff began its own review, and found that on some 35 occasions, Mr. Schumer had let taxpayers foot the bill for his political and fund-raising trips.

It was, if nothing else, a humbling moment for Mr. Schumer, a Democrat, whose office described the questionable flights as "accounting errors." After having tried to effectively ignore his opponent as irrelevant, Mr. Schumer's staff had to announce that the senator's campaign was - because of Mr. Mills's initial inquiries - returning some \$20,000 to the federal government.

Hoping to dampen the political fallout, Mr. Schumer's aides said the flights in question were a mere fraction of the charter flights the senator had used to traverse the state - an effort he otherwise trumpets as one of the more impressive constituent outreach efforts by any senator in the country. They also said that some of the trips involved fund-raising, while others involved events such as speeches at political functions.

For Mr. Mills, though, Mr. Schumer's momentary embarrassment was a victory worth savoring, even squeezing for every possible ounce of impact.

"Senator Schumer has effectively admitted to violating the law," said Kevin Collins, campaign manager for Mr. Mills, a Republican in the New York State Assembly.

Not surprising, the Schumer camp disagrees. The campaign said that despite Mr. Mills's efforts to make an issue of the senator's travels, the roughly 35 questionable trips would not have been uncovered had Mr. Schumer's office not conducted its review. In its statement, Mr. Schumer's office said that the bulk of Mr. Mills's allegations were wrong.

"After a series of questions and finding one discrepancy out of 10 examples Senator Schumer ordered a complete review of all travel expenditures for his office," read a statement released by his press staff. "Over the last five and a half years, the review found approximately 35 trips with accounting errors, totaling less than \$20,000 which is less than 5 percent. Senator Schumer has made full reimbursement in accordance with all procedures."

The story of the disputed flights, at minimum, is a revealing look at the efforts of an underfinanced campaign to make itself heard, and it shows something both about Mr. Schumer's practices as well as Mr. Mills's team's inclination to

overreaching. For while the Mills effort was thematically prescient, it was, upon examination, far from perfect in its investigative analysis

Mr Mills is a six-year veteran of the New York State Legislature, a body monopolized by Democrats. With little influence in the Legislature, and with long odds in his Senate race, Mr Mills was faced with a reality of few resources and no momentum.

So he turned to his campaign team, led by two veteran political operatives and about half a dozen young men and women armed with computers and a hefty dose of patience. The goal was to turn Mr Schumer's strengths - his \$20 million war chest and his record of aggressively traveling the state - into a political liability

Thus was born the campaign known as "Charter Chuck."

In a small office across from an abandoned bus station in downtown Albany, Mr Mills's campaign staff spent months poring over Mr. Schumer's records. By cross referencing Mr. Schumer's fund-raising reports with his government spending reports, staff members came up with what they believed were a variety of serious, and potentially embarrassing, charges

The crux of their case was that, in chartering of hundreds of flights, Mr Schumer had used tax dollars to raise campaign cash at least 65 times. They said also that on 18 occasions, Mr Schumer had taken flights of less than 35 miles, in one case flying just 8.1 miles.

"This is a massive and flagrant violation of the taxpayers' wallet and probably a violation of the law," Mr. Collins said in making the allegations. "Chuck Schumer has a lot of explaining to do."

The Mills team, even if on to something, did not get it all right.

It charged that Mr. Schumer was flying in luxury, when in fact, records reviewed by The Times show that he was flying a single engine, propeller driven Beechcraft Bonanza.

The Mills team was undaunted after that charge was debunked. Mr. Schumer, they said, had still abused his flight time in the 18 short trips. It turned out that the Mills researchers had misunderstood the federal documents they were citing - Mr. Schumer had driven on those trips - though that did not diminish their effort.

In making its most explosive charge, the Mills staff pointed to what it called its top 10 list of flights in which the researchers said that Mr. Schumer was flying on the taxpayers tab while raising money for his campaign.

The problem was that again the staff members made incorrect assumptions based on what they were looking at. In nine of the 10 cases, Mr. Schumer was able to prove that they were wrong. Either there had been no fund-raisers, or he had made the proper payments.

There was one case, however, dealing with a flight to Syracuse, in which Mr. Schumer's staff conceded that the senator had attended a fund-raiser and failed to have his campaign pay its portion of the flight. A Schumer aide said that the campaign was cutting a check for \$481.79 to the government to cover the cost.

Mr. Schumer and his staff were clearly shaken, and so they shifted into high gear, presumably hoping to prove that there were no other "accounting errors." The staff began a review of all its flights - and in the end handed Mr. Mills his biggest victory yet, a concession that Mr. Schumer, despite his experience and professional staff, had erred on about 35 occasions.

The Schumer staff said that Mr Mills had at least one detail rock solid. There were lots of flights. That, however, was one thing Mr Schumer's staff was quite proud of.

"Senator Schumer made a promise when he was first elected to the Senate to visit all 62 counties, and he is proud that he has kept that promise not just once, but every single year," said Stu Loeser, a spokesman for the senator.

But none of that mattered to Mr Collins, Mr Mills's campaign manager, who in the end felt vindicated.

"He needs to be held accountable," Mr Collins said.

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News Releases, Media Advisories



For Immediate Release
April 23, 2003

Contact: Kelly Huff
Ron Harris
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COMPLIANCE CASES MADE PUBLIC

WASHINGTON -- The Federal Election Commission has recently made public its final action on three matters review (MURs). This release contains only disposition information.

