



FEDERAL ELECTION COMMISSION

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

THIS IS THE END OF MUR # 1841

Date Filmed 12/17/86 Camera No. --- 2

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# FEDERAL ELECTION COMMISSION

Internal memoranda, duplicate copies, consultation materials

The above-described material was removed from this file pursuant to the following exemption provided in the Freedom of Information Act, 5 U.S.C. Section 552(b):

☐ (1) Classified Information

☐ (6) Personal privacy

☒ (2) Internal rules and practices

☒ (7) Investigatory files

☐ (3) Exempted by other statute

☐ (8) Banking Information

☐ (4) Trade secrets and commercial or financial information

☐ (9) Well Information (geographic or geophysical)

☒ (5) Internal Documents

Signed

Francis B. Hagan

Date

12-10-86

FIC 9-21-77

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MUR # 1841

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## COMPLAINANT NAMES

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## RESPONDENT NAMES

- ① Democratic State Party Committee (Delaware)
- ② Hearn, Clifford B., Jr., Treasurer
- ③ Delaware State AFL-CIO
- ④ Seafarers International Union



Continued

## MUR DATES

OPENED: 2-25-86

CLOSED: 7-9-86

## U.S. CODE CITES

583 § 441(b)(a)  
 466 § 434(b)(4)(A)  
 425 § 433(d)

## C.F.R. CITES

1018 § 102.5(a)(1)  
 4541 § 102.5(a)(2)  
 78 § 102.3(a)  
 999 § 102.3(b)  
 105 § 103.3(b)  
 162 § 106.1(e)



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Continued

## SUBJECT TERMS

- 150 (Allocation of Expenses)  
 186 (State code)  
~~303~~ (disbursements) reporting of  
 540 (Contribs. by corps.)  
 547 (prohibitions on corps. & labor unions)  
 516 (Contribs by corps. & labor unions)



Continued

Francen B. Hays 12-10-86  
 CODER (Name and Date)

LLZ 12/10/86  
 SUPERVISOR (Name and Date)

VERIFIED BY AND SIGNED OFF (Name and Date)

BEFORE THE FEDERAL ELECTION COMMISSION

FILED  
OFFICE OF THE  
FEDERAL ELECTION COMMISSION SECRETARY

**SENSITIVE**

85 DEC 30 P 5:24

In the Matter of )

Democratic State Committee (DE) )


Clifford B. Hearn, Jr., as )  
treasurer )

MUR 1841

GENERAL COUNSEL'S REPORT

The Office of General Counsel is prepared to close the investigation in this matter as to the Democratic State Committee and Clifford B. Hearn, Jr., as treasurer, based on the assessment of the information presently available.

26 December 1955  
Date

  
\_\_\_\_\_  
Charles N. Steele  
General Counsel

85040521204



BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
Democratic State Committee (DE) )  
Clifford B. Hearn, Jr., as treasurer ) MUR 1841  
Delaware State AFL-CIO )  
Seafarers International Union )

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the  
Federal Election Commission executive session of September 5,  
1985, do hereby certify that the Commission took the following  
actions in MUR 1841:

1. Failed in a vote of 3-3 to pass a motion to enter into conciliation with the Democratic State Committee (Delaware) and Clifford B. Hearn, Jr., as treasurer, prior to a finding of probable cause to believe.

Commissioners Harris, McDonald, and McGarry voted affirmatively for the motion.  
Commissioners Aikens, Elliott, and Josefiak dissented.

2. Decided by a vote of 6-0 to take no further action as it relates to the following respondents for violations of 2 U.S.C. § 441b(a):

- a) Delaware State AFL-CIO  
b) Seafarers International Union

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

(continued)

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2. Decided by a vote of 6-0 to close the file  
as it relates to:

- a) Delaware State AFL-CIO
- b) Seafarers International Union

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

3. Decided by a vote of 6-0 to direct the Office  
of General Counsel to send appropriate letters  
pursuant to the decisions made this date.

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

Attest:

9-6-85

Date

Marjorie W. Emmons

Marjorie W. Emmons  
Secretary of the Commission

86040621206



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

September 12, 1985

James M. Altman, Esquire  
Schulman and Abarbanel  
358 Fifth Avenue  
New York, NY 10001

RE: MUR 1841  
Seafarers International Union

Dear Mr. Altman:

On March 5, 1985, the Commission found reason to believe that your client had violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act") in connection with the above referenced MUR. However, after considering the circumstances of this matter, the Commission has determined to take no further action and on September 5, 1985, closed its file as it pertains to your client.

The file will be made part of the public record within 30 days after this matter has been closed with respect to all other respondents involved. Should you wish to submit any materials to appear on the public record, please do so within 10 days of your receipt of this letter.

The confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter is closed. The Commission will notify you when the entire file has been closed.

If you have any questions, please direct them to Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

  
John Warren McGarry  
Chairman

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

September 12, 1985

Margaret McCormick, Esquire  
AFL-CIO Legal Department  
815 16th Street, N.W.  
Room 804  
Washington, D.C. 20006

RE: MUR 1841  
Delaware State AFL-CIO

Dear Ms. McCormick:

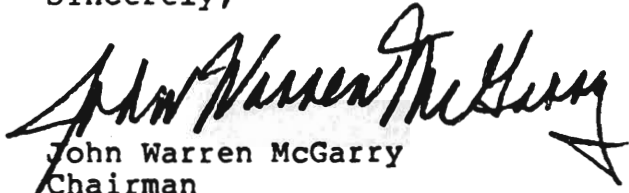
On March 5, 1985, the Commission found reason to believe that your client had violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act") in connection with the above referenced MUR. However, after considering the circumstances of this matter, the Commission has determined to take no further action and on September 5, 1985, closed its file as it pertains to your client.

The file will be made part of the public record within 30 days after this matter has been closed with respect to all other respondents involved. Should you wish to submit any materials to appear on the public record, please do so within 10 days of your receipt of this letter.

The confidentiality provisions of 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter is closed. The Commission will notify you when the entire file has been closed.

If you have any questions, please direct them to Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

  
John Warren McGarry  
Chairman

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
Democratic State Committee (DE) )  
Clifford B. Hearn, Jr., as treasurer ) MUR 1841  
Delaware State AFL-CIO )  
Seafarers International Union )

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session of September 4, 1985, do hereby certify that the Commission failed in a vote of 2-1 to pass a motion to enter into conciliation with the Democratic State Committee (Delaware) and Clifford B. Hearn, Jr., as treasurer, prior to a finding of probable cause to believe.

Commissioners Harris and McDonald voted affirmatively for the motion; Commissioner Elliott dissented. Commissioner Josefiak abstained on the vote. Commissioners Aikens and McGarry were not present at the time of the vote.

Attest:

9-6-85

Date

Marjorie W. Emmons

Marjorie W. Emmons  
Secretary of the Commission

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In the Matter of )

Democratic State Committee (DE) )  
 Clifford B. Hearn, Jr., as treasurer )  
 Delaware State AFL-CIO )  
 Seafarers International Union )

MUR 1841

85 AUG 15 P 2: 48

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OFFICE OF THE FEC  
COMMISSION SECRETARY**GENERAL COUNSEL'S REPORT****I. BACKGROUND**

On March 5, 1985, the Commission found reason to believe that the Democratic State Committee (DE) ("the Committee") and Clifford B. Hearn, Jr., as treasurer, violated the following sections of the Act during 1982:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

The Commission also found reason to believe that the Delaware State AFL-CIO and the Seafarers International Union violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

**II. LEGAL ANALYSIS****A. Operating Expenditures Allocable to Federal Activity**

During the audited period October 1, 1982 - December 31, 1982, the Committee reported total disbursements of \$44,609.55. The majority of these disbursements were made in connection with state and local campaigns. However, the Committee directly contributed \$1,000 to a federal House candidate and also incurred allocable federal operating expenses through its get-out-the-vote broadcast advertising campaign on radio and television. Because the Committee failed to allocate some portion of these operating

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expenditures to federal activity pursuant to 11 C.F.R. § 106.1(e), the Commission found a violation of 2 U.S.C. § 434(b)(4)(A) which requires the reporting of all disbursements, specifically expenditures made to meet committee operating expenses.

In its response to the reason to believe findings, the Committee calculated an allocation of funds totaling \$1,380.14 to federal activity based on a ratio of the number of federal Democratic candidates to the number of state Democratic candidates on the 1982 ballot.

The Committee requested pre-probable cause conciliation in settlement of this issue.

B. Receipt of Prohibited Contributions

The audit review indicated that between October 1, 1982, and December 31, 1982, the Committee apparently received contributions from two labor organizations as follows:

| <u>Contributor</u> | <u>Amount</u>  | <u>Date</u>  | <u>Total Apparently Retained</u> |
|--------------------|----------------|--------------|----------------------------------|
| DE AFL-CIO         | 7,000          | 10-06-82     |                                  |
|                    | +7,000         | 10-15-82     |                                  |
| Total              | <u>14,000</u>  |              |                                  |
| Less Refund        | <u>-7,000</u>  | 10-15-82     |                                  |
|                    | <u>\$7,000</u> |              | 7,000                            |
| <br>Seafarers      | <br>\$8,500    | <br>11-01-82 |                                  |
|                    | +1,055         | 11-05-82     |                                  |
| Total              | <u>\$9,555</u> |              |                                  |
| Less Refund        | <u>-3,000</u>  | 03-10-83     |                                  |
|                    | <u>-1,000</u>  | 08-21-84     |                                  |
|                    | <u>\$5,555</u> |              | <u>5,555</u>                     |
|                    |                |              | <u>\$12,555</u>                  |

The audit found that the Committee, which concentrated its efforts on State and local activity, used only one of its accounts for federal and state election activity. As a result, the union funds entered the same account used to make a contribution to a federal candidate and used for the ad campaign allocable to both State and federal elections.

(1) Delaware AFL-CIO

On October 6 and 15, 1982, the Delaware State AFL-CIO contributed checks of \$7,000 each to the Committee (total = \$14,000). It appeared that the Committee retained the first contribution and refunded the second on the day of receipt. The Delaware AFL-CIO states that the union agreed to make a contribution to defray part of the non-federal share of the cost of the Committee's "generic" get-out-the-vote advertising. An affidavit signed by the AFL-CIO Committee on Political Education Regional Director attests that he and the then union president met with the Committee chairman and discussed the potential contribution. At that time, according to the COPE official, he specifically stated that the funds contributed by the Delaware State AFL-CIO "could only be spent on behalf of Delaware state and local candidates and should not be used on behalf of any federal candidates."

The union response to the reason to believe finding explains that the first check of \$7,000 (representing the agreed-upon contribution for advertising) was made between October 1 and October 6, 1982. Shortly thereafter, the union president discovered that the check, for tax purposes, had been drawn

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on the wrong account (the "Educational Fund," a union treasury account). The union response states that the union president contacted the Committee and requested a refund. When the refund was made on October 15, 1982, the union sent a second check on the same date drawn on the organization's COPE account (an account described as "a treasury money separate segregated fund used for state and local candidate contributions"). The transmittal letter accompanying this contribution stated:

Enclosed is a check for \$7,000.00, as a contribution to your non-federal campaign account, under no circumstances are these funds to be used in any federal election.

To this information from the union, the Committee added, "We are certain that the Delaware AFL-CIO did not know that we had only one bank account at that time." The Committee treasurer, answering for the Delaware Democrats in response to our interrogatories, stated further that during the 1982 campaign, the Committee "maintained one functional bank account and commingled all [its] funds," acting under the mistaken presumption that it was solely a state committee not subject to Commission jurisdiction. The treasurer stated that the Committee officials did not know the Act and that any violation "was done without any intention or knowledge..."

Based on the evidence concerning this matter, it is clear that the reason to believe finding regarding the Delaware AFL-CIO monies was based on an incomplete availability of the facts. It

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now appears that the Delaware AFL-CIO made its \$7,000 contribution of union treasury monies explicitly for use in state elections and not in connection with a federal election.

The Committee deposited these funds in a single depository used for all its campaign activity. As a result, funds commingled with prohibited monies were used in connection with a federal election in violation of 2 U.S.C. § 441b(a). Because the violation occurred due to the Committee's actions despite the union's instructions to avoid such occurrence, this Office recommends that the Commission take no further action against the Delaware AFL-CIO for a violation of 2 U.S.C. § 441b(a) in this matter. The Committee has requested settlement of the issue through pre-probable cause conciliation.

(2) Seafarers International Union

During November 1982, the Seafarers International Union made contributions to the Committee totaling \$9,555. In response to the Office of General Counsel interrogatories, the Committee explained that it originally believed that these were "union segregated funds" and gave that information to the auditors. According to the Committee, it received the funds for the purpose of funding get-out-the-vote activity. The Committee documented disbursements totaling \$5,597.32 "to arrange housing and car rentals for members of the Seafarer's International Union to come to Delaware on election day to attempt to get out the vote." On March 10, 1983 and August 21, 1984, the Committee made refunds totaling \$4,000 to the Seafarers union.

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As noted above, the Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, stated that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities...such as getting out the vote...[N]one of the monies were designated to support a specific Federal candidate."

In response to the reason to believe finding, the Seafarers asserted that "[t]he contributions whose lawfulness the Federal Election Commission challenges in this case were made with regard to state, not federal, elections...The cover letters sent to the Delaware State Democratic Party expressly indicated they were accompanying treasury monies\*/ and neither the sender and the recipient intended to violate the FECA, as a contribution in connection with federal elections might be."

Based on this information, it appears that the Seafarers made the contributions for the purpose of funding state election activities and "gotv." However, because the Committee commingled the funds in an account used for both state and federal activity, a violation 2 U.S.C. § 441b(a) occurred. Our recommendation is to take no further action against the Seafarers International

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\*/ We have received a copy of the transmittal letter accompanying the contribution of \$8,500. The letter donates the monies, "to assist your organization with voter registration, education and GOTV. Please note that this is treasury money and as you know, may not be spent for any candidate running for office."

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Union for the violation of 2 U.S.C. § 441b(a) and settle the Committee's violation of 2 U.S.C § 441b(a) through pre-probable cause conciliation as it requested.

### III. DISCUSSION OF CONCILIATION PROVISIONS AND CIVIL PENALTY

### IV. RECOMMENDATIONS

1. Enter into conciliation with the Democratic State Committee (Delaware) and Clifford B. Hearn, Jr., as treasurer, prior to a finding of probable cause to believe.
2. Approve attached proposed conciliation agreement.
3. Take no further action as it relates to the following respondents for violations of 2 U.S.C. § 441b(a):
  - a) Delaware State AFL-CIO
  - b) Seafarers International Union

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HOWARD SCHULMAN  
COUNSEL

LAW OFFICES  
**SCHULMAN & ALTMAN**

84 WILLIAM STREET, SUITE 1501  
NEW YORK, NEW YORK 10038

(212) 422-7900

July 26, 1985

JAMES M. ALTMAN  
STEPHEN BURROW  
RICHARD GABRIELE

FEDERAL EXPRESS

Ms. Frances B. Hagen  
Federal Election Commission  
Washington, D.C. 20463

Re: MUR 1841, Seafarers International Union

Dear Ms. Hagen:

Pursuant to our telephone conversation today, I am enclosing a copy of the November 1, 1982 cover letter regarding contribution to the Delaware State Democratic Party.

In the short time available to me today, I was unable to locate the cover letter for the contribution made shortly after this one. Upon the end of my trial next week, I will endeavor to find it.

Sincerely yours,

SCHULMAN & ALTMAN

By:

*James M. Altman*  
James M. Altman

JMA:bf  
Enc.

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4. Close the file as it relates to:

- a) Delaware State AFL-CIO
- b) Seafarers International Union

5. Send the attached letters to respondents.

Charles N. Steele  
General Counsel

August 14, 1985  
Date

Kenneth A. Gross  
Associate General Counsel

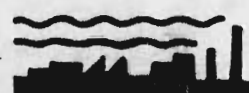
Attachments  
Proposed Conciliation Agreement  
Letters to Respondents

85040621218

# UNITED INDUSTRIAL WORKERS



## of NORTH AMERICA



OF THE SEAFARERS INTERNATIONAL UNION OF NORTH AMERICA

• ATLANTIC, GULF, LAKES AND INLAND WATERS DISTRICT

• AFL-CIO

HEADQUARTERS

475 FOURTH AVENUE • BROOKLYN 32, N. Y. • NY 9-4600

November 1, 1982

Delaware Democratic Party

ATTENTION: Sam Shipley, Chairman

Dear Brother Shipley:

It is indeed our pleasure to enclose check No. 006569 from the United Industrial Workers of North America in the amount of eight thousand five hundred dollars (\$8,500.00), to assist your organization with voter registration, education and GOTV. Please note that this is treasury money and as you know, may not be spent for any candidate running for office.

We would also at this time like to thank the Officers and Executive Board Members of the Delaware Democratic Party, for the fine and wholehearted cooperation you extend to Maritime Industry, not only on a particular issue, but on a day to day working basis. Without your support, we would certainly not be nearly as effective as we are.

Again, our sincere appreciation, and if we can ever be of assistance, please feel free to call on us.

With kind personal regards, I am sincerely and fraternally,

*Frank Drozak*

Frank Drozak  
President

MAR:amf  
Enclosure



**SENSITIVE**

**BEFORE THE FEDERAL ELECTION COMMISSION**

In the Matter of )

Democratic State Committee (DE) )  
Clifford B. Hearn, Jr., Treasurer )  
Delaware State AFL-CIO )  
Seafarers International Union )

MUR 1841

APR 25 P 3:29

**COMPREHENSIVE INVESTIGATIVE REPORT #1**

On March 5, 1985, the Commission found reason to believe that the Democratic State Committee (DE) and as treasurer, Clifford B. Hearn, Jr., violated the Act as follows:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

The Commission also found reason to believe that the Delaware State AFL-CIO and the Seafarers International Union violated 2 U.S.C. § 441b(a).

Each respondent requested extensions of time to respond to the reason to believe notices. The Delaware State AFL-CIO and the Seafarers International Union have submitted responses which are under review. The treasurer and chairman of the Democratic State Committee met with OGC staff to discuss the legal issues and factual situation. This Office received the response of the

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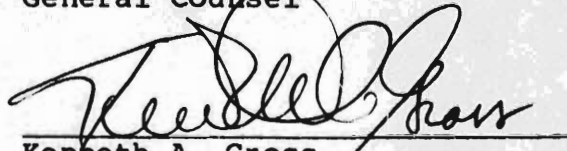


Committee on April 19, 1985, further explicating the source of the \$7,000 contribution. Now that we have received responses from all the respondents in this matter, we will report to the Commission upon completion of the analysis.

Charles N. Steele  
General Counsel

April 23, 1985  
Date

BY:

  
Kenneth A. Gross  
Associate General Counsel

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OFFICE OF THE  
GENERAL COUNSEL  
CLIFFORD B. HEARN, JR., P.A.

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CLIFFORD B. HEARN, JR.  
FRANCIS E. MIECZKOWSKI, JR.

ATTORNEYS AT LAW  
APR 18 P2:05

606 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

April 15, 1985

Ms. Frances B. Hagan  
Office of General Counsel  
Federal Election Commission  
Washington, DC 20463

RE: MUR 1841

Dear Ms. Hagan:

I enclose the original of a letter that I prepared last week for Chairman McGarry.

Very truly yours,



Clifford B. Hearn, Jr.

CBH, Jr./dlh

22212345678

CLIFFORD B. HEARN, JR., P.A.

ATTORNEYS AT LAW

CLIFFORD B. HEARN, JR.  
FRANCIS E. MIECZKOWSKI, JR.

606 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

April 10, 1985

Mr. John Warren McGarry  
Chairman  
Federal Election Commission  
Washington, DC 20463

RE: MUR 1841  
Democratic State Committee

Dear Chairman McGarry:

This is to attempt to answer the questions raised in your letter of March 11, 1985 and the General Counsel's Factual and Legal Analysis, which was attached for our information.

By way of background information, I supply the following introductory remarks. First the Democratic State Committee in the State of Delaware had no full-time staff in 1982. Both the Chairman and myself would utilize the services of employees in our private businesses to compile the necessary records and record data, etc. We utilized the services of Arthur H. Kreiger, C.P.A., to file the reports required by the Secretary of State of the State of Delaware. In 1982, the State of Delaware required two filings. The filings covered the periods January 1, 1982 to October 7, 1982 and October 8, 1982 to December 31, 1982. During the first period, we received \$54,150 in contributions and expended \$49,844. During the second period, we received \$30,319 and expended \$35,020. A substantial portion of our receipts was due to ticket sales for the annual Jefferson-Jackson Day Dinner in May, 1982. In 1982 we functioned under the mistaken notion that our activities were solely State rather than Federal. After October 1, 1982, when the Committee donated \$1,000 to Congressman Carper's campaign<sup>1</sup>, we became subject to your jurisdiction. We mistakenly did not realize this and continued to function oblivious to your requirements. We maintained one functional bank account and commingled all of our funds. This conduct was not intentional on our part, but it occurred nevertheless.

<sup>1</sup> During the 1982 campaign, all of the Statewide candidates, including both Federal candidates, paid a filing fee to the Democratic State Committee. We returned a portion of those filing fees to Congressman Carper, the Attorney General candidate, and the State Auditor candidate. Argumentatively, the \$1,000 we returned to Carper was partial return of his filing fee. However, you may consider it a donation under your regulations.

3574721223

Quite frankly, most of us involved with the Democratic State Committee of the State of Delaware could care less about Federal elections. In Delaware, U.S. Senator Biden has always run his own show, so to speak, and Delaware's lone Congressman represents a Constitutional requirement to fill the office, but is of little value to anyone. Our primary thrust as a State Committee, has been, and will continue to be State and local politics. This is boldly said, but that is the fact of life in Delaware.

In 1982 our Chairman was undergoing his first general election as a Chairman. During October, things were quite hectic, as one can expect. This is especially so when all you have is volunteer staff, or an occasional part-time employee. Basically, it is clear that we erred. Enough for introductory remarks. I shall attempt to accomplish what the Factual and Legal Analysis requests.

The Analysis requires us to allocate the amount of our operating expenses from October 1, 1982 to December 31, 1982 to Federal Elections. This is impossible to do on any sort of an accurate basis. The only logical method would appear to engage in an arithmetic allocation on an arbitrary basis. In 1982 the following offices were up for election. A U.S. Senator, our Congressman, Attorney General, State Auditor, 41 State Representatives and 21 of the 21 State Senate seats. No major municipal or county offices were involved in 1982. In Delaware, the Mayor of Wilmington and the County Executive of New Castle County are much more important than our Congressman. However, neither of these local offices were on the ballot in 1982. Of the State Representative seats involved, the Democratic Party did not field candidates for 2 districts. Of the State Senate seats involved, the Democratic Party did not field candidates for 2 districts. Thus, the State Committee was involved in assisting 62 candidates for office of which 2 were for Federal candidates. We would allocate our expenses as 1/31 or 3.2% for Federal candidates. Our expenditures during the period of audit were \$44,609.55 totally. In reviewing our filings, I can eliminate \$1,480 donated to the candidate for Attorney General. Basically, this was a return of part of his filing fee. Thus, only \$43,129.55 should be subject to an allocation. My calculations indicate that 3.2% of \$43,129.55 is \$1380.14 to be allocated to Federal candidates. This is an arbitrary calculation. However, I am not aware of any other reasonable method.

I do note that a substantial portion of our contributions came from individuals in 1982. From January 1, 1982 to October 7, 1982, \$7,220 was received from contributions under \$100. The bulk of this money came from individuals. The exact amount is difficult to determine. Of the \$27,750 from ticket sales during the same period for the Jefferson-Jackson Day Dinner, the sum of \$5,090 came from individuals who purchased more than \$100.00, and the sum of \$15,220 came from persons who purchased less than \$100.00. The remaining tickets were purchased by institutions or committees. During the period October 8, 1982 to

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December 1, 1982, some \$4,854 came from individual contributions of less than \$100. The bulk of this money was from individuals.

I enclosed the filings for the two periods, which we filed with the State Election Commission in 1982, and which we have previously supplied to your Audit team. It should be noted that the Democratic State Committee filed these reports in 1982 although, unknown to us, the Republican State Committee had obtained an opinion that they did not have to file a similar report.

Your Legislative Factual Analysis provides the Democratic State Committee with two specific questions. I repeat them.

### Questions

1. Please explain and document the source (whether labor union treasury or separate segregated fund) and purpose of the following contributions:

| <u>Contributor</u>     | <u>Amount</u> | <u>Date</u> |
|------------------------|---------------|-------------|
| DE State AFL-CIO       | \$7,000       | 10/6/82     |
| Seafarer's Int'l Union | \$8,500       | 11/1/82     |
|                        | \$1,055       | 11/5/82     |

2. Your Committee has stated that the following payments represent what may be characterized as "refunds-in-kind" to the Seafarer's Union. Please explain the circumstances and fully document the connection between these payments and the union's activities:

| <u>Recipient</u>   | <u>Amount</u> | <u>Date</u> | <u>Purpose</u>   |
|--------------------|---------------|-------------|------------------|
| Tom Soresi         | \$ 500.00     | 11/1/82     | Advance Expenses |
|                    | \$ 400.00     | 11/1/82     | Out-of-Pocket    |
| Colonial Chevrolet | \$2,440.32    | 11/5/82     | car rental       |
| Quality Inn        | \$2,257.00    | 11/1/82     | hotel bill       |

### Answer

We have been advised by the Delaware State Labor Council that the funds from which we received the \$7,000 on October 15, 1982 were from labor union treasury funds. Your report should be corrected in the following regard: We returned the October 6, 1982 monies for \$7,000 and not the October 15, 1982 monies. We received \$7,000 on October 6, 1982. We promptly deposited it into our sole functioning checking account. We were advised that the Delaware AFL-CIO had drawn these funds on their Education Account and had made a mistake. We were asked to return the \$7,000. We did that on October 15, 1982 and we received a second \$7,000 from the Delaware AFL-CIO on October 15, 1982. We have been advised by the Delaware AFL-CIO that the second \$7,000 was from labor union treasury

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funds. We are certain that the Delaware AFL-CIO did not know that we had only one bank account at that time. On the other hand, it is also certain that neither the chairman nor myself knew the difference between labor union segregated funds or labor union treasury funds in October, 1982. We did ask the union officials if these were from permissible sources, and we were advised verbally that this was the case.

The purpose of the contribution was to fund, partially, a television ad which is discussed in the General Counsel's Factual and Legal Analysis under the paragraph entitled "Review of Advertising Expenditures", found on page 2.

Based upon the conversations with Mr. Whitehead and Ms. Hagen, it is clear that we erred in accepting these funds and in commingling our monies.

The \$8,500 and \$1,055 which we received from the Seafarer's International Union on November 1, 1982 and November 5, 1982 were from what we initially believed to be union segregated funds. Apparently these funds were also union treasury funds. The purpose of these monies were as follows: The State Committee was to arrange housing and car rentals for members of the Seafarer's International Union to come to Delaware on election day to attempt to get out the vote. This was arranged by our Chairman. We drew checks to Colonial Chevrolet for \$2,440.32 on November 5, 1982, and to the Dutch Village Motel for \$2,257 on November 1, 1982. We submitted vouchers from Colonial Chevrolet for automobiles. The vouchers show that Seafarer's International was to be billed. The names of Tom Soresi and Mary Ann Rogers appear on the vouchers. To our knowledge these individuals are either employees or officers of the Seafarer's International Union. We also drew two checks to Tom Soresi of the Seafarer's International Union for \$500 and \$440, respectively. It is our understanding that these monies were for expenses, meals, etc. Mr. Soresi received those monies, and presumably he spent them for the purpose for which they were requested. Your report indicates that we returned the sum of \$4,000 to the Seafarer's International Union on March 10, 1983 and August 21, 1984. Your Audit team recommended these refunds and we complied with their recommendation.

The purpose of the expenditures was for the Seafarer's get out the vote activity. As far as the Democratic State Committee knows, the Seafarer's used union lists of voters. Presumably, the efforts were for no specific candidate. I personally observed a couple of the Seafarer's people on election day for a few minutes. They appeared to be interested in the union vote turnout. The payments to Tom Soresi were listed as "Campaign Headquarters Office Work". As far as I know, Mr. Soresi did not work in the State Headquarters for the State Committee.

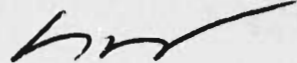
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If the receipt of the Seafarer's funds and their expenditures were improper, it was done without any intention or knowledge that they were so improper.

Hopefully, I have been able to provide you with as accurate an explanation as I can. If I have confused the matter or you need further information or explanation, you may be assured that we will attempt to comply with your requests.

It is our wish to enter into a conciliation procedure with the Commission. We shall await your response.

Respectfully submitted,



Clifford B. Hearn, Jr.  
Treasurer  
Democratic State Committee of Delaware

CBH,Jr./dlh

cc: Samuel Shipley, Chairman

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SUMMARY REPORT  
CONTRIBUTIONS AND EXPENDITURES  
BY CANDIDATES AND POLITICAL COMMITTEES

CANDIDATE'S NAME: \_\_\_\_\_

ELECTION: PRIMARY \_\_\_\_\_

OFFICE: \_\_\_\_\_

GENERAL \_\_\_\_\_

OR

SPECIAL \_\_\_\_\_

COMMITTEE'S NAME: Democratic State Committee

CITY \_\_\_\_\_

TREASURER: Clifford B. Hearn, Jr.

REPORTING PERIOD: FROM: Jan. 1, 1982 TO: Oct. 7, 1982 inclusive

Law Reference

|               |  |           |
|---------------|--|-----------|
| 8007 (c) (1)  | Cash on hand at beginning of period                  | \$ 1,327  |
| 8007 (c) (8)  | Contributions received during period<br>See #1 below | \$ 54,150 |
|               | TOTAL AVAILABLE                                      | \$ 55,477 |
| 8007 (c) (11) | Expenditures made during period<br>See #2 below      | \$ 49,844 |
|               | Cash on hand ending of period                        | \$ 5,633  |

Note #1 - Attach Schedule A - Contributions received during the period

Note #2 - Attach Schedule B - Expenditures made during the period

This report with attached schedules and lists is submitted in conformity with Part VI, Section 8007, Title 15, Delaware Code.

"I do solemnly swear that the foregoing statement is in all things true and correct and discloses all contributions received and expenditures required by me under the Campaign Financing and Disclosure Act of 1974."

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Candidate OR Committee Treasurer



## CONTRIBUTIONS RECEIVED

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

OR

COMMITTEE'S NAME: Democratic State CommitteeTREASURER: Clifford B. Hearn, Jr.REPORTING PERIOD: FROM: Jan. 1, 1982 TO: Oct. 7, 1982 INCLUSIVE

## Law Reference

|              |  |                  |
|--------------|--|------------------|
| 3007 (c) (2) | Contributions from persons aggregating more than \$100.00 per person<br>See #1 below                                 | \$ <u>350</u>    |
| 3007 (c) (3) | Contributions - Total sum of individual contributions not reported under (c) (2)<br>Above                            | \$ <u>7,220</u>  |
| 3007 (c) (4) | Transfers received from candidates or political committees<br>See #1 below   | \$ <u>18,667</u> |
| 3007 (c) (5) | Loans received from persons aggregating amount or value in excess of \$100.00<br>See #1 below                        | \$ _____         |
| 3007 (c) (6) | Total amount of Proceeds from:   |                  |
|              | (a) Ticket Sales \$ <u>27,750</u>  |                  |
|              | (b) Mass collections \$ _____  |                  |
|              | (c) Miscellaneous sales items \$ _____   | \$ <u>27,750</u> |
| 3007 (c) (7) | Each contribution, rebate, refund, or other receipt in excess of \$100.00 not otherwise listed above<br>See #1 below | \$ <u>163</u>    |
| 3007 (c) (8) | Total of Contributions received<br>Enter on Summary Report   | \$ <u>54,150</u> |

#1 - Lists required must show name, address, amount, and date of each transaction

## EXPENDITURES MADE

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

ORCOMMITTEE'S NAME: Democratic State CommitteeTREASURER: Clifford B. Hearn, Jr.REPORTING PERIOD: FROM: Jan. 1, 1982 TO: Oct. 7, 1982 INCLUSIVE

## Law Reference

|               |   |                  |
|---------------|---|------------------|
| 8007 (c) (9)  | Expenditures made in an aggregate amount or value in excess of \$100.00 to each person<br>See #1 below  | \$ <u>32,742</u> |
| 8007 (c) (10) | Expenditures made for personal services, salaries, and reimbursed expenses in excess of \$100.00 to each person not otherwise reported.<br>See #2 below | \$ <u>1,672</u>  |
| 8007 (c) (11) | Expenditures of \$100.00 or less made to person or persons<br>See #4 below  | \$ <u>1,704</u>  |
|               | Transfers made to candidates or political committees.<br>See #3 below   | \$ <u>13,726</u> |
| 8007 (c) (11) | TOTAL OF EXPENDITURES MADE<br>Enter on Summary Report   | \$ <u>49,844</u> |

#1 - List required must show name and address of each person, also the purpose of each such expenditure, the amount, date and name and address, and office sought by each candidate on whose behalf expenditure was made. §8005 classification must be indicated.

#2 - List required must show name and address of each person, also the amount, date, and purpose of each such expenditure. §8005 classification must be indicated.

#3 - List required must show name, address, amount and date of each transaction.

#4 - This amount must show a breakdown in amounts according to §8005 classification.

STATEMENT  
OF DEBTS AND OBLIGATIONS

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

OR

COMMITTEE'S NAME: Democratic State Committee

TREASURER: Clifford B. Hearn, Jr.

REPORTING PERIOD: FROM: Jan. 1, 1982 TO: Oct. 7, 1982 INCLUSIVE

Law Reference

|              |   |        |
|--------------|---|--------|
| 8007 (c)(12) | Debts and Obligations owed:<br>See #1 below       | \$ -0- |
| 8007 (c)(12) | Debts and Obligations receivable:<br>See #1 below | \$ -0- |

#1 -- List required must show name and address of person, debts and/or obligations are owed by or to the Political Committee, the amount and nature of the debt and/or obligation, and the purpose indicated, if applicable, in accord with §8005 classification.

DEMOCRATIC STATE COMMITTEE

CONTRIBUTIONS AND EXPENDITURES

JANUARY 1, 1982 TO OCTOBER 7, 1982

|   | <u>Jefferson<br/>Club</u> | <u>State<br/>Committee</u> | <u>Total</u>       |
|---|---------------------------|----------------------------|--------------------|
| <u>Cash on Hand Beginning of Period</u>     | \$ -0-                    | \$ 1,327.00                | \$ 1,327.00        |
| <u>Contributions Received During Period</u> | <u>5,100.00</u>           | <u>49,050.00</u>           | <u>54,150.00</u>   |
| <u>Total Available</u>                      | \$ 5,100.00               | \$50,377.00                | \$55,477.00        |
| <u>Expenditures Made During Period</u>      | <u>2,015.00</u>           | <u>47,829.00</u>           | <u>49,844.00</u>   |
| <u>Cash on Hand End of Period</u>           | <u>\$ 3,085.00</u>        | <u>\$ 2,548.00</u>         | <u>\$ 5,633.00</u> |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(2)

| <u>Name and Address</u> | <u>Date</u> | <u>Amount</u>    |
|-------------------------|-------------|------------------|
| William G. Simmeral     | 4-22-82     | \$ 250.00        |
| P.O. Box 3934           | 9-22-82     | <u>100.00</u>    |
| Greenville, Del. 19807  |             | <u>\$ 350.00</u> |

Attachment to Schedule A. 8007(c)(4)

|                              |         |                 |                    |
|------------------------------|---------|-----------------|--------------------|
| Committee to Elect Levinson  | 3-10-82 | \$ 275.00       |                    |
| 1218 Market St.              | 3-26-82 | 275.00          |                    |
| Wilmington, Del. 19801       | 8-19-82 | <u>3,640.00</u> | \$ 4,190.00        |
| Committee to Elect Burnham   | 3-10-82 |                 | 250.00             |
| Wilmington, Del.             |         |                 |                    |
| Committee to Elect Farley    | 8-19-82 |                 | 960.00             |
| Wilmington, Del.             |         |                 |                    |
| Committee to Elect Garvin    | 5-17-82 |                 | 360.00             |
| Wilmington, Del.             |         |                 |                    |
| Committee to Elect Oberly    | 8-19-82 |                 | 1,480.00           |
| Wilmington, Del.             |         |                 |                    |
| AFL-CIO                      | 10-6-82 |                 | 7,000.00           |
| New Road                     |         |                 |                    |
| Elsmere, Del.                |         |                 |                    |
| Del-RPAC                     | 10-6-82 |                 | 500.00             |
| Wilmington, Del.             |         |                 |                    |
| Dollar for Democrats         | 2-22-82 | \$ 3,000.00     |                    |
| Washington, D. C.            | 4-21-82 | <u>827.00</u>   | 3,827.00           |
| Civic Affairs Const. Council | 4- 8-82 |                 | <u>100.00</u>      |
| Wilmington, Del.             |         |                 | <u>\$18,667.00</u> |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(6). Ticket Sales - Jefferson Jackson Dinner

|  |                    |
|--|--------------------|
| Tickets purchased by persons aggregating more than \$100<br>per person - (See Attached List) | \$ 5,090.00        |
| Tickets purchased by persons aggregating less than \$100<br>per person                       | 15,220.00          |
| Tickets purchased by institutions  | 6,120.00           |
| Tickets purchased by committees  | <u>1,320.00</u>    |
| <u>Total</u>   | <u>\$27,750.00</u> |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(6). Ticket Sales - Jefferson Jackson Dinner

| <u>Name and Address - Individuals</u>                                   | <u>Date</u> | <u>Amount</u> |
|---|-------------|---------------|
| Alexis I. duPont Bayard<br>300 Market Tower<br>Wilmington, Del. 19801   | 5-11-82     | \$ 400.00     |
| Ronald L. Jefferson   | 5-11-82     | 200.00        |
| William G. Simeral<br>P. O. Box 3934<br>Greenville, Del. 19807          | 5-11-82     | 200.00        |
| Robert H. Reed<br>P.O. Box 575<br>Dover, Del. 19901                     | 5-17-82     | 160.00        |
| Harry David Zutz<br>300 Delaware Ave.<br>Wilmington, Del. 19801         | 5-17-82     | 400.00        |
| Thomas F. Bayard, 3rd<br>2400 Grant Ave.<br>Wilmington, Del. 19806      | 5-17-82     | 160.00        |
| Samuel S. Beard<br>6020 Kennett Pike<br>Wilmington, Del. 19807          | 5-21-82     | 400.00        |
| Margaret E. Timmons<br>Dagsboro, Del. 19939                             | 5-21-82     | 160.00        |
| L. Vincent Ramunno<br>10th and French Streets<br>Wilmington, Del. 19801 | 5-21-82     | 120.00        |
| Anthony J. DeLuca<br>27 Trevett Dr, Varlano<br>Newark, Del. 19702       | 5-21-82     | 400.00        |
| Stanley T. Czajkowski<br>1807 Market St.<br>Wilmington, Del.            | 5-21-82     | 120.00        |
| Charles A. Petrillo, Jr.  | 5-21-82     | 160.00        |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(6). Ticket Sales - Jefferson Jackson Dinner

| <u>Name and Address - Individuals</u>                                    | <u>Date</u> | <u>Amount</u>      |
|--|-------------|--------------------|
| James Julian<br>450 S. Dupont Rd.<br>Elsmere<br>Wilmington, Del.         | 5-21-82     | \$ 120.00          |
| O. Francis Biondi<br>406 Irving Dr.<br>Wilmington, Del. 19802            | 5-28-82     | 160.00             |
| Stanley T. Czajkowski<br>1807 Market St.<br>Wilmington, Del.             | 5-28-82     | 120.00             |
| Charles T. Hennigan  | 6- 9-82     | 200.00             |
| Gerald F. Fox  | 6- 9-82     | 200.00             |
| Thomas L. Little<br>19C Trolley Square<br>Wilmington, Del. 19806         | 6- 9-82     | 800.00             |
| Edward C. Pankowski, Jr.<br>1326 Lovering Ave.<br>Wilmington, Del. 19806 | 5-21-82     | 400.00             |
| Leon Weiner<br>4 Denny Rd.<br>Wilmington, Del. 19809                     | 5-27-82     | <u>210.00</u>      |
| <u>Total</u>   |             | <u>\$ 5,090.00</u> |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(6). Ticket Sales - Jefferson Jackson Dinner

| <u>Name and Address - Institutions</u>   | <u>Date</u> | <u>Amount</u> |
|--|-------------|---------------|
| Delaware State Education Ass.<br>335 Martin St.<br>Dover, Del. 19901             | 5-11-82     | \$ 800.00     |
| Stoltz Realty Co. Inc.<br>1600 Pennsylvania Ave.<br>Wilmington, Del. 19806       | 5-17-82     | 400.00        |
| McClafferty Printing Co. Inc.<br>1600 N. Scott St.<br>Wilmington, Del. 19806     | 5-20-82     | 160.00        |
| Civil Affairs Construction Council   | 5-20-82     | 160.00        |
| Goodkind & O'Dea, Inc.<br>1366 Clifton Ave.<br>Clifton, N. J.                    | 5-21-82     | 160.00        |
| WDPB - Delaware Public Television<br>122 N. Front St.<br>Seaford, Del. 19973     | 5-21-82     | 120.00        |
| Frank Robino Assoc. Inc.<br>2601 Annand Dr.<br>Wilmington, Del. 19808            | 5-21-82     | 320.00        |
| PAC Local Union 451<br>203 S. Dupont Rd.<br>Wilmington, Del. 19804               | 5-21-82     | 120.00        |
| The Homeownership Group, Inc.<br>2003 Kentmere Parkway<br>Wilmington, Del. 19806 | 5-21-82     | 200.00        |
| Wilmington Stevedores, Inc.<br>P. O. Box 1188<br>Wilmington, Del. 19899          | 5-21-82     | 400.00        |
| Greggo & Ferra, Inc.<br>New Castle, Del. 19720                                   | 5-27-82     | 400.00        |

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DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Attachment to Schedule A. 8007(c)(6). Ticket Sales - Jefferson Jackson Dinner

| <u>Name and Address - Institutions</u>  | <u>Date</u>  | <u>Amount</u>      |
|---|--------------|--------------------|
| North American Training Academy<br>955 S. Chapel St.<br>Newark, Del. 19713        | 5-27-82      | \$ 800.00          |
| Henry Topel & Co.<br>621 Delaware Ave.<br>Wilmington, Del. 19801                  | 5-27-82      | 320.00             |
| DeBro, Inc.<br>500 N. Hawley St.<br>Wilmington, Del. 19805                        | 6- 9-82      | 800.00             |
| Murowany Electric Co.<br>402 "A" Street<br>P.O. Box 148<br>Wilmington, Del. 19899 | 5-27-82      | 120.00             |
| John E. Healy & Sons, Inc.<br>707 Tatnall St.<br>Wilmington, Del. 19801           | 6-23-82      | 240.00             |
| Hammer & Nails Club   | 6- 9-82      | 200.00             |
| New Castle County Ways & Means Comm.  | 5-17-82      | 400.00             |
|   | <u>Total</u> | <u>\$ 6,120.00</u> |
| <u>Name and Address - Committees</u>  |              |                    |
| Bayard Marin for Congress Comm.   | 5-20-82      | 320.00             |
| Committee to Elect Thomas Carper<br>220 Mendell Place<br>New Castle, Del. 19720   | 5-21-82      | 400.00             |
| Committee to Elect Levinson<br>1218 Market St.<br>Wilmington, Del. 19801          | 5-27-82      | <u>600.00</u>      |
| <u>Total</u>  |              | <u>\$ 1,320.00</u> |

DEMOCRATIC STATE COMMITTEE

JANUARY 1, 1982 TO OCTOBER 7, 1982

Contribution in Kind - 8007(c)(7)

Name and Address

Date

Amount

Weiner Associates.  
4 Denny Rd.  
Wilmington, Del. 19809

4- 6-82

\$ 163.00

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DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>  | <u>Purpose</u> | <u>Date</u> | <u>Amount</u>      |
|--|----------------|-------------|--------------------|
| Postmaster<br>Wilmington, Del. 19899   | Postage        | 1- 7-82     | \$ 100.00          |
|  |                | 1-20-82     | 200.00             |
|  |                | 2-17-82     | 65.00              |
|  |                | 2-17-82     | 100.00             |
|  |                | 2-19-82     | 40.00              |
|  |                | 2-22-82     | 50.00              |
|  |                | 3-10-82     | 22.50              |
|  |                | 4-30-82     | 100.00             |
|  |                | 5-27-82     | 50.00              |
|  |                | 7-12-82     | 100.00             |
|  |                | 9-10-82     | 22.50              |
| <u>Total - Postmaster</u>  |                |             | <u>\$ 850.00</u>   |
| Diamond State Telephone Company<br>911 Tatnall St.<br>Wilmington, Del. 19801 | Telephone      | 1-13-82     | \$ 51.44           |
|  |                | 1-13-82     | 31.12              |
|  |                | 2- 3-82     | 16.93              |
|  |                | 2-13-82     | 30.96              |
|  |                | 2-22-82     | 226.19             |
|  |                | 2-24-82     | 16.93              |
|  |                | 3- 2-82     | 50.96              |
|  |                | 3-30-82     | 16.93              |
|  |                | 4- 5-82     | 50.96              |
|  |                | 4-30-82     | 17.46              |
|  |                | 5-11-82     | 138.01             |
|  |                | 6- 9-82     | 17.29              |
|  |                | 6-23-82     | 66.94              |
|  |                | 6-23-82     | 65.25              |
|  |                | 7-26-82     | 66.19              |
|  |                | 8-19-82     | 228.30             |
|  |                | 8-19-82     | 121.00             |
|  |                | 9-19-82     | 336.38             |
|  |                | 9-19-82     | 34.58              |
|  |                | 10-14-82    | 52.91              |
|  |                | 10-15-82    | 2,515.00           |
|  |                | 10-22-82    | 29.39              |
|  |                | 10-22-82    | 50.04              |
| <u>Total - Diamond State Telephone Company</u>                               |                |             | <u>\$ 4,251.16</u> |