Specific released documents placed on the public record within the following closed MURs are cited following heading. Release of these documents is consistent with the district court opinion in the December 19, 2001, CIO v. FEC, now on appeal to the D.C. Circuit Court of Appeals. Once an appellate decision is rendered, the review documents related to cases released in the interim.

1. MUR 5238

RESPONDENTS:

- (a) Schumer '98, Steven D. Goldenkranz, treasurer
- (b) Heidi Miller
- (c) Gretchen Burke
- (d) Ken Cayre
- (e) Ivan Kaufman
- (f) Steve E. Zakheim
- (g) B.J. Lind
- (h) Harold Fetner
- (i) Michael Fuchs
- (j) Howard Rubin
- (k) Bruckner Plaza Associates
- (l) Constantine Village Associates

(m) Puck Associates

(n) Q. E. M. Associates

(o) Quail Ridge Associates

(p) Wallkill Apartments Associates, LP

COMPLAINANT:

FEC Initiated (Audit)

SUBJECT:

Excessive contributions; failure to file 48-hour reports; misreport fundraiser expenses; failure to report in-kind contribution

DISPOSITION:

(a) Conciliation Agreement: \$130,000 civil penalty*

Respondents will refund a portion of the contribution amount from donors and two partnerships, totaling \$120,455.

(b) Conciliation Agreement: \$2,000 civil penalty

(c) Conciliation Agreement: \$1,800 civil penalty

(d) Conciliation Agreement: \$1,500 civil penalty

(e) Conciliation Agreement: \$1,500 civil penalty

(f) Conciliation Agreement: \$1,500 civil penalty

(g) Conciliation Agreement: \$ 500 civil penalty

(h-p) Reason to believe, but took no further action*

[re: excessive contributions]

DOCUMENTS ON PUBLIC RECORD:

Certification of vote by Commissioners (dated March 8, 2002); Cc Agreement (Miller - dated January 31, 2002); receipt of payment March 31, 2002); Conciliation Agreement (Lind); receipt of payment February 12, 2002); certification of vote by Commissioners (date Conciliation Agreement (Zakheim - dated March 5, 2002); receipt (Zakheim - dated March 5, 2002); General Counsel's Report #4 (dated 2002); certification of vote by Commissioners (dated August 9, 2002); Agreement (Burke); receipt of payment (dated June 18, 2002); C Agreement (Cayre - dated July 15, 2002); Conciliation Agreement receipt of payment (Kaufman - dated July 18, 2002); General Counsel's Report #5 (dated February 27, 2003); certification of vote by Commissioner (dated February 27, 2003); Conciliation Agreement (Schumer); Memo - Supplemental Counsel's Report #6 (dated March 10, 2003); Memo - Supplemental Counsel's Report #6 (dated March 12, 2003); receipt of payment April 15, 2003)



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May 5, 2003, 8:45 a.m.

Schumer's Campaign Violations

The FEC hits the campaign-finance "reformer" with a hefty fine



New York Democratic Sen. Charles Schumer, an outspoken advocate of campaign-finance reform, has been hit with one of the biggest fines ever imposed on a member of Congress by the Federal Election Commission — for violating campaign-finance laws.



The FEC ruling, handed down in March, ordered Schumer's 1998 senatorial campaign to pay a civil penalty of \$130,000. The campaign was also ordered to return \$120,455 in illegal contributions, bringing the total of fines and restitution to slightly more than a quarter-million dollars. The campaign paid the sum in April.

According to FEC records, only three cases involving federal candidates have resulted in higher fines than the one levied on Schumer's campaign. No senatorial candidate has ever been so severely penalized.

At issue in the FEC action were more than 750 contributions, totaling about \$915,000, dating from Schumer's 1998 race against Republican Alphonse D'Amato. The FEC found that each of those donations exceeded the \$1,000 limit then in effect for contributions to a candidate during a primary or general election.

The FEC said most of those excess contributions were within the \$1,000 to \$2,000 range.



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been judged by the FEC's old rules, the \$130,000 fine might have been much higher.

The FEC cleared Schumer of personal responsibility for the violations "The Commission does not allege and there is no finding that U.S. Senator Charles Schumer engaged in any wrongdoing in connection with the findings in this agreement." His 1998 campaign treasurer, Steven D. Goldenkranz, was named in the report.

When asked about the FEC judgment last week, a Schumer spokesman promised to make a written comment, but so far has not made one.

The 1998 Schumer race against D'Amato was, at the time, the most expensive in history, with the Schumer campaign spending nearly \$17 million. Now, as he prepares to run for reelection next year, Schumer has already amassed nearly \$15 million, making him the most successful fundraiser in the Senate.

The FEC also found that the Schumer campaign failed to file notices required by law for \$89,500 in contributions given in the last days of the 1998 campaign. The Schumer campaign also filed late notices for \$186,500 in contributions.

After an FEC audit discovered the violations in 2001, some of Schumer's defenders downplayed them as "technical." But the size of the fine suggests the FEC viewed the infractions as a serious matter. At the least, the violations suggest a relaxed attitude on the part of the Schumer campaign toward the rules regarding the reporting of campaign contributions.

And the punishment might have been worse. It appears that Schumer's campaign benefited from a change in FEC rules, adopted last November, which in effect reduced the number of violations that were subject to fines. Had the Schumer campaign

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