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DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>               | <u>Purpose</u>    | <u>Date</u> | <u>Amount</u>    |
|---------------------------------------|-------------------|-------------|------------------|
| A. DiEgidio                           | Rent              | 2- 2-82     | \$ 198.36        |
| 1401 E. Ayre St., Wilmington, De.     |                   | 3-10-82     | 550.00           |
| <u>Total - A. DiEgidio</u>            |                   |             | <u>\$ 748.36</u> |
| News Journal Co.                      | Advertisement     | 2- 3-82     | \$ 126.50        |
| 831 Orange St.                        |                   | 5-10-82     | 718.40           |
| Wilmington, De. 19801                 |                   |             |                  |
| <u>Total - News Journal Co.</u>       |                   |             | <u>\$ 844.90</u> |
| Xerox                                 | Machine Rental    | 2- 4-82     | \$ 552.92        |
| 3561 Silverside Rd.                   |                   | 2-22-82     | 138.23           |
| Wilmington, De.                       |                   | 2-22-82     | 52.00            |
| <u>Total - Xerox</u>                  |                   |             | <u>\$ 743.15</u> |
| Arthur Krieger                        | Accountant        | 2- 4-82     | \$ 300.00        |
| c/o Krieger, Dwares & Stein           |                   | 2-22-82     | 300.00           |
| 1001 West St.                         |                   |             |                  |
| Wilmington, De. 19801                 |                   |             |                  |
| <u>Total - Arthur Krieger</u>         |                   |             | <u>\$ 600.00</u> |
| Kennedy Printing                      | Printing          | 2-15-82     | \$ 400.00        |
| Winkler's Restaurant                  | Dinner            | 2-19-82     | \$ 149.80        |
| 15th and French Streets               |                   | 6- 9-82     | 188.20           |
| Wilmington, De. 19801 - <u>Total</u>  |                   |             | <u>\$ 338.00</u> |
| Delmarva Power                        | Utilities         | 2-22-82     | \$ 312.00        |
| 800 King Street                       |                   | 5-19-82     | 67.29            |
| Wilmington, De. 19801 - <u>Total</u>  |                   |             | <u>\$ 379.29</u> |
| Capital School District               | Auditorium Rental | 2-22-82     | \$ 129.50        |
| Lithographs Arts, Inc.                | Printing          | 2-24-82     | \$ 300.00        |
| Bear, De.                             |                   | 7-26-82     | 186.10           |
|                                       |                   | 9-22-82     | 186.10           |
| <u>Total - Lithographs Arts, Inc.</u> |                   |             | <u>\$ 672.20</u> |
| Merrit K. Armour                      | Gifts             | 2-26-82     | \$ 165.00        |
| 3401 Limestone Rd.                    |                   |             |                  |
| Wilmington, De.                       |                   |             |                  |
| Gold Key Restaurant                   | Dinner            | 3-18-82     | \$ 139.45        |
| Dover, De.                            |                   | 9-13-82     | 219.00           |
| <u>Total - Gold Key Restaurant</u>    |                   |             | <u>\$ 358.45</u> |

DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>                                    | <u>Purpose</u>           | <u>Date</u> | <u>Amount</u>      |
|--|--------------------------|-------------|--------------------|
| McClafferty Printing Co. Inc.<br>1600 N. Scott St.         | Printing                 | 4-19-82     | \$ 364.00          |
|  |                          | 4-30-82     | 65.00              |
|  |                          | 5-11-82     | 425.00             |
|  |                          | 5-28-82     | 15.00              |
|  |                          | 6- 9-82     | 165.00             |
|  |                          | 6-22-82     | 195.00             |
|  |                          | 7-26-82     | 26.00              |
|  |                          | 8-19-82     | 84.00              |
|  |                          | 9-22-82     | 140.00             |
| <u>Total - McClafferty Printing</u>                        |                          |             | <u>\$ 1,479.00</u> |
| Raddison Hotel<br>700 King Street<br>Wilmington, De. 19801 | Jefferson Jackson Dinner | 4- 1-82     | \$ 200.00          |
|  |                          | 5-25-82     | 4,050.00           |
|  |                          | 5-27-82     | 3,935.12           |
| <u>Total-Raddison Hotel (Jefferson Jackson)</u>            |                          |             | <u>\$ 8,185.12</u> |
| Raddison Hotel<br>700 King Street<br>Wilmington, De. 19801 | Rent and Meetings        | 7-12-82     | \$ 150.00          |
|  |                          | 8-19-82     | 150.00             |
|  |                          | 8-23-82     | 150.00             |
|  |                          | 9-30-82     | 63.75              |
|  |                          | 9-30-82     | 150.00             |
| <u>Total - Raddison Hotel (Rent and Meetings)</u>          |                          |             | <u>\$ 663.75</u>   |
| Charles Wilson   | Publicity                | 4-22-82     | \$ 100.00          |
|  |                          | 5-12-82     | 100.00             |
|  |                          | 5-21-82     | 100.00             |
|  |                          | 6- 2-82     | 100.00             |
|  |                          | 6-30-82     | 100.00             |
|  |                          | 8-12-82     | 100.00             |
|  |                          | 8-31-82     | 100.00             |
| <u>Total - Charles Wilson</u>                              |                          |             | <u>\$ 700.00</u>   |
| Amco Service<br>Rockford Rd.<br>Wilmington, De.            | Direct Mail              | 5-11-82     | \$ 516.23          |
|  |                          | 5-17-82     | 88.93              |
|  |                          | 5-28-82     | 117.32             |
|  |                          | 5-28-82     | 35.23              |
|  |                          | 9-22-82     | 135.80             |
| <u>Total - Amco Service</u>                                |                          |             | <u>\$ 893.51</u>   |
| Louise Allen   | Consultant               | 5-17-82     | \$ 120.00          |
|  |                          | 5-27-82     | 450.00             |
| <u>Total - Louise Allen</u>                                |                          |             | <u>\$ 570.00</u>   |

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DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>        | <u>Purpose</u>    | <u>Date</u> | <u>Amount</u>      |
|--------------------------------|-------------------|-------------|--------------------|
| Samuel J. Conti                | Banners and Signs | 5-28-82     | \$ 146.00          |
| 119 Colfax Rd.                 |                   | 5-28-82     | 14.00              |
| Newark, De.                    |                   | 5-28-82     | 28.00              |
|                                |                   | 6-22-82     | 7.00               |
| <u>Total - Samuel J. Conti</u> |                   |             | <u>\$ 195.00</u>   |
| Kathy Ruck                     | Secretarial       | 5-28-82     | <u>\$ 112.00</u>   |
| Canngraphics                   | Printing          | 5-28-82     | \$ 143.00          |
| 1602 Delaware Ave.             |                   | 6-23-82     | 28.00              |
| Wilmington, De. 19806          |                   |             |                    |
| <u>Total - Canngraphics</u>    |                   |             | <u>\$ 171.00</u>   |
| Dimbence Merriam               | Tickets           | 6- 2-82     | <u>\$ 400.00</u>   |
| Class I Aviation, Inc.         | Transportation    | 6- 9-82     | <u>\$ 432.00</u>   |
| Berger Brothers                | Furniture         | 6-14-82     | <u>\$ 308.00</u>   |
| 3rd & Market Streets           |                   |             |                    |
| Wilmington, De. 19801          |                   |             |                    |
| Ralph Estep                    |                   | 6-14-82     | <u>\$ 175.00</u>   |
| 155 Christiana Stanton Rd.     |                   |             |                    |
| Newark, De.                    |                   |             |                    |
| Furniture Rentors of America   | Office Equiprient | 6-14-82     | <u>\$ 410.56</u>   |
| 3407 Governor Printz Blvd.     |                   |             |                    |
| Wilmington, De.                |                   |             |                    |
| Manny Klein                    |                   | 6-14-82     | <u>\$ 300.00</u>   |
| 2704 Society Dr.               |                   |             |                    |
| Wilmington, De.                |                   |             |                    |
| Robert Cohen                   | Picture           | 6-22-82     | <u>\$ 185.00</u>   |
| Kirkwood Partners              | Rent              | 9-17-82     | <u>\$ 1,125.00</u> |
| Newark, De.                    |                   |             |                    |
| Stoltz Realty                  | Rent Deposit      | 9-17-82     | <u>\$ 750.00</u>   |
| 1600 Pennsylvania Ave.         |                   |             |                    |
| Wilmington, De. 19806          |                   |             |                    |
| National Liquors, Inc.         | Liquor            | 10- 1-82    | <u>\$ 241.66</u>   |
| 203 Market St.                 |                   |             |                    |
| Wilmington, De. 19801          |                   |             |                    |

DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>   | <u>Purpose</u> | <u>Date</u>        | <u>Amount</u>       |
|---|----------------|--------------------|---------------------|
| WIAL TV   | Advertisement  | 10- 5-82           | \$ 362.00           |
| Cable TV Advertising, Inc.<br>Box 798<br>New Castle, De. 19720                | Advertisement  | 10- 5-82           | \$ 2,000.00         |
| WBAC TV   | Advertisement  | 10- 6-82           | \$ 450.00           |
| Communication Consultant, Inc.<br>903 Washington St.<br>Wilmington, De. 19801 | Design         | 5- 4-82<br>9-28-82 | \$ 150.00<br>250.00 |
| <u>Total</u> - Communication Consultant, Inc.                                 |                |                    | \$ 400.00           |
| Hotel Dupont<br>11th and Market Streets<br>Wilmington, De. 19801              | Luncheon       | 6-11-82            | \$ 414.50           |
| Amco Service - Rockford Rd.<br>Wilmington, De.                                | Mailing        | 9-27-82            | \$ 350.80           |
| ANH Software Service, Inc.  | Software       | 9-27-82            | \$ 825.00           |
| Weiner Associates<br>4 Denny Rd.<br>Wilmington, De. 19809                     | Rental         | 4- 6-82            | \$ 163.00           |
| <u>Total Expenditures</u>   |                |                    | <u>\$32,741.91</u>  |

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DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(10)

JANUARY 1, 1982 TO OCTOBER 7, 1982

| <u>Name and Address</u>        | <u>Purpose</u>      | <u>Date</u> | <u>Amount</u>      |
|--------------------------------|---------------------|-------------|--------------------|
| Carolyn Hagen                  | Office Work         | 7-12-82     | \$ 186.70          |
|                                |                     | 8-19-82     | 270.25             |
|                                |                     |             | <u>\$ 456.95</u>   |
| <u>Total - Carolyn Hagen</u>   |                     |             |                    |
| Paul Seidenstat                | Polling             | 8-10-82     | \$ 285.00          |
| 2206 Patwynn Rd. - Wynnwood    |                     | 8-24-82     | 250.00             |
| Wilmington, De.                |                     | 9-10-82     | 74.50              |
|                                |                     | 9-21-82     | 111.00             |
|                                |                     |             | <u>\$ 720.50</u>   |
| <u>Total - Paul Seidenstat</u> |                     |             |                    |
| Andy Valiante                  | Petty Cash Expenses | 9-27-82     | \$ 150.00          |
| 4 Cordele Rd.                  |                     |             |                    |
| Newark, De.                    |                     |             |                    |
| Viki Kulp                      |                     | 9-27-82     | <u>\$ 140.00</u>   |
| Norman Borish                  | Furniture           | 9-21-82     | <u>\$ 205.02</u>   |
| 4 S. Cliff Dr.                 |                     |             |                    |
| Wilmington, De.                |                     |             |                    |
| <u>Total Personal Services</u> |                     |             | <u>\$ 1,672.47</u> |

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DEMOCRATIC STATE COMMITTEE

TRANSFERS MADE TO CANDIDATES OR POLITICAL COMMITTEES

8007(c)(11)

JANUARY 1, 1982 TO OCTOBER 7, 1982

|   |          |           |
|---|----------|-----------|
| Committee to Elect Elaine Funk            | 9-17-82  | \$ 300.00 |
| Committee to Elect Iney Sunshine          | 9-23-82  | 100.00    |
| Committee to Elect Ada Leigh Soles        | 9-23-82  | 100.00    |
| Committee to Elect Manan P. Anderson      | 9-23-82  | 100.00    |
| Committee to Elect Katherine Jester       | 9-23-82  | 100.00    |
| Committee to Elect Ronald Lanling         | 9-23-82  | 100.00    |
| Committee to Elect Edward Bennett         | 9-23-82  | 150.00    |
| Committee to Elect Harris McDowell        | 9-23-82  | 300.00    |
| Committee to Elect Harvey Walton          | 9-23-82  | 300.00    |
| Committee to Elect Thomas B. Sharp        | 9-23-82  | 500.00    |
| Committee to Elect Roger Martin           | 9-23-82  | 200.00    |
| Committee to Elect Orlando J. George, Jr. | 9-23-82  | 100.00    |
| Committee to Elect Charles DeLullo        | 9-23-82  | 100.00    |
| Committee to Elect George Krawczuk        | 9-23-82  | 100.00    |
| Committee to Elect Rodney Dixon           | 9-23-82  | 100.00    |
| Committee to Elect Horrace Irwin          | 9-23-82  | 100.00    |
| Committee to Elect Harvey K. Terry        | 9-23-82  | 100.00    |
| Committee to Elect David B. Webb, Jr.     | 9-23-82  | 100.00    |
| Committee to Elect Carol W. Cordrey       | 9-23-82  | 100.00    |
| Committee to Elect Robert Marshall        | 9-23-82  | 100.00    |
| Committee to Elect Mane S. Rapposelli     | 9-23-82  | 100.00    |
| Committee to Elect Francis J. Winslow     | 9-23-82  | 100.00    |
| Committee to Elect Paul O. Steele         | 9-23-82  | 100.00    |
| Committee to Elect Nancy W. Cook          | 9-23-82  | 100.00    |
| Committee to Elect William C. Tonbet      | 9-23-82  | 100.00    |
| Committee to Elect Jacob W. Zimmerman     | 9-23-82  | 100.00    |
| Committee to Elect Ruth Ann Minner        | 9-23-82  | 100.00    |
| Committee to Elect Charles Oberly         | 10- 5-82 | 1,480.00  |
| Committee to Elect Dennis Greenhouse      | 8-10-82  | 1,000.00  |
| Wilmington City Democratic Committee      | 6-14-82  | 2,030.00  |
| " " " "                                   | 9-23-82  | 500.00    |
| Kent County Democratic Committee          | 6-14-82  | 350.00    |
| Sussex County Democratic Committee        | 6-14-82  | 620.00    |
| New Castle County Democratic Committee    | 4- 8-82  | 75.00     |
| " " " "                                   | 4- 8-82  | 160.00    |
| " " " "                                   | 4-23-82  | 50.00     |
| " " " "                                   | 5- 5-82  | 67.00     |
| " " " "                                   | 5-14-82  | 50.00     |
| " " " "                                   | 6- 9-82  | 19.00     |
| " " " "                                   | 6-14-82  | 1,990.00  |
| " " " "                                   | 6-22-82  | 50.00     |
| " " " "                                   | 6-29-82  | 107.00    |

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DEMOCRATIC STATE COMMITTEE

TRANSFERS MADE TO CANDIDATES OR POLITICAL COMMITTEES

8007(c)(11)

JANUARY 1, 1982 TO OCTOBER 7, 1982

New Castle County Democratic Committee - (Continued)

|          |              |
|----------|--------------|
| 7- 1-82  | \$ 28.00     |
| 7- 1-82  | 500.00       |
| 7-22-82  | 50.00        |
| 8- 2-82  | 45.00        |
| 8-23-82  | 50.00        |
| 8-31-82  | 500.00       |
| 8-31-82  | 26.00        |
| 9-22-82  | 50.00        |
| 10- 6-82 | <u>86.00</u> |

Total Transfers Made to Candidates or Political Committees

\$13,726.00

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SUMMARY REPORT  
CONTRIBUTIONS AND EXPENDITURES  
BY CANDIDATES AND POLITICAL COMMITTEES

CANDIDATE'S NAME: \_\_\_\_\_

ELECTION: PRIMARY \_\_\_\_\_

OFFICE: \_\_\_\_\_

GENERAL ☒ \_\_\_\_\_

OR

SPECIAL \_\_\_\_\_

COMMITTEE'S NAME: Democratic State Committee

CITY \_\_\_\_\_

TREASURER: Clifford B. Hearn, Jr.

REPORTING PERIOD: FROM: Oct. 8, 1982 TO: Dec. 31, 1982 inclusive

Law Reference

|               |  |           |
|---------------|--|-----------|
| 8007 (c) (1)  | Cash on hand at beginning of period                  | \$ 5,633  |
| 8007 (c) (8)  | Contributions received during period<br>See #1 below | \$ 30,319 |
|               | TOTAL AVAILABLE                                      | \$ 35,952 |
| 8007 (c) (11) | Expenditures made during period<br>See #2 below      | \$ 35,020 |
|               | Cash on hand ending of period                        | \$ 932    |

Note #1 - Attach Schedule A - Contributions received during the period

Note #2 - Attach Schedule B - Expenditures made during the period

This report with attached schedules and lists is submitted in conformity with Part VI, Section 8007, Title 15, Delaware Code.

"I do solemnly swear that the foregoing statement is in all things true and correct and discloses all contributions received and expenditures required by me under the Campaign Financing and Disclosure Act of 1974."

Date \_\_\_\_\_

Signature of Candidate OR Committee Treasurer \_\_\_\_\_

## CONTRIBUTIONS RECEIVED

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

OR

COMMITTEE'S NAME: Democratic State CommitteeTREASURER: Clifford B. Hearn, Jr.REPORTING PERIOD: FROM: Oct. 8, 1982 TO: Dec. 31, 1982 INCLUSIVE

## Law Reference

|            |  |           |
|------------|--|-----------|
| 007 (c)(2) | Contributions from persons aggregating more than \$100.00 per person<br>See #1 below                                 | \$ 887    |
| 007 (c)(3) | Contributions - Total sum of individual contributions not reported under (c)(2)<br>Above                             | \$ 4,864  |
| 007 (c)(4) | Transfers received from candidates or political committees<br>See #1 below   | \$ 24,568 |
| 007 (c)(5) | Loans received from persons aggregating amount or value in excess of \$100.00<br>See #1 below                        | \$ -0-    |
| 007 (c)(6) | Total amount of Proceeds from:   |           |
|            | (a) Ticket Sales \$ _____  |           |
|            | (b) Mass collections \$ _____  |           |
|            | (c) Miscellaneous sales items \$ _____   | \$ -0-    |
| 007 (c)(7) | Each contribution, rebate, refund, or other receipt in excess of \$100.00 not otherwise listed above<br>See #1 below | \$ -0-    |
| 007 (c)(8) | Total of Contributions received<br>Enter on Summary Report   | \$ 30,319 |

#1 - Lists required must show name, address, amount, and date of each transaction

## EXPENDITURES MADE

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

OR

COMMITTEE'S NAME: Democratic State CommitteeTREASURER: Clifford B. Hearn, Jr.REPORTING PERIOD: FROM: Oct. 8, 1982 TO: Dec. 31, 1982 INCLUSIVE

## New Reference

|             |   |           |
|-------------|---|-----------|
| 07 (c) (9)  | Expenditures made in an aggregate amount or value in excess of \$100.00 to each person<br>See #1 below  | \$ 16,604 |
| 0           |   |           |
| 07 (c) (10) | Expenditures made for personal services, salaries, and reimbursed expenses in excess of \$100.00 to each person not otherwise reported.<br>See #2 below | \$ 3,417  |
| 0           |   |           |
| 07 (c) (11) | Expenditures of \$100.00 or less made to person or persons<br>See #4 below  | \$ 1,299  |
| 0           |   |           |
| 0           | Transfers made to candidates or political committees.<br>See #3 below   | \$ 13,700 |
| 07 (c) (11) | TOTAL OF EXPENDITURES MADE<br>Enter on Summary Report   | \$ 35,020 |

#1 - List required must show name and address of each person, also the purpose of each such expenditure, the amount, date and name and address, and office sought by each candidate on whose behalf expenditure was made. §8005 classification must be indicated.

#2 - List required must show name and address of each person, also the amount, date, and purpose of each such expenditure. §8005 classification must be indicated.

#3 - List required must show name, address, amount and date of each transaction.

#4 - This amount must show a breakdown in amounts according to §8005 classification.

STATEMENT  
OF DEBTS AND OBLIGATIONS

CANDIDATE'S NAME: \_\_\_\_\_

OFFICE: \_\_\_\_\_

OR

COMMITTEE'S NAME: Democratic State Committee

TREASURER: Clifford B. Hearn, Jr.

REPORTING PERIOD: FROM: Oct. 8, 1982 TO: Dec. 31, 1982 INCLUSIVE

Law Reference

007 (c)(12) Debts and Obligations owed:  
See #1 below

\$ -0-

007 (c)(12) Debts and Obligations receivable:  
See #1 below

\$ -0-

#1 - List required must show name and address of person, debts and/or obligations are owed by or to the Political Committee, the amount and nature of the debt and/or obligation, and the purpose indicated, if applicable, in accord with §8005 classification.

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DEMOCRATIC STATE COMMITTEE

CONTRIBUTIONS AND EXPENDITURES

OCTOBER 8, 1982 TO DECEMBER 31, 1982

|   | <u>Jefferson<br/>Club</u> | <u>State<br/>Committee</u> | <u>Total</u>  |
|---|---------------------------|----------------------------|---------------|
| <u>Cash On Hand Beginning of Period</u>     | \$ 3,085                  | \$ 2,548                   | \$ 5,633      |
| <u>Contributions Received During Period</u> | 3,500                     | 26,819                     | 30,319        |
| <u>Transfer To</u>                          | -0-                       | 2,947                      | 2,947         |
| <u>Total Available</u>                      | \$ 6,585                  | \$ 32,314                  | \$ 38,899     |
| <u>Expenditures Made During Period</u>      | 537                       | 34,483                     | 35,020        |
| <u>Transfer From</u>                        | 2,947                     | -0-                        | 2,947         |
| <u>Cash On Hand End of Period</u>           | <u>\$ 3,101</u>           | <u>\$ (2,169)</u>          | <u>\$ 932</u> |

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DEMOCRATIC STATE COMMITTEE

OCTOBER 8, 1982 TO DECEMBER 31, 1982

Attachment to Schedule A. 8007(c)(2) - Contributions Received

| <u>Name and Address</u>  | <u>Date</u> | <u>Amount</u>    |
|--|-------------|------------------|
| Hammer and Nail Club<br>Wilmington, De.  | 10-26-82    | \$ 250.00        |
| Stoltz Realty Co.<br>1600 Pennsylvania Ave.<br>Wilmington, De. 19806<br>(Deposit Returned) | 12- 3-82    | <u>637.00</u>    |
| <u>Total Contributions</u>   |             | <u>\$ 887.00</u> |

Attachment to Schedule A. 8007(c)(4) - Transfers

|   |                      |                                |                    |
|---|----------------------|--------------------------------|--------------------|
| Committee to Elect Carper<br>Wilmington, De.  | 10-15-82<br>10-29-82 | \$ 1,213.00<br><u>500.00</u>   | \$ 1,713.00        |
| AFL-CIO Committee<br>New Road<br>Elsmere, De.   | 10-15-82             |                                | 7,000.00           |
| Committee to Elect Levinson<br>1218 Market St.<br>Wilmington, De. 19801   | 10-27-82             |                                | 500.00             |
| Democrats 82<br>2601 Majestic Dr.<br>Wilmington, De. 19810  | 10-29-82             |                                | 1,100.00           |
| ASDC Corporation<br>Dollars for Democrats<br>1625 Mass. Ave. N.W.<br>Washington, D. C. 20036                                    | 10-19-82<br>10-28-82 | \$ 1,500.00<br><u>700.00</u>   | 2,200.00           |
| S.I.U. of N.A.<br>673 4th Ave.<br>Brooklyn, N. Y. 11232   | 11- 1-82<br>11- 5-82 | \$ 8,500.00<br><u>1,055.00</u> | 9,555.00           |
| Local 1814 Political Action<br>& Education Fund<br>International Longshoremen's Assn.<br>343 Court St.<br>Brooklyn, N. Y. 11231 | 11- 5-82             |                                | 500.00             |
| District 2 MEBA AMO AFL-CIO<br>650 Fourth Ave.<br>Brooklyn, N. Y. 11232   | 11- 5-82             |                                | <u>2,000.00</u>    |
| <u>Total Transfers</u>  |                      |                                | <u>\$24,568.00</u> |

DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

OCTOBER 8, 1982 TO DECEMBER 31, 1982

Expenditures made in an aggregate amount in excess of \$100.00 to each person

| <u>Name and Address</u>   | <u>Purpose</u> | <u>Date</u>                                  | <u>Amount</u>                                       |
|---|----------------|--|---|
| WCAU TV<br>Philadelphia, Pa.  | Commercial     | 10-14-82                                     | \$ 440.0  |
| WPVI TV<br>Philadelphia, Pa.  | Commercial     | 10-14-82                                     | \$ 1,950.0  |
| KYW TV<br>Philadelphia, Pa.   | Commercial     | 10-14-82                                     | \$ 1,600.0  |
| WGAL TV<br>Philadelphia, Pa.  | Commercial     | 10-14-82                                     | \$ 450.0  |
| Diamond State Tel. Co.<br>Box 646<br>Wilmington, De. 19801                | Telephone      | 10-15-82<br>10-20-82<br>11-11-82<br>11-11-82 | \$ 70.4<br>82.1<br>50.9<br>93.1<br>\$ 296.7         |
| Eckard  | Supplies       | 11- 1-82                                     | \$ 138.0  |
| News Journal Co.<br>831 Orange St.<br>Wilmington, De. 19801               | Advertisements | 10-15-82                                     | \$ 551.6  |
| McClafferty Printing Co.<br>1600 North Scott St.<br>Wilmington, De. 19806 | Printing       | 10-15-82<br>10-22-82<br>10-29-82<br>11-10-82 | \$ 575.0<br>537.0<br>1,100.0<br>350.0<br>\$ 2,562.0 |
| WILM Radio<br>1215 French St.<br>Wilmington, De. 19801                    | Commercial     | 10-18-82<br>10-21-82                         | \$ 165.0<br>220.0<br>\$ 385.0                       |
| WDEL Radio<br>2727 Shipley Rd.<br>Wilmington, De. 19803                   | Commercial     | 10-18-82<br>10-19-82                         | \$ 277.5<br>45.0<br>\$ 322.5                        |
| WDOV Radio  | Commercial     | 10-18-82<br>10-21-82                         | \$ 200.0<br>261.5<br>\$ 461.5                       |
| WKEN Radio  | Commercial     | 10-18-82                                     | \$ 135.0  |

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DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(9)

OCTOBER 8, 1982 TO DECEMBER 31, 1982

Expenditures made in an aggregate amount in excess of \$100.00 to each person

| <u>Name and Address</u>  | <u>Purpose</u>              | <u>Date</u>          | <u>Amount</u>                           |
|--|-----------------------------|----------------------|---|
| WAMS Radio<br>9900 Pyles Ford Rd.<br>Wilmington, De.                   | Commercial                  | 10-18-82             | \$ <u>125.00</u>                        |
| U. S. Postmaster<br>Wilmington, De. 19801                              | Postage                     | 10-20-82<br>12- 3-82 | \$ 70.00<br>71.40<br>\$ <u>141.40</u>   |
| New Castle City Police<br>New Castle, De. 19720                        |                             | 10-21-82             | \$ <u>120.00</u>                        |
| Arthur Krieger, CPA<br>1600 Pennsylvania Ave.<br>Wilmington, De. 19801 | Accounting                  | 10-29-82             | \$ <u>500.00</u>                        |
| Dutch Village Motel<br>Wilmington, De.                                 | Campaign Workers<br>Lodging | 11- 1-82             | \$ <u>2,257.00</u>                      |
| Colonial Leasing Co.<br>40th and Market St.<br>Wilmington, De. 19802   | Car Rental                  | 11- 5-82             | \$ <u>2,440.32</u>                      |
| Raddison Wilmington Hotel<br>700 King St.<br>Wilmington, De. 19801     | Lodging                     | 11- 5-82<br>11-18-92 | \$ 150.00<br>136.25<br>\$ <u>286.25</u> |
| Rollins Cable Vision<br>P. O. Box 10210<br>Wilmington, De. 19850       | Air Time                    | 11- 5-82             | \$ <u>260.00</u>                        |
| AMCO Service<br>P. O. Box 3980<br>Wilmington, De. 19807                | Master List                 | 11- 5-82             | \$ <u>309.21</u>                        |
| Fairmont Hotel   | National Chairman's Meeting | 11- 5-82             | \$ <u>424.57</u>                        |
| Delta Airlines   | Meeting Flight              | 11-11-82             | \$ <u>198.00</u>                        |
| Organization of Minority Women   | Contribution                | 12- 3-82             | \$ <u>250.00</u>                        |
| <u>Total Expenditures</u>  |                             |                      | <u>\$16,604.06</u>                      |

DEMOCRATIC STATE COMMITTEE

EXPENDITURES - 8007(c)(10)

OCTOBER 8, 1982 TO DECEMBER 31, 1982

Expenditures made for personal services, salaries and reimbursed expenses in excess of \$100.00 to each person

| <u>Name and Address</u>  | <u>Purpose</u>        | <u>Date</u> | <u>Amount</u>      |
|--|-----------------------|-------------|--------------------|
| Richard Kline  | Telethon Production   | 10-13-82    | \$ 250.00          |
|  |                       | 10-18-82    | 250.00             |
|  |                       |             | <u>\$ 500.00</u>   |
| Linda Seidenstat<br>2206 Patwynn Rd.<br>Wynnewood<br>Wilmington, De. | Office Work           | 10-15-82    | \$ 432.00          |
|  |                       | 11- 5-82    | 462.00             |
|  |                       | 11- 5-82    | 208.00             |
|  |                       |             | <u>\$ 1,102.00</u> |
| Andy Valiante<br>4 Cordele Rd.<br>Newark, De.                        | Office Work           | 10-21-82    | \$ 150.00          |
|  |                       | 11- 5-82    | 160.00             |
|  |                       |             | <u>\$ 310.00</u>   |
| Tom Soresi   | Campaign Headquarters | 11- 1-82    | \$ 500.00          |
|  | Office Work           | 11- 1-82    | 440.00             |
|  |                       |             | <u>\$ 940.00</u>   |
| Vicki Kulp   | Secretarial Service   | 11- 5-82    | \$ 140.00          |
|  |                       | 12- 3-82    | 175.00             |
|  |                       |             | <u>\$ 315.00</u>   |
| Edward Benett  | Campaign Contribution | 12- 3-82    | <u>\$ 250.00</u>   |
| <u>Total Expenditure</u>   |                       |             | <u>\$ 3,417.00</u> |

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DEMOCRATIC STATE COMMITTEE

TRANSFERS - 8007(c)(11)

OCTOBER 8, 1982 TO DECEMBER 31, 1982

Transfers made to candidates or political committees

| <u>Name</u>                            | <u>Date</u> | <u>Amount</u>      |
|--|-------------|--------------------|
| Carper for Congress Committee          | 10-15-82    | \$ 1,000.00        |
| Wilmington Democratic Committee        | 10-21-82    | 1,000.00           |
| New Castle County Democratic Committee | 10-21-82    | 1,400.00           |
| Committee to Elect Harvey Walton       | 11- 1-82    | 300.00             |
| Seafarers International Union          | 11- 1-82    | 3,000.00           |
| Delaware State AFL-CIO                 | 10-15-82    | <u>7,000.00</u>    |
| <u>Total</u>                           |             | <u>\$13,700.00</u> |

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CLIFFORD B. HEARN, JR., P.A.

ATTORNEYS AT LAW

CLIFFORD B. HEARN, JR.  
VIVIAN A. HOUGHTON

606 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

July 26, 1986

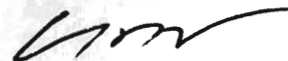
Mr. Charles N. Steele  
General Counsel  
Federal Election Commission  
Washington, D.C. 20463

RE: MUR 1841 Democratic State Committee  
State of Delaware

Dear Mr. Steele:

This is to acknowledge receipt of your letter of July 23, 1986. The only additional material to be placed upon the record is to advise the Commission that State Chairman Samuel Shipley and myself wish them to know that we appreciate the courteous and professional manner of its staff, particularly Ms. Frances B. Hagan.

Sincerely,



Clifford B. Hearn, Jr.  
Treasurer,  
Democratic State Committee  
State of Delaware

CC: Samuel Shipley

CBH,Jr./ns

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GENERAL COUNSEL

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 23, 1986

Clifford B. Hearn, Jr., Treasurer  
Democratic State Committee  
606 Market Street Mall  
P.O. Box 1205  
Wilmington, Delaware 19899

RE: MUR 1841  
Democratic State  
Committee  
Clifford B. Hearn,  
as treasurer

Dear Mr. Hearn:

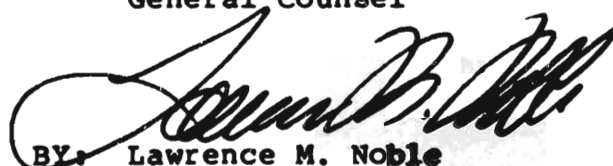
On March 5, 1985, the Commission found reason to believe that the Democratic State Committee and you, as treasurer, had violated 2 U.S.C. §§ 441b(a) and 434(b)(4)(A), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act") in connection with the above referenced MUR. However, after considering the circumstances of this matter, the Commission has determined to take no further action and on July 9, 1986, closed its file as it pertains to you and your committee.

The file will be made part of the public record within 30 days. Should you wish to submit any materials to appear on the public record, please do so within 10 days of your receipt of this letter.

If you have any questions, please direct them to Frances B. Hagan, the staff member assigned to this matter, at (202) 376-8200.

Sincerely,

Charles N. Steele  
General Counsel

  
BY: Lawrence M. Noble  
Deputy General Counsel

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) ) ) )

**MUR 1841**

## CERTIFICATION

**Attest:**

Date \_\_\_\_\_

✓ Marjorie W. Emmons  
Secretary of the Commission

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

Democratic State Committee (DE)  
Clifford B. Hearn, Jr., as treasurer

MUR 1841 27 AUG 23

SENSITIVE

GENERAL COUNSEL'S REPORT

EXECUTIVE SESSION

I. BACKGROUND

JUL 09 1986

On March 5, 1985, the Commission found reason to believe that the Democratic State Committee (DE) ("the Committee") and Clifford B. Hearn, Jr., as treasurer, violated the following sections of the Act during 1982:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure adequately to report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

On September 5, 1985, the Commission was equally divided on the recommendation to enter into conciliation prior to a finding of probable cause as the Respondents requested. As a result, the Office of General Counsel sent the Respondents a brief indicating the General Counsel's intention to recommend that the Commission find probable cause to believe the Respondents had violated the Act.

II. LEGAL ANALYSIS

The Respondents' response brief concurred with the facts in General Counsel's brief and incorporated the Respondents' substantive response to the reason to believe findings.

The Respondents reiterated that they did not realize the Committee's contribution to a federal candidate and its advertising campaign constituted federal activity.

As the response brief provides no new evidence or arguments concerning the matter, this Office's analysis remains unchanged from the views articulated in the General Counsel's Brief dated March 27, 1986. Therefore, this Office recommends that the Commission find probable cause to believe that the Committee and its treasurer violated 2 U.S.C. §§ 441b(a) and 434(b)(4)(A), 11 C.F.R. §§ 102.5(a)(1)(i) and 106.1(e) in this matter.

**III. DISCUSSION OF CONCILIATION PROVISIONS AND CIVIL PENALTY**

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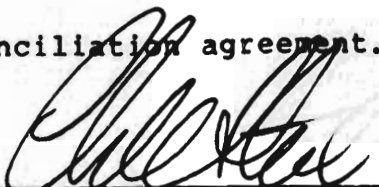
#### IV. RECOMMENDATIONS

1. Find probable cause to believe that the Democratic State Committee (Delaware) and Clifford B. Hearn, Jr., as treasurer, violated the following:

- a) 2 U.S.C. § 441b(a);
- b) 2 U.S.C. § 434(b)(4)(A);
- c) 11 C.F.R. § 102.5(a)(1)(i);
- d) 11 C.F.R. § 106.1(e).

2. Send attached letter and proposed conciliation agreement.

16 June 1986  
Date

BY:   
Charles N. Steele  
General Counsel

Attachments  
Proposed Conciliation Agreement  
Letter to Respondent

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CLIFFORD B. HEARN, JR., P.A.

ATTORNEYS AT LAW

CLIFFORD B. HEARN, JR.  
VIVIAN A. HOUGHTON

606 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

April 28, 1986

Office of General Counsel  
Federal Election Commission  
Washington, DC 20463

Attention: Ms. Frances B. Hagen

RE: MUR 1841

Dear Ms. Hagen:

This is the Delaware Democratic State Committee's response to the General Counsel's Brief.

We have reviewed the brief and find no factual errors. However, we would like to incorporate in our response our letter of April 10, 1985 in response to the General Counsel's letter of March 11, 1985.

We would like to reiterate that we did not realize that our activities of refunding \$1,000.00 to the Congressional candidate and the television advertisement constituted federal activity which required expenditure from our dormant federal account. Those activities occurred during the height of an election in October, 1982, and if we had realized the import of our act, we would have utilized the federal account properly. Although hindsight is a wonderful thing, had we known of the "federal involvement", we may not have refunded the \$1,000.00 to the Congressional candidate. It should be observed that, over the years, the State Committee has refunded all or portions of filing fees to statewide candidates, depending upon the candidate's and, particularly, the Committee's cash flow. I do not know whether a refund to a Congressional candidate is a "federal" expenditure or not. Obviously a contribution is.

Again we would like to point out that we believed that our activities were solely "state" in nature. As you know, it is permissible under state law to receive corporate and labor monies. All that is required is disclosure of sources over certain amounts. Due to an Attorney General's opinion of which we were not aware, our Committee no longer has to file with our State Election Commissioner. Thus, when we received the COPE and Seafarer's monies, we believed that we were functioning properly, since (a) we can receive such monies under State law, and (b) we did not realize that we had any "federal" involvement.

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GENERAL COUNSEL

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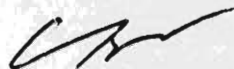


Ms. Frances B. Hagen  
April 28, 1986  
RE: MUR 1841

Page 2

We again express our desire to settle this matter through a conciliation agreement.

Very truly yours,



Clifford B. Hearn, Jr.

CBH,Jr./dlh

cc: Mr. Samuel Shipley

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 27, 1986

Clifford B. Hearn, Jr., Treasurer  
Democratic State Committee  
606 Market Street Mall  
P.O. Box 1205  
Wilmington, Delaware 19899

RE: MUR 1841  
Democratic State Committee (DE)  
Clifford B. Hearn, Jr., as treasurer

Dear Mr. Hearn:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, and information supplied by you, the Federal Election Commission, on March 5, 1985, found reason to believe that the Democratic State Committee and you, as treasurer, had violated 2 U.S.C. §§ 441b(a) and 434(b)(4)(A) and instituted an investigation in this matter.

After considering your request to enter into negotiations directed toward reaching a conciliation agreement before a finding is made regarding probable cause to believe, the Commission was equally divided on the issues and did not agree to enter into conciliation efforts. As a result, this Office must proceed to the next compliance stage. Therefore, the Office of General Counsel is prepared to recommend that the Commission find probable cause to believe that a violation has occurred.

Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within fifteen days of your receipt of this notice, you may file with the Secretary of the Commission a brief (10 copies if possible) stating your position on the issues and replying to the brief of the General Counsel. Three copies of such brief should also be forwarded to the Office of General Counsel, if possible. The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of probable cause to believe a violation has occurred.

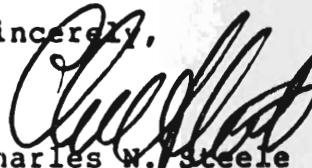
If you are unable to file a responsive brief within 15 days, you may submit a written request to the Commission for an extension of time in which to file a brief. The Commission will not grant any extensions beyond 20 days.

Clifford B. Hearn, Jr., Treasurer  
Page 2

A finding of probable cause to believe requires that the Office of General Counsel attempt for a period of not less than thirty, but not more than ninety, days to settle this matter through a conciliation agreement.

Should you have any questions, please contact Frances B. Hagan, the staff member assigned to handle this matter, at (202) 523-4000.

Sincerely,



Charles W. Steele  
General Counsel

Enclosure  
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

Democratic State Committee (DE)  
Clifford B. Hearn, Jr., as treasurer

MUR 1841

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

On March 5, 1985, the Commission found reason to believe that the Democratic State Committee (DE) ("the Committee") and Clifford B. Hearn, Jr., as treasurer, violated the following sections of the Act during 1982:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure adequately to report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

The Committee registered as a political committee in October 1980 and met the Act's criteria for political committee status at that time. See 2 U.S.C. §§ 431(4)(A), (8)(A) and (9)(A). The Committee functions as the Democratic State Party Committee of Delaware.

According to FEC auditors, the Committee originally maintained two bank accounts to separate federal and non-federal activity in accordance with 11 C.F.R. § 102.5. However, after the 1980 election, the Committee engaged solely in support of state and local elections.

The federal account remained dormant through 1981 and most of 1982, while the Committee continued to report its non-federal activity. The auditors verified that the reported financial transactions from the non-federal account adequately reflected

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this non-federal activity. When the Committee resumed its support of federal elections in October 1982, it failed to reactivate the bank account previously designated for federal elections. Instead, the Committee conducted its federal activity from the active non-federal account.

## II. LEGAL ANALYSIS

### A. Expenditures Allocable to Federal Activity

During the audited period October 1, 1982 - December 31, 1982, the Committee reported total disbursements of \$44,609.55. The majority of these disbursements were made in connection with state and local campaigns. However, the Committee directly contributed \$1,000 to a federal House candidate and also incurred allocable federal expenses through its get-out-the-vote broadcast advertising campaign on radio and television.

11 C.F.R. § 102.5(a)(1)(i) states in pertinent part that for each organization, including a party committee, which finances political activity in connection with both federal and non-federal elections and which qualifies as a political committee...[and which has established a separate federal account,]...all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account.

Because the Committee failed to conduct its federal activity from the separate federal account, the Committee is in violation of 11 C.F.R. § 102.5(a)(1)(i).

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The get-out-the-vote broadcast ad campaign consisted of 16 expenditures to media firms totaling \$9,130.60. Based on Commission regulations at 11 C.F.R. § 106.1(e), the Committee is required to allocate some portion of these expenditures to federal activity. This regulation states, "Party committees ... which have established Federal campaign committees pursuant to 11 C.F.R. § 102.5 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis."

The requirement to allocate GOTV expenditures between federal and non-federal elections has been thoroughly articulated in Commission advisory opinions and generally applied in enforcement practices. AO 1978-10 states, "It is the Commission's opinion that the costs of registration and get-out-the-vote drives by the [State Party Committee] should be allocated between Federal and non-Federal elections in the same manner as other general party expenditures."

In discussing its precedent AO 1978-10, AO 1978-50 elaborated:

[in AO 1978-10,]the Commission ... held that a political party's voter registration and get-out-the-vote activity in a Federal election year, even though not expressly on behalf of candidates for Federal office, was nevertheless for the purpose of influencing the persons contacted to vote for all candidates of the political party. The Commission therefore required that party expenditures for its get-out-the-vote campaign be allocated on a reasonable basis between the two classes of candidates who would appear

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on the same election ballot - those seeking Federal office and those seeking other elective public offices.

For its own part, AO 1978-50 stated that, "the reporting political committee of the Party is required to defray the allocable Federal election portion of the expenses incurred by the Party for the described get-out-the-vote campaign. These expenditures are considered administrative expenses of the Party and may be allocated under the formula described in Commission regulation § 106.1(e)."

These opinions are also applicable to the facts in the case of the Democratic State Committee of Delaware. The Committee should have allocated a portion of its GOTV ad campaign to federal activity. The Committee's failure to so allocate constitutes violations of 11 C.F.R. § 106.1(e) and of 2 U.S.C. § 434(b)(4)(A) which requires the reporting of all disbursements, specifically expenditures made to meet committee operating expenses. [See also AOs 1978-28 and 1982-5.]

In its response to the Commission's reason to believe findings, the Committee calculated an allocation of funds totaling \$1,380.14 to federal activity based on a ratio of the number of federal Democratic candidates to the number of state Democratic candidates on the 1982 ballot.

The Office of General Counsel is prepared to recommend findings of probable cause to believe that violations of 2 U.S.C. § 434(b)(4)(A), 11 C.F.R. § 106.1(e) and 11 C.F.R. § 102.5 occurred in this matter.

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B. Receipt of Prohibited Contributions

The audit review indicated that between October 1, 1982, and December 31, 1982, the Committee apparently received contributions from two labor organizations as follows:

| <u>Contributor</u> | <u>Amount</u>  | <u>Date</u> | <u>Total Apparently Retained</u> |
|--------------------|----------------|-------------|----------------------------------|
| DE AFL-CIO         | 7,000          | 10-06-82    |                                  |
|                    | +7,000         | 10-15-82    |                                  |
| Total              | <u>14,000</u>  |             |                                  |
| Less Refund        | -7,000         | 10-15-82    |                                  |
|                    | <u>\$7,000</u> |             | 7,000                            |
| Seafarers          | \$8,500        | 11-01-82    |                                  |
|                    | +1,055         | 11-05-82    |                                  |
| Total              | <u>\$9,555</u> |             |                                  |
| Less Refund        | -3,000         | 03-10-83    |                                  |
|                    | -1,000         | 08-21-84    |                                  |
|                    | <u>\$5,555</u> |             | <u>5,555</u>                     |
|                    |                |             | <u>\$12,555</u>                  |

The audit found that the Committee, which concentrated its efforts on State and local activity, used only one of its accounts for federal and state election activity. As a result, the union funds entered the same account used to make a contribution to a federal candidate and used for the ad campaign allocable to both State and federal elections.

(1) Delaware AFL-CIO

On October 6 and 15, 1982, the Delaware State AFL-CIO contributed checks of \$7,000 each to the Committee (total = \$14,000). It appeared that the Committee retained the first contribution and refunded the second on the day of receipt. The Delaware AFL-CIO stated that the union agreed to make a contribution to defray part of the non-federal share of the cost of the Committee's "generic" get-out-the-vote advertising. An affidavit signed by the AFL-CIO Committee on Political Education

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Regional Director attested that he and the then union president met with the Committee chairman and discussed the potential contribution. At that time, according to the COPE official, he specifically stated that the funds contributed by the Delaware State AFL-CIO "could only be spent on behalf of Delaware state and local candidates and should not be used on behalf of any federal candidates."

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The union response to the reason to believe finding explained that the first check of \$7,000 (representing the agreed-upon contribution for advertising) was made between October 1 and October 6, 1982. Shortly thereafter, the union president discovered that the check, for tax purposes, had been drawn on the wrong account (the "Educational Fund," a union treasury account). The union response stated that the union president contacted the Committee and requested a refund. When the refund was made on October 15, 1982, the union sent a second check on the same date drawn on the organization's COPE account (an account described as "a treasury money separate segregated fund used for state and local candidate contributions"). The transmittal letter accompanying this contribution stated:

Enclosed is a check for \$7,000.00, as a contribution to your non-federal campaign account, under no circumstances are these funds to be used in any federal election.

To this information from the union, the Committee added, "We are certain that the Delaware AFL-CIO did not know that we had only one bank account at that time." The Committee treasurer,

answering for the Delaware Democrats in response to our interrogatories, stated further that during the 1982 campaign, the Committee "maintained one functional bank account and commingled all [its] funds," acting under the mistaken presumption that it was solely a state committee not subject to Commission jurisdiction. The treasurer stated that the Committee officials did not know the Act and that any violation "was done without any intention or knowledge..."

Based on the evidence concerning this matter, it is clear that the reason to believe finding regarding the Delaware AFL-CIO monies was based on an incomplete availability of the facts. It now appears that the Delaware AFL-CIO made its \$7,000 contribution of union treasury monies explicitly for use in state elections and not in connection with a federal election.

However, the Committee deposited these funds in a single depository used for all its campaign activity. As a result, funds commingled with prohibited monies were used in connection with a federal election in violation of 2 U.S.C. § 441b(a). The Office of General Counsel is prepared to recommend probable cause to believe that the Committee violated 2 U.S.C. § 441b(a) in this matter.

## II. Seafarers International Union

During November 1982, the Seafarers International Union made contributions to the Committee totaling \$9,555. In response to the Office of General Counsel interrogatories, the Committee explained that it originally believed that these were "union segregated funds" and gave that information to the auditors.

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According to the Committee, it received the funds for the purpose of funding get-out-the-vote activity. The Committee documented disbursements totaling \$5,597.32 "to arrange housing and car rentals for members of the Seafarer's International Union to come to Delaware on election day to attempt to get out the vote." On March 10, 1983 and August 21, 1984, the Committee made refunds totaling \$4,000 to the Seafarers union.

As noted above, the Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, stated that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities...such as getting out the vote...[N]one of the monies were designated to support a specific Federal candidate."

In response to the reason to believe finding, the Seafarers asserted that "[t]he contributions whose lawfulness the Federal Election Commission challenges in this case were made with regard to state, not federal, elections...The cover letters sent to the Delaware State Democratic Party expressly indicated they were accompanying treasury monies<sup>\*</sup>/ and neither the sender and the

<sup>\*</sup>/ The Office of General Counsel received a copy of the transmittal letter accompanying the contribution of \$8,500. The letter donates the monies, "to assist your organization with voter registration, education and GOTV. Please note that this is treasury money and as you know, may not be spent for any candidate running for office."

recipient intended to violate the FECA, as a contribution in connection with federal elections might be."


Based on this information, it appears that the Seafarers made the contributions for the purpose of funding state election activities and "GOTV." However, because the Committee commingled the funds in an account used for both state and federal activity, a violation 2 U.S.C. § 441b(a) occurred. The Office of General Counsel is prepared to recommend that the Commission find probable cause to believe that the Committee violated 2 U.S.C. § 441b(a) in this matter.

### III. RECOMMENDATIONS

Find probable cause to believe that the Democratic State Committee (Delaware) and Clifford B. Hearn, Jr., as treasurer, violated the following:

- a) 2 U.S.C. § 441b(a)
- b) 2 U.S.C. § 434(b)(4)(A)
- c) 11 C.F.R. § 102.5(a)(1)(i)
- d) 11 C.F.R. § 106.1(e).

26 March 1986  
Date

  
\_\_\_\_\_  
Charles N. Steele  
General Counsel

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**FEDERAL ELECTION COMMISSION**  
WASHINGTON, D.C. 20463

April 18, 1986

Clifford B. Hearn, Jr. Treasurer  
Democratic State Committee  
606 Market Street Mall  
P.O. Box 1205  
Wilmington, Delaware 19899

Re: MUR 1841  
Democratic State  
Committee (DE)

Dear Mr. Hearn:

This is in reference to your letter dated April 11, 1986, requesting an extension until April 28, 1986 to respond to the General Counsel's Brief. After considering the circumstances presented in your letter, the Commission has determined to grant your requested extension. Accordingly, your response will be due on April 28, 1986.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter at (202) 376-8200.

Sincerely,

Charles N. Steele  
General Counsel

BY:   
Kenneth A. Gross  
Associate General Counsel

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800# 7155  
Nagan

# American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.  
Washington, D.C. 20006  
(202) 637-5000

## EXECUTIVE COUNCIL

LANE KIRKLAND, PRESIDENT

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John J. Sweeney  
Barbara Hutchinson  
Gerald W. McEntee  
Patrick J. Campbell  
John T. Joyce

Frederick O'Neal  
Glenn E. Watts  
Angelo Fosco  
Kenneth T. Blaylock  
William H. Wynn  
Robert F. Goss  
Frank Drozak  
Richard I. Kilroy  
William H. Bywater  
Kenneth J. Brown  
Lynn R. Williams

April 12, 1985

Charles N. Steele, General Counsel  
Federal Election Commission  
1325 K Street, N.W.  
Washington, D.C. 20463

RE: FEC MUR 1841

Dear Mr. Steele:

This letter constitutes the response of the Delaware State AFL-CIO to the Commission's letter dated March 25, 1985, stating that the Commission had determined that there is reason to believe that respondent violated Section 441(a) of the Federal Election Campaign Act of 1971 ("the Act") as amended.

The Commission's reason to believe determination in this matter is based on an incomplete and incorrect understanding of the facts concerning the Delaware State AFL-CIO's two 1982 contributions to the Democratic State Committee of Delaware ("Democratic Committee"). Both of the contributions which the Delaware State AFL-CIO made to the Democratic Committee in October 1982 were given with explicit instructions that the funds should be used solely for non-federal candidates and that the funds should not be used in connection with federal elections. Indeed, while the instructions regarding the first contribution were oral, the instructions regarding the second contribution were contained in the cover letter accompanying respondent's October 15, 1982 contribution check and the Democratic Committee returned the first contribution and retained the second. As we show below, under the true facts there is no basis for any finding by the Commission that the Delaware State AFL-CIO violated 2 USC §441b(a).

### I. FACTS

On October 1, 1982, John Campanelli, then president of the Delaware State AFL-CIO, and Frank McGrath, AFL-CIO Committee on Political Education (COPE) Regional Director for Delaware, met with Sam Shipley, Chairman of the Democratic Committee to discuss the 1982 general election. During the meeting, Mr. Shipley informed Mr. Campanelli and Mr. McGrath that the

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5:20  
GENERAL COUNSEL

Democratic Committee was planning to sponsor some generic advertisements for the general election and Mr. McGrath and Mr. Campanelli stated that the Delaware State AFL-CIO would make a contribution to the Democratic Committee to defray part of the non-federal share of the cost of those ads. See Affidavit of Frank McGrath, Attachment 1. In discussing that contribution, Frank McGrath also stated that funds contributed by the Delaware State AFL-CIO could only be spent on behalf of Delaware state and local candidates and should not be used on behalf of any federal candidate(s). Id.

Sometime between October 1, 1982 and October 6, 1982 the Delaware State AFL-CIO made a contribution in the amount of \$7,000 from its Educational Fund, a treasury money account, to the Democratic Committee. See Attachment 2. Shortly after that contribution was made, Mr. Campanelli discovered that the contribution check had for tax purposes been written on the wrong account. He then contacted Mr. Shipley and requested that the Educational Fund contribution be refunded. Mr. Shipley agreed to refund the contribution and the Democratic Committee issued a refund check to the Delaware State AFL-CIO Educational Fund on October 15, 1982. See Attachment 3. On the same date, the Delaware State AFL-CIO sent a second check drawn on the organization's COPE account (a treasury money separate segregated fund used for state and local candidate contributions) to the Democratic Committee along with a cover letter stating that the check was a contribution to the Committee's non-federal account and "under no circumstances are these funds to be used in any federal election." See Attachments 4 and 5. The second contribution was not refunded by the Democratic Committee.

## II. DISCUSSION

Section 441b of the Act prohibits a labor organization from making treasury money contributions in connection with a federal election. As demonstrated above, the Delaware State AFL-CIO did not make a treasury money contribution in connection with a federal election. Rather, both of the Delaware State AFL-CIO's treasury money contributions to the Democratic Committee were made with the explicit instructions that the funds should be used solely for non-federal candidates and should not be used in connection with federal elections. At no time until after receipt of the Commission's reason-to-believe determination did the Delaware State AFL-CIO have any knowledge that its treasury money contributions had been deposited by the Democratic Committee into the Committee's federal account nor did the Delaware State AFL-CIO consent to such deposit. In fact, the Delaware State AFL-CIO's transmittal letter for the October 15, 1982 contribution which was retained by the Committee specifically states that the check for \$7,000.00 is a contribution to the Democratic Committee's "non-federal campaign account". See Attachment 5.

Respondent knows of no provision or interpretation of the Act which imposes a duty upon a party making a properly designated contribution to a committee over which that party has no control to monitor that committee's subsequent actions to ensure that the contribution is deposited into the proper internal committee account. Accordingly, there is no basis upon which respondent can be found to have violated the Act.

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MR. CHARLES N. STEELE

-3-

April 12, 1985

**III. CONCLUSION**

For the reasons set forth above, the Commission should find no probable cause that respondent violated 2 U.S.C. §441b(a) and should take no further action in this matter.

Sincerely,

*Margaret E. McCormick*

Margaret E. McCormick  
Counsel for Respondent  
Delaware State AFL-CIO

Attachments

85040621280

District of Columbia)

) SS

)

Affidavit of Frank McGrath

Frank McGrath, being duly sworn, deposes and says:

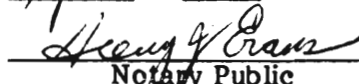
1. I am the AFL-CIO Committee on Political Education ("COPE") Regional Director for Region III which includes the state of Delaware and have held that position at all times relevant to the period covered by FEC MUR 1841.
2. On October 1, 1982, then Delaware State AFL-CIO President John Campanelli and I met with Sam Shipley, Chairman of the Delaware Democratic State Committee ("Committee") to discuss the 1982 general election.
3. During that meeting, Mr. Shipley informed us that the Committee had decided to sponsor some generic advertisements (e.g., "Vote Democratic") for the general election, and Mr. Campanelli and I agreed that the Delaware State AFL-CIO would make a contribution to the Committee to defray part of the non-federal share of the cost of those ads. In discussing that contribution, I stated specifically that the funds contributed by the Delaware State AFL-CIO could only be spent on behalf of Delaware state and local candidates and should not be used on behalf of any federal candidate(s).



Frank McGrath

Subscribed and sworn to  
before me this 9th day of

April, 19 83

  
Notary Public

My Commission Expires December 14, 1989



DELAWARE STATE AFL-CIO  
EDUCATIONAL FUND

914

BONDED

October 1 1982

92-4  
911808

PAY  
TO THE  
ORDER OF

Delaware Democratic Committee

\$ 7000.00

THE SUM OF 7000 DOLLARS

DOLLARS



GIRARD BANK  
Delaware

John A. Campanelli  
Edward L. Peterson

FOR

⑈000914⑈ • ⑈031100047⑈ 1252⑈ 586⑈ 9⑈

⑈0000700000⑈

8604052128



DEMOCRATIC STATE COMMITTEE  
SPECIAL EVENTS ACCOUNT

946

PAY TO THE ORDER OF *Delaware State College*

*Del. 15 1982*

*Seven Thousand and Eight/100*

\$ 7000.00

DOLLARS

PEOPLES BANK

MEMBER FDIC  
A TRUST COMPANY

For *Education fund*

⑆031100251⑆0916 1⑆019 611⑆ ⑆0000700000⑆

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DELAWARE STATE C. O. P. E. AFL-CIO

301 S. DUPONT RD.  
WILMINGTON, DE. 19804

161

62-4/311

BR. 008

October 15 19 82

PAY TO THE  
ORDER OF

Democratic State Committee

\$ 7000.00

THE SUM OF SEVEN THOUSAND DOLLARS

DOLLARS

Farmers Bank of the State of Delaware  
WILMINGTON, DELAWARE*John A. Camporelli*  
*Edward J. Peterson*

⑈000161⑈ ⑆031100047⑆ 1282⑈642⑈2⑈

⑈0000700000⑈

860405282

L. TYRRE  
President

Attachment 5  
JOHN A. CAMPANELLI  
President

THOMAS E. WATSON  
Secretary-Treasurer



# DELAWARE STATE AFL-CIO

301 South Du Pont Road • Wilmington, Delaware 19804 • Phone 998-8801

October 15, 1982

Mr. Clifford Hearn, Treasurer  
Democratic State Committee

Enclosed is a check for \$7000.00, as a  
contribution to your non-federal campaign  
account, under no circumstances are these  
funds to be used in any federal election.  
Check No. 161.

*John A. Campanelli*

Encl.

*Rec'd C-73. 7 2 10/15/82*

86040521285

CLIFFORD B. HEARN, JR., P.A.

ATTORNEYS AT LAW

CLIFFORD B. HEARN, JR.  
VIVIAN A. HOUGHTON

REC'D  
ACC#224  
06 APR 14 AM: 30  
506 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

April 11, 1986

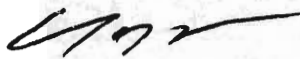
Ms. Frances B. Hagan  
Federal Election Commission  
Washington, D.C. 20463

RE: MUR 1841 Democratic State Committee (DE)

Dear Ms. Hagan:

We have received your letter of March 27, 1986 and the enclosed brief of the General Counsel. While the brief fairly states the issues, we would like to opportunity to prepare a response. Due to prior trial committments and a personal matter, I am unable to properly prepare such a response immediately. It would be most helpful to be able to file our response on April 28, 1986.

Respectfully,



Clifford B. Hearn, Jr.

CBH,Jr./cab

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# Agency reviewing Democrats' fund

By BRAD BUMSTED  
Gannett News Service

WASHINGTON — The Federal Election Commission is reviewing aspects of the Delaware Democratic State Committee's 1982 campaign account as a "prospective enforcement case," says the agency's chief spokesman.

The review stems from an FEC audit of the account last November. Some findings were forwarded to the agency's legal staff but, because of the agency's secrecy requirements, it is not known what the issues are or their status.

"As long as it's before the commission it's confidential," said FEC spokesman Fred Eiland.

The matter could be dismissed, could lead to an investigation, or could already be under investigation by the FEC, officials say. In a technical matter, the commission can rule that a violation occurred and seek no penalty. In a more serious case, the FEC can seek a civil penalty by negotiating with the campaign committee involved — or if that fails by taking a committee to federal court.

"Only when the commission completes all action on the matter can we put things on the public record and talk about it," Eiland said.

Delaware Democratic State Chairman Samuel Shipley says the FEC inquiry concerns a technical matter that has already been resolved.

"There's no wrongdoing by the state committee," he said. "If there's any wrong — it's a technical wrong."

Shipley says FEC auditors who visited Delaware more than a year ago "agreed to that." Shipley said he thought the matter was closed: "I thought we were in full compliance."

After checking with the FEC this week, Shipley said he was told the case is under review. "I asked if it was routine. He [the FEC official] told me it was between routine and not routine." Shipley was told the committee would soon receive a letter about the matter.

Shipley said the FEC's questions revolved around funds received from the Seafarers International Union. The committee, officially called the Democratic State Committee Special Account, received \$9,555 in two installments from the Seafarers in November 1982.

"If there's any question," said Shipley, "it's more of a question with the Seafarers union and their contribution." The director

of the Seafarers political action committee could not be reached for comment Tuesday.

Though only a portion of the FEC audit is public record, the state committee's campaign file, which is public, contains correspondence that shows the agency had many questions about contributions made to the committee.

The FEC told the committee in a 1982 letter that it received contributions apparently exceeding the \$5,000-per-year limit political committees are allowed to receive from individuals or other committees.

The committee's campaign report also "discloses apparent contributions from corporations and labor organizations. You are advised that contributions from corporations and labor organizations are prohibited . . . unless made from separate segregated funds established by the corporations and labor organizations," the FEC told the committee.

Political committees are not allowed to receive money directly from corporations or labor unions. But they are allowed to get money from political action committees, known as PACs, formed by those organizations to raise funds from employees and members.

Delaware officials say the Seafarers' money and other labor contributions came from separate accounts.

"We have been advised that other contributions from corporations and labor unions were from segregated funds to the best of our knowledge," Clifford Hearn, the committee's treasurer, told the FEC.

While the amount received from Seafarers "is in excess of \$5,000," the state committee received reimbursement for \$5,555 worth of expenses included in the \$9,555 total, Hearn told the FEC. These expenses included \$2,358 for renting a Chevrolet, \$2,257 in hotel bills, and out-of-pocket expenses for gas, oil, and meals, and expense advances.

Hearn noted that the committee returned \$3,000 to the Seafarers in March of 1983 "leaving a net amount received of \$1,000." Hearn did not return several telephone calls.

Only a portion of the FEC audit was made public last November. The audit covered 1981-82 when the committee spent \$84,469. The audit's findings, which were not disclosed, pertained only to activity from Oct. 1 through Dec. 31, 1982.



CLIFFORD B. HEARN, JR., P.A.

ATTORNEYS AT LAW

CLIFFORD B. HEARN, JR.  
FRANCIS E. MIECZKOWSKI, JR.

606 MARKET STREET MALL  
P.O. BOX 1205  
WILMINGTON, DELAWARE 19899  
(302) 575-0220

April 5, 1985

Ms. Frances B. Hagen  
Federal Election Commission  
Washington, DC 20463

RE: MUR 1841  
Democratic State Committee

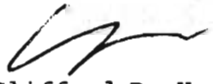
Dear Ms. Hagen:

This is to request an extension of time to file the required response until April 11, 1985. I did not receive Mr. McGarry's letter of March 11, 1985 until late Thursday afternoon of March 25, 1985. It was not read until Saturday, March 27, 1985 since it had been placed in a State Committee envelope. With the arrival of the Easter weekend, it is difficult to compile the necessary information and to make as accurate an allocation as possible.

I enclose a copy of the newspaper article that was mentioned when Samuel Shipley and I visited you on Wednesday. You should note the portion of the article where I was quoted.

We will not retain private counsel. I will be representing the Committee.

Very truly yours,

  
Clifford B. Hearn, Jr.

CBH, Jr./dlh

Enclosure

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15 APR 11 11:01

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SCHULMAN & ABARBANEL  
ATTORNEYS AT LAW  
358 FIFTH AVENUE  
NEW YORK, N.Y. 10001

HOWARD SCHULMAN  
ARTHUR ABARBANEL  
JAMES M. ALTMAN  
STEPHEN BURROW

April 5, 1985

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Gcc 7092

TELEPHONE  
(212) 278-9200

FEDERAL EXPRESS

Ms. Frances B. Hagen  
Federal Election Commission  
Washington, D.C. 20463

Re: MUR 1841, Seafarers International Union

Dear Ms. Hagen:

As you know, we represent the Seafarers International Union of North America, AFL-CIO, the respondent in the above-entitled proceeding.

It appears that the FEC is reaching beyond its jurisdiction in this case or, at the very least, has found reason to believe that a violation of the FECA has occurred when, in fact, there has been none.

The contributions whose lawfulness the FEC challenges in this case were made with regard to state, not federal, elections. Thus, the contributions were made to a state democratic party. The cover letters sent to the Delaware State Democratic Party ("DSDP") expressly indicated they were accompanying treasury monies and neither the sender and the recipient intended to violate the FECA, as a contribution in connection with federal elections might be. Even the General Counsel's own factual and legal analysis supports this, when it quotes a letter from the DSDP's accounting firm acknowledging that "none of the monies were designated to support a specific federal candidate."

In short, there is no basis for a probable cause finding -- the challenged contributions were made in connection with state elections; their propriety or lawfulness is governed by Delaware law, not the FECA; and that question exceeds the FEC's jurisdiction.

Respectfully submitted,

SCHULMAN & ABARBANEL

By: *James M. Altman*  
JAMES M. ALTMAN

JMA:FW  
cc: Marianne Rogers

# THE DEMOCRATIC STATE COMMITTEE

P.O. Box 2065 / WILMINGTON, DE 19899 / (302) 652-3051

SAMUEL L. SHIPLEY/CHAIRMAN



*Miss 1841  
Hagen*

April 4, 1985

APR 10 9:48

GENERAL COUNSEL

Thomas Whitehead, Esq.  
1325 K Street, NW.  
Washington, D. C. 20463


Dear Mr. Whitehead,

I want to take this opportunity to thank you and Ms. Hagen for the time and information you gave to Clifford Hearn and myself. I don't think we could have answered appropriately the requests of your agency without first having this meeting.

I was elected chairman of my party in February, 1982. Almost immediately I was handed the responsibility of organizing a statewide ticket, campaign and raising sufficient funds for the '82 election. It didn't give me much time for on the job training. I was totally unaware of the need for a Federal Election Account. It is my understanding our committee had one for the 1980 Election for the Carter effort, but it was closed out sometime thereafter.

The committee has since reopened a Federal Account as of mid-year 1984, and it remains open. Therefore, it goes without saying that my ignorance for the need of a Federal Account helped bring about this problem. Although the Delaware Democratic Committee does not have a staff nor proper funding, it is still no excuse for being in error and not using proper procedures.

Cordially yours,

  
Samuel L. Shipley  
CHAIRMAN

cc: Clifford Hearn

SLS/gde

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SCHULMAN & ABARBANEL

ATTORNEYS AT LAW  
358 FIFTH AVENUE  
NEW YORK, N.Y. 10001

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HOWARD SCHULMAN  
ARTHUR ABARBANEL  
JAMES M. ALTMAN  
STEPHEN BURROW

TELEPHONE  
(212) 278-9200

March 27, 1985

Ms. Frances B. Hagen  
Federal Election Commission  
Washington, D.C. 20463

Re: MUR 1841  
Seafarers International Union

Dear Ms. Hagen:

In accordance with our telephone conversation yesterday afternoon, this letter serves to notify you that I will be representing the Seafarers International Union of North America, Atlantic, Gulf, Lakes & Inland Waters, AFL-CIO, the respondent in the above-entitled proceeding. Please direct all communication regarding this matter to me.

As I explained to you in our conversation, I have just received a copy of Chairman McGarry's March 11, 1985 letter to my client, and I will need some time to look into it. Accordingly, I hereby request a ten-day extension, i.e. until April 8, in which to respond to Chairman McGarry's letter.

Thank you very much for your consideration.

Sincerely yours,

SCHULMAN & ABARBANEL

JMA:cl

By: James M. Altman  
James M. Altman

cc: Ms. Marianne Rogers  
Seafarers International Union  
5201 Auth Way  
Camp Springs, MD. 20746

20# 6977

# American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.  
Washington, D.C. 20006  
(202) 637-5000

## EXECUTIVE COUNCIL

LANE KIRKLAND PRESIDENT THOMAS R. DONAHUE SECRETARY-TREASURER

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Joyce D. Miller  
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Owen Bieber

Thomas W. Gleason  
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William H. Wynn  
Robert F. Gosa  
Frank Drobak  
Richard J. Kilroy  
William H. Bywater  
Kenneth J. Brown  
Lynn R. Williams

March 25, 1985

Frances B. Hagan  
Office of the General Counsel  
Federal Election Commission  
1325 K Street, N.W.  
Washington, D.C. 20463

Re: FEC MUR 1841

Dear Fran:

The purpose of this letter is to request an extension of time from March 29, 1985 until April 12, 1985, for respondent Delaware State AFL-CIO to reply to the Commission's reason-to-believe determination in the above-referenced matter.

The reason for this request is that I am still in the process of gathering the information and documents necessary to prepare an adequate response in this matter, a process which is necessarily time-consuming since the organizations involved in this matter are located in the state of Delaware. Furthermore, I had not yet been able to reach Mr. John Campanelli, who was the president of the Delaware AFL-CIO in 1982 and who presumably, unlike the current president Mr. Peterson, has some direct knowledge of the matters described in the Commission's reason-to-believe notification.

For the above stated reasons, I respectfully request an extension of time in which to file the reply of respondent Delaware State AFL-CIO from March 29, 1985 until April 12, 1985.

Sincerely,

*Margaret McCormick*

Margaret E. McCormick  
Counsel for Respondent  
Delaware State AFL-CIO

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 11, 1985

Seafarers International Union  
5201 Auth Way  
Camp Springs, Maryland 20746

RE: MUR 1841  
Seafarers International Union

Dear Sir or Madam:

On March 5, 1985, the Federal Election Commission determined that there is reason to believe that your labor organization violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your union. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials, along with your answers to the enclosed questions, within ten days of your receipt of this letter.

In the absence of any additional information which demonstrates that no further action should be taken against your union, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

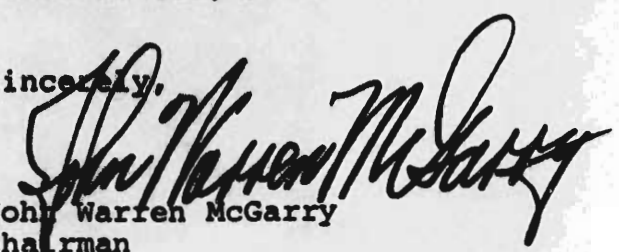
If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

  
John Warren McGarry  
Chairman

Enclosures

General Counsel's Factual and Legal Analysis  
Questions  
Procedures  
Designation of Counsel Statement

86040521294



**GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS**

**MUR NO. 1841**

**RESPONDENT: Seafarers International Union**

**SUMMARY OF ALLEGATIONS**

The Seafarers International Union violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

**FACTUAL BASIS AND LEGAL ANALYSIS**

**Prohibited Contributions**

2 U.S.C. § 441b(a) prohibits the making or receipt of labor organization contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

The auditors found that the Seafarers International Union contributed \$9,555 to the Committee during November 1982. On March 10, 1983, the Committee refunded \$3,000 of this amount to the Seafarers. According to the audit referral, Committee officials stated that the Committee "refunded" \$5,555 to the Seafarers union through payments for the labor union's travel and subsistence. However, the audit review of these payments and supporting documentation did not verify that the payments were made in connection with union activities. Committee officials told the auditors that they could show the connection with additional documents. No other documentation was provided.

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Because the Committee had directly refunded \$3,000 and had pledged to document "refunds-in-kind" of \$5,555, the auditors recommended that the Committee refund \$1,000, representing the remainder of the Seafarers' contribution. On August 21, 1984, the Committee made the suggested refund.

The Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, states that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities ... such as getting out the vote ... [N]one of the monies were designated to support a specific Federal candidate." There is no other information which specifically documents the Seafarers' intentions or the Committee's use of the contributions. In addition, the auditors reviewed the Seafarers' four separate segregated funds,\* / but found no contributions to the Committee. Furthermore, the Committee's refund check of \$3,000 was made payable to and endorsed by the Seafarers' union rather than by a segregated fund. Therefore, because the Seafarers International Union made prohibited contributions to the Committee, the Office of General Counsel recommended reason to believe that a violation of 2 U.S.C. § 441b(a) occurred in this case.

\* / The audit referral states that the Seafarers International Union maintains four separate segregated funds registered with the Commission:

- 1) Seafarers' Political Activity Donation
- 2) Marine Firemen's Union Political Action Fund
- 3) Sailors Political Fund
- 4) Inlandboatmen's Union Political Action Committee.

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Questions - Seafarers International Union

1. Please explain the source and purpose of the following contributions made to the Democratic State Committee of Delaware:

| <u>Amount</u> | <u>Date</u> |
|---------------|-------------|
| \$8,500       | 11-1-82     |
| \$1,055       | 11-5-82     |

Provide documentation to show whether the contributions originated from a union treasury or from a separate segregated fund.

2. Please explain and provide documentation to show a connection between your activities and the following payments made by the Democratic State Committee - Delaware:

| <u>Recipient</u>   | <u>Amount</u> | <u>Date</u> | <u>Purpose</u>         |
|--------------------|---------------|-------------|------------------------|
| Tom Soresi         | \$ 500.00     | 11-1-82     | Advance Expenses       |
|                    | \$ 400.00     | 11-1-82     | Out-of-Pocket Expenses |
| Colonial Chevrolet | \$2,440.32    | 11-5-82     | car rental             |
| Quality Inn        | \$2,257.00    | 11-1-82     | hotel bill             |

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DESCRIPTION OF PRELIMINARY PROCEDURES  
FOR PROCESSING POSSIBLE VIOLATIONS DISCOVERED BY THE  
FEDERAL ELECTION COMMISSION

Possible violations discovered during the normal course of the Commission's supervisory responsibilities shall be referred to the Enforcement Division of the Office of General Counsel where they are assigned a MUR (Matter Under Review) number, and assigned to a staff member.

Following review of the information which generated the MUR, a recommendation on how to proceed on the matter, which shall include preliminary legal and factual analysis, and any information compiled from materials available to the Commission shall be submitted to the Commission. This initial report shall recommend either: (a) that the Commission find reason to believe that a possible violation of the Federal Election Campaign Act (FECA) may have occurred or is about to occur and that the Commission conduct an investigation of the matter; or (b) that the Commission find no reason to believe that a possible violation of the FECA has occurred and that the Commission close the file on the matter.

Thereafter, if the Commission decides by an affirmative vote of four (4) Commissioners that there is reason to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed, the Office of the General Counsel shall open an investigation into the matter. Upon notification of the Commission's finding(s), within 15 days a respondent(s) may submit any factual or legal materials relevant to the allegations. During the investigation, the Commission shall have the power to subpoena documents, to subpoena individuals to appear for depositions, and to order answers to interrogatories. The respondent(s) may be contacted more than once by the Commission in its investigation.

If, during this period of investigation, the respondent(s) indicate a desire to enter into conciliation, the Office of General Counsel staff may begin the conciliation process prior to a finding of probable cause to believe a violation has been committed. Conciliation is an informal method of conference and persuasion to endeavor to correct or prevent a violation of the Federal Election Campaign Act (FECA). Most often, the result of conciliation is an agreement signed by the Commission and the respondent(s). The Conciliation Agreement must be adopted by four votes of the Commission before it becomes final. After signature by the Commission and the respondent(s), the Commission shall make public the Conciliation Agreement.

[If the investigation warrants], and no conciliation agreement is entered into prior to a probable cause to believe finding, the General Counsel must notify the respondent(s) of his intent to proceed to a vote on probable cause to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed. Included with the notification to the respondent(s) shall be a brief setting forth the position of the General Counsel on the legal and factual issues of the case. Within 15 days of receipt of such brief, the respondent(s) may submit a brief posing the position of respondent(s) and replying to the brief of the General Counsel. Both briefs will then be filed with the Commission Secretary and will be considered by the Commission. Thereafter, if the Commission determines by an affirmative vote of four (4) Commissioners, that there is probable cause to believe that a violation of the FECA has been committed or is about to be committed conciliation must be undertaken for a period of at least 30 days but not more than 90 days. If the Commission is unable to correct or prevent any violation of the FECA through conciliation the Office of General Counsel may recommend that the Commission file a civil suit against the respondent(s) to enforce the Federal Election Campaign Act (FECA). Thereafter, the Commission may, upon an affirmative vote of four (4) Commissioners, institute civil action for relief in the District Court of the United States.

See 2 U.S.C. § 437g, 11 C.F.R. Part 111.

November 1980



**STATEMENT OF DESIGNATION OF COUNSEL**

**MUR** \_\_\_\_\_

**NAME OF COUNSEL:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**TELEPHONE:** \_\_\_\_\_

\_\_\_\_\_

The above-named individual is hereby designated as my  
counsel and is authorized to receive any notifications and other  
communications from the Commission and to act on my behalf before  
the Commission.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**RESPONDENT'S NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**HOME PHONE:** \_\_\_\_\_

**BUSINESS PHONE:** \_\_\_\_\_

\_\_\_\_\_

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 25, 1985

Mr. John A. Campanelli, President  
Delaware State AFL-CIO  
301 S. Dupont Road  
Wilmington, Delaware 19804

RE: MUR 1841  
Delaware State AFL-CIO

Dear Mr. Campanelli:

On March 5, 1985, the Federal Election Commission determined that there is reason to believe that your union violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your union. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials within ten days of your receipt of this letter. In addition, please explain the source and purpose of the contribution of \$7,000 dated October 6, 1982, to the Democratic State Committee of Delaware. Provide documentation to show whether the contribution originated from a union treasury or from a separate segregated fund.

In the absence of any additional information which demonstrates that no further action should be taken against your labor organization, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,



John Warren McGarry  
Chairman

Enclosures

General Counsel's Factual and Legal Analysis  
Procedures  
Designation of Counsel Statement

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~~CONFIDENTIAL~~ FACTUAL AND LEGAL ANALYSIS

MUN NO. 1841

RESPONDENT: ~~Delaware State~~

~~STATE OF DELAWARE~~

The ~~Delaware State~~ violated 2 U.S.C. § 441(a) by making contributions to the committee during 1982.

~~FACTUAL AND LEGAL ANALYSIS~~

Prohibition Contributions

2 U.S.C. § 441(a) prohibits the making or receipt of any contribution in connection with a federal election.

11 C.R. § 115.3(b) states in part that contributions which are to be illegal shall be within 10 days of receipt of the contribution. The committee and the campaign not to be reported ... making the basis for the appearance of illegal.

On Oct 6 and 15, 1982, the Delaware State ~~Committee~~ Constitutional Education, contributed \$25,000 to the committee (total contribution \$25,000). The committee received the first contribution on 10/15/82 and the second on 10/15/82. Because the refund 2000, with the registered 2 U.S.C. § 101.3(b), concerning the status of refunds legal contributions, we recommend that the contribution of \$25,000 dated October 15, 1982 be excluded as part of violation of excessive contributions.

Under State law, associations and corporations may make contributions in connection with state local elections.

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The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that the AFL-CIO C.O.P.E. contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.<sup>2/</sup> Therefore, because the Delaware AFL-CIO made prohibited contributions to the Committee, the Office of General Counsel recommended reason to believe that a violation of 2 U.S.C. § 441b(a) occurred in this case.

<sup>2/</sup> In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 11, 1985

Mr. John A. Campanelli, President  
Delaware State AFL-CIO  
301 S. Dupont Road  
Wilmington, Delaware 19804

RE: MUR 1841  
Delaware State AFL-CIO

Dear Mr. Campanelli:

On March 5, 1985, the Federal Election Commission determined that there is reason to believe that your union violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your union. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials within ten days of your receipt of this letter. In addition, please explain the source and purpose of the contribution of \$7,000 dated October 6, 1982, to the Democratic State Committee of Delaware. Provide documentation to show whether the contribution originated from a union treasury or from a separate segregated fund.

In the absence of any additional information which demonstrates that no further action should be taken against your labor organization, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

John Warren McGarry  
Chairman

Enclosures

General Counsel's Factual and Legal Analysis  
Procedures  
Designation of Counsel Statement

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**GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS**

**MUR NO. 1841**

**RESPONDENT: Delaware State AFL-CIO**

**SUMMARY OF ALLEGATIONS**

The Delaware State - AFL-CIO violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

**FACTUAL BASIS AND LEGAL ANALYSIS**

**Prohibited Contributions**

2 U.S.C. § 441b(a) prohibits the making or receipt of labor organization contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

On October 6 and 15, 1982, the Delaware State AFL-CIO Committee on Political Education, contributed checks of \$7,000 each to the Committee (total contribution \$14,000).<sup>1/</sup> The Committee retained the first contribution and refunded the second on the day of receipt. Because the refund comports with the regulation at 11 C.F.R. § 103.3(b), concerning the timing of refunds for illegal contributions, we recommended that the contribution of \$7,000 dated October 15, 1982, not be included as part of the calculation of excessive contributions.

<sup>1/</sup> Under Delaware State law, labor organizations and corporations may make contributions in connection with State and local elections.

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The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that the AFL-CIO C.O.P.E. contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.<sup>2/</sup> Therefore, because the Delaware AFL-CIO made prohibited contributions to the Committee, the Office of General Counsel recommended reason to believe that a violation of 2 U.S.C. § 441b(a) occurred in this case.

<sup>2/</sup> In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.

DESCRIPTION OF PRELIMINARY PROCEDURES  
FOR PROCESSING POSSIBLE VIOLATIONS DISCOVERED BY THE  
FEDERAL ELECTION COMMISSION

Possible violations discovered during the normal course of the Commission's supervisory responsibilities shall be referred to the Enforcement Division of the Office of General Counsel where they are assigned a MUR (Matter Under Review) number, and assigned to a staff member.

Following review of the information which generated the MUR, a recommendation on how to proceed on the matter, which shall include preliminary legal and factual analysis, and any information compiled from materials available to the Commission shall be submitted to the Commission. This initial report shall recommend either: (a) that the Commission find reason to believe that a possible violation of the Federal Election Campaign Act (FECA) may have occurred or is about to occur and that the Commission conduct an investigation of the matter; or (b) that the Commission find no reason to believe that a possible violation of the FECA has occurred and that the Commission close the file on the matter.

Thereafter, if the Commission decides by an affirmative vote of four (4) Commissioners that there is reason to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed, the Office of the General Counsel shall open an investigation into the matter. Upon notification of the Commission's finding(s), within 15 days a respondent(s) may submit any factual or legal materials relevant to the allegations. During the investigation, the Commission shall have the power to subpoena documents, to subpoena individuals to appear for depositions, and to order answers to interrogatories. The respondent(s) may be contacted more than once by the Commission in its investigation.

If, during this period of investigation, the respondent(s) indicate a desire to enter into conciliation, the Office of General Counsel staff may begin the conciliation process prior to a finding of probable cause to believe a violation has been committed. Conciliation is an informal method of conference and persuasion to endeavor to correct or prevent a violation of the Federal Election Campaign Act (FECA). Most often, the result of conciliation is an agreement signed by the Commission and the respondent(s). The Conciliation Agreement must be adopted by four votes of the Commission before it becomes final. After signature by the Commission and the respondent(s), the Commission shall make public the Conciliation Agreement.

[If the investigation warrants], and no conciliation agreement is entered into prior to a probable cause to believe finding, the General Counsel must notify the respondent(s) of his intent to proceed to a vote on probable cause to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed. Included with the notification to the respondent(s) shall be a brief setting forth the position of the General Counsel on the legal and factual issues of the case. Within 15 days of receipt of such brief, the respondent(s) may submit a brief posing the position of respondent(s) and replying to the brief of the General Counsel. Both briefs will then be filed with the Commission Secretary and will be considered by the Commission. Thereafter, if the Commission determines by an affirmative vote of four (4) Commissioners, that there is probable cause to believe that a violation of the FECA has been committed or is about to be committed conciliation must be undertaken for a period of at least 30 days but not more than 90 days. If the Commission is unable to correct or prevent any violation of the FECA through conciliation the Office of General Counsel may recommend that the Commission file a civil suit against the respondent(s) to enforce the Federal Election Campaign Act (FECA). Thereafter, the Commission may, upon an affirmative vote of four (4) Commissioners, institute civil action for relief in the District Court of the United States.

See 2 U.S.C. § 437g, 11 C.F.R. Part 111.

November 1980

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**STATEMENT OF DESIGNATION OF COUNSEL**

MUR \_\_\_\_\_

NAME OF COUNSEL: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TELEPHONE: \_\_\_\_\_

The above-named individual is hereby designated as my  
counsel and is authorized to receive any notifications and other  
communications from the Commission and to act on my behalf before  
the Commission.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

RESPONDENT'S NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

HOME PHONE: \_\_\_\_\_

BUSINESS PHONE: \_\_\_\_\_

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 11, 1985

Mr. Clifford B. Hearn, Treasurer  
The Democratic State Committee  
P.O. Box 2065  
Wilmington, DE 19899

RE: MUR 1841  
Democratic State Committee

Dear Mr. Hearn:

On March 5, 1985, the Federal Election Commission determined that there is reason to believe that the Democratic State Committee and you, as treasurer, violated the following provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"):

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you and the committee. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials, along with your answers to the enclosed questions, within ten days of your receipt of this letter.

In the absence of any additional information which demonstrates that no further action should be taken against your committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission. The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

  
John Warren McGarry  
Chairman

Enclosures  
General Counsel's Factual and Legal Analysis  
Procedures  
Designation of Counsel Statement

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**GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS**

**MUR NO. 1841**

**RESPONDENT: Democratic State Committee (Delaware)  
Clifford B. Hearn, Jr., Treasurer**

**SUMMARY OF ALLEGATIONS**

The Democratic State Committee - Delaware ("the Committee") and as treasurer, Clifford B. Hearn, Jr., apparently violated the following sections of the Act:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

**FACTUAL BASIS AND LEGAL ANALYSIS**

**A. Allocation of Operating Expenditures**

2 U.S.C. § 434(b)(4)(A) requires the reporting of all disbursements, specifically expenditures made to meet candidate or committee operating expenses.

11 C.F.R. § 106.1(c) states that (1) expenditures for rent, personnel, overhead, general administrative, fund-raising and other day-to-day costs of political committees and (2) expenditures for ... registration and get out the vote drives need not be attributed to individual candidates, unless these expenditures are made on behalf of a clearly identified candidate and the expenditures can be directly attributed to that candidate.

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11 C.F.R. § 106.1(e) states, "Party committees ... which have established Federal campaign committees pursuant to 11 C.F.R. § 102.5 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis.

1. Review of Advertising Expenditures

On October 22, 1984, the date when the auditors submitted the final audit report for Commission approval, the Democratic State Committee-DE ("the Committee") submitted additional information in response to questions raised in the Interim Audit Report. The Committee's documents appear to verify that funds originally identified by a Committee official as expenditures on behalf of specific federal candidates were not in fact disbursements directly made in connection with federal activity.

The documentation supports 16 expenditures to media firms totaling \$9,130.60. On the basis of a committee response to an RFAI, the auditors originally viewed these payments as expenditures for ads supporting two federal candidates. However, this most recent Committee documentation consists of transcripts of broadcast advertisements which name no specific candidates or political office, but exhort the public to vote Democratic.

In a letter accompanying the documentation, the Committee treasurer states, "Since they were from the Democratic National

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Committee, I naively thought they would be for federal candidates only. Thus, I was responsible for improperly reporting these monies being spent for federal candidates."

The Commission directly addressed such generic advertising by a national party committee in AO 1984-15:

If the reference is to all [opposition party] candidates generally without identifying (by visual or audio content) any specific candidate or office, the disbursements would not then be attributable to any candidate or to any campaign for any particular Federal office. Instead, they would be characterized as advertisements promoting [one party] over [another party] and to encourage voters to support [the advertiser's party] generally. As such, the disbursements for such advertising would not be reportable as contributions to any specific candidate or as coordinated party expenditures in connection with any specific general election campaign for President, Senator or Representative. See AOs 1978-46 and 1975-87. Such disbursements would be reportable as operating expenditures ... See 11 C.F.R. §§104.3(b)(3)(i) and 106.1(c).

The texts of the four advertisements focus on certain issues, comparing the Republicans to the Democrats in a paragraph each: Social Security, taxes, unemployment, domestic and social concerns. The ads contain no allusion to a specific candidate, nor do they single out any particular federal office. The ads were provided by the DNC and, on the basis of content, could have been used in any State. Therefore, it appears that the advertising campaign waged by the Committee may be characterized as operating expenditures for media which are not attributable to any clearly identified candidate.

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2. Operating Expenditures Allocable to Federal Activity

During the audit period under scrutiny here (October 1, 1982 - December 31, 1982), the Committee reported total disbursements of \$44,609.55. Of this amount, the Committee directly contributed \$1,000 to a federal House candidate. The Committee exceeds the threshold definition of a "political committee" at 2 U.S.C. § 431(4) because some portion of the Committee's operating expenditures, including expenditures to media firms for its "generic" broadcast ad campaign, is allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

Particularly in a state where the Senate and House seats are statewide campaigns, any party activity supports federal activity, and expenditures for general advertising potentially enhances the federal candidates' efforts. Therefore, the Committee should determine the amount of operating expenses allocable to federal elections. Its failure to do so constitutes a violation of 2 U.S.C. § 434(b)(4)(A).

B. Receipt of Prohibited Contributions

2 U.S.C. § 441b(a) prohibits the making or receipt of labor organization contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

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The auditors report that between October 1, 1982, and December 31, 1982, the Committee received contributions from two labor organizations as follows:

| <u>Contributor</u>   | <u>Amount</u>  | <u>Date</u>  | <u>Total Retained</u> |
|----------------------|----------------|--------------|-----------------------|
| (1) DE AFL-CIO       | 7,000          | 10-06-82     |                       |
|                      | +7,000         | 10-15-82     |                       |
| Total                | 14,000         |              |                       |
| Less Refund          | -7,000         | 10-15-82     |                       |
|                      | <u>\$7,000</u> |              | 7,000                 |
| <br>(2) Seafarers    | <br>\$8,500    | <br>11-01-82 |                       |
|                      | +1,055         | 11-05-82     |                       |
| Total                | \$9,555        |              |                       |
| Less Refund          | -3,000         | 03-10-83     |                       |
|                      | -1,000         | 08-21-84     |                       |
|                      | <u>\$5,555</u> |              | 5,555                 |
|                      |                |              | <u>\$12,555</u>       |
| (1) Delaware AFL-CIO |                |              |                       |

On October 6 and 15, 1982, the Delaware State AFL-CIO contributed checks of \$7,000 each to the Committee (total contribution \$14,000).<sup>1/</sup> The Committee retained the first contribution and refunded the second on the day of receipt. Because the refund comports with the regulation at 11 C.F.R. § 103.3(b), concerning the timing of refunds for illegal contributions, we recommended that the contribution of \$7,000 dated October 15, 1982, not be included as part of the calculation of excessive contributions.

The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that

<sup>1/</sup> Under Delaware State law, labor organizations and corporations may make contributions in connection with State and local elections.

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the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that Delaware AFL-CIO contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.<sup>2/</sup>

(2) Seafarers International Union

The auditors also found that the Seafarers International Union contributed \$9,555 to the Committee during November 1982. On March 10, 1983, the Committee refunded \$3,000 of this amount to the Seafarers. According to the audit referral, Committee officials stated that the Committee "refunded" \$5,555 to the Seafarers union through payments for the labor union's travel and subsistence. However, the audit review of these payments and supporting documentation did not verify that the payments were made in connection with union activities. Committee officials told the auditors that they could show the connection with additional documents. No other documentation was provided.

Because the Committee had directly refunded \$3,000 and had pledged to document "refunds-in-kind" of \$5,555, the auditors recommended that the Committee refund \$1,000, representing the

<sup>2/</sup> In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.

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remainder of the Seafarers' contribution. On August 21, 1984, the Committee made the suggested refund.

The Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, states that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities ... such as getting out the vote ... [N]one of the monies were designated to support a specific Federal candidate." There is no other information which specifically documents the Seafarers' intentions or the Committee's use of the contributions. In addition, the auditors reviewed the Seafarers' four separate segregated funds,<sup>3/</sup> but found no contributions to the Committee. Furthermore, the Committee's refund check of \$3,000 was made payable to and endorsed by the Seafarers' union rather than by a segregated fund.

Therefore, because the Committee accepted union contributions made by the Delaware AFL-CIO and the Seafarers International Union, this Office recommended reason to believe that violations of 2 U.S.C. § 441b(a) occurred in this case.

<sup>3/</sup> The audit referral states that the Seafarers International Union maintains four separate segregated funds registered with the Commission:

- 1) Seafarers' Political Activity Donation
- 2) Marine Firemen's Union Political Action Fund
- 3) Sailors Political Fund
- 4) Inlandboatmen's Union Political Action Committee.

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Questions - Democratic State Committee - Delaware

1. Please explain and document the source (whether labor union treasury or separate segregated fund) and purpose of the following contributions:

| <u>Contributor</u> | <u>Amount</u> | <u>Date</u> |
|--------------------|---------------|-------------|
| DE State AFL-CIO   | \$7,000       | 10-6-82     |
| Seafarers Int'l    | \$8,500       | 11-1-82     |
| Union              | \$1,055       | 11-5-82     |

2. Your Committee has stated that the following payments represent what may be characterized as "refunds-in-kind" to the Seafarers Union. Please explain the circumstances and fully document the connection between these payments and the union's activities:

| <u>Recipient</u>   | <u>Amount</u> | <u>Date</u> | <u>Purpose</u>    |
|--------------------|---------------|-------------|-------------------|
| Tom Soresi         | \$ 500.00     | 11-1-82     | Advance Expenses* |
|                    | \$ 400.00     | 11-1-82     | Out-of-Pocket*    |
| Colonial Chevrolet | \$2,440.32    | 11-5-82     | car rental        |
| Quality Inn        | \$2,257.00    | 11-1-82     | hotel bill        |

\*Both payments were reported as "Campaign Headquarters Office Work."

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DESCRIPTION OF PRELIMINARY PROCEDURES  
FOR PROCESSING POSSIBLE VIOLATIONS DISCOVERED BY THE  
FEDERAL ELECTION COMMISSION

Possible violations discovered during the normal course of the Commission's supervisory responsibilities shall be referred to the Enforcement Division of the Office of General Counsel where they are assigned a MUR (Matter Under Review) number, and assigned to a staff member.

Following review of the information which generated the MUR, a recommendation on how to proceed on the matter, which shall include preliminary legal and factual analysis, and any information compiled from materials available to the Commission shall be submitted to the Commission. This initial report shall recommend either: (a) that the Commission find reason to believe that a possible violation of the Federal Election Campaign Act (FECA) may have occurred or is about to occur and that the Commission conduct an investigation of the matter; or (b) that the Commission find no reason to believe that a possible violation of the FECA has occurred and that the Commission close the file on the matter.

Thereafter, if the Commission decides by an affirmative vote of four (4) Commissioners that there is reason to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed, the Office of the General Counsel shall open an investigation into the matter. Upon notification of the Commission's finding(s), within 15 days a respondent(s) may submit any factual or legal materials relevant to the allegations. During the investigation, the Commission shall have the power to subpoena documents, to subpoena individuals to appear for depositions, and to order answers to interrogatories. The respondent(s) may be contacted more than once by the Commission in its investigation.

If, during this period of investigation, the respondent(s) indicate a desire to enter into conciliation, the Office of General Counsel staff may begin the conciliation process prior to a finding of probable cause to believe a violation has been committed. Conciliation is an informal method of conference and persuasion to endeavor to correct or prevent a violation of the Federal Election Campaign Act (FECA). Most often, the result of conciliation is an agreement signed by the Commission and the respondent(s). The Conciliation Agreement must be adopted by four votes of the Commission before it becomes final. After signature by the Commission and the respondent(s), the Commission shall make public the Conciliation Agreement.

[If the investigation warrants], and no conciliation agreement is entered into prior to a probable cause to believe finding, the General Counsel must notify the respondent(s) of his intent to proceed to a vote on probable cause to believe that a violation of the Federal Election Campaign Act (FECA) has been committed or is about to be committed. Included with the notification to the respondent(s) shall be a brief setting forth the position of the General Counsel on the legal and factual issues of the case. Within 15 days of receipt of such brief, the respondent(s) may submit a brief posing the position of respondent(s) and replying to the brief of the General Counsel. Both briefs will then be filed with the Commission Secretary and will be considered by the Commission. Thereafter, if the Commission determines by an affirmative vote of four (4) Commissioners, that there is probable cause to believe that a violation of the FECA has been committed or is about to be committed conciliation must be undertaken for a period of at least 30 days but not more than 90 days. If the Commission is unable to correct or prevent any violation of the FECA through conciliation the Office of General Counsel may recommend that the Commission file a civil suit against the respondent(s) to enforce the Federal Election Campaign Act (FECA). Thereafter, the Commission may, upon an affirmative vote of four (4) Commissioners, institute civil action for relief in the District Court of the United States.

See 2 U.S.C. § 437g, 11 C.F.R. Part 111.

November 1980

96040621323

**STATEMENT OF DESIGNATION OF COUNSEL**

MUR \_\_\_\_\_

NAME OF COUNSEL: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TELEPHONE: \_\_\_\_\_

\_\_\_\_\_

The above-named individual is hereby designated as my  
counsel and is authorized to receive any notifications and other  
communications from the Commission and to act on my behalf before  
the Commission.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

RESPONDENT'S NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

HOME PHONE: \_\_\_\_\_

BUSINESS PHONE: \_\_\_\_\_

\_\_\_\_\_

86040321324





FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

April 1, 1985

Margaret L. McCormick, Esquire  
American Federation of Labor  
and Congress of Industrial  
Organizations  
815 Sixteenth Street, N.W.  
Washington, D.C. 20006

Re: MUR 1841  
Delaware State  
AFL-CIO

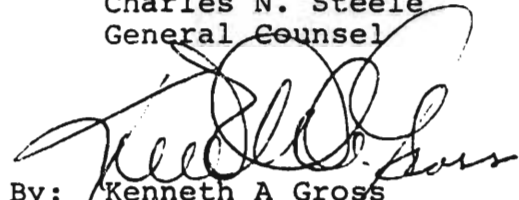
Dear Ms. McCormick:

This is in reference to your letter dated March 25, 1985, requesting an extension until April 12, 1985, to respond to the Commission's reason to believe notice. After considering the circumstances presented in your letter, the Commission has determined to grant your requested extension. Accordingly, your response will be due on April 12, 1985.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter at (202) 523-4000.

Sincerely,

Charles N. Steele  
General Counsel

  
By: Kenneth A. Gross  
Associate General Counsel

860406.21325

206 6777  
American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.  
Washington, D.C. 20006  
(202) 637-5000

EXECUTIVE COUNCIL

LANE KIRKLAND PRESIDENT Hagan  
THOMAS R. DONAHUE SECRETARY-TREASURER

John H. Lyons  
Murray H. Finley  
Bel C. Chaitin  
Charles H. Pillard  
Alvin E. Hespe  
John DeConcini  
Joyce D. Miller  
James E. Hatfield  
Vincent R. Sombrotto  
Marvin J. Boode  
Owen Sieber

Thomas W. Gleason  
Albert Shertzer  
Edward T. Henley  
J. C. Turner  
William W. Wimpelinger  
Wayne E. Glenn  
John J. Sweeney  
Barbara Hutchinson  
Gerald W. Magrath  
Patrick J. Campbell  
John T. Joyce

Frederick O'Neal  
Glenn E. Wells  
Angelo Fasso  
Kenneth T. Blaylock  
William H. Wynn  
Robert F. Goss  
Frank Cressk  
Richard J. Kilroy  
William H. Bywater  
Kenneth J. Brown  
Lynn R. Williams

March 25, 1985

Frances B. Hagan  
Office of the General Counsel  
Federal Election Commission  
1325 K Street, N.W.  
Washington, D.C. 20463

Re: FEC MUR 1841

Dear Fran:

The purpose of this letter is to request an extension of time from March 29, 1985 until April 12, 1985, for respondent Delaware State AFL-CIO to reply to the Commission's reason-to-believe determination in the above-referenced matter.

The reason for this request is that I am still in the process of gathering the information and documents necessary to prepare an adequate response in this matter, a process which is necessarily time-consuming since the organizations involved in this matter are located in the state of Delaware. Furthermore, I had not yet been able to reach Mr. John Campanelli, who was the president of the Delaware AFL-CIO in 1982 and who presumably, unlike the current president Mr. Peterson, has some direct knowledge of the matters described in the Commission's reason-to-believe notification.

For the above stated reasons, I respectfully request an extension of time in which to file the reply of respondent Delaware State AFL-CIO from March 29, 1985 until April 12, 1985.

Sincerely,

*Margaret McCormick*

Margaret E. McCormick  
Counsel for Respondent  
Delaware State AFL-CIO

GCC #6954

Hagan

**STATEMENT OF DESIGNATION OF COUNSEL**

MUR 1841

NAME OF COUNSEL: Peggy McCormick (Margaret)

ADDRESS: AFL-CIO Legal Department

815 16th Street, N.W., Rm. 804

Washington, D.C. 20006

TELEPHONE: 202-637-5397 (o) 301-656-9612 (h)

The above-named individual is hereby designated as my  
counsel and is authorized to receive any notifications and other  
communications from the Commission and to act on my behalf before  
the Commission.

3/19/85  
Date

Edward F. Peterson  
Signature

RESPONDENT'S NAME: Edward F. Peterson, President  
Delaware State AFL-CIO

ADDRESS: 2223 Jamaica Drive (Home)  
Holiday Hills, Wilm., DE 19810  
P. O. Box 581 (office)  
New Castle, DE 19720

HOME PHONE: 1-302-475-1808

BUSINESS PHONE: 1-302-322-0111

15 MAR 21 P 3:14  
RECEIVED  
GENERAL COUNSEL

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of )  
 )  
Democratic State Committee ) MUR 1841  
(Delaware) )  
Clifford B. Hearn, Jr., Treasurer )  
Delaware State AFL-CIO )  
Seafarers International Union )

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the  
Federal Election Commission executive session of March 5,  
1985, do hereby certify that the Commission took the  
following actions in MUR 1841:

1. Decided by a vote of 4-2 to find reason to believe that the Democratic State Committee-(DE) and as treasurer, Clifford B. Hearn, Jr., violated 2 U.S.C. § 441b(a).

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

2. Decided by a vote of 5-1 to reject the FEC General Counsel's recommendation to find reason to believe that the Democratic State Committee - (DE) and as treasurer, Clifford B. Hearn, Jr., violated 2 U.S.C. § 433(d)(1).

Commissioners Aikens, Elliott, Harris, McDonald, and McGarry voted affirmatively; Commissioner Reiche dissented.

(continued)

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3. Decided by a vote of 4-2 to

- a) Find reason to believe that the Democratic State Committee - (DE) and as treasurer, Clifford B. Hearn, Jr., violated 2 U.S.C. § 434(b) (4) (A).
- b) Find reason to believe that the Delaware State AFL-CIO violated 2 U.S.C. § 441b(a).
- c) Find reason to believe that the Seafarers International Union violated 2 U.S.C. § 441b(a).
- d) Direct the Office of General Counsel to send appropriate letters pursuant to the actions taken this date.

Commissioners Harris, McDonald, McGarry, and Reiche voted affirmatively for the decision; Commissioners Aikens and Elliott dissented.

Attest:

3-5-85

Date

Marjorie W. Emmons

Marjorie W. Emmons  
Secretary of the Commission

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**SENSITIVE**

**FEDERAL ELECTION COMMISSION**

1325 K Street, N.W.

Washington, D.C. 20463

RECEIVED  
OFFICE OF THE FEC  
COMMISSION SECRETARY

SEP 25 13:50

**FIRST GENERAL COUNSEL'S REPORT**

DATE AND TIME OF TRANSMITTAL

BY OGC TO THE COMMISSION 2/25/85 - 4:00

MUR # 1841

STAFF MEMBER:

Frances B. Hagan

SOURCE OF MUR:

I N T E R N A L L Y G E N E R A T E D

RESPONDENTS' NAMES: Democratic State Committee (Delaware)

Clifford B. Hearn, Jr., Treasurer

Delaware State AFL-CIO

Seafarers International Union

RELEVANT STATUTES:

2 U.S.C. § 441b(a)

11 C.F.R. § 102.5(a)(1) and (2)

2 U.S.C. § 433(d)

11 C.F.R. § 102.3(a) and (b)

11 C.F.R. § 103.3(b)

2 U.S.C. § 434(b)(4)(A)

11 C.F.R. § 106.1(e)

INTERNAL REPORTS

CHECKED:

Audit Workpapers

FEDERAL AGENCIES

CHECKED:

NONE

**GENERATION OF MATTER**

This matter was referred to the Office of General Counsel from the Audit Division as a result of an audit conducted pursuant to 2 U.S.C. § 438(b). In addition, this Office has analyzed an issue regarding the allocation of operating expenses which was not part of the Audit referral. (See Factual and Legal Analysis A. (1) and (2)).

**SUMMARY OF ALLEGATIONS**

1. The Democratic State Committee - Delaware ("the Committee") and as treasurer, Clifford B. Hearn, Jr., apparently

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violated the following sections of the Act:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
  - b) 2 U.S.C. § 433(d)(1) as stated at 11 C.F.R. § 102.3(a) and (b) for failure to completely report at termination the disposition of residual funds.
  - c) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).
2. The Delaware State - AFL-CIO violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.
  3. The Seafarers International Union violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

#### FACTUAL AND LEGAL ANALYSIS

##### A. Allocation of Operating Expenditures

2 U.S.C. § 434(b)(4)(A) requires the reporting of all disbursements, specifically expenditures made to meet candidate or committee operating expenses.

11 C.F.R. § 106.1(c) states that (1) expenditures for rent, personnel, overhead, general administrative, fund-raising and other day-to-day costs of political committees and (2) expenditures for ... registration and get out the vote drives need not be attributed to individual candidates, unless these expenditures are made on behalf of a clearly identified candidate and the expenditures can be directly attributed to that candidate.

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11 C.F.R. § 106.1(e) states, "Party committees ... which have established Federal campaign committees pursuant to 11 C.F.R. § 102.5 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis.

(1.) Review of Advertising Expenditures

On October 22, 1984, the date when the auditors submitted the final audit report for Commission approval, the Democratic State Committee-DE ("the Committee") submitted additional information in response to questions raised in the Interim Audit Report.<sup>1/</sup> The Committee's documents appear to verify that funds originally identified by a Committee official as expenditures on behalf of specific federal candidates were not in fact disbursements directly made in connection with federal activity.

The documentation supports 16 expenditures to media firms totaling \$9,130.60. On the basis of a committee response to an RFAI, the auditors originally viewed these payments as expenditures for ads supporting two federal candidates. However, this most recent Committee documentation consists of transcripts of broadcast

<sup>1/</sup> The documents were received during the Final Audit Report circulation and were not analyzed in the Audit referral to OGC.

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advertisements which name no specific candidates or political office, but exhort the public to vote Democratic.

In a letter accompanying the documentation, the Committee treasurer states, "Since they were from the Democratic National Committee, I naively thought they would be for federal candidates only. Thus, I was responsible for improperly reporting these monies being spent for federal candidates.

The Commission directly addressed such generic advertising by a national party committee in AO 1984-15:

If the reference is to all [opposition party] candidates generally without identifying (by visual or audio content) any specific candidate or office, the disbursements would not then be attributable to any candidate or to any campaign for any particular Federal office. Instead, they would be characterized as advertisements promoting [one party] over [another party] and to encourage voters to support [the advertiser's party] generally. As such, the disbursements for such advertising would not be reportable as contributions to any specific candidate or as coordinated party expenditures in connection with any specific general election campaign for President, Senator or Representative. See AOs 1978-46 and 1975-87. Such disbursements would be reportable as operating expenditures ... See 11 C.F.R. §§104.3(b)(3)(i) and 106.1(c).

The texts of the four advertisements focus on certain issues, comparing the Republicans to the Democrats in a paragraph each: Social Security, taxes, unemployment, domestic and social concerns. The ads contain no allusion to a specific candidate, nor do they single out any particular federal office. The ads were provided by the DNC

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and, on the basis of content, could have been used in any State. Therefore, it appears that the advertising campaign waged by the Committee may be characterized as operating expenditures for media which are not attributable to any clearly identified candidate.

(2.) Operating Expenditures Allocable to Federal Activity

During the audit period under scrutiny here (October 1, 1982 - December 31, 1982), the Committee reported total disbursements of \$44,609.55. Of this amount, the Committee directly contributed \$1,000 to a federal House candidate. The Committee exceeds the threshold definition of a "political committee" at 2 U.S.C. § 431(4) because some portion of the Committee's operating expenditures, including expenditures to media firms for its "generic" broadcast ad campaign, is allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

Particularly in a state where the Senate and House seats are statewide campaigns, any party activity supports federal activity, and expenditures for general advertising potentially enhances the federal candidates' efforts. Therefore, the Committee should determine the amount of operating expenses allocable to federal elections. Its failure to do so constitutes a violation of 2 U.S.C. § 434(b)(4)(A).

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B. Receipt of Prohibited Contributions

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

The auditors report that between October 1, 1982, and December 31, 1982, the Committee received contributions from two labor organizations as follows:

| <u>Contributor</u> | <u>Amount</u>  | <u>Date</u>  | <u>Total Retained</u> |
|--------------------|----------------|--------------|-----------------------|
| DE AFL-CIO         | 7,000          | 10-06-82     |                       |
|                    | +7,000         | 10-15-82     |                       |
| Total              | <u>14,000</u>  |              |                       |
| Less Refund        | -7,000         | 10-15-82     |                       |
|                    | <u>\$7,000</u> |              | 7,000                 |
| <br>Seafarers      | <br>\$8,500    | <br>11-01-82 |                       |
|                    | +1,055         | 11-05-82     |                       |
| Total              | <u>\$9,555</u> |              |                       |
| Less Refund        | -3,000         | 03-10-83     |                       |
|                    | -1,000         | 08-21-84     |                       |
|                    | <u>\$5,555</u> |              |                       |
|                    |                |              | <u>5,555</u>          |
|                    |                |              | <u>\$12,555</u>       |

(1) Delaware AFL-CIO

On October 6 and 15, 1982, the Delaware State AFL-CIO contributed checks of \$7,000 each to the Committee (total

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contribution \$14,000).2/ The Committee retained the first contribution and refunded the second on the day of receipt. Because the refund comports with the regulation at 11 C.F.R. § 103.3(b), concerning the timing of refunds for illegal contributions, we would recommend that the contribution of \$7,000 dated October 15, 1982, not be included as part of the calculation of excessive contributions.

The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that the Delaware AFL-CIO contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.3/

(2) Seafarers International Union

The auditors also found that the Seafarers International Union contributed \$9,555 to the Committee during November 1982. On March 10, 1983, the Committee refunded \$3,000 of this amount to the Seafarers. According to the audit referral, Committee

2/ Under Delaware State law, labor organizations and corporations may make contributions in connection with State and local elections.

3/ In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.

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officials stated that the Committee "refunded" \$5,555 to the Seafarers union through in-kind payments for the labor union's travel and subsistence. However, the audit review of these payments and supporting documentation did not verify that the payments were made in connection with union activities. Committee officials told the auditors that they could show the connection with additional documents. No other documentation was provided.

Because the Committee had directly refunded \$3,000 and had pledged to document "refunds-in-kind" of \$5,555, the auditors recommended that the Committee refund \$1,000, representing the remainder of the Seafarers' contribution. On August 21, 1984, the Committee made the suggested refund.

The Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, states that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities ... such as getting out the vote ... [N]one of the monies were designated to support a specific Federal candidate." There is no other information which specifically documents the Seafarers' intentions or the Committee's use of the contributions. In addition, the auditors reviewed the Seafarers' four separate

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segregated funds,<sup>4/</sup> but found no contributions to the Committee. Furthermore, the Committee's refund check of \$3,000 was made payable to and endorsed by the Seafarers' union rather than by a segregated fund.

Therefore, because the Committee accepted union contributions made by the Delaware AFL-CIO and the Seafarers International Union, this Office is recommending reason to believe that violations of 2 U.S.C. § 441b(a) occurred in this case.

C. Reporting of Residual Funds at Termination

2 U.S.C. § 433(d)(1) states that a political committee may terminate only when such a committee files a written statement that it will no longer receive any contributions or make any disbursements and that such committee has no outstanding debts or obligations.

11 C.F.R. § 102.3(a) provides that a committee which will no longer receive any contributions or make any disbursements that would otherwise qualify it as a political committee may terminate, provided that such committee has no outstanding debts or obligations. In addition to the termination notice, the committee shall also provide a final report of receipts and disbursements, which report shall

<sup>4/</sup> The audit referral states that the Seafarers International Union maintains four separate segregated funds registered with the Commission:

- 1) Seafarers' Political Activity Donation
- 2) Marine Firemen's Union Political Action Fund
- 3) Sailors Political Fund
- 4) Inlandboatmen's Union Political Action Committee.

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include a statement as to the purpose for which such residual funds will be used.

The Audit Referral states that on March 3, 1983, the Committee filed a Year End 1982 report which it labeled a termination report. The report disclosed cash-on-hand of \$932 at December 31, 1982, with no explanation of the disposition of these funds. The auditors verified that in addition to the cash balance, the Committee voided five checks totaling \$3,577, which it had reported as expenditures on the termination report. In March 1983, the Committee reissued one of the checks in the amount of \$3,000.

As a result of these unresolved items, the Interim Audit Report recommended that the Committee file a 1983 report disclosing the five voided checks as negative expenditures, the reissued check of \$3,000 and the remainder of the financial activity reflected in the Year End 1983 cash balance. The report noted that the Committee could incur a reporting obligation for 1984 as well. On September 10, 1984, the Committee partially disclosed the distribution of residual funds.

In view of the Committee's inadequate disclosure of residual funds, this Office is recommending that a violation of 2 U.S.C. § 433(d)(1) occurred.

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**RECOMMENDATIONS**

1. Find reason to believe that the Democratic State Committee-  
(DE) and as treasurer, Clifford B. Hearn, Jr., violated the  
Act as follows:
  - a) 2 U.S.C. § 441b(a);
  - b) 2 U.S.C. § 433(d)(1);
  - c) 2 U.S.C. § 434(b)(4)(A).
2. Find reason to believe that the Delaware State AFL-CIO  
violated 2 U.S.C. § 441b(a).
3. Find reason to believe that the Seafarers International  
Union violated 2 U.S.C. § 441b(a).
4. Send attached letters.

Charles N. Steele  
General Counsel

*February 25, 1975*  
Date

BY:

*Kenneth A. Gross*  
Kenneth A. Gross  
Associate General Counsel

Attachments:  
Proposed Letters  
Audit Referral

86040521340



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Mr. Clifford B. Hearn, Treasurer  
The Democratic State Committee  
P.O. Box 2065  
Wilmington, DE 19899

RE: MUR 1841  
Democratic State Committee

Dear Mr. Hearn:

On , 1985, the Federal Election Commission determined that there is reason to believe that the Democratic State Committee and you, as treasurer, violated the following provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"):

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 433(d)(1) as stated at 11 C.F.R. § 102.3(a) and (b) for failure to completely report at termination the disposition of residual funds;
- c) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you and the committee. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials, along with your answers to the enclosed questions, within ten days of your receipt of this letter.

In the absence of any additional information which demonstrates that no further action should be taken against your committee and you, as treasurer, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

Attachment A (1)

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission. The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

Enclosures  
General Counsel's Factual and Legal Analysis  
Procedures  
Designation of Counsel Statement

A (2)

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GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS

MUR NO. 1841

RESPONDENT: Democratic State Committee (Delaware)  
Clifford B. Hearn, Jr., Treasurer

SUMMARY OF ALLEGATIONS

The Democratic State Committee - Delaware ("the Committee") and as treasurer, Clifford B. Hearn, Jr., apparently violated the following sections of the Act:

- a) 2 U.S.C. § 441b(a) through receipt of prohibited contributions from two unions during 1982;
- b) 2 U.S.C. § 433(d)(1) as stated at 11 C.F.R. § 102.3(a) and (b) for failure to completely report at termination the disposition of residual funds.
- c) 2 U.S.C. § 434(b)(4)(A) for failure to adequately report certain operating expenditures as allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

FACTUAL BASIS AND LEGAL ANALYSIS

A. Allocation of Operating Expenditures

2 U.S.C. § 434(b)(4)(A) requires the reporting of all disbursements, specifically expenditures made to meet candidate or committee operating expenses.

11 C.F.R. § 106.1(c) states that (1) expenditures for rent, personnel, overhead, general administrative, fund-raising and other day-to-day costs of political committees and (2) expenditures for ... registration and get out the vote drives need not be attributed to individual candidates, unless these expenditures are made on behalf of a clearly identified candidate

A (3)

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and the expenditures can be directly attributed to that candidate.

11 C.F.R. § 106.1(e) states, "Party committees ... which have established Federal campaign committees pursuant to 11 C.F.R. § 102.5 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis.

1. Review of Advertising Expenditures

On October 22, 1984, the date when the auditors submitted the final audit report for Commission approval, the Democratic State Committee-DE ("the Committee") submitted additional information in response to questions raised in the Interim Audit Report. The Committee's documents appear to verify that funds originally identified by a Committee official as expenditures on behalf of specific federal candidates were not in fact disbursements directly made in connection with federal activity.

The documentation supports 16 expenditures to media firms totaling \$9,130.60. On the basis of a committee response to an RFAI, the auditors originally viewed these payments as expenditures for ads supporting two federal candidates. However, this most recent Committee documentation consists of transcripts of broadcast advertisements which name no specific candidates or political office, but exhort the public to vote Democratic.

In a letter accompanying the documentation, the Committee treasurer states, "Since they were from the Democratic National

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Committee, I naively thought they would be for federal candidates only. Thus, I was responsible for improperly reporting these monies being spent for federal candidates."

The Commission directly addressed such generic advertising by a national party committee in AO 1984-15:

If the reference is to all [opposition party] candidates generally without identifying (by visual or audio content) any specific candidate or office, the disbursements would not then be attributable to any candidate or to any campaign for any particular Federal office. Instead, they would be characterized as advertisements promoting [one party] over [another party] and to encourage voters to support [the advertiser's party] generally. As such, the disbursements for such advertising would not be reportable as contributions to any specific candidate or as coordinated party expenditures in connection with any specific general election campaign for President, Senator or Representative. See AOs 1978-46 and 1975-87. Such disbursements would be reportable as operating expenditures ... See 11 C.F.R. §§104.3(b)(3)(i) and 106.1(c).

The texts of the four advertisements focus on certain issues, comparing the Republicans to the Democrats in a paragraph each: Social Security, taxes, unemployment, domestic and social concerns. The ads contain no allusion to a specific candidate, nor do they single out any particular federal office. The ads were provided by the DNC and, on the basis of content, could have been used in any State. Therefore, it appears that the advertising campaign waged by the Committee may be characterized as operating expenditures for media which are not attributable to any clearly identified candidate.

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2. Operating Expenditures Allocable to Federal Activity

During the audit period under scrutiny here (October 1, 1982 - December 31, 1982), the Committee reported total disbursements of \$44,609.55. Of this amount, the Committee directly contributed \$1,000 to a federal House candidate. The Committee exceeds the threshold definition of a "political committee" at 2 U.S.C. § 431(4) because some portion of the Committee's operating expenditures, including expenditures to media firms for its "generic" broadcast ad campaign, is allocable to federal activity pursuant to 11 C.F.R. § 106.1(e).

Particularly in a state where the Senate and House seats are statewide campaigns, any party activity supports federal activity, and expenditures for general advertising potentially enhances the federal candidates' efforts. Therefore, the Committee should determine the amount of operating expenses allocable to federal elections. Its failure to do so constitutes a violation of 2 U.S.C. § 434(b)(4)(A).

B. Receipt of Prohibited Contributions

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

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The auditors report that between October 1, 1982, and December 31, 1982, the Committee received contributions from two labor organizations as follows:

| <u>Contributor</u>   | <u>Amount</u>  | <u>Date</u> | <u>Total Retained</u> |
|----------------------|----------------|-------------|-----------------------|
| (1) DE AFL-CIO       | 7,000          | 10-06-82    |                       |
|                      | +7,000         | 10-15-82    |                       |
| Total                | 14,000         |             |                       |
| Less Refund          | -7,000         | 10-15-82    |                       |
|                      | <u>\$7,000</u> |             | 7,000                 |
| (2) Seafarers        | \$8,500        | 11-01-82    |                       |
|                      | +1,055         | 11-05-82    |                       |
| Total                | <u>\$9,555</u> |             |                       |
| Less Refund          | -3,000         | 03-10-83    |                       |
|                      | -1,000         | 08-21-84    |                       |
|                      | <u>\$5,555</u> |             | 5,555                 |
|                      |                |             | <u>\$12,555</u>       |
| (1) Delaware AFL-CIO |                |             |                       |

On October 6 and 15, 1982, the Delaware State AFL-CIO contributed checks of \$7,000 each to the Committee (total contribution \$14,000).<sup>1/</sup> The Committee retained the first contribution and refunded the second on the day of receipt. Because the refund comports with the regulation at 11 C.F.R. § 103.3(b), concerning the timing of refunds for illegal contributions, we recommended that the contribution of \$7,000 dated October 15, 1982, not be included as part of the calculation of excessive contributions.

The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that

<sup>1/</sup> Under Delaware State law, labor organizations and corporations may make contributions in connection with State and local elections.

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the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that Delaware AFL-CIO contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.<sup>2/</sup>

(2) Seafarers International Union

The auditors also found that the Seafarers International Union contributed \$9,555 to the Committee during November 1982. On March 10, 1983, the Committee refunded \$3,000 of this amount to the Seafarers. According to the audit referral, Committee officials stated that the Committee "refunded" \$5,555 to the Seafarers union through payments for the labor union's travel and subsistence. However, the audit review of these payments and supporting documentation did not verify that the payments were made in connection with union activities. Committee officials told the auditors that they could show the connection with additional documents. No other documentation was provided.

Because the Committee had directly refunded \$3,000 and had pledged to document "refunds-in-kind" of \$5,555, the auditors recommended that the Committee refund \$1,000, representing the

<sup>2/</sup> In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.



remainder of the Seafarers' contribution. On August 21, 1984, the Committee made the suggested refund.

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The Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, states that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities ... such as getting out the vote ... [N]one of the monies were designated to support a specific Federal candidate." There is no other information which specifically documents the Seafarers' intentions or the Committee's use of the contributions. In addition, the auditors reviewed the Seafarers' four separate segregated funds,<sup>3/</sup> but found no contributions to the Committee. Furthermore, the Committee's refund check of \$3,000 was made payable to and endorsed by the Seafarers' union rather than by a segregated fund.

Therefore, because the Committee accepted union contributions made by the Delaware AFL-CIO and the Seafarers International Union, this Office recommended reason to believe that violations of 2 U.S.C. § 441b(a) occurred in this case.

<sup>3/</sup> The audit referral states that the Seafarers International Union maintains four separate segregated funds registered with the Commission:

- 1) Seafarers' Political Activity Donation
- 2) Marine Firemen's Union Political Action Fund
- 3) Sailors Political Fund
- 4) Inlandboatmen's Union Political Action Committee.

C. Reporting of Residual Funds at Termination

2 U.S.C. § 433(d)(1) states that a political committee may terminate only when such a committee files a written statement that it will no longer receive any contributions or make any disbursements and that such committee has no outstanding debts or obligations.

11 C.F.R. § 102.3(a) provides that a committee which will no longer receive any contributions or make any disbursements that would otherwise qualify it as a political committee may terminate, provided that such committee has no outstanding debts or obligations. In addition to the termination notice, the committee shall also provide a final report of receipts and disbursements, which report shall include a statement as to the purpose for which such residual funds will be used.

The Audit Referral states that on March 3, 1983, the Committee filed a Year End 1982 report which it labeled a termination report. The report disclosed cash-on-hand of \$932 at December 31, 1982, with no explanation of the disposition of these funds. The auditors verified that in addition to the cash balance, the Committee voided five checks totaling \$3,577, which it had reported as expenditures on the termination report. In March 1983, the Committee reissued one of the checks in the amount of \$3,000.

As a result of these unresolved items, the Interim Audit Report recommended that the Committee file a 1983 report disclosing the five voided checks as negative expenditures, the

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reissued check of \$3,000 and the remainder of the financial activity reflected in the Year End 1983 cash balance. The report noted that the Committee could incur a reporting obligation for 1984 as well. On September 10, 1984, the Committee partially disclosed the distribution of residual funds.

In view of the Committee's inadequate disclosure of residual funds, this Office recommended that a violation of 2 U.S.C. § 433(d)(1) occurred.

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Questions - Democratic State Committee - Delaware

1. Please explain and document the source (whether labor union treasury or separate segregated fund) and purpose of the following contributions:

| <u>Contributor</u> | <u>Amount</u> | <u>Date</u> |
|--------------------|---------------|-------------|
| DE State AFL-CIO   | \$7,000       | 10-6-82     |
| Seafarers Int'l    | \$8,500       | 11-1-82     |
| Union              | \$1,055       | 11-5-82     |

2. Your Committee has stated that the following payments represent what may be characterized as "refunds-in-kind" to the Seafarers Union. Please explain the circumstances and fully document the connection between these payments and the union's activities:

| <u>Recipient</u>   | <u>Amount</u> | <u>Date</u> | <u>Purpose</u>    |
|--------------------|---------------|-------------|-------------------|
| Tom Soresi         | \$ 500.00     | 11-1-82     | Advance Expenses* |
|                    | \$ 400.00     | 11-1-82     | Out-of-Pocket*    |
| Colonial Chevrolet | \$2,440.32    | 11-5-82     | car rental        |
| Quality Inn        | \$2,257.00    | 11-1-82     | hotel bill        |

\*Both payments were reported as "Campaign Headquarters Office Work."



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Mr. John A. Campanelli, President  
Delaware State AFL-CIO  
301 S. Dupont Road  
Wilmington, Delaware 19804

RE: MUR 1841  
Delaware State AFL-CIO

Dear Mr. Campanelli:

On , 1985, the Federal Election Commission determined that there is reason to believe that your union violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your union. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials within ten days of your receipt of this letter. In addition, please explain the source and purpose of the contribution of \$7,000 dated October 6, 1982, to the Democratic State Committee of Delaware. Provide documentation to show whether the contribution originated from a union treasury or from a separate segregated fund.

In the absence of any additional information which demonstrates that no further action should be taken against your labor organization, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

Enclosures

General Counsel's Factual and Legal Analysis  
Procedures  
Designation of Counsel Statement

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**GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS**

**MUR NO. 1841**

**RESPONDENT: Delaware State AFL-CIO**

**SUMMARY OF ALLEGATIONS**

The Delaware State - AFL-CIO violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

**FACTUAL BASIS AND LEGAL ANALYSIS**

**Prohibited Contributions**

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

On October 6 and 15, 1982, the Delaware State AFL-CIO Committee on Political Education, contributed checks of \$7,000 each to the Committee (total contribution \$14,000).<sup>1/</sup> The Committee retained the first contribution and refunded the second on the day of receipt. Because the refund comports with the regulation at 11 C.F.R. § 103.3(b), concerning the timing of refunds for illegal contributions, we recommended that the contribution of \$7,000 dated October 15, 1982, not be included as part of the calculation of excessive contributions.

<sup>1/</sup> Under Delaware State law, labor organizations and corporations may make contributions in connection with State and local elections.

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The Interim Audit Report recommended that the Committee show evidence to verify a refund of the prohibited funds or show that the source of funds was not a labor organization treasury. In response to the Interim Report, the Committee stated that the AFL-CIO C.O.P.E. contribution of \$7,000 dated October 6, 1982, originated from the AFL-CIO separate segregated fund. There were no supporting documents to bolster this assertion.<sup>2/</sup> Therefore, because the Delaware AFL-CIO made prohibited contributions to the Committee, the Office of General Counsel recommended reason to believe that a violation of 2 U.S.C. § 441b(a) occurred in this case.

<sup>2/</sup> In contrast, the Committee provided documents for the \$7,000 contribution dated 10-15-82. This donation was written on a check labeled "Delaware State C.O.P.E. AFL-CIO." A transmittal letter seemed to indicate that the funds were union treasury monies, specifying that this contribution was to the non-federal campaign account, and, "under no circumstances are these funds to be used in any federal election." The Committee refunded the contribution on the day of receipt.



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Seafarers International Union  
5201 Auth Way  
Camp Springs, Maryland 20746

RE: MUR 1841  
Seafarers International Union

Dear Sir or Madam:

On , 1985, the Federal Election Commission determined that there is reason to believe that your labor organization violated 2 U.S.C. § 441b(a), a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The General Counsel's factual and legal analysis, which formed a basis for the Commission's finding, is attached for your information.

Under the Act, you have an opportunity to demonstrate that no action should be taken against your union. You may submit any factual and legal materials which you believe are relevant to the Commission's consideration of this matter. Please submit any such materials, along with your answers to the enclosed questions, within ten days of your receipt of this letter.

In the absence of any additional information which demonstrates that no further action should be taken against your union, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. Of course, this does not preclude the settlement of this matter through conciliation prior to a finding of probable cause to believe if so desired. See 11 C.F.R. § 111.18(d).

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and a statement authorizing such counsel to receive any notifications and other communications from the Commission.

The investigation now being conducted will be confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

Attachment C (1)

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 523-4000.

Sincerely,

Enclosures

General Counsel's Factual and Legal Analysis  
Questions  
Procedures  
Designation of Counsel Statement

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**GENERAL COUNSEL'S FACTUAL AND LEGAL ANALYSIS**

**MUR NO. 1841**

**RESPONDENT: Seafarers International Union**

**SUMMARY OF ALLEGATIONS**

The Seafarers International Union violated 2 U.S.C. § 441b(a) by making contributions to the Committee during 1982.

**FACTUAL BASIS AND LEGAL ANALYSIS**

**Prohibited Contributions**

2 U.S.C. § 441b(a) prohibits the making or receipt of corporate contributions in connection with a federal election.

11 C.F.R. § 103.3(b)(1) states in part that contributions which appear to be illegal shall be, within 10 days, either returned to the contributor or deposited into the campaign depository and reported ... noting the basis for the appearance of illegality.

The auditors found that the Seafarers International Union contributed \$9,555 to the Committee during November 1982. On March 10, 1983, the Committee refunded \$3,000 of this amount to the Seafarers. According to the audit referral, Committee officials stated that the Committee "refunded" \$5,555 to the Seafarers union through payments for the labor union's travel and subsistence. However, the audit review of these payments and supporting documentation did not verify that the payments were made in connection with union activities. Committee officials told the auditors that they could show the connection with additional documents. No other documentation was provided.

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Because the Committee had directly refunded \$3,000 and had pledged to document "refunds-in-kind" of \$5,555, the auditors recommended that the Committee refund \$1,000, representing the remainder of the Seafarers' contribution. On August 21, 1984, the Committee made the suggested refund.

The Committee's early responses to questions about the Seafarers' contributions indicated that the funds originated from a segregated fund. However, a subsequent letter from the Committee's accounting firm dated September 4, 1984, states that according to the Seafarers, the monies "were from their Treasury Funds and that these monies were earmarked for specific activities ... such as getting out the vote ... [N]one of the monies were designated to support a specific Federal candidate." There is no other information which specifically documents the Seafarers' intentions or the Committee's use of the contributions. In addition, the auditors reviewed the Seafarers' four separate segregated funds,\* / but found no contributions to the Committee. Furthermore, the Committee's refund check of \$3,000 was made payable to and endorsed by the Seafarers' union rather than by a segregated fund. Therefore, because the Seafarers International Union made prohibited contributions to the Committee, the Office of General Counsel recommended reason to believe that a violation of 2 U.S.C. § 441b(a) occurred in this case.

\* / The audit referral states that the Seafarers International Union maintains four separate segregated funds registered with the Commission:

- 1) Seafarers' Political Activity Donation
- 2) Marine Firemen's Union Political Action Fund
- 3) Sailors Political Fund
- 4) Inlandboatmen's Union Political Action Committee.

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Questions - Seafarers International Union

1. Please explain the source and purpose of the following contributions made to the Democratic State Committee of Delaware:

| <u>Amount</u> | <u>Date</u> |
|---------------|-------------|
| \$8,500       | 11-1-82     |
| \$1,055       | 11-5-82     |

Provide documentation to show whether the contributions originated from a union treasury or from a separate segregated fund.

2. Please explain and provide documentation to show a connection between your activities and the following payments made by the Democratic State Committee - Delaware:

| <u>Recipient</u>   | <u>Amount</u> | <u>Date</u> | <u>Purpose</u>         |
|--------------------|---------------|-------------|------------------------|
| Tom Soresi         | \$ 500.00     | 11-1-82     | Advance Expenses       |
|                    | \$ 400.00     | 11-1-82     | Out-of-Pocket Expenses |
| Colonial Chevrolet | \$2,440.32    | 11-5-82     | car rental             |
| Quality Inn        | \$2,257.00    | 11-1-82     | hotel bill             |

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FEDERAL ELECTION COMMISSION

1125 K STREET N.W.  
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 1841

Date Filmed 12/17/86 Camera No. --- 2

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